

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Oil Marketing Company SAOG ("the Company" or "Parent 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 ultimate 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.

These consolidated financial statements comprise the Parent company and its subsidiaries (together referred to as the Group), the details of which are set out below. The separate financial statements represent the financial statements of the Parent company on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements'. During the year the 2017, the Company has established two subsidiaries, which has been consolidated for the year ended 31 December 2017. The comparative figures of the group as of and for the year ended 31 December 2016 are same as parent.

	Shareholding percentage 2017	Shareholding percentage 2016	Country of incorporation	Principal activities
Subsidiary companies				
Oman Oil Marketing Company LLC	100%	-	KSA	Marketing and distribution of petroleum products.
Alhalin International LLC	100%	-	Oman	Retail convenience stores and related operations

### 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 Group'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 2017

For the year ended 31 December 2017, the Group has adopted all of the following 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 2017.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

##### 2.2.1 Standards, amendments and interpretation effective in 2017 (continued)

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

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

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
  - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
  - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
  - IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopter

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's financial statements respectively.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach.

The Group has performed an assessment and concluded that the impact is not material as in majority of the Group's contracts with customers, sale of good is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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As at 31 December 2017

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

##### 2.2.2 New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

###### **IFRS 16 Leases**

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For lessors, there is little change to the existing accounting in IAS 17 Leases. Group 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. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

###### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group does not expect significant impact on its statement of financial position and equity.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 BASIS OF CONSOLIDATION

##### *Subsidiaries*

The financial statements comprise those of the Parent company and each of its subsidiaries as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Parent company:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Parent Company accounts for its investment in subsidiaries based on the equity method for the purpose of its separate financial statements.

#### 2.4 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.

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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 statement of comprehensive income as an expense when incurred.

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

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

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

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

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

### 2.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group 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 Group'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 Group'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 comprehensive income reflects the Group'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 Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of comprehensive income outside operating profit.

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

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As at 31 December 2017

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group 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 consolidated statement of comprehensive income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group 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.

#### 2.6 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.

#### 2.7 FINANCIAL ASSETS

The Group 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 the statement of comprehensive income; (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.

#### 2.8 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 Group 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.

#### 2.9 CASH AND CASH EQUIVALENTS

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

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### **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **2.10 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 the statement of comprehensive income.

##### *Non-financial assets*

The carrying amounts of the Group'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.

#### **2.11 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 the statement of comprehensive income 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.

#### **2.12 PROVISIONS**

Provisions are recognised by the Group 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.

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.13 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 Group.

#### 2.14 SHARE CAPITAL

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

#### 2.15 DIVIDEND DISTRIBUTION

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 Parent Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's separate financial statements only in the period in which the dividends are approved by the Parent Company's shareholders.

#### 2.16 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 Group's accounting policies described under note 2. Identification of segments and reporting are disclosed in note 17.

#### 2.17 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.

#### 2.18 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.

#### 2.19 END OF SERVICE BENEFITS

End of service benefits are accrued in accordance with the terms of employment of the Group'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.

#### 2.20 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.



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## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 December 2017

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.21 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.

#### 2.22 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases 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.

#### 2.23 INCOME TAX

##### *Current tax*

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

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

##### *Deferred tax*

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

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

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

#### 2.24 EARNINGS PER SHARE

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

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.25 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 Company 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 Group's accounting policies. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

#### 3.1 Depreciation

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

#### 3.2 Allowance for doubtful debts

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

At the reporting date, gross trade receivables were RO 55,592,566 (2016 - RO 43,090,960) and the provision for doubtful debts was RO 2,199,276 (2016 - RO 761,469). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### 3.3 Allowance for slow moving and obsolete inventory

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

At the reporting date, gross inventory were RO 7,972,270 (2016 - RO 7,170,763) and the provision for slow moving and obsolete inventory was RO 384,635 (2016 - RO 574,216). Any difference between the amounts actually released in future periods and the amounts expected to be released will be recognised in the statement of comprehensive income.

#### 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 Group 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 associates

Management has assessed the level of influence that the Group 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. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying value, and then recognises the loss in the statement of comprehensive income.

#### 3.8 Joint arrangement

The Group holds 50% of the voting rights of its joint arrangement. The Group 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 Group'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.

