Notes to the financial statements for the year ended 31 December 2009

Legal status and principal activities

Oman Oil Marketing Company SAOG ("the Company") is registered as a publicly listed joint stock company under the Commercial Companies Law of Oman and is engaged in the marketing and distribution of petroleum products.

The Company is a subsidiary of Oman Oil Company SAOC, a closed joint stock Company registered in the Sultanate of Oman. The Company has entered into a 'Trademark License Agreement' with Oman Oil Company SAOC 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 Adoption of new and revised International Financial Reporting Standards

For the year ended 31 December 2009, 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 2009.

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.

2.1 Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements. Details of other Standards and Interpretations adopted but that have had no effect on the financial statements are set out in section 2.2.

• IAS 1 (as revised in 2007) *Presentation of Financial Statements*	IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
• IFRS 8 *Operating Segments*	IFRS 8 is a disclosure standard that has resulted in re-designation of the Company's reportable segments (see Note 19).

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

• *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)*	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.
• IFRS for SMEs Small and Medium-sized Entities	This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.
• Amendments to IFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*	The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
• IAS 23 (as revised in 2007) *Borrowing Costs*	The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because it has always been the Company's accounting policy to capitalise borrowing costs incurred on qualifying assets.
• Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*	The revisions to IAS 32 amend the criteria for debt / equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.2 Standards and Interpretations adopted with no effect on the financial statements (continued)

• IFRIC 13 *Customer Loyalty Programmes*	The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
• IFRIC 15 *Agreements for the Construction of Real Estate*	The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
• IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*	The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
• IFRIC 18 *Transfers of Assets from Customers* (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009)	The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
• Improvements to IFRSs (2008)	Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 Annual Improvements to IFRSs majority of which are effective for annual periods beginning on or after 1 January 2009.

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.3 Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) *First time Adoption of IFRS* and IAS 27 (revised) *Consolidated and Separate Financial Statements* - Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
• IFRS 3 (revised) *Business Combinations* - Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*	1 July 2009
• IAS 39 (revised) *Financial Instruments: Recognition and Measurement* – Amendments relating to Eligible Hedged Items(such as hedging Inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) *First time Adoption of IFRS* – Amendment on additional exemptions for First-time Adopters	1 January 2010
• IFRS 2 (revised) *Share-based payment* – Amendment relating to Group cash-settled Share-based payments	1 January 2010
• IAS 32 (revised) *Financial Instruments: Presentation* – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 *Related Party Disclosures* – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 Financial Instruments: *Classification and Measurement* (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 *Annual Improvements to IFRSs.*	Majority effective for annual periods beginning on or after 1 January 2010

2 Adoption of new and revised International Financial Reporting Standards (continued)

2.3 Standards and Interpretations in issue not yet effective (continued)

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 17: *Distributions of Non-cash Assets to Owners*	1 July 2009
• IFRIC 19: *Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
• Amendment to IFRIC 14: *IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction*	1 January 2011
• Amendment to IFRIC 16: *Hedges of a Net Investment in a Foreign Operation*	1 July 2009
• Amendment to IFRIC 9 (revised): *Reassessment of Embedded Derivatives* relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007.

Basis of preparation

These financial statements have been prepared on the historical cost basis except for provisions for site restoration and abandonment cost which are measured at amortized cost and certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional currency

These financial statements are presented in Rials Omani (RO), which is the currency of the primary economic environment in which the Company operates.

3 Summary of significant accounting policies (continued)

The principal accounting policies are set out below.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in the profit or loss.

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes 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.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. Assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Freehold land is not depreciated.

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

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

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

Impairment

(i) Financial assets

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 amortized 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 recognized in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

(ii) Non-financial assets

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

3 Summary of significant accounting policies (continued)

Impairment (continued)

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is higher than its estimated recoverable amount which is greater of 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 specified to the asset.

Impairment losses recognized 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 amortization, if no impairment loss had been recognized.

