OMAN OIL MARKETING COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

Registered address:

P.O. Box 92
Postal Code 116
Mina Al Fahal
Sultanate of Oman

Principal place of business:

Mina Al Fahal
Muscat
Sultanate of Oman

OMAN OIL MARKETING COMPANY SAOG

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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Independent auditor's report to the shareholders of Oman Oil Marketing Company SAOG

Report on the financial statements

We have audited the accompanying financial statements of **Oman Oil Marketing Company SAOG (the company)** which comprise the statement of financial position as at 31 December 2013, statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading ('R&G') issued by the Capital Market Authority ('CMA') of the Sultanate of Oman, we report that the financial statements have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974, as amended.

OMAN OIL MARKETING COMPANY SAOG

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RO	2012 RO
Revenue	19	**296,190,852**	278,522,526
Other income		**1,998,442**	1,814,266
		298,189,294	280,336,792
Cost of goods sold		**(268,148,003)**	(252,574,455)
Staff costs	20	**(3,953,684)**	(4,252,069)
Depreciation	5	**(3,849,770)**	(3,358,575)
Operating and other expenses	21	**(10,828,700)**	(10,097,434)
Operating profit		**11,409,137**	10,054,259
Share of profit of investments accounted for using the equity method - net	6	**84,924**	40,374
Dividend income from available for sale investments	7	**165,189**	-
Finance (cost)/income - net	22	**(140,269)**	104,293
Profit before taxation		**11,518,981**	10,198,926
Taxation	16	**(1,346,822)**	(1,175,374)
Profit and total comprehensive income for the year		**10,172,159**	9,023,552
Basic and diluted earnings per share (RO)	26	**0.158**	0.140

The notes on pages 6 to 27 form an integral part of these financial statements.

Report of the Auditors - page 1.

OMAN OIL MARKETING COMPANY SAOG

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	Note	2013 RO	2012 RO
ASSETS			
Non-current assets			
Property, plant and equipment	5	**29,424,611**	27,614,012
Deferred tax assets	16	**150,450**	77,838
Investments accounted for using the equity method	6	**2,510,684**	112,930
Available-for-sale investments	7	**-**	2,312,830
		32,085,745	30,117,610
Current assets			
Inventories	8	**4,775,601**	5,930,085
Trade and other receivables	9	**31,866,989**	26,478,121
Cash and bank	10	**17,523,896**	12,839,416
		54,166,486	45,247,622
Total assets		**86,252,231**	75,365,232
EQUITY			
Share capital	11	**6,450,000**	6,450,000
Legal reserve	12	**2,150,000**	2,150,000
Retained earnings		**36,213,823**	30,556,664
Total equity		**44,813,823**	39,156,664
LIABILITIES			
Non-current liabilities			
Borrowings	17	**2,969,400**	881,477
End of service benefits	13	**336,117**	270,088
Provision for site restoration and abandonment costs	14	**518,620**	472,407
		3,824,137	1,623,972
Current liabilities			
Trade and other payables	15	**33,293,971**	30,586,741
Borrowings	17	**2,201,048**	2,015,385
Current tax liabilities	16	**1,492,487**	1,355,705
Environmental provision	18	**626,765**	626,765
		37,614,271	34,584,596
Total liabilities		**41,438,408**	36,208,568
Total equity and liabilities		**86,252,231**	75,365,232
Net assets per share (RO)	27	**0.695**	0.607

The financial statements and notes on pages 2 to 27 were approved by the Board of directors on 28 January 2014 and were signed on their behalf by:

Chairman **Chief Executive Office**

Report of the Auditors - page 1.

