

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014****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 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 2014 and relevant for the company's operations:

For the year ended 31 December 2014, 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 2014.

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 2015 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 2014:

IAS 16 and IAS 38 (Amendments), 'Property, plant and equipment' and 'Intangible assets', on depreciation and amortisation, (effective on or after 1 January 2016)

IAS 16 and IAS 41 (Amendments), 'Property, plant and equipment' and 'Agriculture', on bearer plants (effective on or after 1 January 2016)

IAS 27 (Amendments), 'Separate financial statements', on the equity method, (effective on or after 1 January 2016)

IAS 28 (Amendments), 'Investment in associates and joint ventures', (effective on or after 1 January 2016)

IAS 34 (Amendments), 'Interim financial reporting', regarding disclosure of information (effective on or after 1 January 2016)

IFRS 9 (Amendments), 'Financial instruments', (effective on or after 1 January 2018)

IFRS 10 and IAS 28 (Amendments), 'Consolidated financial statements' and 'Investment in associates and joint ventures' (effective on or after 1 January 2016)

IFRS 11 (Amendments), 'Joint arrangements', on acquisition of an interest in a joint operation, (effective on or after 1 January 2016)

IFRS 15, 'Revenue from contracts with customer' (effective on after 1 January 2017)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

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 applies IFRS 11 to all joint arrangements. 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. Accounting policies of the joint venture has been changed where necessary to ensure consistency with the policies adopted by the company.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)****2 Summary of significant accounting policies (continued)****2.4 Investment in associates****Classification**

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Valuation

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The company's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to 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 legal or constructive obligations or made payments on behalf of the associate.

The company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to share of profit/(loss) of associates in the statement of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the company and its associates are recognised in the company's financial statements only to the extent of the unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

2.5 Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, damaged and defective items, if any.

2.6 Financial assets

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)****2 Summary of significant accounting policies (continued)****2.6 Financial assets (continued)***Loans and receivables*

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

2.7 Trade and other receivables

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

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

2.8 Cash and cash equivalents

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

2.9 Impairment*Financial assets*

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

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

2 Summary of significant accounting policies (continued)

2.9 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 recognised.

2.10 Borrowings

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

2.11 Provisions

A provision is recognised if, as a result of a past event, the company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. An environmental provision is recognised when the company, through environmental assessments, identifies a requirement for environmental remediation as a result of a past event and the associated costs can be reliably estimated.

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

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

2.12 Trade creditors and other payables

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

2.13 Share capital

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

2.14 Dividend distribution

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)****2 Summary of significant accounting policies (continued)****2.15 Segment reporting**

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

2.16 Revenue

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

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

2.17 Directors' remuneration

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

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

2.18 End of service benefits

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

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

2.19 Foreign currency

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

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

2.20 Borrowing costs

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

2 Summary of significant accounting policies (continued)

2.21 Leases

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

2.22 Income tax

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

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

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the reporting 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 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 unused tax losses and credits can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

2.23 Earnings per share

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

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). The Board 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

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 2014, 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

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	
	2014	2013
	RO	RO
Aviation	5,658,102	4,078,264
Commercial	14,837,737	12,363,729
Fuel card	5,740,831	5,688,073
Lubes	2,602,039	3,641,730
Retail	3,742,531	3,204,302
	32,581,240	28,976,098
Less:		
Related party receivables	(746,454)	(879,838)
Trade receivables	31,834,786	28,096,260

The company has accepted guarantees / collateral valued at RO 1,800,830 (2013 - RO 1,043,079) from customers to secure fully / partly their dues to the company.

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

	Gross	Impairment	Gross	Impairment
	2014	2014	2013	2013
	RO	RO	RO	RO
Not past due	25,513,907	-	19,539,753	-
Past due 1-90 days	3,201,251	191,527	5,437,790	249,567
Past due 91-360 days	734,150	62,904	1,181,458	145,662
More than one year	2,385,478	507,498	1,937,259	485,172
	31,834,786	761,929	28,096,260	880,401

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Cash and cash equivalents

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

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

	2014 RO	2013 RO
Banks with rating of A-1	1,671,243	172,902
Banks with rating of A-2	311,740	816,225
Banks with rating of A-3	2,563,231	7,446,324
Banks not rated	12,528,020	9,054,756
	<u>17,074,234</u>	<u>17,490,207</u>

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 51,765,000 (2013 - RO 41,765,000) from 7 banks (2013:6 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 than 2 years RO
31 December 2014					
Bank borrowings	2,857,113	660,857	660,857	1,535,399	-
Trade payables	2,407,977	2,407,977	-	-	-
Due to related parties	27,020,141	27,020,141	-	-	-
Accruals and other payables	10,103,333	10,103,333	-	-	-
	<u>42,388,564</u>	<u>40,192,308</u>	<u>660,857</u>	<u>1,535,399</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) *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 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	-	-	-
	<u>38,464,419</u>	<u>34,835,289</u>	<u>659,730</u>	<u>1,319,682</u>	<u>1,649,718</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)****4 Critical accounting estimates and judgements (continued)****4.1 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.

