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 (MSM), 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 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Oman.

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 3.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 Standards, amendments and interpretation effective in 2016

For the year ended 31 December 2016, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016.

The following standards, amendments and interpretations became effective from 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendment to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Ammortization
- Amendment to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual improvements in 2012-2014 Cycle
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
    - (i) Servicing contracts
    - (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the consolidation Exception

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

2.2.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture:
The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

- IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

- IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12:

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

These amendments are effective for annual periods beginning on or permitted. If an entity applies the amendments for an earlier period, amendments are not

These amendments are effective for annual periods beginning on or permitted. If an entity applies the amendments for an earlier periods, amendments are not expected to have any impact on the Company.

- IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2:

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

-IFRS 16 Leases:

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted as separate items of property, plant and equipment.

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 and amortised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditure is recognised in the profit or loss as an expense when incurred.

The cost of the property, plant and equipment is written down to residual value in equal instalments over the estimated useful lives of the assets. The estimated useful lives are:

	Years
Buildings	10 to 20
Plant and equipment	5 to 25
Vehicle, furniture and computers	4 to 8

Capital work-in-progress are carried at cost less any recognised impairment loss and is not depreciated until it is transferred into one of the asset categories, which occurs when the asset is ready for use.

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.

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.

2.4 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are determined 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 based on estimated selling price, less any further costs expected to be incurred to completion and disposal.

2.6 FINANCIAL ASSETS

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through statement of profit or loss; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

2.7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated net of impairment losses. A provision for impairment of trade receivables is established if there is objective evidence that Company will not be able to collect all amounts due according to the terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 provision is recognised in the statement of comprehensive income.

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

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in 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 recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. 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 are recognised in the statement of comprehensive income. 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 (other than relating to goodwill) 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.

2.10 BORROWINGS

All loans and borrowings are initially recognised at cost less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those that qualify for capitalisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 PROVISIONS

Provisions are recognised by the Company when there is a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.12 TRADE CREDITORS AND OTHER PAYABLES

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.

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

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Company's shareholders is recognised as a liability in the company's financial statements only in the period in which the dividends are approved by the Company's shareholders.

2.15 SEGMENT REPORTING

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Company's accounting policies described under note 2. Identification of segments and reporting are disclosed in note 17.

2.16 REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated 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.

2.17 DIRECTORS' REMUNERATION

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

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 reporting date, having regard to the requirements of the Oman Labour Law and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that 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

Foreign currency transactions are translated into 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 reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2.20 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 INCOME TAX

Current tax
Income tax comprises current and deferred tax. Income tax expense 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 tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax
Deferred tax is calculated 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantially enacted at the reporting 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 temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are 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 as there is a legally enforceable right to offset these in Oman.

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 year. 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 reporting date.

2.24 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.
A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.
Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 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 judgement 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 judgements 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

3.1 Depreciation

Depreciation is charged so as to allocate 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.

3.2 Allowance for doubtful 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 reporting date, gross trade receivables were RO 42,838,523 (2015 - RO 29,563,717) and the provision for doubtful debts was RO 1,407,984 (2015 - RO 762,368). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

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

3.5 Provision for site restoration and abandonment cost
Provision for site restoration and abandonment cost is based on the 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.

3.6 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.

3.7 Investment in an associate
Management has assessed the level of influence that the Company has on Muscat Gases Company SAOG and determined that it has significant influence, because of the board representation and contractual terms even though the shareholding is below 20%. Accordingly, this investment has been classified as an associate.

3.8 Joint arrangement
The Company holds 50% of the voting rights of its joint arrangement. The company has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Company’s joint arrangement is structured as a limited liability company and provides the company and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

OMAN OIL MARKETING COMPANY SAOG

Notes to the unaudited financial statements
(Forming part of the financial statements)

4) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
Cost				
At 1 January 2016	20,613,145	39,556,199	5,384,971	65,554,315
Additions	-	-	6,823,485	6,823,485
Transfers	658,702	1,919,919	(2,578,621)	-
Disposals	(7,257)	(762,505)		(769,762)
As at 30 September 2016	**21,264,590**	**40,713,613**	**9,629,835**	**71,608,038**
At 1 January 2017	23,004,576	42,569,171	7,065,888	72,639,635
Additions	-	-	2,787,025	2,787,025
Transfers	895,913	4,867,194	(5,763,107)	-
Disposals	-	(779,133)		(779,133)
As at 30 September 2017	**23,900,489**	**46,657,232**	**4,089,806**	**74,647,527**
Depreciation				
At 1 January 2016	4,989,986	24,725,289	-	29,715,275
Charge for the period	698,715	2,654,785	-	3,353,500
Derecognition of Site restoration			-	-
Disposals	(4,301)	(643,211)	-	(647,512)
As at 30 September 2016	**5,684,400**	**26,736,863**		**32,421,263**
At 1 January 2017	5,949,825	26,942,410	-	32,892,235
Charge for the period	786,323	2,902,974	-	3,689,297
Disposals		(713,461)	-	(713,461)
Derecognision of Site Restoration		-		-
As at 30 September 2017	**6,736,148**	**29,131,923**	**-**	**35,868,071**
Carrying amount				
As at 30 September 2016	15,580,190	13,976,750	9,629,835	39,186,775
As at 30 September 2017	**17,164,341**	**17,525,309**	**4,089,806**	**38,779,456**

5) 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 Oman on 28 April 2010. 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.

