

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 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 ultimate 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 in Note 3 to the consolidated financial statements. 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

#### 2 Application of new and revised International Financial Reporting Standards (IFRS)

##### 2.1 New and amended IFRSs and standard that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements. The adoption of the following IFRSs have not had any material impact on the disclosures or on the amounts reported in these consolidated financial statements and are listed below.

- *Amendments to IFRS 9 Prepayment Features with Negative Compensation and Modification of financial*
- *Amendments to IAS 28 Investment in Associates and Joint Ventures*
- *Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS*
- *Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement*
- *IFRIC 23 Uncertainty over Income Tax Treatments*

The Group also applies, for the first time, IFRS 16 Lease and the related consequential amendments to other IFRS Standards that are effective for annual period that begins on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

##### (a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

##### 2.1 New and amended IFRSs and standard that are effective for the current year (continued)

###### (a) Impact of the new definition of a lease (continued)

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation assessment. Assessment has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

###### (b) Impact on Lessee Accounting

###### (i) Former operating leases

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating lease applying IAS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the incremental borrowing interest rate at the time of first time application. IFRS 16 transition disclosures also requires the Group to present the reconciliation.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

##### 2.1 New and amended IFRSs and standard that are effective for the current year (continued)

###### (c) Financial impact of initial application of IFRS 16 (continued)

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	RO
Operating lease commitments disclosed as at 31 December 2018	1,741,419
Add: other lease commitments	23,832,217
	<u>25,573,636</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>17,129,723</u>
<b>Lease liability recognised as at 1 January 2019</b>	<b><u>17,129,723</u></b>
Of which are:	
Current lease liabilities	3,399,139
Non-current lease liabilities	13,730,584
	<u>17,129,723</u>

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 ranged from 3.2% to 4%. Interest expense on lease liabilities amounted to RO 552,964 for the year ended 31 December 2019.

Net impact from the adoption of IFRS 16 on opening retained earnings as at 1 January 2019 is as follows:

	31 December 2018 (As reported) RO	Increase RO	1 January 2019 (Restated) RO
Right-of-use assets	-	18,512,240	18,512,240
Lease liabilities	-	17,129,723	17,129,723
Retained earnings	66,205,170	-	66,205,170

The adoption of IFRS 16 resulted in an increase in total assets by RO 14,860,224, increase in total liabilities by RO 13,730,834 and decrease in net profit for the year 2019 by RO 252,877.

The recognised right-of-use assets relate to the following types of assets:

	Leasehold land RO	Warehouse and offices and parking RO	Total RO
Balance as at 1 January 2019	16,633,590	617,588	17,251,178
Additions	1,261,062	-	1,261,062
Less: amortisation	<u>(3,472,177)</u>	<u>(179,840)</u>	<u>(3,652,017)</u>
Closing balance as at 31 December 2019	<u>14,422,475</u>	<u>437,748</u>	<u>14,860,223</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

##### 2.1 New and amended IFRSs and standard that are effective for the current year (continued)

###### (d) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets. Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

##### 2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	01 January 2020
Amendment to IFRS 3 <i>Business Combinations</i> relating to definition of a business.	01 January 2020
IFRS 17 <i>Insurance Contracts</i>	01 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.	
Amendments to IFRS 10 <i>Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely.

Management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the year of initial application.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 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.

##### 3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Commercial Companies Law of the Sultanate of Oman.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

The consolidated financial statements are prepared under the historical cost convention. The consolidated financial statements have been presented in Rial Omani ("RO") which is also the functional currency of the Group.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The preparation of consolidated 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 consolidated financial statements as disclosed in Note 4 to the consolidated financial

##### 3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2019.

Subsidiary companies	Shareholding percentage		Country of incorporation	Principal activities
	2019	2018		
Oman Oil Marketing Company LLC	100%	100%	KSA	Marketing and distribution of petroleum products
Alhalin International LLC	100%	100%	Oman	Retail convenience stores and related operations
Sultanate Energy Company Limited	100%	-	United republic of Tanzania	Marketing and distribution of petroleum products

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.2 Basis of consolidation (continued)

###### *Subsidiaries*

The financial statements comprise those of the Parent Company and each of its subsidiaries as at 31 December 2019. 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.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.3 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 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.