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.

Employee benefits

Defined contribution plan

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the profit or loss as incurred.

Provision for end of service benefits for non-Omani employees has been made in accordance with the terms of the Labour Law of the Sultanate of Oman and is based on current remuneration rates and cumulative years of service at the Statement of financial position date.

Provisions

A provision is recognized 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 reasonably estimated. Provision for site restoration and abandonment cost is made based on average cost per filling station and useful life. 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.

3 Summary of significant accounting policies (continued)

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. 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.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Leases

Payments made under operating leases are recognised in profit or loss 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.

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax

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. Taxable profit differs from profits as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. 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 substantively enacted by 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 utilized. Carrying amount of the deferred tax assets is reviewed at end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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 Company intend to settle its current tax assets and liabilities on a net basis.

3 Summary of significant accounting policies (continued)

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Directors' remuneration

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.

Joint venture

Joint venture: jointly controlled assets

Investment in jointly controlled assets is recognized only to the extent of the Company's share of assets, classified according to the nature of assets, liabilities which it has incurred, 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.

Joint venture: jointly controlled entity

Investment in a jointly controlled entity is recognized using the equity method, from the date the Company obtains joint control, at cost plus the Company's share of post acquisition retained results and other changes in net assets.

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.

Dividends

Dividends are recommended by the Board of Directors after considering the profit available for distribution and the Company's future cash requirements and are subject to approval by the shareholders at Annual General Meeting. Dividends are recognized as a liability in the period in which they are declared.

3 Summary of significant accounting policies (continued)

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

The fair value of trade and other receivables and trade and other payables approximates to their carrying amount due to their short term maturity.

Share capital is recorded at the proceeds received.

Ordinary and multi-vote shares are classified as equity.

4 Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

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, and normal wear and tear using its best estimates.

Allowance for impaired debts

Allowance for impaired debts is based on management assessment of various factors such as the Company's past experience of collecting receivables from customers and the age of debt.

Allowance for slow moving and obsolete inventory

Allowance for slow moving and obsolete inventory based on management's assessment of various factors such as the usability, the maintenance programs, 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.

4 Critical accounting judgment and key sources of estimation uncertainty (continued)

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.

5 Property, plant and equipment

	Land and buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Cost				
At 1 January 2008	4,031,228	14,580,097	1,658,955	20,270,280
Additions	-	20,103	7,041,670	7,061,773
Transfers	1,201,999	4,146,188	(5,348,187)	-
Disposals	(51,177)	(278,186)	-	(329,363)
At 1 January 2009	5,182,050	18,468,202	3,352,438	27,002,690
Additions	11,168	-	3,240,424	3,251,592
Transfers	2,170,259	3,317,866	(5,488,125)	-
Disposals	(127,025)	(654,124)	-	(781,149)
At 31 December 2009	**7,236,452**	**21,131,944**	**1,104,737**	**29,473,133**
Depreciation				
At 1 January 2008	847,851	6,783,757	-	7,631,608
Charge for the year	244,836	1,762,467	-	2,007,303
Disposals	(27,815)	(219,104)	-	(246,919)
At 1 January 2009	1,064,872	8,327,120	-	9,391,992
Charge for the year	354,172	2,099,125	-	2,453,297
Disposals	(18,236)	(481,276)	-	(499,512)
At 31 December 2009	**1,400,808**	**9,944,969**	**-**	**11,345,777**
Carrying amount				
At 31 December 2009	**5,835,644**	**11,186,975**	**1,104,737**	**18,127,356**
At 31 December 2008	4,117,178	10,141,082	3,352,438	17,610,698

5 Property, plant and equipment (continued)

The Company's 50% share of plant and equipment and assets under construction at the main storage depot at Mina Al Fahal ("the depot") in the amount of RO 856,824 (2008 : RO 937,308) and RO 30,533 (2008: RO 1,407), 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 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 a lease. During the year the lease agreement has been renewed for a period of one year up to 22 November 2010.