Currently the company has suspended its operation with its joint venture Partner and The Board resolved to liquidate the Investment in M/S OMANOIL MATRIX MARINE SERVICES LLC ('MXO') and authorise the representatives of Oman Oil Marketing Company SAOG, in the board of MXO to complete the liquidation process

Summarised financial information of the Joint Venture at the end of the reporting period is as follows:

	30-Sep-17 RO	30-Sep-16 RO
Net assets	139,170	251,522
Net carrying value of Investment.	**69,585**	**125,761**
Company's share of (Loss)/Profit from the Joint Venture	**-**	**(485,000)**

6) Investment in Associate

1.1 Oman Oil Markeing LLC (KSA)

The Company was awarded with a retail stations operating license by the Ministry of Municipal & Rural Affairs ("MOMRA") in the Kingdom of Saudi Arabia ("KSA") back in October 2015 (Hijri 24/12/1436) and accordingly a separate company; Oman Oil Marketing Company LLC was formed in KSA with a share capital of SAR 10 Million (Equivalents to RO 1,032K) on 15-January 2017 (Hijri 17-04-1438).

1.2 Muscat Gas Company SAOG

This represents a 9.18% non controlling interest in Muscat Gases Company SAOG ("MG"), an Omani Joint Stock Company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry which is engaged in manufacturing and selling of various types of industrial and cooking gases.

A representative from OOMCO management has been appointed to the Board of MG with effect from 9th Feb 2013, which deemed to have given the power to participate in the financial and operating policy decisions of MG. Further, the Company intends to hold this investment for an indefinite period of time. The above qualifies MG investment to be an Associate.

Summarised financial information of the Investment in Associate at the end of the reporting period is as follows:

	30-Sep-17 RO	30-Sep-16 RO
Total assets	10,602,929	10,977,861
Total liabilities	(2,362,732)	(1,886,493)
Net assets	**8,240,197**	**9,091,368**
Company's share in Net assets of the Associate	**756,203**	**834,315**
Company's Carrying Value of Investment	2,446,179	2,463,773
Share of profit from Associate	36,926	67,438
Dividend Received	(82,595)	(96,360)
Impairment on Investment	(760,731)	
Carrying value of Investment in Associate	**1,639,779**	**2,434,851**
Income	4,656,464	7,039,374
Expense	(4,254,221)	(6,304,755)
Profit of Associate for the period	402,243	734,619
Company's share in profit of the Associate	**36,926**	**67,438**

6) Investment in Associate -Continue

1.3 Lubchem International Industry LLC

This represents a 40% non controlling interest in Lubchem International Industry LLC "LII". The Company is incorporated in the Emarat of Ras Al Khaima - UAE on 19th November 2009 under a trade license issued by RAK Investment Authority (RAKIA) – Government of Ras-Al-Khaimah, which is engaged in lubricant and grease manufacturing and chemical blending.

Two representative from OOMCO management have been appointed to the Board of "LII", which deemed to have given the power to participate in the financial and operating policy decisions of "LII". Further, the Company intends to hold this investment for an indefinite period of time and above qualifies "LII" investment to be recognised as an Associate.

	30-Sep-17 RO	30-Sep-16 RO
Company's Cost of Investment	632,213	615,719
Shareholder Loans reclassified (Pending Share Allotment)	-	
Share of loss from Associate	(14,840)	(34,371)
Carrying value of Investment in Associate	617,373	581,348
Income		-
Expense		-
Income/(Loss) from the Associate for the period	(37,100)	(85,930)
Company's share in loss of the Associate	**(14,840)**	**(34,371)**

7) Inventories

	30-Sep-17 RO	30-Sep-16 RO
Oil and lubricants	7,700,120	6,504,627
Stores and spares	7,498	7,498
Less: allowance for slow moving and obsolete inventory	(574,216)	(260,000)
	7,133,402	6,252,125

8) Trade and other receivables

	30-Sep-17	30-Sep-16
Trade receivables	51,629,489	43,965,611
Less: allowance for impaired debts	(2,026,390)	(1,329,107)
	49,603,099	42,636,504
Amounts due from related parties (Note-18)	3,183,737	2,805,660
Other receivables	4,893,088	2,761,377
Prepaid expenses	1,069,055	1,428,180
	58,748,979	49,631,721

9) Cash and cash equivalents

	30-Sep-17 RO	30-Sep-16 RO
Cash in hand	46,575	76,543
Cash at bank	35,341,762	35,595,010
	35,388,337	35,671,553
Less: Deposits classified under non current assets	-	(7,000,000)
Net cash and cash equivalents for the statement of cash flow	35,388,337	28,671,553