##### 3.4 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.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.4 Investment in associates and joint ventures (continued)

The statement of comprehensive profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. 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 in the consolidated statement of profit or loss 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.

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 in the consolidated statement of profit or loss.

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.

##### 3.5 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

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

##### 3.6 Impairment of non-financial assets

The carrying amount of the Group non-financial **assets** other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. In any such indications exist, the assets 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 cost 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.



## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.6 Impairment of non-financial assets (continued)

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 exist. An impairment loss is reversed (other than relating to goodwill) if there has been a change in estimated 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.

##### 3.7 Financial assets

###### *Initial recognition and measurement*

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

###### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon
- Financial assets at fair value through profit or loss

###### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.7 Financial assets (continued)

###### Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment is 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

##### 3.8 Cash and cash equivalents

For the purpose of statement of cash flow, cash and cash equivalents include cash on hand and at bank with a maturity of less than 3 months from the date of placement, net of bank overdrafts, if any.

##### 3.9 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.

##### 3.10 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.

##### 3.11 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.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.12 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.

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

##### 3.14 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 3. Identification of segments and reporting are disclosed in Note 18 to the consolidated financial statements.

##### 3.15 Revenue recognition

###### *Revenue from contracts with customers*

The Group's principal activity is selling fuel, lubricants and petroleum products.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

###### *Sale of fuel, lubricants and petroleum products*

Revenue from sale of fuel, lubricants and petroleum products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit terms are 30 to 90 days upon delivery/receipt.

###### *Volume rebate*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the future expected rebates, the group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimated of variable consideration and recognises a refund liability for the expected future rebates.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.15 Revenue recognition (continued)

###### *Loyalty points programme*

The Group has a loyalty programme, Basma, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognised as a contract liability until the points are redeemed. Revenue is recognised upon redemption of products by the customer.

When estimating the stand alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimate of the points that will be redeemed on a quarterly basis and any adjustments to that contract liability balance are charged against revenue.

###### **Contract balances**

###### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

###### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### 3.16 Director's remuneration

The Directors' remuneration is governed and calculated as set out in the Commercial Companies Law of 2019 and the regulations issued by the Capital Market Authority of Oman.

##### 3.17 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.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.18 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.

##### 3.19 Borrowing cost

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.

##### 3.20 Finance income

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

##### 3.21 Leases

*After adoption of IFRS 16 – applicable from 1 January 2019*

###### **Right-of-use assets**

The Group has implemented IFRS 16 effective 1 January 2019 and therefore the Group has recognised a right-of-use assets and lease liability in the consolidated financial information.

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right-of-use of asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently amortised using the straight line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Depreciation is calculated on a straight line basis over the estimated useful lives of the right of use assets.

###### **Lease liability**

The lease is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 3 Summary of significant accounting policies (continued)

##### 3.21 Leases (continued)

*Before adoption of IFRS 16 – applicable prior to 1 January 2019*

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.

##### 3.22 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.

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.

##### 3.23 Earnings per share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Group 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.

#### 4 Critical accounting estimates and judgements

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

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 4 Critical accounting estimates and judgements (continued)

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

##### 4.1 Critical judgements in applying accounting policies

###### *Classification of financial assets*

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

###### *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.

###### *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 Group and provides the Group and the parties to the agreements with rights to the net assets of the limited Group under the arrangements. Therefore, this arrangement is classified as a joint venture.

##### 4.2 Key sources of estimation uncertainty

###### *Impairment of receivables*

On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which involves historical data, assumptions and expectation of future conditions.

###### *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. 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.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 4 Critical accounting estimates and judgements (continued)

##### 4.2 Key sources of estimation uncertainty (continued)

###### *Impairment of financial assets at amortised cost*

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

###### *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, net carrying value of inventory were RO 5,651,324 (2018: RO 4,631,411) and the provision for slow-moving and obsolete inventory was RO 392,167 (2018: RO 305,075). Any difference between the amounts actually realised in future periods and the amounts expected to be realised will be recognised in the statement of comprehensive income.

###### *Environmental provision*

Environmental provision is made for environmental remediation costs based on environmental contamination assessments made on service stations.

###### *Provision for site restoration and abandonment cost*

Provision for site restoration and abandonment cost is based on the management technical assessment of the future cost to be incurred in respect of the decommissioning of the terminal and restoration of land. The significant uncertainty in estimating the provision is the cost that will be incurred and the applicable discount rate. Based on the technical assessment carried out by management no provision has been taken for the current year.