6 Inventories

	2009	2008
	RO	RO
Oil and lubricants	**5,428,926**	4,276,909
Stores and spares	**7,497**	7,497
Less: allowance for slow moving and obsolete inventory	**(155,000)**	-
	5,281,423	4,284,406

7 Trade and other receivables

Trade receivables	**16,724,781**	15,586,675
Less: allowance for impaired debts (Note 25)	**(839,907)**	(822,668)
	15,884,874	14,764,007
Amounts due from related parties (Note 20)	**442,523**	532,452
Other receivables	**530,736**	562,235
Prepaid expenses	**1,052,816**	947,800
	17,910,949	16,806,494

8 Share capital

The Company's authorized share capital consists of 150,000,000 (2008: 150,000,000) shares of Baizas 100 each (2008: Baizas 100 each).

The Company's issued and fully paid up share capital comprises 64,500,000 (2008: 64,500,000) shares of Baizas 100 each (2008: Baizas 100 each) as follows:

	Number of shares	
	2009	2008
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.

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	
	2009	2008
Oman Oil Company SAOC - Multi-vote shares	**3,225,000**	3,225,000
- Ordinary shares	**28,380,000**	28,380,000
	31,605,000	31,605,000

9 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.

10 Employees' end of service benefits

Movement in the liability is as follows:

	2009 RO	2008 RO
Balance at 1 January	**210,839**	329,806
Accrued during the year	**22,238**	51,780
End of service benefits paid	**(54,812)**	(170,747)
Balance at 31 December	**178,265**	210,839

11 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

Balance at 1 January	**304,241**	268,056
Additional provision	**11,168**	20,102
Unwind of discount (included in finance costs)	**18,255**	16,083
Balance at 31 December	**333,664**	304,241

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 (2008 : RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% - (2008 : 6%); and
- the estimated life of filling station is 10 years (2008 : 10 years)

12 Trade and other payables

	2009 RO	2008 RO
Trade accounts payable	**14,735,591**	14,306,949
Due to related parties (Note 20)	**80,848**	34,552
Accrued expenses	**3,465,494**	2,616,151
Directors' remuneration payable (Note 20)	**74,700**	76,550
	18,356,633	17,034,202

12 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 6,357 (2008: RO 23,826). Eligible shareholders who have not received their dividends are entitled to claim them from the CMA. Trade accounts and other payables are payable within 45 days on average from the end of the reporting date.

13 Bank borrowings

	2009	2008
	RO	RO
Short term loans	**5,000,000**	-
Bank overdrafts	-	566,295
	5,000,000	566,295

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

The bank overdraft was payable on demand, unsecured and carried interest at market rate.

14 Income tax

	2009	2008
	RO	RO
Current liability:		
Current year	**752,000**	827,000
Prior years	**78,160**	36,245
	830,160	863,245
Statement of comprehensive income:		
Current year	**752,000**	827,000
Deferred tax relating to the origination and reversal of temporary differences	**(13,769)**	55,486
	738,231	882,486
Deferred tax (liability) / asset:		
At 1 January	**(9,438)**	46,048
Movement for the year	**13,769**	(55,486)
At 31 December	**4,331**	(9,438)

14 Income tax (continued)

The deferred tax comprises the following temporary differences:

	2009 RO	2008 RO
Provisions and other charges	**192,224**	155,397
Property, plant and equipment	**(187,893)**	(164,835)
	4,331	(9,438)

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% of taxable income in excess of 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 %	2009 RO	Rate %	2008 RO
Profit before tax		**6,098,316**		7,205,331
Income tax	**12**	**728,198**	12	861,040
Effect of tax specific allowances	**(0.54)**	**(33,011)**	(1.14)	(82,381)
Effect of tax specific disallowances	**0.71**	**43,044**	1.44	103,827
Effective tax	**12.12**	**738,231**	12.25	882,486

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

The income tax assessments of the Company for the years 2006, 2007 and 2008 have not been finalized 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 2009. The deferred tax has been computed at the tax rate of 12%.