4.2 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 31,834,786 (2013 - RO 28,096,260) and the provision for doubtful debts was RO 761,929 (2013 - RO 880,401). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

4.3 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.

4.4 Environmental provision

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

4.5 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.

4.6 Provisions for other costs

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

4.7 Investment in an associate

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

During the year, the company invested in 40% share capital of Lubechem International Industry LLC, and accordingly classified this investment as an associate.

4.8 Joint arrangement

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

5 Property, plant and equipment

	Land and buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Cost				
At 1 January 2014	15,673,234	32,999,274	3,433,103	52,105,611
Additions	-	31,270	10,134,183	10,165,453
Transfers	2,278,349	3,960,181	(6,238,530)	-
Disposals	(170,846)	(708,155)	-	(879,001)
At 31 December 2014	17,780,737	36,282,570	7,328,756	61,392,063
Accumulated depreciation				
At 1 January 2014	3,403,914	19,277,086	-	22,681,000
Charge for the year	773,665	3,298,353	-	4,072,018
Disposals	(70,289)	(576,831)	-	(647,120)
At 31 December 2014	4,107,290	21,998,608	-	26,105,898
Carrying amount				
At 31 December 2014	13,673,447	14,283,962	7,328,756	35,286,165

	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
Accumulated 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	12,269,320	13,722,188	3,433,103	29,424,611

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 675,412 (2013- RO 754,260) and RO 1,141,308 (2013- RO 178,323), 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

6 Investments accounted for using the equity method

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

	2014	2013
	RO	RO
Associates	2,849,336	2,421,773
Joint venture	559,336	88,911
	<u>3,408,672</u>	<u>2,510,684</u>

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

	2014	2013
	RO	RO
Associates	137,391	108,943
Joint venture	(107,000)	(24,019)
	<u>30,391</u>	<u>84,924</u>

Investment in associates

(i) Muscat Gases Company SAOG

The company has 9.18% (2013 - 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 2014, the fair value of the company's interest in the investee which is listed on the MSM, was RO 2,279,611 (2013: RO 2,398,087) and the carrying amount of the company's interest was RO 2,449,038 (2013: RO 2,421,773).

Effective 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.

(ii) Lubechem International Industry LLC

Effective from 6 May 2014, the company acquired 40% shareholding in Lubechem International Industry LLC (Lubechem), a company engaged in the manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending. Lubechem is registered in the Emirates of Ras Al-Khaimah as a limited liability company in Ras Al-Khaimah Investment Authority. The total consideration paid for the investment was RO 400,298 (AED 3,777,458)

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

The associates as mentioned above have share capital consisting solely of ordinary shares, which is directly held by the company. The country of incorporation or registration is also their principal place of business.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

6 Investments accounted for using the equity method (continued)

Investment in joint venture

	2014 RO	2013 RO
At 1 January	88,911	112,930
Investment made during the year	577,425	-
Loss for the year	(107,000)	(24,019)
At 31 December	559,336	88,911

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 its 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. The joint venture has share capital consisting solely of ordinary shares, which is held directly by the company.

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

	2014 RO	2013 RO
Non-current assets	-	-
Current assets	4,615,704	2,177,625
Total assets	4,615,704	2,177,625
Non-current liabilities	-	-
Current liabilities	(3,497,032)	(1,999,803)
Total liabilities	(3,497,032)	(1,999,803)
Net assets	1,118,672	177,822
Company's share in net assets of the joint venture	559,336	88,911
Income	36,814,493	19,027,751
Expense	(37,028,493)	(19,075,789)
Loss of joint venture for the year	(214,000)	(48,038)
Company's share in loss of the joint venture	(107,000)	(24,019)

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

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint venture.