###### *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 party.

###### *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 responsible tax authority.

###### *Impairment of investment in associate*

Fair value of investment in associate has been determined based on value-in-use calculations using five year projections and net asset value of the investment. Accordingly an impairment of RO 100,000 ( 2018: 730,004) has been made during the year.



## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 5a. Property, plant and equipment

Group	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
<b>Cost</b>				
01 January 2018	24,873,836	47,690,244	3,459,066	76,023,146
Additions	-	2,320	9,804,317	9,806,637
Transfers	1,866,401	4,133,672	(6,000,073)	-
Disposals	(8,716)	(1,454,259)	-	(1,462,975)
01 January 2019	<b>26,731,521</b>	<b>50,371,977</b>	<b>7,263,310</b>	<b>84,366,808</b>
Reclassification	-	(58,651)	58,651	-
Additions	-	2,210	9,494,126	9,496,336
Transfers	4,727,238	6,797,473	(11,524,711)	-
Disposals	-	(173,642)	-	(173,642)
<b>At 31 December 2019</b>	<b>31,458,759</b>	<b>56,939,367</b>	<b>5,291,376</b>	<b>93,689,502</b>
<b>Accumulated depreciation</b>				
01 January 2018	6,936,900	29,894,711	-	36,831,611
Charge for the period	1,206,087	3,777,856	-	4,983,943
Disposals	(6,740)	(1,152,747)	-	(1,159,487)
01 January 2019	<b>8,136,247</b>	<b>32,519,820</b>	-	<b>40,656,067</b>
Charge for the period	1,438,253	4,246,633	-	5,684,886
Disposals	-	(166,734)	-	(166,734)
Provision for impairment	-	1,019,369	-	1,019,369
<b>At 31 December 2019</b>	<b>9,574,500</b>	<b>37,619,088</b>	-	<b>47,193,588</b>
<b>Carrying amount</b>				
<b>At 31 December 2019</b>	<b>21,884,259</b>	<b>19,320,279</b>	<b>5,291,376</b>	<b>46,495,914</b>
At 31 December 2018	18,595,274	17,852,157	7,263,310	43,710,741

- (i) The Parent Company has a 50% share of the main storage depot at Mina Al Fahal (the depot) at a cost of RO 3,126,238 (2018: RO 3,126,238) as at 31 December 2019 and a net book value of RO 837,124 (2018: RO 837,124), 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 was 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.
- (iii) During the previous year the main storage depot at Mina Al Fahal became non-operational and a termination notice was issued for the lease agreement of the land on which the main storage depot and buildings are located. Hence, a provision for impairment amounting to RO 837,124 was made.
- (iv) Provision for impairment consists of an amount of RO 182,244 for assets constructed on customer sites.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 5b. Property, plant and equipment

##### Parent

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
<b>Cost</b>				
01 January 2018	24,873,836	47,688,885	3,459,066	76,021,787
Additions	-	-	9,620,178	9,620,178
Transfers	1,866,401	4,133,672	(6,000,073)	-
Disposals	(8,716)	(1,453,619)	-	(1,462,335)
01 January 2019	<b>26,731,521</b>	<b>50,368,938</b>	<b>7,079,171</b>	<b>84,179,630</b>
Reclassification	-	(56,331)	56,331	-
Additions	-	-	9,226,683	9,226,683
Transfers	4,727,238	6,797,473	(11,524,711)	-
Disposals	-	(173,642)	-	(173,642)
<b>At 31 December 2019</b>	<b>31,458,759</b>	<b>56,936,438</b>	<b>4,837,474</b>	<b>93,232,671</b>
<b>Depreciation</b>				
01 January 2018	6,936,900	29,894,615	-	36,831,515
Charge for the year	1,206,087	3,777,686	-	4,983,773
Disposals	(6,740)	(1,152,759)	-	(1,159,499)
01 January 2019	<b>8,136,247</b>	<b>32,519,542</b>	<b>-</b>	<b>40,655,789</b>
Charge for the year	1,438,253	4,221,412	-	5,659,665
Disposals	-	(166,696)	-	(166,696)
Provision for impairment	-	1,019,369	-	1,019,369
<b>At 31 December 2019</b>	<b>9,574,500</b>	<b>37,593,627</b>	<b>-</b>	<b>47,168,127</b>
<b>Carrying amount</b>				
<b>At 31 December 2019</b>	<b>21,884,259</b>	<b>19,342,811</b>	<b>4,837,474</b>	<b>46,064,544</b>
At 31 December 2018	18,595,274	17,849,396	7,079,171	43,523,841