#### 3.9 Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the

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### 4 PROPERTY, PLANT AND EQUIPMENT - GROUP

<b>Cost</b>	<b>Land and buildings RO</b>	<b>Plant, equipment and vehicles RO</b>	<b>Capital work- in-progress RO</b>	<b>Total RO</b>
1 January 2017	22,887,634	42,686,113	7,065,888	72,639,635
Additions	-	1,359	4,481,868	4,483,227
Transfers	2,034,000	6,054,690	(8,088,690)	-
Disposal	(47,798)	(1,051,918)	-	(1,099,716)
<b>31 December 2017</b>	<b>24,873,836</b>	<b>47,690,244</b>	<b>3,459,066</b>	<b>76,023,146</b>
<b>Depreciation</b>				
1 January 2017	5,875,531	27,016,704	-	32,892,235
Charge for the year	1,081,394	3,732,829	-	4,814,223
Disposal	(20,025)	(949,538)	-	(969,563)
Impairment losses (iii)	-	94,716	-	94,716
<b>31 December 2017</b>	<b>6,936,900</b>	<b>29,894,711</b>	<b>-</b>	<b>36,831,611</b>
<b>Net carrying amount 31 December 2017</b>	<b>17,936,936</b>	<b>17,795,533</b>	<b>3,459,066</b>	<b>39,191,535</b>

  

<b>Cost</b>	<b>Land and buildings RO</b>	<b>Plant, equipment and vehicles RO</b>	<b>Capital work-in- progress RO</b>	<b>Total RO</b>
1 January 2016	20,613,145	39,556,199	5,384,971	65,554,315
Additions	-	-	7,916,018	7,916,018
Transfers	2,398,688	3,836,413	(6,235,101)	-
Disposal	(124,199)	(706,499)	-	(830,698)
<b>31 December 2016</b>	<b>22,887,634</b>	<b>42,686,113</b>	<b>7,065,888</b>	<b>72,639,635</b>
<b>Depreciation</b>				
1 January 2016	4,989,986	24,725,289	-	29,715,275
Charge for the year	964,140	2,908,329	-	3,872,469
Disposal	(78,595)	(616,914)	-	(695,509)
<b>31 December 2016</b>	<b>5,875,531</b>	<b>27,016,704</b>	<b>-</b>	<b>32,892,235</b>
<b>Net carrying amount 31 December 2016</b>	<b>17,012,103</b>	<b>15,669,409</b>	<b>7,065,888</b>	<b>39,747,400</b>

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 4 PROPERTY, PLANT AND EQUIPMENT - PARENT

Cost	Land and buildings RO	Plant, equipment and vehicles RO	Capital work- in-progress RO	Total RO
1 January 2017	22,887,634	42,686,113	7,065,888	72,639,635
Additions	-	-	4,481,868	4,481,868
Transfers	2,034,000	6,054,690	(8,088,690)	-
Disposal	(47,798)	(1,051,918)	-	(1,099,716)
<b>31 December 2017</b>	<b>24,873,836</b>	<b>47,688,885</b>	<b>3,459,066</b>	<b>76,021,787</b>
<b>Depreciation</b>				
1 January 2017	5,875,531	27,016,704	-	32,892,235
Charge for the year	1,081,394	3,732,733	-	4,814,127
Disposal	(20,025)	(949,538)	-	(969,563)
Impairment losses (iii)	-	94,716	-	94,716
<b>31 December 2017</b>	<b>6,936,900</b>	<b>29,894,615</b>	<b>-</b>	<b>36,831,515</b>
<b>Net carrying amount</b>				
<b>31 December 2017</b>	<b>17,936,936</b>	<b>17,794,270</b>	<b>3,459,066</b>	<b>39,190,272</b>

Cost	Land and buildings RO	Plant, equipment and vehicles RO	Capital work-in- progress RO	Total RO
1 January 2016	20,613,145	39,556,199	5,384,971	65,554,315
Additions	-	-	7,916,018	7,916,018
Transfers	2,398,688	3,836,413	(6,235,101)	-
Disposal	(124,199)	(706,499)	-	(830,698)
<b>31 December 2016</b>	<b>22,887,634</b>	<b>42,686,113</b>	<b>7,065,888</b>	<b>72,639,635</b>
<b>Depreciation</b>				
1 January 2016	4,989,986	24,725,289	-	29,715,275
Charge for the year	964,140	2,908,329	-	3,872,469
Disposal	(78,595)	(616,914)	-	(695,509)
<b>31 December 2016</b>	<b>5,875,531</b>	<b>27,016,704</b>	<b>-</b>	<b>32,892,235</b>
<b>Net carrying amount</b>				
<b>31 December 2016</b>	<b>17,012,103</b>	<b>15,669,409</b>	<b>7,065,888</b>	<b>39,747,400</b>