OMAN OIL MARKETING COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
At 1 January 2012	6,450,000	2,150,000	25,532,112	34,132,112
Comprehensive income:				
Profit for the year	-	-	9,023,552	9,023,552
Transactions with owners:				
Dividend paid	-	-	(3,999,000)	(3,999,000)
At 31 December 2012	6,450,000	2,150,000	30,556,664	39,156,664
At 1 January 2013	**6,450,000**	**2,150,000**	**30,556,664**	**39,156,664**
Comprehensive income:				
Profit for the year	-	-	**10,172,159**	**10,172,159**
Transactions with owners:				
Dividend paid	-	-	**(4,515,000)**	**(4,515,000)**
At 31 December 2013	**6,450,000**	**2,150,000**	**36,213,823**	**44,813,823**

The notes on pages 6 to 27 form an integral part of these financial statements.

Report of the Auditors - page 1.

OMAN OIL MARKETING COMPANY SAOG

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 RO	2012 RO
Cash flows from operating activities			
Profit before tax		**11,518,981**	10,198,926
Adjustments for:			
Share of profit from joint venture and associate - net	6	**(84,924)**	(40,374)
Depreciation	5	**3,849,770**	3,358,575
(Profit)/loss on sale of property, plant and equipment		**(1,272)**	72,014
End of service benefit expense	13	**81,599**	72,912
Dividend income		**(165,189)**	-
Finance cost	22	**334,337**	236,260
Finance income	22	**(194,068)**	(340,553)
Operating profit before working capital changes and payment of end of service benefit liability		**15,339,234**	13,557,760
Changes in working capital:			
Inventories		**1,154,484**	(2,608,005)
Trade and other receivables		**(5,096,437)**	2,964,861
Allowance for impaired debts		**(292,431)**	(174,039)
Trade and other payables		**2,707,230**	(1,737,476)
Provision for site restoration and abandonment costs		**46,213**	52,026
Cash generated from operations		**13,858,293**	12,055,127
Interest paid		**(334,337)**	(236,260)
End of service benefits paid	13	**(15,570)**	(1,014)
Income tax paid		**(1,282,652)**	(1,104,984)
Net cash generated from operating activities		**12,225,734**	10,712,869
Cash flows from investing activities			
Interest received		**194,068**	340,553
Investment in available-for-sale assets		**-**	(2,312,830)
Maturity of/(investment in) time deposit	10	**3,500,000**	(3,500,000)
Proceeds from sale of property, plant and equipment		**6000**	93,525
Acquisition of property, plant and equipment	5	**(5,665,097)**	(7,643,386)
Dividend received		**165,189**	-
Net cash used in investing activities		**(1,799,840)**	(13,022,138)
Cash flows from financing activities			
Proceeds from/(repayment of) borrowings - net		**2,273,586**	(5,354,338)
Dividends paid		**(4,515,000)**	(3,999,000)
Net cash used in financing activities		**(2,241,414)**	(9,353,338)
Net increase/(decrease) in cash and cash equivalents		**8,184,480**	(11,662,607)
Cash and cash equivalents at the beginning of the year		**9,339,416**	21,002,023
Cash and cash equivalents at the end of the year	10	**17,523,896**	9,339,416

The notes on pages 6 to 27 form an integral part of these financial statements.

Report of the Auditors - page 1.

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

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

(c) Standards and amendments effective in 2013 and relevant for the company's operations:

For the year ended 31 December 2013, the company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2013.

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

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2014 or later periods, but the company has not early adopted them and the impact of these standards and interpretations is not reasonably measurable as at 31 December 2013:

IAS 32 (Amendments), 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities (effective on or after 1 January 2014).
IAS 36 (Amendments), 'Impairment of assets' (effective on or after 1 January 2014)
IAS 39, 'Financial Instruments' (effective 1 January 2014)
IFRS 9, 'Financial instruments', Classification and measurement (effective on or after 1 January 2015);
IFRIC 21, 'Levies' (effective on or after 1 January 2014)

2 Summary of significant accounting policies (continued)

2.2 Property, plant and equipment

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

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

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

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

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

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

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

2.3 Joint arrangements

The company has applied IFRS 11 to all joint arrangements as of 1 January 2013. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

The company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the company's share of the post-acquisition profits or losses and movements in other comprehensive income.