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 6. Investment in Subsidiaries

	%Holding	Parent	
		2019 RO	2018 RO
Oman Oil Marketing Company LLC - KSA	100%	1,362,382	699,292
Ahlain International LLC	100%	200,324	196,803
Sultanate Energy Company Limited	100%	606,456	-
		<b>2,169,162</b>	<b>896,095</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 and 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 371,710 in respect of the subsidiary (2018: RO 128,651).

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 profit of RO 3,521 in respect of the subsidiary (2018: loss of RO 29,642).

iii) Sultanate Energy Company Limited is incorporated in the United Republic of Tanzania on March 12 2019 under the Companies Act , 2002. The entity is engaged in the marketing and distribution of petroleum products.

#### 7. Investment in associates and joint venture

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Associates (a)	827,598	998,596	827,598	998,596
Joint venture (b)	69,585	69,585	69,585	69,585
	<b>897,183</b>	1,068,181	<b>897,183</b>	1,068,181

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

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Share of loss from associates	70,998	58,873	70,998	58,873
Impairment loss recognised on associates	100,000	730,004	100,000	730,004
	<b>170,998</b>	788,877	<b>170,998</b>	788,877

#### (a) Investment in associates

	% holding	Group and Parent	
		2019 RO	2018 RO
i) Muscat Gases Company SAOG	9.18%	611,200	611,200
ii) Lubchem International Industry LLC	40%	216,398	387,396
		<b>827,598</b>	<b>998,596</b>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 7. Investment in associates and joint venture (continued)

##### *i) Muscat Gases Company SAOG*

The Parent Company has a 9.18% (2018: 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. The Parent Company carried an impairment testing during the current year which has indicated impairment of Nil (2018: RO 730,004) which is difference between the carrying value and its recoverable amount as determined.

Share of the associate's revenue and loss:

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Revenue	<b>1,098,490</b>	811,903	<b>1,098,490</b>	811,903
Profit	<b>32,630</b>	20,190	<b>32,630</b>	20,190

##### Share of associates' statement of financial position:

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Current assets	<b>439,161</b>	418,530	<b>439,161</b>	418,530
Non-current assets	<b>436,316</b>	417,160	<b>436,316</b>	417,160
Current liabilities	<b>(144,309)</b>	(121,806)	<b>(144,309)</b>	(121,806)
Non-current liabilities	<b>(87,854)</b>	(46,075)	<b>(87,854)</b>	(46,075)
Net assets	<b>643,313</b>	667,809	<b>643,313</b>	667,809

##### *ii) Lubchem 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 216,398 (2018: RO 387,396).

The Parent Company has carried out an impairment testing during the current year which indicated an impairment of RO 100,000 (2018: Nil).

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

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 7. Investment in joint venture & associates (continued)

##### ii) Lubchem International Industry LLC (continued)

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

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Revenue	<u>315,482</u>	<u>1,072,027</u>	<u>315,482</u>	<u>1,072,027</u>
Loss	<u>(70,998)</u>	<u>(58,873)</u>	<u>(70,998)</u>	<u>(58,873)</u>
<b>Share of associates' balance sheet:</b>				
Current assets	<u>55,899</u>	<u>146,846</u>	<u>55,899</u>	<u>146,846</u>
Non-current assets	<u>374,623</u>	<u>376,137</u>	<u>374,623</u>	<u>376,137</u>
Current liabilities	<u>(87,098)</u>	<u>(128,609)</u>	<u>(87,098)</u>	<u>(128,609)</u>
Non-current liabilities	<u>(104,331)</u>	<u>(81,115)</u>	<u>(104,331)</u>	<u>(81,115)</u>
Net assets	<u>239,093</u>	<u>313,259</u>	<u>239,093</u>	<u>313,259</u>

#### (b) Investment in joint venture

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.

In the year 2016, the joint venture has ceased its operations and commenced liquidation proceedings. Management has carried out an assessment and has concluded that the the joint venture has sufficient assets and the carrying value of RO 69,585 will be recovered from the liquidation process.

