1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.2.1 Standards, amendments and interpretation effective in 2015

For the year ended 31 December 2015, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2015.

The following standards, amendments and interpretations became effective from 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Annual Improvements 2010-2012 Cycle

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

- Annual Improvements 2011-2013 Cycle

- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

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

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

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Company but are not yet mandatory for the year ended 31 December 2015:

IFRS 9: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. The company has performed a high-level impact assessment of all three aspects of IFRS 9 and expects no significant impact on its balance sheet and equity. The company plans to adopt the new standard on the required effective date.

IFRS 15: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date. The Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

IFRS 16: the IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

2.3 PROPERTY, PLANT AND EQUIPMENT

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

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised and amortised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditure is recognised in the profit or loss as an expense when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

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

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

2.4 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

2.5 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are determined as follows:

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

Net realisable value is based on estimated selling price, less any further costs expected to be incurred to completion and disposal.

2.6 FINANCIAL ASSETS

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

Loans and receivables

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

2.7 TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated net of impairment losses. A provision for impairment of trade receivables is established if there is objective evidence that Company will not be able to collect all amounts due according to the terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of comprehensive income.

2.8 CASH AND CASH EQUIVALENTS

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT

Financial assets

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

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

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

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

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of comprehensive income.

Non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (other than relating to goodwill) if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.10 BORROWINGS

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 PROVISIONS

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

2.12 TRADE CREDITORS AND OTHER PAYABLES

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

2.13 SHARE CAPITAL

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

2.14 DIVIDEND DISTRIBUTION

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

2.15 SEGMENT REPORTING

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

2.16 REVENUE

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

2.17 DIRECTORS' REMUNERATION

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 END OF SERVICE BENEFITS

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

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

2.19 FOREIGN CURRENCY

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

2.20 BORROWING COSTS

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

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

2.21 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.22 INCOME TAX

Current tax

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

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

Deferred tax

Deferred tax is calculated using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantially enacted at the reporting date

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 INCOME TAX (CONTINUED)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

2.23 EARNINGS PER SHARE

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

2.24 CURRENT VERSUS NON-CURRENT CLASSIFICATION

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

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

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Depreciation

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

3.2 Allowance for doubtful debts

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

At the reporting date, gross trade receivables were RO 29,563,717 (2014 - RO 31,834,786) and the provision for doubtful debts was RO 762,368 (2014 - RO 761,929). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3.3 Allowance for slow moving and obsolete inventory

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

3.4 Environmental provision

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

3.5 Provision for site restoration and abandonment cost

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

3.6 Provisions for other costs

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

3.7 Investment in an associate

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

3.8 Joint arrangement

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

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

4 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RO	*Plant, equipment and vehicles RO*	*Capital work-in-progress RO*	*Total RO*
Cost				
1 January 2015	17,780,737	36,282,570	7,328,756	61,392,063
Additions	-	-	4,797,317	4,797,317
Transfers	2,874,481	3,866,621	(6,741,102)	-
Related to disposal	(42,073)	(211,051)	-	(253,124)
Derecognision of Site Restoration	-	(381,941)	-	(381,941)
31 December 2015	20,613,145	39,556,199	5,384,971	65,554,315
Depreciation				
1 January 2015	4,107,290	21,998,608	-	26,105,898
Charge for the year	898,033	3,191,867	-	4,089,900
Related to disposal	(15,337)	(194,923)	-	(210,260)
Derecognision of Site Restoration	-	(270,263)	-	(270,263)
31 December 2015	4,989,986	24,725,289	-	29,715,275
Net carrying amount 31 December 2015	15,623,159	14,830,910	5,384,971	35,839,040

	Land and buildings RO	*Plant, equipment and vehicles RO*	*Capital work-in-progress RO*	*Total RO*
Cost				
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)	-
Related to disposal	(170,846)	(708,155)	-	(879,001)
31 December 2014	17,780,737	36,282,570	7,328,756	61,392,063
Depreciation				
1 January 2014	3,403,914	19,277,086	-	22,681,000
Charge for the year	773,665	3,298,353	-	4,072,018
Related to disposal	(70,289)	(576,831)	-	(647,120)
31 December 2014	4,107,290	21,998,608	-	26,105,898
Net carrying amount 31 December 2014	13,673,447	14,283,962	7,328,756	35,286,165

The Company has a 50% share of the main storage depot at Mina Al Fahal (the depot) at a NBV of RO 675,412 (2014- RO 675,412) as at 31 December 2015 and RO 1,141,308 (2014- RO 1,141,308), respectively, which 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.