	2014 RO	2013 RO
Opening net assets 1 January	177,822	225,860
Investment made during the year	1,154,850	-
Loss for the year	(214,000)	(48,038)
At 31 December	1,186,672	177,822
Interest in joint venture	50%	50%
Carrying value	559,336	88,911

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

7 Inventories

	2014 RO	2013 RO
Fuel and lubricants	7,002,071	4,783,103
Stores and spares	7,498	7,498
Less: allowance for slow moving and obsolete inventory	(15,000)	(15,000)
	<u>6,994,569</u>	<u>4,775,601</u>

8 Trade and other receivables

	2014 RO	2013 RO
Trade receivables	31,834,786	28,096,260
Less: allowance for impaired debts	(761,929)	(880,401)
	<u>31,072,857</u>	<u>27,215,859</u>
Prepaid expenses	1,569,009	2,121,686
Amounts due from related parties	746,454	879,838
Other receivables	666,719	1,649,606
	<u>34,055,039</u>	<u>31,866,989</u>

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

	2014 RO	2013 RO
At 1 January	880,401	587,970
(Utilised)/recognised during the year – net	(118,460)	304,585
Written-off during the year	(12)	(12,154)
At 31 December	<u>761,929</u>	<u>880,401</u>

9 Cash and bank

	2014 RO	2013 RO
Cash at bank	17,074,234	17,490,207
Cash on hand	34,416	33,689
Cash and cash equivalents	<u>17,108,650</u>	<u>17,523,896</u>

During the year 2014 the call accounts earned interest at rates ranging between 1.25% and 1.75% per annum (2013: 0.25% and 1.75% per annum).

10 Share capital

The company's authorised share capital consists of 150,000,000 (2013 - 150,000,000) shares of 100 Baizas each (2013 - 100 Baizas each).

The company's issued and fully paid up share capital comprises 64,500,000 (2013 - 64,500,000) shares of 100 Baizas each (2013 - 100 Baizas each) as follows:

	Number of shares	
	2014	2013
Multi-vote shares	3,225,000	3,225,000
Ordinary shares	61,275,000	61,275,000
	<u>64,500,000</u>	<u>64,500,000</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

10 Share capital (continued)

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

	Number of shares	
	2014	2013
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
	<u>39,957,027</u>	<u>39,957,027</u>

11 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.

12 Employees' end of service benefits

Movement in the liability is as follows:

	2014 RO	2013 RO
At 1 January	336,117	270,088
(Reversal)/provided during the year	(20,004)	81,599
End of service benefits paid	(12,188)	(15,570)
At 31 December	<u>303,925</u>	<u>336,117</u>

13 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

	2014 RO	2013 RO
At 1 January	518,620	472,407
Additional provision	31,270	17,869
Unwinding of discount (included in finance costs)	31,117	28,344
At 31 December	<u>581,007</u>	<u>518,620</u>

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 (2013 - RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% (2013 - 6%); and
- the estimated life of filling stations is 10 years (2013 - 10 years)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

14 Trade and other payables

	2014 RO	2013 RO
Due to related parties	27,020,141	21,007,430
Accrued expenses	9,678,617	7,351,169
Trade payables	2,407,977	4,372,768
Advances from customers	248,316	427,604
Directors' remuneration payable	176,400	135,000
	<u>39,531,451</u>	<u>33,293,971</u>

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 69,555 (2013 - RO 11,153). 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.

15 Taxation

	2014 RO	2013 RO
<i>(a) Current liability:</i>		
Current year	1,586,162	1,419,434
Prior years	69,854	73,053
	<u>1,656,016</u>	<u>1,492,487</u>
<i>(b) Statement of comprehensive income:</i>		
Current year	1,586,162	1,419,434
Deferred tax relating to the origination and reversal of temporary differences	(63,461)	(72,612)
	<u>1,522,701</u>	<u>1,346,822</u>
<i>(c) Deferred tax asset:</i>		
At 1 January	150,450	77,838
Movement for the year	63,461	72,612
At 31 December	<u>213,911</u>	<u>150,450</u>
<i>(d) The deferred tax comprises the following temporary differences:</i>		
	2014 RO	2013 RO
Provisions and other charges	235,301	223,370
Property, plant and equipment	(21,390)	(72,920)
	<u>213,911</u>	<u>150,450</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

15 Taxation (continued)

(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% (2013- 12%) of taxable income in excess of RO 30,000 (2013- 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 %	2014 RO	Rate %	2013 RO
Profit before tax		<u>12,734,607</u>		<u>11,518,982</u>
Income tax	12	1,524,553	12	1,378,678
Income not chargeable to tax		(1)		(1,458)
Expenses permanently disallowed		<u>(1,851)</u>		<u>(30,398)</u>
Effective tax	11.96	<u>1,522,701</u>	11.69	<u>1,346,822</u>

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 2014. The deferred tax has been computed at the tax rate of 12%.