#### 8. Inventories

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Fuel and lubricants	<u>5,877,456</u>	<u>4,870,415</u>	<u>5,877,456</u>	<u>4,870,415</u>
Stores and spares	-	-	-	-
Goods for resale	<u>166,035</u>	<u>66,071</u>	<u>166,035</u>	<u>66,071</u>
Less: Allowance for slow-moving and obsolete inventory	<u>(392,167)</u>	<u>(305,075)</u>	<u>(392,167)</u>	<u>(305,075)</u>
	<u>5,651,324</u>	<u>4,631,411</u>	<u>5,485,289</u>	<u>4,565,340</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 8. Inventories (continued)

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

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
At 1 January	305,075	384,638	305,075	384,638
Provided/(reversed) during the year	87,092	(79,563)	86,961	(79,563)
	<u>392,167</u>	<u>305,075</u>	<u>392,167</u>	<u>305,075</u>

#### 9. Trade and other receivables

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Trade receivables	50,599,915	52,075,213	50,599,915	52,075,213
Amounts due from related parties (Note 20)	6,374,234	4,798,441	6,686,667	5,413,951
Less: allowance for impaired debts	(2,362,355)	(2,577,861)	(2,362,355)	(2,577,861)
	<u>54,611,794</u>	<u>54,295,793</u>	<u>54,924,227</u>	<u>54,911,303</u>
Other receivables	1,749,442	1,648,852	1,304,832	1,469,838
Prepaid expenses	1,064,889	2,616,413	1,064,889	2,616,413
	<u>57,426,125</u>	<u>58,561,058</u>	<u>57,293,948</u>	<u>58,997,554</u>

Movements in the allowance for credit losses during the year are as follows:

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
At 1 January	2,577,861	1,994,084	2,577,861	1,994,084
(Reversed)/provided during the year	(215,506)	586,139	(215,506)	586,139
Written off during the year	-	(2,362)	-	(2,362)
	<u>2,362,355</u>	<u>2,577,861</u>	<u>2,362,355</u>	<u>2,577,861</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 9. Trade and other receivables (continued)

The ageing of trade receivable at 31 December is as follows:

##### Group and parent

	Weighted average loss rate	Gross carrying amount RO	Expected credit loss RO	Net Carrying amount RO
<b>2019</b>				
Not past due	0.27%	32,815,831	89,291	32,726,540
< 30 days	1.22%	7,327,013	89,733	7,237,280
31-60 days	2.21%	1,819,281	40,202	1,779,079
61-90 days	3.45%	1,600,057	55,177	1,544,880
91-180 days	13.78%	1,428,012	196,804	1,231,208
181-360 days	43.38%	715,249	310,296	404,953
> 365 days	32.30%	4,894,472	1,580,852	3,313,620
		<b>50,599,915</b>	<b>2,362,355</b>	<b>48,237,560</b>
<b>2018</b>				
Not past due	0.0%	35,847,130	15,617	35,831,513
< 30 days	0.2%	5,640,260	13,526	5,626,734
31-60 days	0.8%	1,010,625	8,014	1,002,611
61-90 days	1.3%	488,989	6,280	482,709
91-180 days	5.1%	2,321,272	119,218	2,202,054
181-360 days	30.8%	2,755,168	849,206	1,905,962
> 365 days	39.0%	4,011,769	1,566,000	2,445,769
		<b>52,075,213</b>	<b>2,577,861</b>	<b>49,497,352</b>

The other classes within receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

#### 10. Cash and cash equivalents

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Cash on hand	24,549	34,341	24,549	34,341
Cash in bank	26,630,003	34,198,225	24,978,159	32,990,514
	<b>26,654,552</b>	34,232,566	<b>25,002,708</b>	33,024,855
Less: Term deposits	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)
Cash and cash equivalents	<b>19,654,552</b>	27,232,566	<b>18,002,708</b>	26,024,855

Cash in bank balances are with commercial banks in Oman and UAE and are denominated in Omani Rial, United Arab Emirates Dirham and US Dollars. Cash in bank include call deposits that are short term in nature and carries interest at commercial rate.

Bank balances and deposit accounts are placed with reputed financial institutions. Hence management believes that the credit risk with respect to these balances is minimal.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 11. Share capital

The Group and Parent Company's authorised share capital consists of RO 15,000,000 (2018: 15,000,000).