During the year the Management has revised the estimated useful life of several assets costing RO 20,052,581 included in plan, equipment and vehicles. The revisions were accounted for prospectively as a change in accounting estimates. The Management has carried a full analysis and study of the estimated useful life of those assets and concluded that estimated useful life of those assets are longer by 2 to 12 years than the earlier estimate. The study is based on the manufacturer's guarantee and Management's assessment based on facts.

The change of the estimated assests life has resulted in a decrease in depreciation charge for the current year by RO 554,868 and increase in the net book value of those assets by the same amount.

5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

	2015	*2014*
	RO	*RO*
Associates	**3,079,493**	2,849,336
Joint venture	**33,336**	559,336
	3,112,829	3,408,672

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

	2015	*2014*
	RO	*RO*
Associates	**45,417**	137,391
Joint venture	**(526,000)**	(107,000)
	(480,583)	30,391

Investment in associates

(i) Muscat Gases Company SAOG

The Company has a 9.18% (2014 - 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 2015, the fair value of the Company's interest in the investee which is listed on the MSM, was RO 2,258,280 (2014: RO 2,279,611) and the carrying amount of the Company's interest was RO 2,463,773 (2014: RO 2,449,038).

Effective 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.

(i) Lubechem International Industry LLC

Effective 6 May 2014, the Company acquired a 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 a material effect on the presentation and disclosure of these financial statements.

5 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Investment in joint venture

	2015 RO	2014 RO
At 1 January	**559,336**	88,911
Investment made during the year	-	577,425
Loss for the year	**(526,000)**	(107,000)
At 31 December	**33,336**	559,336

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:

	2015 RO	2014 RO
Current assets	**4,044,586**	4,615,704
Total assets	**4,044,586**	4,615,704
Current liabilities	**3,977,914**	(3,497,032)
Total liabilities	**3,977,914**	(3,497,032)
Net assets	**66,672**	1,118,672
Company's share in net assets of the joint venture	**33,336**	559,336
Income	**31,340,400**	36,814,493
Expense	**(32,392,400)**	(37,028,493)
Loss of joint venture for the year	**(1,052,000)**	(214,000)
Company's share in loss of the joint venture	**(526,000)**	(107,000)

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.

	2015 RO	2014 RO
Opening net assets 1 January	**1,118,672**	177,822
Investment made during the year	-	1,154,850
Loss for the year	**(1,052,000)**	(214,000)
At 31 December	**66,672**	1,118,672
Interest in joint venture	**50%**	50%
Carrying value	**33,336**	559,336

6 LONG-TERM DEPOSIT

During the year, the Company has placed fixed deposits with a bank in the amount of RO 7000,000 maturing in December 2017 and carries interest at commercial rates.

7 INVENTORIES

	2015 *RO*	*2014* *RO*
Fuel and lubricants	**6,665,877**	7,002,071
Stores and spares	**7,498**	7,498
Less: allowance for slow moving and obsolete inventory	**(85,000)**	(15,000)
	6,588,375	6,994,569

8 TRADE AND OTHER RECEIVABLES

	2015 *RO*	*2014* *RO*
Trade receivables	**29,563,717**	31,834,786
Less: allowance for doubtful debts	**(762,368)**	(761,929)
	28,801,349	31,072,857
Prepaid expenses	**1,852,028**	1,569,009
Amounts due from related parties	**2,783,570**	746,454
Other receivables	**1,038,099**	666,719
	34,475,046	34,055,039

Refer note 28 for receivables aging and other disclosures relating to risk factors.