i) The Parent Company has a 50% share of the main storage depot at Mina Al Fahal (the depot) at a cost of RO 3,105,928 (2016- RO 1,972,302) as at 31 December 2017 and a NBV of RO 1,358,424 (2016- RO 532,428), respectively, which are included in property, plant and equipment. Under an agreement dated 6 December 1995 between the Parent 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 Parent Company and Al Maha;
- Costs of this depot are shared equally with Al Maha; and
- The depot is operated by the Parent Company for an agreed management fees.

ii) 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 that is upto 31 December 2030.

iii) An impairment loss of RO 94,716 has recognised in respect of certain heavy vehicles.

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 5 INVESTMENTS IN SUBSIDIARIES

	% holding	Year of incorporation	Parent	
			2017 RO	2016 RO
i) Oman Oil Marketing Company LLC - KSA	100%	2017	827,943	-
ii) Ahlain International LLC	100%	2017	226,445	-
			<b>1,054,388</b>	<b>-</b>

i) Oman Oil Marketing Company LLC is incorporated in the Kingdom of Saudi Arabia on 16 January 2017 under a trade license issued by the Ministry of Commerce & Industry. The subsidiary is primarily engaged in the marketing and distribution of petroleum products. In the current year, the Parent company has recognised its share of loss of RO 206,857 in respect of the subsidiary.

ii) Ahlain International LLC is incorporated on 19 March 2017 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the retail convenience stores and related operations in Sultanate of Oman. In the current year, the Parent company has recognised its share of loss of RO 23,555 in respect of the subsidiary.

### 6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE

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

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Associates (a)	1,935,054	2,287,990	1,935,054	2,287,990
Joint venture (b)	69,585	69,585	69,585	69,585
	<b>2,004,639</b>	<b>2,357,575</b>	<b>2,004,639</b>	<b>2,357,575</b>

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

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Share of loss from associates	(35,359)	44,394	(35,359)	44,394
Impairment loss recognised on associates	(264,653)	(760,731)	(264,653)	(760,731)
Share of loss from joint venture	-	(541,176)	-	(541,176)
	<b>(300,012)</b>	<b>(1,257,513)</b>	<b>(300,012)</b>	<b>(1,257,513)</b>

#### (a) Investment in associates

	% holding	Parent	
		2017 RO	2016 RO
i) Muscat Gases Company SAOG	9.18%	1,539,340	-
ii) Lubchem International Industry LLC	40%	395,714	-
		<b>1,935,054</b>	<b>-</b>

### 6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

(i) *Muscat Gases Company SAOG*

The Parent Company has a 9.18% (2016 - 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 2017, the fair value of the Group's and Parent Company's interest in the investee which is listed on the MSM, was RO 1,539,340 (2016: RO 1,685,448). The parent company has recognised an impairment of RO 103,502 (2016: RO 760,730) due to the decrease of the fair market value. The impairment has been recognised in the statement of comprehensive income.

(ii) *Lubechem International Industry LLC*

Effective 6 May 2014, the Parent 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 carrying value of the Group's interest was RO 395,714 (2016: RO 602,542). The Group has carried an impairment testing during the current year which has indicated an impairment of RO 161,133 (2016: Nil). The impairment has been recognised in the statement of comprehensive income

There are no contingent liabilities relating to the Group'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 Parent Company.

The following table illustrates summarised financial information of the Group's investment in the associate:

**Share of the associates' revenue and loss:**

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Revenue	<u>499,328</u>	<u>872,907</u>	<u>499,328</u>	<u>872,907</u>
Loss	<u>(75,366)</u>	<u>(34,372)</u>	<u>(75,366)</u>	<u>(34,372)</u>

**Share of associates' balance sheet:**

Current assets	<u>136,291</u>	219,694	<u>136,291</u>	219,694
Non-current assets	<u>388,234</u>	410,654	<u>388,234</u>	410,654
Current liabilities	<u>122,659</u>	157,709	<u>122,659</u>	157,709
Non-current liabilities	<u>6,152</u>	11,578	<u>6,152</u>	11,578
Net assets	<u>395,714</u>	<u>461,061</u>	<u>395,714</u>	<u>461,061</u>

**(b) Investment in joint venture**

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
<b>At 1 January</b>	<b>69,585</b>	33,336	<b>69,585</b>	33,336
Investment made during the year	-	577,425	-	577,425
Share of loss for the year	-	(541,176)	-	(541,176)
<b>At 31 December</b>	<b>69,585</b>	<b>69,585</b>	<b>69,585</b>	<b>69,585</b>

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 6 INVESTMENTS IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Investment in joint venture represents the Parent 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.