The Group and Parent Company's issued and fully paid up share capital comprises RO 6,450,000 (2018: 6,450,000). Below is the details of shares fully issued and paid up.

	Group		Parent	
	Number of shares		Number of shares	
	2019	2018	2019	2018
3,225,000 Multi-vote shares	<b>3,225,000</b>	3,225,000	<b>3,225,000</b>	3,225,000
61,275,000 Ordinary shares	<b>61,275,000</b>	61,275,000	<b>61,275,000</b>	61,275,000
	<b><u>64,500,000</u></b>	<u>64,500,000</u>	<b><u>64,500,000</u></b>	<u>64,500,000</u>

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	
	2019	2018	2019	2018
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><u>39,957,027</u></b>	<u>39,957,027</u>	<b><u>39,957,027</u></b>	<u>39,957,027</u>

#### 12. Legal Reserve

As per the Commercial Companies Law of the Sultanate of Oman, 10% of the profit for the year is required to be transferred to a non-distributable legal reserve until the amount of legal reserve is equal to one-third of the issued share capital. As at 31 December 2019 the legal reserve has already reached the requirement hence the Parent company has not transferred any amount to the legal reserve.

#### 13. Employees' end-of-service benefits

	Group		Parent	
	2019	2018	2019	2018
	RO	RO	RO	RO
At 1 January	<b>290,874</b>	345,806	<b>287,850</b>	344,455
Accrued during the period	<b>71,599</b>	38,443	<b>70,578</b>	38,443
End-of-service benefits paid	<b>(77,314)</b>	(93,375)	<b>(74,747)</b>	(95,048)
At 31 December	<b><u>285,159</u></b>	<u>290,874</u>	<b><u>283,681</u></b>	<u>287,850</u>



## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 14. Trade and other payables

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Trade payables	3,024,984	3,738,010	3,024,984	3,615,008
Due to related parties (Note 20)	45,426,160	46,996,542	45,426,160	46,996,542
Accrued expenses and others	10,354,304	11,622,200	10,192,470	11,620,135
Directors' remuneration provision	163,300	164,300	163,300	164,300
Advances from customers	1,040,171	724,584	1,040,171	724,584
	<u>60,008,919</u>	<u>63,245,636</u>	<u>59,847,085</u>	<u>63,120,569</u>

#### 15. Bank borrowings

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Term loan	<u>578,250</u>	<u>2,312,999</u>	<u>578,250</u>	<u>2,312,999</u>
Current portion	<u>578,250</u>	<u>1,734,750</u>	<u>578,250</u>	<u>1,734,750</u>
Non-current portion	<u>-</u>	<u>578,249</u>	<u>-</u>	<u>578,249</u>

Term loan represents facilities obtained from a local bank for the purpose of construction of filling stations. The loan is repayable in forty eight monthly instalments and is due to be matured in May 2020. The loan is unsecured and carries interest at a commercial rate (2018: same terms and conditions).

#### 16. Income tax

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
<b><i>Current liability:</i></b>				
Current period	1,377,672	1,790,243	1,328,720	1,790,243
Prior years	77,720	77,722	77,720	77,722
	<u>1,455,392</u>	<u>1,867,965</u>	<u>1,406,440</u>	<u>1,867,965</u>
<b><i>Charge during the year</i></b>				
Current period	1,377,672	1,790,243	1,328,720	1,790,243
Reversal of excess tax provision of prior years	(45,183)	-	(45,183)	-
Deferred tax	(212,226)	(113,482)	(212,226)	(113,482)
	<u>1,120,263</u>	<u>1,676,761</u>	<u>1,071,311</u>	<u>1,676,761</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 16. Income tax (continued)

	Group		Parent	
	2019	2018	2019	2018
<i>Deferred tax asset:</i>	RO	RO	RO	RO
At 1 January	618,933	505,451	618,933	505,451
Movement for the year	212,226	113,482	212,226	113,482
At 31 December	<b>831,159</b>	618,933	<b>831,159</b>	618,933

The deferred tax comprises the following temporary differences:

	Group		Parent	
	2019	2018	2019	2018
	RO	RO	RO	RO
Provisions and other charges	661,472	432,535	661,472	432,535
Property, plant and equipment	131,755	72,916	131,755	72,916
Leases	37,932	-	37,932	-
	<b>831,159</b>	505,451	<b>831,159</b>	505,451