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

	2015 *RO*	*2014* *RO*
At 1 January	**761,929**	880,401
Recognised/(Utilised) during the year – net	**439**	(118,460)
Written-off during the year	**-**	(12)
At 31 December	**762,368**	761,929

9 CASH AND BANK

	2015 *RO*	*2014* *RO*
Cash at bank - current and call accounts	**18,982,203**	17,074,234
Cash on hand	**70,954**	34,416
Cash and cash equivalents	**19,053,157**	17,108,650

Cash at bank balances are with commercial banks in Oman and are denominated in Rial and USD. Call deposits earn interest at the rate ranging from 1.25% to 1.50% (2014: 1.25% to 1.75%) per annum.

10 SHARE CAPITAL

The Company's authorised share capital consists of 150,000,000 (2014 - 150,000,000) shares of 100 Baizas each (2014 - 100 Baizas each).

The Company's issued and fully paid up share capital comprises 64,500,000 (2014 - 64,500,000) shares of 100 Baizas each (2014 – 100 Baizas each) as follows:

	Number of shares	
	2015	2014
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	
	2015	2014
Oman Oil Company SAOC - Multi-vote shares	**3,225,000**	3,225,000
- Ordinary shares	**28,380,000**	28,380,000
Civil Services Pension Fund - Ordinary shares	**8,352,027**	8,352,027
	39,957,027	39,957,027

11 LEGAL RESERVE

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. As at 31 December 2015 the legal reserve has already reached the requirement hence the company has not transferred any amount to the legal reserve.

12 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the liability is as follows:

	2015	2014
	RO	RO
At 1 January	**303,925**	336,117
Provision/(reversal) during the year	**19,100**	(20,004)
End of service benefits paid	**(62,646)**	(12,188)
At 31 December	**260,379**	303,925

13 PROVISION FOR SITE RESTORATION AND ABANDONMENT COST

Movement in the provision is as follows:

	2015 RO	2014 RO
At 1 January	**581,007**	518,620
Additional provision	**-**	31,270
Unwinding of discount	**7,470**	31,117
Derognition of site restoration cost	**(381,941)**	-
Derognition of unwinding of discount	**(206,536)**	-
At 31 December	**-**	581,007

During the year the company performed an internal assessment of the provision for site restoration and abandonment costs. As the company has not utilised this in recent past and since the actual settlement in respect of few sites vacated has been insignificant, the management has concluded that no provision is required in this respect. Accordingly the full provision has been reversed during the year.

14 TRADE AND OTHER PAYABLES

	2015 RO	2014 RO
Due to related parties	**26,280,581**	27,020,141
Accrued expenses	**7,492,060**	9,678,617
Trade payables	**1,327,482**	2,407,977
Advances from customers	**356,617**	248,316
Directors' remuneration payable	**173,700**	176,400
	35,630,440	39,531,451

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 44,298 (2014 - RO 69,555). 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

	2015 RO	2014 RO
(a) Current liability:		
Current year	**1,665,567**	1,586,162
Prior years	**71,332**	69,854
	1,736,899	1,656,016
(b) Statement of comprehensive income:		
Current year	**1,665,567**	1,586,162
Deferred tax relating to the origination and reversal of temporary differences	**-**	(63,461)
	1,665,567	1,522,701
(c) Deferred tax asset:		
At 1 January	**213,911**	150,450
Movement for the year	**-**	63,461
At 31 December	**213,911**	213,911

15 TAXATION (CONTINUED)

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

	2015 RO	2014 RO
Provisions and other charges	**235,301**	235,301
Property, plant and equipment	**(21,390)**	(21,390)
	213,911	213,911

(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 (2014- 12%) of taxable income in excess of RO 30,000 (2014- 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:

	2015		2014	
	Rate %	RO	Rate %	RO
Profit before tax		**13,879,631**		12,734,607
Income tax	12	**1,665,556**	12	1,524,553
Income not chargeable to tax		-		(1)
Expenses permanently disallowed		-		(1,851)
Effective tax	12	**1,665,556**	11.96	1,522,701

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 2010 to 2014 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 2015. The deferred tax has been computed at the tax rate of 12%.