16 Bank borrowings

	2014 RO	2013 RO
Term loan I	-	673,077
Term loan II	-	208,400
Term loan III	<u>2,857,113</u>	<u>4,288,971</u>
	<u>2,857,113</u>	<u>5,170,448</u>
Current portion		
Term loan I	-	673,077
Term loan II	-	208,400
Term loan III	<u>1,321,714</u>	<u>1,319,571</u>
	<u>1,321,714</u>	<u>2,201,048</u>
Non-current portion		
Term loan I	-	-
Term loan II	-	-
Term loan III	<u>1,535,399</u>	<u>2,969,400</u>
	<u>1,535,399</u>	<u>2,969,400</u>

Term loan I

Term loan I represented 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 unsecured and carried interest at a commercial rate. The loan has been repaid fully during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

16 Bank borrowings (continued)

Term loan II

Term loan II represented facilities obtained from a local bank, for the purpose of financing the acquisition of property, plant and equipment. The loan is unsecured and carries interest at a commercial rate. The loan has been repaid fully during the year.

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.

17 Environmental provision

Movement in the provision is as follows:

	2014 RO	2013 RO
At 1 January and 31 December	<u>626,765</u>	<u>626,765</u>

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 (2013 - RO 626,765) is expected to be used as per site specific remediation plan drawn up by the company.

18 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	
	2014 RO	2013 RO
Retail	220,401,805	200,922,624
Commercial	74,739,187	57,166,471
Others	61,983,665	38,101,757
	<u>357,124,657</u>	<u>296,190,852</u>

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2013 – 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

19 Staff costs

	2014 RO	2013 RO
Wages, salaries and allowances	4,473,441	3,545,119
Social security costs	214,756	128,938
Other employee benefits	200,364	198,028
End of service benefits	(20,004)	81,599
	<u>4,868,557</u>	<u>3,953,684</u>

20 Operating and other expenses

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

	2014 RO	2013 RO
Operating leases	2,532,206	2,142,712
License fee paid to Ministry of Commerce and Industry	1,432,946	1,173,447
Brand royalty to parent company	314,691	260,444
Directors' remuneration	176,400	176,400
Board sitting fees	22,900	23,200
Audit and professional fees	11,352	7,600
Tax consultant fees	2,632	5,463
(Reversal)/provision for doubtful debts – net	(118,460)	304,585

21 Finance (cost)/income - net

	2014 RO	2013 RO
Interest income	265,044	194,068
Interest expense	(219,222)	(334,337)
	<u>45,822</u>	<u>(140,269)</u>

22 Dividends paid and proposed

The Board of Directors has proposed a cash dividend of RO 0.060 per share for 2014, amounting to RO 3,870,000, 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 2013 was declared and paid (2013 - RO 0.070 per share totaling RO 4,515,000 relating to 2012).

23 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)

23 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:

	2014 RO	2013 RO
<i>Revenue</i>		
Fuel sales to filling stations owned by directors	13,879,734	6,002,701
Fuel sales to commercial customers related to directors	6,169,342	3,254,627
Fuel sales to joint venture	1,212,654	739,796
<i>Costs</i>		
Fuel purchases from other related parties	315,293,987	207,980,357
Blending Charges	717,943	-
Brand royalty to parent company	314,691	260,444
Remuneration to directors	176,400	176,400
Directors' sitting fees	22,900	23,200
Net interest paid to other related parties	18,357	16,611
<i>Balances</i>		
Bank balances	266,898	909,112
Due from related parties (Note 8)	746,454	879,838
Due to related parties (Note 14)	27,020,141	21,007,430
Directors remuneration (Note 14)	176,400	135,000

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.

24 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:

	2014 RO	2013 RO
Future minimum lease payments:		
Not later than one year	1,076,032	768,027
Later than one year and not later than five years	959,110	438,763
More than five years	309,950	454,045
	<u>2,345,092</u>	<u>1,660,835</u>
Contracted commitments:		
	2014 RO	2013 RO
At 31 December	<u>1,176,167</u>	<u>6,897,427</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014 (continued)**

25 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:

	2014 RO	2013 RO
Net profit for the year (RO)	<u>11,211,906</u>	<u>10,172,159</u>
Weighted average number of shares (note 10)	<u>64,500,000</u>	<u>64,500,000</u>
Basic and diluted earnings per share (RO)	<u>0.174</u>	<u>0.158</u>

26 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:

	2014 RO	2013 RO
Shareholders' equity (RO)	<u>51,510,729</u>	<u>44,813,823</u>
Number of shares outstanding at the end of the reporting period (note 10)	<u>64,500,000</u>	<u>64,500,000</u>
Net assets per share (RO)	<u>0.799</u>	<u>0.695</u>

27 Contingencies

At 31 December 2014 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 2,372,439 (2013 - RO 1,705,147).

During the previous years, a supplier had charged the company an amount of RO 332,419 (2013 - 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.

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