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 15% (2018: 15%). 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 tax:

	Group		Parent	
	2019	2018	2019	2018
	RO	RO	RO	RO
Profit before tax	6,743,023	9,765,248	6,694,071	9,765,248
Income tax	1,011,453	1,464,787	1,004,111	1,464,787
On account of open tax years	-	20,235	-	20,235
Expenses temporarily disallowed	(121,859)	26,382	(121,859)	26,382
Expenses permanently disallowed	230,669	165,357	189,059	165,357
Effective tax	<b>1,120,263</b>	1,676,761	<b>1,071,311</b>	1,676,761

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 upto 2017 have 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 2018 would not be material to the financial position of the Group as at 31 December 2019.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 17. Environmental provision

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
At 1 January	300,245	300,245	300,245	300,245
Reversed during the year	(100,000)	-	(100,000)	-
At 31 December	<u>200,245</u>	<u>300,245</u>	<u>200,245</u>	<u>300,245</u>

The Group provides for environmental remediation costs based on internal assessment of environmental contamination made on its service stations. The provision is expected to be used as per site specific remediation plan.

#### 18. 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	
	2019 RO	2018 RO	2019 RO	2018 RO
Retail	419,283,969	435,608,024	419,283,969	435,608,024
Commercial	128,174,712	118,409,093	128,174,712	118,409,093
Others	36,210,935	71,369,510	34,362,761	70,975,139
	<u>583,669,616</u>	<u>625,386,627</u>	<u>581,821,442</u>	<u>624,992,256</u>

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2018: nil)

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

The disaggregation of revenue in accordance with IFRS 15 is in line with the segments disclosed above and the revenue for all these segments are recognised at point in time.

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

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 19. Finance income - net

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Interest income	1,349,871	1,013,551	1,349,871	1,013,551
Interest expenses	(874,041)	(704,116)	(874,041)	(704,116)
	<u>475,830</u>	<u>309,435</u>	<u>475,830</u>	<u>309,435</u>

#### 20. Related party transactions

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

The Company has entered into transactions with entities over which certain directors are able to exercise significant influence. In the normal course of business, the Group provides services on commercial terms to related parties and avails services from related parties. The Directors believe that the terms of providing and receiving such services are comparable with those that could be obtained from third parties.

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	
	2019 RO	2018 RO	2019 RO	2018 RO
<b>Revenue</b>				
Fuel sales to filling stations owned by directors	<u>8,999,163</u>	<u>10,020,279</u>	<u>8,999,163</u>	<u>10,020,279</u>
Fuel sales to commercial customers related to directors	<u>33,369,519</u>	<u>24,042,796</u>	<u>33,369,519</u>	<u>24,042,796</u>
<b>Costs</b>				
Fuel purchases from related parties	541,541,304	575,231,187	541,541,304	575,231,187
Blending charges	706,895	1,909,511	706,895	1,909,511
Procurement of services	1,435,701	1,136,741	1,435,701	1,136,741
Brand royalty	516,292	555,045	516,292	555,045
Remuneration to directors - provision	163,300	164,300	163,300	164,300
Directors' sitting fees	36,700	35,700	36,700	35,700
Net interest income over bank charges	94,849	68,213	94,849	68,213

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 20. Related party transactions (continued)

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
<b>Balances</b>				
Bank balances	<u>6,771,765</u>	<u>16,478,958</u>	<u>6,771,765</u>	<u>16,478,958</u>
Due from related parties (Note 9)	<u>6,374,234</u>	<u>4,798,441</u>	<u>6,686,667</u>	<u>5,413,951</u>
Due to related parties (Note 14)	<u>45,426,160</u>	<u>46,996,542</u>	<u>45,426,160</u>	<u>46,996,542</u>
Directors remuneration (Note 14)	<u>163,300</u>	<u>164,300</u>	<u>163,300</u>	<u>164,300</u>

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 profit or loss.

Outstanding balance at the year end arise in the normal course of business.