16 BANK BORROWINGS

	2015 RO	2014 RO
Term loan I	**1,542,002**	2,857,113
Term loan II	**6,939,000**	-
	8,481,002	2,857,113
Current portion		
Term loan I	**1,321,716**	1,321,714
Term loan II	**1,156,500**	-
	2,478,216	1,321,714
Non-current portion		
Term loan I	**220,286**	1,535,399
Term loan II	**5,782,500**	-
	6,002,786	1,535,399

16 BANK BORROWINGS (CONTINUED)

Term loan I

Term loan I represents facilities obtained from a local bank, for the purpose of construction of filling stations. The loan is repayable in forty two monthly instalments commencing from October 2013. The loan is unsecured and carries interest at commercial rates (2014 - same terms and conditions).

Term loan II

Term loan II represents facilities obtained from a local bank, for the purpose of construction of filling stations. The loan is repayable in forty eight monthly instalments commencing from January 2016. The loan is unsecured and carries interest at a commercial rate (2014 - same terms and conditions).

17 ENVIRONMENTAL PROVISION

Movement in the provision is as follows:

	2015	*2014*
	RO	RO
At 1 January	**626,765**	626,765
Reversal during the year	**(273,000)**	-
Utilised during the year	**(34,920)**	-
At 31 December	**318,845**	626,765

The Company provides for environmental remediation costs based on internal assessment of environmental contamination made on its delivery and storage sites. The entire provision of RO 318,845 (2014 - RO 626,765) is expected to be used as per site specific remediation plan drawn up by the company. Based on the recent internal assessment made by the Management the provision is excess by RO 273,000, accordingly the same is reversed during the year.

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	
	2015	*2014*
	RO	RO
Retail	**237,663,106**	220,401,805
Commercial	**74,624,907**	74,739,187
Others	**55,860,098**	61,983,665
	368,148,111	357,124,657

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2014 – 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.

19 STAFF COSTS

	2015	*2014*
	RO	RO
Wages, salaries and allowances	**5,532,374**	4,473,441
Social security costs	**311,784**	214,756
Other employee benefits	**284,220**	200,364
End of service benefits	**-**	(20,004)
	6,128,378	4,868,557

20 OPERATING AND OTHER EXPENSES

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

	2015	*2014*
	RO	RO
Operating leases	**3,013,164**	2,532, 206
License fee paid to Ministry of Commerce and Industry	**1,472,496**	1,432,946
Brand royalty to parent company	**323,227**	314,691
Directors' remuneration	**173,700**	176,400
Board sitting fees	**26,200**	22,900
Audit and professional fees	**9,000**	11,352
Tax consultant fees	**5,485**	2,632
Provision/(Reversal) for doubtful debts – net	**439**	(118,460)

21 FINANCE (COST)/INCOME - NET

	2015	*2014*
	RO	RO
Interest income	**312,467**	265,044
Interest expense	**(304,758)**	(219,222)
Interest income on site restoration reserve reversed	**199,066**	-
	206,775	45,822

22 DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed a cash dividend of RO 0.060 per share for 2015, 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 0.060 per share totalling RO 3,870,000 relating to 2014 was declared and paid (2014 - RO 0.070 per share totalling RO 4,515,000 relating to 2013).

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.

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:

	2015 RO	2014 RO
Revenue		
Fuel sales to filling stations owned by directors	**22,683,234**	13,879,734
Fuel sales to commercial customers related to directors	**37,137,061**	6,169,342
Fuel sales to joint venture	**1,871,439**	1,212,654

	2015 RO	2014 RO
Costs		
Fuel purchases from other related parties	**325,259,000**	315,293,987
Blending Charges	**1,432,211**	717,943
Brand royalty to parent company	**323,227**	314,691
Remuneration to directors	**173,700**	176,400
Directors' sitting fees	**26,200**	22,900
Net interest paid to other related parties	**59,849**	18,357