When the company's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the company's net investment in the joint ventures), the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the company and its joint ventures are eliminated to the extent of the company's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (continued)

2.4 Investment in associates

Classification

Associates are entities over which the company has significant influence but not control in the financial and operating policy decisions of the investee, generally but not necessarily accompanying a shareholding of between 20% and 50% of the voting rights.

Valuation

Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost.

The company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income of the company's associates is recognised in other comprehensive income of the company. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.5 Available-for-sale financial assets

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

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

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

2.6 Inventories

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

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

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

2.7 Financial assets

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

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 2.8 and 2.9).

(b) Available-for-sale financial assets

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

2.8 Trade and other receivables

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

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

2.9 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.

2.10 Impairment

Financial assets

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Impairment (continued)

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.

2.11 Borrowings

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

2.12 Provisions

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

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

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

2.13 Trade creditors and other payables

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

2.14 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.

2.15 Dividend distribution

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

2 Summary of significant accounting policies (continued)

2.16 Segment reporting

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

2.17 Revenue

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

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

2.18 Directors' remuneration

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

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

2.19 End of service benefits

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

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

2.20 Foreign currency

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

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

2.21 Borrowing costs

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

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

2 Summary of significant accounting policies (continued)

2.22 Leases

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

2.23 Income tax

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

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

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

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

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

2.24 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 statement of financial position date.

3 Financial risk management

3.1 Financial risk factors

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Foreign exchange risk

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

(ii) Interest rate risk

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

The company has entered into interest rate swap to hedge its interest rate risk exposure. Under interest rate swap contract, the company agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the company to mitigate the risk of cash flow exposures on variable rate debt.

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

(iii) Price risk

As at 31 December 2013, the company is not exposed to equity securities or commodity price risk, as it does not hold any such financial instruments.

(b) Credit risk

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

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

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

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and other receivables

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

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

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

	Carrying amount	
	2013	2012
	RO	RO
Aviation	**4,078,264**	2,282,410
Commercial	**12,363,729**	11,754,228
Fuel card	**5,688,073**	5,592,148
Lubes	**3,641,730**	2,196,432
Retail	**3,204,302**	2,352,558
Others	**-**	112,589
	28,976,098	24,290,365
Less:		
Related party receivables	**(879,838)**	(2,625,872)
Others	**-**	(218,031)
Trade receivables	**28,096,260**	21,446,462

The company has accepted guarantees / collateral valued at RO 1,043,079 (2012 - RO 426,900) from customers to secure fully / partly their dues to the company.

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

	Gross 2013 RO	**Impairment 2013 RO**	Gross 2012 RO	Impairment 2012 RO
Not past due	**19,539,753**	**-**	14,148,410	-
Past due 1-90 days	**5,437,790**	**249,567**	4,380,842	281,202
Past due 91-360 days	**1,181,458**	**145,662**	1,105,330	59,855
More than one year	**1,937,259**	**485,172**	1,811,880	246,913
	28,096,260	**880,401**	21,446,462	587,970

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents

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

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

	2013 RO	2012 RO
Banks with rating of A-1	**172,902**	2,148,249
Banks with rating of A-2	**816,225**	1,299,438
Banks with rating of A-3	**7,446,324**	2,781,943
Banks with rating of NP	**-**	2,787
Banks with rating of BBB+ (Fitch Rating)	**-**	61,325
Banks not rated	**9,054,756**	6,516,471
	17,490,207	12,810,213

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

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

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

The company uses local and international banks operating in the Sultanate of Oman to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk. The company has a credit facilities amounting to RO 41,765,000 (2012 - RO 34.13 million) from 6 banks (2012:5 banks) which are unsecured. Call accounts are, on average, utilised for period of 7 to 14 days to bridge the gap between collections of receivables and settlement of product purchase bills during the middle of every month.