15 Environmental provision

Movement in the provision is as follows:

	2009	2008
	RO	RO
Balance at 1 January	**526,372**	590,847
Utilised	**(45,565)**	(64,475)
Balance at 31 December	**480,807**	526,372

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 480,807 is expected to be used as per site specific remediation plans drawn up by the Company with their environmental consultants.

16 Net finance costs

	2009	2008
	RO	RO
Interest expenses	**122,548**	144,103
Interest income	**(38,645)**	(52,853)
	83,903	91,250

17 Cash and cash equivalents

Cash on hand	**18,018**	7,237
Cash at bank	**7,975,308**	1,841,068
Cash and bank balances	**7,993,326**	1,848,305
Bank overdraft (Note 13)	**-**	(566,295)
	7,993,326	1,282,010

18 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:

	2009	2008
	RO	RO
Future minimum lease payments :		
Not later than one year	**940,499**	678,827
Later than one year and not later than five years	**1,877,756**	936,947
More than five years	**945,634**	410,789
	3,763,889	2,026,563
Contracted commitments	**862,922**	721,815

19 Segment information

Adoption of IFRS 8 Operating Segment

The Company has adopted IFRS 8 Operating Segments with effect from 1 January 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. As a result, following the adoption of IFRS 8, the identification of the Company's reportable segments are disclosed below.

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.

Information regarding the Company's reportable segments is presented below.

19 Segment information (continued)

Segment revenues

	Segment revenue 2009 RO	2008 RO
Retail	**106,933,436**	102,465,198
Commercial	**40,434,468**	39,221,075
Others	**21,076,513**	28,362,440
	168,444,417	170,048,713

The revenue reported above represents revenue generated from external customers. There were no intersegmental sales in the year (2008: 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 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.

20 Related party transactions (continued)

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:

	2009	2008
	RO	RO
Revenue		
Fuel sales to filling stations owned by directors	**4,430,953**	4,550,204
Fuel sales to commercial customers related to directors	**1,596,238**	2,608,057
Professional services rendered	**16,248**	-
Costs		
Brand royalty	**146,687**	148,523
IT and other services from companies owned directly or indirectly by directors	**104,111**	198,111
Remuneration to directors (Note 12)	**74,700**	76,550
Directors' sitting fees	**23,100**	18,600
Net interest paid	**51,682**	59,242
Fee for accounting services	**-**	2,000
Share of losses of joint venture	**-**	101,846
Balances		
Bank balances	**212,992**	353,506
Due from related parties (Note 7)	**442,523**	532,452
Due to related parties (Note 12)	**80,848**	34,552

21 Dividends paid and proposed

During the year, dividends of RO 0.035 per share totaling RO 2,257,500 relating to 2008 were declared and paid (2008 : RO 0.0475 per share totaling RO 3,063,750 relating to 2007).

The Board of Directors has proposed a cash dividend of RO 0.035 per share for 2009, totaling RO 2,257,500, which is subject to the approval of the shareholders at the Annual General Meeting.

22 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:

	2009	2008
Net profit for the year after deducting Directors' remuneration (RO)	**5,360,085**	6,322,845
Weighted average number of shares outstanding during the year (Note 8)	**64,500,000**	64,500,000
Basic and diluted earnings per share (RO)	**0.083**	0.098

23 Net assets per share

Net assets per share is calculated by dividing the shareholders' equity at the year end by the number of shares issued and paid up, as follows:

	2009	2008
Net assets (RO)	**24,137,856**	21,035,271
Number of shares outstanding at the end of the reporting period (Note 8)	**64,500,000**	64,500,000
Net assets per share (RO)	**0.374**	0.326

24 Contingencies

At 31 December 2009 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 894,045 (2008 : RO 424,372).