During the year, the joint venture has ceased its operations and commenced liquidation proceedings. Management has carried out an assessment and has concluded that the joint venture has sufficient assets, the carrying value will be recovered from the liquidation process.

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

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Current assets	<b>233,949</b>	233,949	<b>233,949</b>	233,949
<b>Total assets</b>	<b>233,949</b>	233,949	<b>233,949</b>	233,949
Current liabilities	<b>94,780</b>	94,780	<b>94,780</b>	94,780
<b>Total liabilities</b>	<b>94,780</b>	94,780	<b>94,780</b>	94,780
<b>Net assets</b>	<b>139,169</b>	139,169	<b>139,169</b>	139,169
Parent company's share in net assets of the joint venture	<b>69,585</b>	69,585	<b>69,585</b>	69,585
Income	-	9,834,440	-	9,834,440
Expense	-	(10,785,005)	-	(10,785,005)
Loss of Joint venture for the year	-	(950,565)	-	(950,565)
Parent Company's share in loss of the investment	-	(475,283)	-	(475,283)

There are no contingent liabilities relating to the Group's and Parent Company's interest in the investment, 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.

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
<b>Opening net assets 1 January</b>	<b>139,171</b>	66,672	<b>139,171</b>	66,672
Investment made during the year	-	1,154,850	-	1,154,850
Loss for the year	-	(1,082,351)	-	(1,082,351)
<b>At 31 December</b>	<b>139,171</b>	139,171	<b>139,171</b>	139,171
Interest in joint venture	<b>50%</b>	50%	<b>50%</b>	50%
<b>Carrying value</b>	<b>69,585</b>	69,585	<b>69,585</b>	69,585



# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 7 INVENTORIES

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Fuel and lubricants	7,972,270	7,170,763	7,972,270	7,170,763
Stores and spares	33,427	7,498	7,629	7,498
Less: allowance for slow moving and obsolete inventory	(384,638)	(574,216)	(384,638)	(574,216)
	<b>7,621,059</b>	<b>6,604,045</b>	<b>7,595,261</b>	<b>6,604,045</b>

Movements in the allowance for slow moving and obsolete inventory during the year are as follows:

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
At 1 January	574,216	85,000	574,216	85,000
Provided during the year	299,638	489,216	299,638	489,216
Written off during the year	(489,216)	-	(489,216)	-
At 31 December	<b>384,638</b>	<b>574,216</b>	<b>384,638</b>	<b>574,216</b>

### 8 TRADE AND OTHER RECEIVABLES

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Trade receivables	55,251,410	43,090,960	55,248,493	43,090,960
Less: allowance for doubtful debts	(1,994,084)	(761,469)	(1,994,084)	(761,469)
	<b>53,257,326</b>	<b>42,329,491</b>	<b>53,254,409</b>	<b>42,329,491</b>
Prepaid expenses	1,540,178	1,686,190	1,540,178	1,686,190
Amounts due from related parties (Note 22)	2,030,889	2,944,594	2,141,304	2,944,594
Other receivables	653,149	1,039,471	653,149	1,039,471
	<b>57,481,542</b>	<b>47,999,746</b>	<b>57,589,040</b>	<b>47,999,746</b>

Refer note 27 for receivables ageing and other disclosures relating to risk factors.