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

	Carrying amount RO	**6 months or less RO**	**6-12 months RO**	**1–2 years RO**	**More than2 years RO**
31 December 2013					
Bank borrowings	**5,170,448**	**1,541,318**	**659,730**	**1,319,682**	**1,649,718**
Trade payables	**4,372,768**	**4,372,768**	**-**	**-**	**-**
Due to related parties	**21,007,430**	**21,007,430**	**-**	**-**	**-**
Accruals and other payables	**7,913,773**	**7,913,773**	**-**	**-**	**-**
	38,464,419	**34,835,289**	**659,730**	**1,319,682**	**1,649,718**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

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

3.2 Capital risk management

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

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

3.3 Fair value estimation

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

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

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

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

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its 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.

4 Critical accounting estimates and judgements (continued)

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, technological obsolescence and normal wear and tear using its best estimates.

Allowance for impaired debts

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

At the statement of financial position date, gross trade receivables were RO 28,096,260 (2012 - RO 21,446,462) and the provision for doubtful debts was RO 880,401 (2012 - RO 587,970). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Allowance for slow moving and obsolete inventory

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

Environmental provision

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

Provision for site restoration and abandonment cost

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

Provisions for other costs

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

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 even though the shareholding is below 20%, because of the board representation and contractual terms. Consequently, this investment has been classified as an associate.

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.

5 Property, plant and equipment

	Land and buildings RO	**Plant, equipment and vehicles RO**	**Assets under construction RO**	**Total RO**
Cost				
At 1 January 2013	**11,361,843**	**31,372,164**	**3,791,814**	**46,525,821**
Additions	**-**	**17,869**	**5,647,228**	**5,665,097**
Transfers	**4,311,391**	**1,694,548**	**(6,005,939)**	**-**
Disposals	**-**	**(85,307)**	**-**	**(85,307)**
At 31 December 2013	**15,673,234**	**32,999,274**	**3,433,103**	**52,105,611**
Depreciation				
At 1 January 2013	**2,747,115**	**16,164,694**	**-**	**18,911,809**
Charge for the year	**656,799**	**3,192,971**	**-**	**3,849,770**
Disposals	**-**	**(80,579)**	**-**	**(80,579)**
At 31 December 2013	**3,403,914**	**19,277,086**	**-**	**22,681,000**
Carrying amount				
At 31 December 2013	**12,269,321**	**14,722,187**	**3,433,103**	**29,424,611**

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

The company's 50% share of plant and equipment and assets under construction at the main storage depot at Mina Al Fahal (the depot) at a NBV of RO 754,260 (2012- RO 1,125,657) and RO 178,323 (2012- RO 98,475), respectively, are included in property, plant and equipment. Under an agreement dated 6 December 1995 between the company and Al Maha Petroleum Products Marketing Company SAOG (Al Maha):

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

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

6 Investments accounted for using the equity method

The amounts recognised in the statement of financial position are as follows:

	2013 RO	2012 RO
Associate	2,421,773	-
Joint venture	88,911	112,930
	2,510,684	112,930

The amounts recognised in the statement of comprehensive income are as follows:

	2013 RO	2012 RO
Associate	108,943	-
Joint venture	(24,019)	40,374
	84,924	40,374

Investment in an associate

Investment in an associate represents a 9.18% (2012 - 9.18%) interest in Muscat Gases Company SAOG (investee), a joint stock company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the manufacturing and selling of industrial and cooking gases. As at 31 December 2013, the fair value of the company's interest in the investee which is listed on the MSM, was RO 2,398,087 (2012: RO 2,362,336) and the carrying amount of the company's interest was RO 2,421,773 (2012: RO 2,312,830).

There are no contingent liabilities relating to the company's interest in the associate.