	2015 RO	2014 RO
Balances		
Bank balances	**298,974**	266,898
Due from related parties (Note 8)	**2,783,570**	746,454
Due to related parties (Note 14)	**26,280,581**	27,020,141
Directors remuneration (Note 14)	**173,700**	176,400

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:

	2015 RO	2014 RO
Future minimum lease payments:		
Not later than one year	**1,072,099**	1,076,032
Later than one year and not later than five years	**194,365**	959,110
More than five years	**309,283**	309,950
	1,575,747	2,345,092

Contracted commitments:

	2015 RO	2014 RO
At 31 December	**722,340**	1,176,167

25 BASIC AND DILUTED EARNINGS PER SHARE

The par value of each share is RO 100 Baizas. 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:

	2015 RO	*2014* RO
Net profit for the year (RO)	**12,214,064**	11,211,906
Weighted average number of shares (note 9)	**64,500,000**	64,500,000
Basic and diluted earnings per share (RO)	**0.189**	0.174

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:

	2015 RO	*2014* RO
Shareholders' equity (RO)	**59,854,793**	51,510,729
Number of shares outstanding at the end of the reporting period (note 9)	**64,500,000**	64,500,000
Net assets per share (RO)	**0.928**	0.799

27 CONTINGENCIES

At 31 December 2015 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 2,329,853 (2014 - RO 2,372,439).

During the previous years, a supplier had charged the Company an amount of RO 332,419 (2014 - 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.

28 FINANCIAL RISK MANAGEMENT

28.1 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.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 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 favourable 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 2015, 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.

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 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	
	2015	*2014*
	RO	RO
Commercial	**15,872,825**	14,837,737
Fuel card	**5,160,653**	5,740,831
Aviation	**4,467,715**	5,658,102
Retail	**4,207,343**	3,742,531
Lubes	**2,638,751**	2,602,039
	32,347,287	32,581,240
Less:		
Related party receivables	**(2,783,570)**	(746,454)
Trade receivables	**29,563,717**	31,834,786

The Company has accepted guarantees / collateral valued at RO 2,534,210 (2014 - RO 1,800,830) from customers to secure fully / partly their dues to the Company.

The ageing of trade receivables, excluding related party receivables at the reporting date is as follows:

	Gross	**Impairment**	Gross	Impairment
	2015	***2015***	*2014*	*2014*
	RO	**RO**	RO	RO
Not past due	**23,093,577**	**-**	25,513,907	-
Past due 1-90 days	**4,982,521**	**49,920**	3,201,251	191,527
Past due 91-360 days	**708,802**	**84,719**	734,150	62,904
More than one year	**778,817**	**627,729**	2,385,478	507,498
	29,563,717	**762,368**	31,834,786	761,929

28 FINANCIAL RISK MANAGEMENT (CONTINUED)

28.1 FINANCIAL RISK FACTORS (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:

	2015	*2014*
	RO	RO
Banks with rating of A-1	**779,598**	1,671,243
Banks with rating of A-2	**674,524**	311,740
Banks with rating of A-3	**609,570**	2,563,231
Banks not rated	**16,918,511**	12,528,020
	18,982,203	17,074,234

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 (2014 - RO 51,765,000) from Seven banks (2014:Seven 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	**6 months or less**	**6-12 months**	**1–2 Years**	**More than 2 Years**
		RO	RO	RO	RO
31 December 2015					
Bank borrowings	8,481,002	1,528,233	1,528,232	3,056,464	2,368,073
Trade payables	1,327,482	1,327,482	-	-	-
Due to related parties	26,280,581	26,280,581	-	-	-
Accruals and other payables	8,022,377	8,041,477	-	-	-
	44,111,442	37,177,773	1,528,232	3,056,464	2,368,073

28 FINANCIAL RISK MANAGEMENT(CONTINUED)

28.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (continued)

	Carrying amount	6 months or less	6-12 months	1–2 Years	More than 2 Years
		RO	RO	RO	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	-	-	-
	42,388,564	40,192,308	660,857	1,535,399	-

28.2 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.

28.3 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.

29 COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported profit or shareholders' equity.