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

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
At 1 January	761,469	762,368	761,469	762,368
Provided during the year	1,246,716	1,050	1,246,716	1,050
Written off during the year	(14,101)	(1,949)	(14,101)	(1,949)
At 31 December	<b>1,994,084</b>	<b>761,469</b>	<b>1,994,084</b>	<b>761,469</b>

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 9 CASH AND BANK

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Cash at bank - current and call accounts	<b>28,539,362</b>	22,363,755	<b>27,321,658</b>	22,363,755
Cash on hand	<b>41,977</b>	33,895	<b>40,942</b>	33,895
Cash and bank balance	<b>28,581,339</b>	22,397,650	<b>27,362,600</b>	22,397,650
Less: term deposits	-	(7,000,000)	-	(7,000,000)
<b>Cash and cash equivalent</b>	<b>28,581,339</b>	15,397,650	<b>27,362,600</b>	15,397,650

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 3.5% (2016: 1.25% to 3.50%) per annum.

### 10 SHARE CAPITAL

The Group's and Parent Company's authorised share capital consists of 150,000,000 (2016 - 150,000,000) shares of 100 Baizas each (2016 - 100 Baizas each).

The Group's and Parent Company's issued and fully paid up share capital comprises 64,500,000 (2016 - 64,500,000) shares of 100 Baizas each (2016 - 100 Baizas each) as follows:

	Group		Parent	
	Number of shares		Number of shares	
	2017	2016	2017	2016
Multi-vote shares	<b>3,225,000</b>	3,225,000	<b>3,225,000</b>	3,225,000
Ordinary shares	<b>61,275,000</b>	61,275,000	<b>61,275,000</b>	61,275,000
	<b>64,500,000</b>	64,500,000	<b>64,500,000</b>	64,500,000

In accordance with Article 5 of chapter two of the Parent Company's Articles of Association, the holder of each multi-vote share is entitled to two votes at the annual general meeting of the Parent Company. Multi-vote shares are considered as ordinary shares for purposes of basic and diluted earnings per share.

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

	Group		Parent	
	Number of shares		Number of shares	
	2017	2016	2017	2016
Oman Oil Company SAOC - Multi-vote shares	<b>3,225,000</b>	3,225,000	<b>3,225,000</b>	3,225,000
- Ordinary shares	<b>28,380,000</b>	28,380,000	<b>28,380,000</b>	28,380,000
Civil Services Pension Fund - Ordinary shares	<b>8,352,027</b>	8,352,027	<b>8,352,027</b>	8,352,027
	<b>39,957,027</b>	39,957,027	<b>39,957,027</b>	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 2017 the legal reserve has already reached the requirement hence the Parent company has not transferred any amount to the legal reserve.

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 12 EMPLOYEES' END OF SERVICE BENEFITS

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
<b>At 1 January</b>	<b>358,042</b>	260,379	<b>358,042</b>	260,379
Provision during the year	<b>86,885</b>	134,070	<b>85,534</b>	134,070
End of service benefits paid	<b>(99,121)</b>	(36,407)	<b>(99,121)</b>	(36,407)
<b>At 31 December</b>	<b>345,806</b>	358,042	<b>344,455</b>	358,042

### 13 TRADE AND OTHER PAYABLES

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Trade payables	<b>2,056,384</b>	2,182,571	<b>2,054,956</b>	2,182,571
Due to related parties (Note 22)	<b>46,039,253</b>	34,971,384	<b>46,039,253</b>	34,971,384
Accrued expenses	<b>9,338,912</b>	7,726,773	<b>9,257,777</b>	7,726,773
Advances from customers	<b>575,799</b>	530,883	<b>575,799</b>	530,883
Directors' remuneration payable	<b>167,400</b>	154,900	<b>167,400</b>	154,900
	<b>58,177,748</b>	45,566,511	<b>58,095,185</b>	45,566,511

The Parent 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 14,992 (2016 - RO 67,037). 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.

### 14 TAXATION

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
(a) Current liability:				
Current year	<b>1,877,137</b>	1,534,417	<b>1,877,137</b>	1,534,417
Prior years	<b>50,195</b>	62,897	<b>50,195</b>	62,897
	<b>1,927,332</b>	1,597,314	<b>1,927,332</b>	1,597,314
(b) statement of comprehensive income:				
Current year	<b>1,877,137</b>	1,534,417	<b>1,877,137</b>	1,534,417
Deferred tax aassets	<b>(199,313)</b>	(92,227)	<b>(199,313)</b>	(92,227)
	<b>1,677,824</b>	1,442,190	<b>1,677,824</b>	1,442,190
(c) Deferred tax asset:				
<b>At 1 January</b>	<b>306,138</b>	213,911	<b>306,138</b>	213,911
Movement for the year	<b>199,313</b>	92,227	<b>199,313</b>	92,227
<b>At 31 December</b>	<b>505,451</b>	306,138	<b>505,451</b>	306,138