With effect from 9 February 2013, a representative from the company has been appointed to the board of investee. This is deemed to have given the company the power to participate in the operating policy decisions of investee. As a result of this the company has derecognised the investment previously recognised as available-for-sale (AFS) investment having carrying value of RO 2,312,830 and recognised this as investment in associate with effect from the above-mentioned date.

The measurement of investment in associate is as under:

	2013 RO	2012 RO
Purchase consideration (value of derecognised investment in AFS)	2,312,830	-
Post acquisition profit from associate (estimated)	108,943	-
Carrying value of investment in associate	2,421,773	-

The financial information of the associate is not summarised here as the same is not available as of the date of approval these financial statements. Such information is not considered to have material effect on the presentation and disclosure of these financial statements.

Investment in joint venture

Investment in joint venture represents the company's participation in 50% of the equity interest of Omanoil Matrix Marine Services LLC (the joint venture), a company incorporated in the Sultanate of Oman on 28 April 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.

The joint venture is a private company and there is no quoted market price available for its shares.

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

	2013 RO	2012 RO
Non-current assets	-	-
Current assets	2,177,625	800,156
Total assets	2,177,625	800,156

6 Investments accounted for using the equity method (continued)

	2013 RO	2012 RO
Non-current liabilities	**-**	-
Current liabilities	**(1,999,803)**	(574,295)
Total liabilities	**(1,999,803)**	(574,295)
Net assets	**177,822**	225,861
Company's share in net assets of the joint venture	**88,911**	112,930
Income	**19,027,751**	14,359,276
Expense	**(19,075,789)**	(14,278,528)
(Loss)/profit of joint venture for the year	**(48,038)**	80,748
Company's share in (loss)/profit of the joint venture	**(24,019)**	40,374

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

7 Available for sale investments

As discussed in note 6 to the financial statements, the company has derecognised its investment in Muscat Gases Company SAOG (MGC) with effect from 9 February 2013 (carrying value at 31 December 2012 RO 2,312,830). The fair value of available for sale investments is approximately the same as the carrying amount at the date of derecognition. Hence, no fair value gain or loss is recognised in the statement of comprehensive income.

The proposed cash dividend of 60% was approved by the shareholders of MCG at the AGM for 2012, held on 23 March 2013. The company's share of dividend received amounting RO 165,189 has been recognised in the statement of comprehensive income.

8 Inventories

	2013 RO	2012 RO
Oil and lubricants	**4,783,103**	5,937,587
Stores and spares	**7,498**	7,498
Less: allowance for slow moving and obsolete inventory	**(15,000)**	(15,000)
	4,775,601	5,930,085

9 Trade and other receivables

	2013 RO	2012 RO
Trade receivables	**28,096,260**	21,446,462
Less: allowance for impaired debts	**(880,401)**	(587,970)
	27,215,859	20,858,492
Prepaid expenses	**2,121,686**	1,871,545
Amounts due from related parties	**879,838**	2,625,872
Other receivables	**1,649,606**	1,122,212
	31,866,989	26,478,121

9 Trade and other receivables (continued)

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

	2013 RO	2012 RO
At 1 January	**587,970**	413,931
Recognised during the year	**304,585**	174,323
Written off during the year	**(12,154)**	(284)
At 31 December	**880,401**	587,970

10 Cash and bank

	2013 RO	2012 RO
Cash at bank	**17,490,207**	12,810,213
Cash on hand	**33,689**	29,203
Cash and bank	**17,523,896**	12,839,416
Less: deposits having maturity of more than three months from the date of placement	-	(3,500,000)
Cash and cash equivalents	**17,523,896**	9,339,416

During the year 2013 the call accounts earned interest at rates ranging between 0.25% and 1.75 % per annum (2012 - 1.75% and 2.25% per annum).

11 Share capital

The company's authorised share capital consists of 150,000,000 (2012 - 150,000,000) shares of 100 Baizas each (2012 - 100 Baizas each).