10) Share capital

	Number of shares	
	30-Sep-17	**30-Sep-16**
3,225,000 Multi-vote shares of RO 0.1 each	3,225,000	3,225,000
61,275,000 Ordinary shares of RO 0.1 each	61,275,000	61,275,000
	64,500,000	64,500,000

Share 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;

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	8,352,027
	39,957,027	39,957,027

11) Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit of each year is transferred to a legal reserve until the reserve reaches a minimum one-third of the issued share capital. The Company has resolved to discontinue any further transfers to this reserve, as the reserve equals one-third of the issued share capital. This reserve is not available for distribution.

12) Employees' end of service benefits

Movement in the liability is as follows:	**30-Sep-17**	**30-Sep-16**
	RO	**RO**
Balance at 1 January	358,042	260,379
Accrued during the period	23,170	50,402
End of service benefits paid	(96,757)	(36,407)
Balance as at Sep	284,455	274,374

13) Trade and other payables

	30-Sep-17 RO	30-Sep-16 RO
Trade payables	1,869,290	1,904,181
Due to related parties (Note-18)	38,190,006	31,944,378
Accrued expenses & others	8,652,891	8,114,190
Directors' remuneration provision	132,300	132,300
	48,844,487	42,095,049

14) Bank borrowings

	30-Sep-17 RO	30-Sep-16 RO
Short Term loan	20,000,000	20,000,000
Term loan	-	6,766,903
Term loan I	4,481,439	-
	24,481,439	26,766,903
Current portion		
Short Term loan	20,000,000	20,000,000
Term loan I	1,734,750	2,615,893
	21,734,750	22,615,893
Non-current portion		
Term loan I	-	-
Term loan	2,746,689	4,151,010
	2,746,689	4,151,010

Short term Loans -

The Short term loan is repayable within one year of the balance sheet date. The loan is unsecured and carried interest at current market rates.

Long term Loans -

The long term loan is unsecured and carries interest at commercial rates.

15) Income tax

	30-Sep-17 RO	30-Sep-16 RO
Current liability:		
Current period	1,489,539	1,031,472
Prior years	50,196	62,896
	1,539,735	1,094,368
Comprehensive Income Statement		
Current period	1,239,690	1,031,469
Deferred tax relating to origination and reversal of temporary difference	250,000	-
	1,489,690	1,031,469
Deferred tax asset:		
At 1 January	306,138	213,911
Balance as at Sep	306,138	213,911
The deferred tax asset comprises the following differences		
Provision and other charges	303,312	235,301
Property and other equipment	2,826	(21,390)
	306,138	213,911

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 15% (2016 : 12%)

16) Environmental provision

Movement in the provision is as follows:	30-Sep-17 RO	30-Sep-16 RO
Balance at 1 January	300,245	318,845
Utilized during the period	-	-
Balance as at Sep	300,245	318,845

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites

17) Net finance income

	30-Sep-17 RO	30-Sep-16 RO
Interest income	586,706	523,317
Interest expenses	(441,164)	(498,660)
	145,542	24,657

18) 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.

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 on commercial terms to related parties and avails services from related parties. The Directors believe that the terms of providing and receiving such services are comparable with those that could be obtained from third 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:

	30-Sep-17	30-Sep-16
Balance as at 30-September		
Fuel sales to filling stations owned by directors	3,843,216	8,792,394
Fuel sales to commercial customers related to directors	8,802,491	9,498,568
Fuel sales to Joint Venture	-	280,579
Costs		
Fuel Purchases from related parties	342,430,106	277,920,827
Brand royalty	333,040	275,381
Remuneration to directors - Provision	132,300	132,300
Directors' sitting fees	19,900	32,500
Net interest paid to related parties	95,925	38,835
Balances		
Bank balances	2,635,065	1,053,390
Due from related parties (Note 8)	3,183,737	2,805,660
Due to related parties (Note 13)	38,190,006	31,944,378

19) Staff cost

	30-Sep-17 RO	30-Sep-16 RO
Wages, salaries and allowances	4,723,136	4,504,328
End of service benefits	23,170	50,402
Social security costs	256,438	252,262
Other employee benefits	216,344	268,212
	5,219,088	5,075,204

20) Operating & other expenses

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

	30-Sep-17 RO	30-Sep-16 RO
Operating leases	3,077,870	3,070,322
Ministry of Commerce & Industry license fee	1,503,381	1,248,254
Brand Royalty payable to Parent company	333,040	275,381
Director's remuneration provision	132,300	132,300
Board sitting fee	19,900	32,500
Tax consultant fee	1,750	1,736
Audit and professional fee provision	6,750	6,750
Provision for doubtful debts	1,279,025	566,753

21) Corresponding figures

The corresponding figures included for comparative purposes have been reclassified to conform to the presentation in the current period.