Included in the Company's operating revenue and cost of sales are amounts of RO 691,214 and RO 608,804 respectively which are under discussion with the relevant Ministries, customers and a supplier in Oman. The company has recognised sales and the corresponding liability. In the event that the outcome is not in the Company's interest, the potential impact to the Company's profit after tax is approximately RO 69,134.

During the year, a supplier has charged the Company an amount of 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.

25 Financial instruments

The following note presents information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the audit committee with the responsibility of development and monitoring the Company's risk management policies and procedures and its compliance with them.

Risk management 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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

Credit is extended to corporate customers only with an objective of optimizing 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 Oman Oil Marketing 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.

25 Financial instruments (continued)

Trade and other receivables (continued)

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 Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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	
	2009	2008
	RO	RO
Aviation	**1,289,409**	2,659,223
Commercial	**10,916,578**	7,861,291
Fuel card	**1,995,904**	2,090,724
Lubes	**1,113,904**	930,908
Retail	**2,008,753**	2,060,626
Others	**4,005**	628,416
	17,328,553	16,231,188
Less:		
Related party receivables	**(442,523)**	(532,452)
Others	**(161,249)**	(112,061)
Trade receivables (Note 7)	**16,724,781**	15,586,675

Whilst the Company sells its products to a large number of customers in Oman, its five largest customers account for 28% of trade receivables at 31 December 2009 (2008: 31%).

25 Financial instruments (continued)

Trade and other receivables (continued)

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

	2009	2008
	RO	RO
Balance at 1 January	**822,668**	954,848
Recognised in / (reversed to) profit or loss	**23,071**	(20,162)
Written off during the year	**(5,832)**	(112,018)
Balance at 31 December (Note 7)	**839,907**	822,668

The Company has accepted guarantees / collateral valued at RO 440,180 (2008 : RO 576,480) from customers to secure fully / partly their dues to the Company.

The aging of trade receivables at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	2009	**2009**	2008	2008
	RO	**RO**	RO	RO
Not past due	**12,992,876**	**-**	12,991,754	116,322
Past due 1-90 days	**3,025,386**	**151,269**	2,308,276	40,477
Past due 91-360 days	**731,546**	**109,893**	363,643	327,070
More than one year	**578,745**	**578,745**	567,515	338,799
	17,328,553	**839,907**	16,231,188	822,668

Guarantee

The Company only provides financial guarantees to government bodies in the form of tender and performance bond (Note 24).

25 Financial instruments (continued)

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 uses local and international banks operating in the Sultanate 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 totaling of RO 57 million (2008 : RO 57 million) from 7 (2008 : 7) banks which are unsecured and utilized at the end of the reporting period. Short term loans and overdraft ranging are, on average, utilized 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 following are the maturities of the financial liabilities.

31 December 2009

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Bank borrowings	**5,000,000**	**5,000,000**			
Trade payables	**14,735,591**	**14,735,591**	-	-	-
Due to related parties	**155,548**	**155,548**	-	-	-
Other payables	**3,465,494**	**3,465,494**	-	-	-
	23,356,633	**23,356,633**	-	-	-

31 December 2008

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Bank borrowings	566,295	566,295			
Trade payables	14,306,949	14,306,949	-	-	-
Due to related parties	111,102	111,102	-	-	-
Other payables	2,616,151	2,616,151	-	-	-
	17,600,497	17,600,497	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

25 Financial instruments (continued)

Foreign currency risk

Foreign currency risk is minimal as most transactions are either denominated in RO, US Dollars or in currencies linked to US Dollars. The rate of exchange between RO and US Dollars has remained unchanged since January 1986.

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that borrowings are on a contracted fixed rate basis as far as possible.

Other Market risk

The Company is not exposed to other significant market risk.

26 Capital 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.

27 Fair value of financial instruments

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.

28 Comparative amounts

Certain amounts for the prior year have been reclassified to conform to current year presentation.

29 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 27 January 2010.