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 14 TAXATION (CONTINUED)

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

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Provisions and other charges	432,535	303,312	432,535	303,312
Property, plant and equipment	72,917	2,826	72,917	2,826
	<b>505,452</b>	306,138	<b>505,452</b>	306,138

The Parent company is subject to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 15% (2016- 12%). 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:

	2017		2016	
	Rate %	RO	Rate %	RO
Profit before tax		10,546,852		11,045,053
Income tax	15	1,582,028	12	1,321,806
Income not chargeable to tax		(37,629)		(1,548)
Expenses permanently disallowed		133,425		121,932
<b>Effective tax</b>	<b>16</b>	<b>1,677,824</b>	<b>13</b>	<b>1,442,190</b>

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

The income tax assessments of the Parent company for the years 2012 to 2015 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 Group as at 31 December 2017.

### 15 BANK BORROWINGS

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Term loan I	-	213,686	-	213,686
Term loan II	4,047,750	5,789,100	4,047,750	5,789,100
	<b>4,047,750</b>	6,002,786	<b>4,047,750</b>	6,002,786
<b>Current portion</b>				
Term loan I	-	213,686	-	213,686
Term loan II	1,734,750	1,734,750	1,734,750	1,734,750
	<b>1,734,750</b>	1,948,436	<b>1,734,750</b>	1,948,436
<b>Non-current portion</b>				
Term loan II	<b>2,313,000</b>	4,054,350	<b>2,313,000</b>	4,054,350

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 15 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 (2016 - 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 (2016 - same terms and conditions).

### 16 ENVIRONMENTAL PROVISION

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
At 1 January	300,245	318,845	300,245	318,845
Utilised during the year	-	(18,600)	-	(18,600)
<b>At 31 December</b>	<b>300,245</b>	<b>300,245</b>	<b>300,245</b>	<b>300,245</b>

The Parent 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 300,245 (2016 - RO 300,245) is expected to be used as per site specific remediation plan drawn up by the Parent company.

### 17 SEGMENT INFORMATION

Business units from which reportable segments derive their revenues

Information reported to the Group'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 Group's and Parent company's reportable segments is presented below:

Segment revenues	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Retail	362,743,167	301,961,083	362,743,167	301,961,083
Commercial	96,457,795	78,908,030	96,457,795	78,908,030
Others	55,411,472	45,053,474	55,353,704	45,053,474
	<b>514,612,434</b>	<b>425,922,587</b>	<b>514,554,666</b>	<b>425,922,587</b>

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2016 – nil)

#### *Revenue from major products and services and geographical information*

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

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### 18 STAFF COSTS

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Wages, salaries and allowances	6,188,821	6,040,598	6,129,841	6,040,598
Social security costs	341,598	337,234	341,598	337,234
End of service benefits (Note 12)	87,395	134,070	85,534	134,070
Other employee benefits	417,636	436,606	417,636	436,606
	<b>7,035,450</b>	<b>6,948,508</b>	<b>6,974,609</b>	<b>6,948,508</b>

### 19 OPERATING AND OTHER EXPENSES

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

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Operating leases	3,966,453	3,899,183	3,966,453	3,899,183
License fee paid to Ministry of Commerce and Industry	2,058,801	1,703,865	2,058,277	1,703,865
Provision for doubtful debts (net) (Note 8)	1,232,615	1,050	1,232,615	1,050
Brand royalty to Ultimate parent company	455,697	375,837	455,697	375,837
Directors' remuneration provision	164,600	154,900	164,600	154,900
Board sitting fees	35,400	45,100	35,400	45,100
Audit and professional fees	10,000	9,500	10,000	9,500
Tax consultant fees	14,274	5,536	9,100	5,536

### 20 FINANCE INCOME /(EXPENSES) - NET

	2017 RO	2016 RO	2017 RO	2016 RO
Interest income	820,207	702,148	820,207	702,148
Interest expense	(595,980)	(704,148)	(595,980)	(704,148)
	<b>224,227</b>	<b>(2,000)</b>	<b>224,227</b>	<b>(2,000)</b>

### 21 DIVIDENDS PAID AND PROPOSED

The Board of Directors has proposed a cash dividend of RO 0.060 per share for 2017, 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 2016 was declared and paid (2016: RO 0.060 per share totalling RO 3,870,000 was paid relating to 2015).