The company's issued and fully paid up share capital comprises 64,500,000 (2012 - 64,500,000) shares of 100 Baizas each (2012 – 100 Baizas each) as follows:

	Number of shares	
	2013	2012
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	
	2013	2012
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

12 Legal reserve

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

13 Employees' end of service benefits

Movement in the liability is as follows:

	2013 RO	2012 RO
At 1 January	**270,088**	198,190
Provided during the year	**81,599**	72,912
End of service benefits paid	**(15,570)**	(1,014)
At 31 December	**336,117**	270,088

14 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

	2013 RO	2012 RO
At 1 January	**472,407**	420,381
Additional provision	**17,869**	26,803
Unwinding of discount (included in finance costs)	**28,344**	25,223
At 31 December	**518,620**	472,407

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 (2012 - RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% (2012 - 6%); and
- the estimated life of filling stations is 10 years (2012 - 10 years)

15 Trade and other payables

	2013 RO	2012 RO
Due to related parties	**21,007,430**	21,633,762
Accrued expenses	**7,351,169**	7,681,387
Trade payables	**4,372,768**	1,163,592
Advances from customers	**427,604**	-
Directors' remuneration payable	**135,000**	108,000
	33,293,971	30,586,741

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 11,153 (2012 - RO 26,039). Eligible shareholders who have not received their dividends are entitled to claim them from the CMA. Trade and other payables are payable within 45 days on average from the end of the reporting date.

16 Income tax

	2013 RO	2012 RO
(a) Current liability:		
Current year	**1,419,434**	1,303,718
Prior years	**73,053**	51,987
	1,492,487	1,355,705
(b) Statement of comprehensive income:		
Current year	**1,419,434**	1,303,718
Prior years	**-**	(60,236)
Deferred tax relating to the origination and reversal of temporary differences	**(72,612)**	(68,108)
	1,346,822	1,175,374
(c) Deferred tax asset:		
At 1 January	**77,838**	9,730
Movement for the year	**72,612**	68,108
At 31 December	**150,450**	77,838

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

	2013 RO	2012 RO
Provisions and other charges	**223,370**	180,929
Property, plant and equipment	**(72,920)**	(103,091)
	150,450	77,838

(e) The company is subject to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 12% (2012- 12%) of taxable income in excess of RO 30,000 (2012- 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 %	2013 RO	Rate %	2012 RO
Profit before tax		**11,518,982**		10,198,926
Income tax	**12**	**1,378,678**	12	1,220,271
Income not chargeable to tax		**(1,458)**		(4,845)
Expenses permanently disallowed		**(30,398)**		20,184
Provision written back on finalisation of prior period assessments				(60,236)
Effective tax	**11.69**	**1,346,822**	11.52	1,175,374

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 2011 to 2013 have not been finalised with the Secretariat General of Taxation Affairs at the Ministry of Finance. The management considers that additional tax liability, if any, in respect of open tax years would not be material to the financial position of the company as at 31 December 2013. The deferred tax has been computed at the tax rate of 12%.

17 Bank borrowings

	2013 RO	2012 RO
Term loan I	**673,077**	2,288,462
Term loan II	**208,400**	608,400
Term loan III	**4,288,971**	-
	5,170,448	2,896,862
Current portion		
Term loan I	**673,077**	1,615,385
Term loan II	**208,400**	400,000
Term loan III	**1,319,571**	-
	2,201,048	2,015,385
Non-current portion		
Term loan I	**-**	673,077
Term loan II	**-**	208,400
Term loan III	**2,969,400**	-
	2,969,400	881,477

Term loan I

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

Term loan II

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

Term loan III

Term loan III represents facilities obtained from a local bank, for the purpose of construction of filling stations. The loan is repayable in forty two monthly installments commencing from October 2013. The loan is unsecured and carries interest at a commercial rate.

18 Environmental provision

Movement in the provision is as follows:

	2013 RO	2012 RO
At 1 January and 31 December	**626,765**	626,765

The company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 626,765 (2012 - RO 626,765) is expected to be used as per site specific remediation plans drawn up by the company.