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

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 22 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 Group and / or related to Directors, were as follows:

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
<b>Revenue</b>				
Fuel sales to filling stations owned by directors	5,502,287	7,799,929	5,502,287	7,799,929
Fuel sales to commercial customers related to directors	6,243,576	12,901,732	6,243,576	12,901,732
Fuel sales to joint venture	-	381,473	-	381,473

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
<b>Costs</b>				
Fuel purchases from other related parties	470,690,882	383,881,668	470,690,882	383,881,668
Blending Charges	390,289	769,695	390,289	769,695
Brand royalty to ultimate parent company	455,697	375,837	455,697	375,837
Remuneration to directors	164,600	154,900	164,600	154,900
Directors' sitting fees	35,400	45,100	35,400	45,100
Net interest paid to other related parties	95,925	38,835	95,925	38,835

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
<b>Balances</b>				
Bank balances	4,323,822	2,312,387	4,323,822	2,312,387
Due from related parties (Note 8)	2,141,304	2,944,594	2,141,304	2,944,594
Due to related parties (Note 13)	46,039,253	34,971,384	46,039,253	34,971,384
Directors remuneration (Note 13)	167,400	154,900	167,400	154,900

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 Parent 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.

### 23 COMMITMENTS

#### Operating leases

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

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Future minimum lease payments:				
Not later than one year	1,331,312	1,281,751	1,331,312	1,281,751
Later than one year and not later than five years	444,093	701,824	444,093	701,824
More than five years	278,339	298,992	278,339	298,992
	<u>2,053,744</u>	<u>2,282,567</u>	<u>2,053,744</u>	<u>2,282,567</u>

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### 23 COMMITMENTS (CONTINUED)

Contracted commitments:

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
At 31 December	<u>6,410,735</u>	<u>1,432,691</u>	<u>6,410,735</u>	<u>1,432,691</u>

### 24 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:

	Group		Parent	
	2017	2016	2017	2016
Net profit for the year (RO)	<u>8,869,028</u>	<u>9,602,863</u>	<u>8,869,028</u>	<u>9,602,863</u>
Weighted average number of shares (note 10)	<u>64,500,000</u>	<u>64,500,000</u>	<u>64,500,000</u>	<u>64,500,000</u>
Basic and diluted earnings per share (RO)	<u>0.138</u>	<u>0.149</u>	<u>0.138</u>	<u>0.149</u>

### 25 NET ASSETS PER SHARE

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

	Group		Parent	
	2017	2016	2017	2016
Shareholders' equity (RO)	<u>70,586,684</u>	<u>65,587,656</u>	<u>70,586,684</u>	<u>65,587,656</u>
Number of shares outstanding at the end of the reporting period (note 10)	<u>64,500,000</u>	<u>64,500,000</u>	<u>64,500,000</u>	<u>64,500,000</u>
Net assets per share (RO)	<u>1.094</u>	<u>1.017</u>	<u>1.094</u>	<u>1.017</u>

### 26 CONTINGENCIES

At 31 December 2017, the Group 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 4,878,501 (2016 - RO 4,120,250).

During the previous years, a supplier had charged the Parent company an amount of RO 332,419 (2016 - RO 332,419) for the difference in prices pertaining to the period from August 2007 to May 2009 which is not recognised by the Group, as management considers that the claim is not tenable based on a legal opinion.



# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 27 FINANCIAL RISK MANAGEMENT

#### 27.1 FINANCIAL RISK FACTORS

The Group'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 Group'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 Group.

Risk management is carried out by the Management under policies approved by the Board of Directors (the Board). The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has entrusted the audit committee with the responsibility of the development and monitoring the Group'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 Group's activities. The Group, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

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 2017, the Group 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 Group 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 Group requires bank guarantees on higher credit risk customers. The Group 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 Group's and Parent company's performance to developments affecting a particular industry or geographical location.