19 Segment information

Business units from which reportable segments derive their revenues

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

Other operations are predominantly lubricants and aviation fuel.

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

Segment revenues

	Segment revenue	
	2013	2012
	RO	RO
Retail	**200,922,624**	179,646,647
Commercial	**57,166,471**	55,041,944
Others	**38,101,757**	43,833,935
	296,190,852	278,522,526

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2012 – nil)

Revenue from major products and services and geographical information

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

20 Staff costs

	2013	2012
	RO	RO
Wages, salaries and allowances	**3,545,119**	3,817,748
Other employee benefits	**198,028**	231,548
End of service benefits	**81,599**	72,912
Social security costs	**128,938**	129,861
	3,953,684	4,252,069

21 Operating and other expenses

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

	2013	2012
	RO	RO
Operating leases	**2,142,712**	2,071,993
License fee paid to Ministry of Commerce and Industry	**1,173,447**	1,113,852
Provision for doubtful debts	**304,585**	174,323
Brand Royalty to parent company	**260,444**	243,209
Directors' remuneration	**176,400**	135,000
Board sitting fees	**23,200**	27,200
Tax consultant fees	**5,463**	6,927
Audit and professional fees	**7,600**	7,300

22 Finance (cost)/income - net

	2013 RO	2012 RO
Interest income	**194,068**	340,553
Interest expense	**(334,337)**	(236,260)
	(140,269)	104,293

23 Dividends paid and proposed

The Board of Directors has proposed a cash dividend of RO [0.070] per share for 2013, amounting to RO [4,515,000], which is subject to the approval of the shareholders at the Annual General Meeting.

During the year, dividend of RO 0.070 per share totaling RO 4,515,000 relating to 2012 was declared and paid (2012 - RO 0.062 per share totaling RO 3,999,000 relating to 2011).

24 Related party transactions

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

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

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

	2013 RO	2012 RO
Revenue		
Fuel sales to filling stations owned by directors	**6,002,701**	5,233,611
Fuel sales to commercial customers related to directors	**3,254,627**	12,818,394
Fuel sales to joint venture	**739,796**	726,421
Costs		
Fuel purchases from other related parties	**207,980,357**	250,322,848
Brand royalty to parent company	**260,444**	243,209
Remuneration to directors	**176,400**	135,000
Directors’ sitting fees	**23,200**	27,200
Net interest paid to other related parties	**16,611**	9,849
Balances		
Bank balances	**909,112**	1,425,074
Due from related parties (Note 9)	**879,838**	2,625,872
Due to related parties (Note 15)	**21,007,430**	21,633,762
Directors remuneration	**135,000**	108,000

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

25 Commitments

Operating leases

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

	2013	2012
	RO	RO
Future minimum lease payments:		
Not later than one year	**768,027**	851,838
Later than one year and not later than five years	**438,763**	940,983
More than five years	**454,045**	1,475,732
	1,660,835	3,268,553

Contracted commitments:

	2013	2012
	RO	RO
At 31 December	**6,897,427**	1,974,734

26 Basic and diluted earnings per share

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

	2013	2012
	RO	RO
Net profit for the year (RO)	**10,172,159**	9,023,552
Weighted average number of shares (note 11)	**64,500,000**	64,500,000
Basic and diluted earnings per share (RO)	**0.158**	0.140

27 Net assets per share

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

	2013	2012
	RO	RO
Shareholders' equity (RO)	**44,813,823**	39,156,664
Number of shares outstanding at the end of the reporting period (note 11)	**64,500,000**	64,500,000
Net assets per share (RO)	**0.695**	0.607

28 Contingencies

At 31 December 2013 the company had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to RO 1,705,147 (2012 - RO 1,935,345).

During the previous years, a supplier had charged the company an amount of RO 332,419 (2012 - 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.