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 27.1 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 Group's and Parent 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 Group's and Parent company's credit risk and its working capital. It is, therefore, the Group'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:

	Group		Parent	
	2017	2016	2017	2016
	RO	RO	RO	RO
Commercial	26,661,448	20,522,736	26,661,448	20,522,736
Fuel card	13,264,810	9,321,819	13,264,810	9,321,819
Aviation	5,870,561	7,362,456	5,870,561	7,362,456
Retail	8,642,268	7,089,664	8,639,351	7,089,664
Lubes	2,953,627	1,738,879	2,953,627	1,738,879
	<b>57,392,714</b>	46,035,554	<b>57,389,797</b>	46,035,554
Less: Related party receivables	<b>(2,141,304)</b>	(2,944,594)	<b>(2,141,304)</b>	(2,944,594)
Trade receivables	<b>55,251,410</b>	43,090,960	<b>55,248,493</b>	43,090,960

The Group has accepted guarantees / collateral valued at RO 3,292,760 (2016 - RO 2,437,413) 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:

	2017		2016	
	Gross	Impairment	Gross	Impairment
	RO	RO	RO	RO
Not past due	38,235,081	-	29,910,520	-
Past due 1-90 days	10,681,363	70,772	7,036,809	36,122
Past due 91-360 days	2,397,850	107,617	3,680,542	72,212
More than one year	3,934,199	1,815,695	2,463,089	653,135
	<b>55,248,493</b>	<b>1,994,084</b>	43,090,960	761,469

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 27.1 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:

	Group		Parent	
	2017 RO	2016 RO	2017 RO	2016 RO
Banks with rating of A-1	7466	1,016,922	7,466	1,016,922
Banks with rating of A-2	-	834,523	-	834,523
Banks with rating of A-3	-	4,033,583	-	4,033,583
Banks with rating of BAA-2	5,095,963	-	5,095,963	-
Banks with rating of BAA-3	13,214,159	-	13,214,159	-
Banks not rated	9,004,070	9,478,727	9,004,070	9,478,727
	<u>27,321,658</u>	<u>15,363,755</u>	<u>27,321,658</u>	<u>15,363,755</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 Group will not be able to meet its financial obligations as they fall due. The Group's and Parent 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 Group's reputation.

The Group limits its liquidity risk by ensuring bank facilities are available. The Group's and Parent 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 Group 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 Group has a credit facilities amounting to RO 90,150,000 (2016 - RO 44,000,000) from Five banks (2016: Four 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 Group's and Parent company's financial liabilities into the relevant maturity 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.

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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### 27 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 27.1 FINANCIAL RISK FACTORS (CONTINUED)

##### (c) Liquidity risk (continued)

Parent	Carrying amount RO	6 months or less RO	6-12 months RO	1-2 Years RO	More than 2 Years RO
<b>31 December 2017</b>					
Bank borrowings	4,047,750	867,375	867,375	1,734,750	578,250
Trade payables	2,054,956	2,054,956	-	-	-
Due to related parties	46,039,253	46,039,253	-	-	-
Accruals and other payables	9,425,177	9,425,177	-	-	-
	<b>61,567,136</b>	<b>58,386,761</b>	<b>867,375</b>	<b>1,734,750</b>	<b>578,250</b>
Group	Carrying amount RO	6 months or less RO	6-12 months RO	1-2 Years RO	More than 2 Years RO
<b>31 December 2017</b>					
Bank borrowings	4,047,750	867,375	867,375	1,734,750	578,250
Trade payables	2,056,384	2,056,384	-	-	-
Due to related parties	46,039,253	46,039,253	-	-	-
Accruals and other payables	9,506,312	9,506,312	-	-	-
	<b>61,649,699</b>	<b>58,469,324</b>	<b>867,375</b>	<b>1,734,750</b>	<b>578,250</b>
Group and Parent	Carrying amount RO	6 months or less RO	6-12 months RO	1-2 Years RO	More than 2 Years RO
<b>31 December 2016</b>					
Bank borrowings	6,002,786	1,081,064	867,378	1,734,756	231,958
Trade payables	2,182,571	1,014,570	1,168,001	-	-
Due to related parties	34,971,384	34,971,384	-	-	-
Accruals and other payables	8,412,556	8,412,556	-	-	-
	<b>51,569,297</b>	<b>45,479,574</b>	<b>2,035,379</b>	<b>1,734,756</b>	<b>2,319,588</b>

#### 27.2 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 Group 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 Group's approach to capital management during the year. The Group is not subject to externally imposed capital requirements.

# OMAN OIL MARKETING COMPANY SAOG

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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

### **27 FINANCIAL RISK MANAGEMENT (CONTINUED)**

#### **27.3 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.