#### 21. Staff cost

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Wages, salaries and allowances	7,130,997	6,164,549	6,916,716	6,040,851
End-of-service benefits	70,578	341,076	70,578	341,076
Social security costs	345,504	38,443	345,504	38,443
Other employee benefits	424,116	866,810	424,116	866,810
	<u>7,971,195</u>	<u>7,410,878</u>	<u>7,756,914</u>	<u>7,287,180</u>

#### 22. Operating and other expenses

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

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Operating leases	160,123	4,221,243	160,123	4,221,243
Ministry of Commerce and Industry license fee	1,580,591	2,500,684	1,580,591	2,500,684
Brand Royalty payable to Parent compan	516,292	555,045	516,292	555,045
Director's remuneration provision	163,300	164,300	163,300	164,300
Board sitting fees	36,700	35,700	36,700	35,700
Audit and professional fee provision	11,124	11,000	11,124	6,750
(Reversal of) /provision for doubtful debts	(215,491)	583,777	(215,491)	586,139

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 23. Dividends

The Board of Directors has proposed a cash dividend of RO 0.060 per share for 2019, 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 2018 was declared and paid (2018: RO 0.060 per share totalling RO 3,870,000 was paid relating to 2017).

#### 24. Commitments

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Contracted commitments	<u>3,869,916</u>	<u>6,360,593</u>	<u>3,869,916</u>	<u>6,360,593</u>

#### 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:

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
Net profit for the year (RO)	<u>5,622,760</u>	<u>8,088,487</u>	<u>5,622,760</u>	<u>8,088,487</u>
Weighted average number of shares (Note 11)	<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>0.087</u>	<u>0.125</u>	<u>0.087</u>	<u>0.125</u>

#### 26. 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	
	2019 RO	2018 RO	2019 RO	2018 RO
Shareholders' equity (RO)	<u>76,557,931</u>	<u>74,805,171</u>	<u>76,557,931</u>	<u>74,805,171</u>
Number of shares outstanding at the end of the reporting period (Note 11)	<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>1.187</u>	<u>1.160</u>	<u>1.187</u>	<u>1.160</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 27. Contingencies

At 31 December 2019 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 4,580,378 (2018 - RO 4,878,501).

The Group is subject to litigations in the normal course of business. The Group based on independent legal advice does not believe that outcome of these court cases will have material impact on the Group's income or financial position.

#### 28. Financial risk management

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

###### *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.

###### *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.

###### *Price risk*

As at 31 December 2019, the Group is not exposed to equity securities or commodity price risk, as it does not hold any such financial instruments.

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28. Financial risk management (continued)

##### (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 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.

##### *Trade 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	
	2019 RO	2018 RO	2019 RO	2018 RO
Commercial	29,006,415	27,783,958	29,006,415	27,783,958
Retail	19,777,854	20,304,889	19,777,854	20,304,889
Others	8,189,880	8,784,807	8,189,880	8,784,807
	<b>56,974,149</b>	56,873,654	56,974,149	56,873,654
Less: Related party receivables except subsidiaries	<b>(6,374,234)</b>	(4,798,441)	<b>(6,374,234)</b>	(4,798,441)
	<b>50,599,915</b>	<b>52,075,213</b>	<b>50,599,915</b>	<b>52,075,213</b>



## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28. Financial risk management (continued)

##### (b) Credit risk (continued)

The Group has accepted guarantees / collateral valued at RO 3,392,636 (2018: RO 1,557,934) from customers to secure fully / partly their dues to the Company.

##### (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 45 days from the date of sale.

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.

##### As at 31 December 2019

	Carrying amount RO	Upto 1 year RO	More than 1 Year RO
<b>Parent</b>			
Bank borrowings	578,250	578,250	-
Lease liabilities	13,730,584	3,408,407	10,322,177
Trade payables	3,024,984	3,024,984	-
Due to related parties	45,426,160	45,426,160	-
Accruals and other payables	10,355,770	10,355,770	-
	<u>73,115,748</u>	<u>62,793,571</u>	<u>10,322,177</u>
<b>Group</b>			
Bank borrowings	578,250	578,250	-
Lease liabilities	13,730,584	3,408,407	10,322,177
Trade payables	3,024,984	3,024,984	-
Due to related parties	45,426,160	45,426,160	-
Accruals and other payables	10,517,604	10,517,604	-
	<u>73,277,582</u>	<u>62,955,405</u>	<u>10,322,177</u>

## OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 28. Financial risk management (continued)

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

As at 31 December 2018

	Carrying amount RO	Upto 1 year RO	More than 1 Year RO
<b>Parent</b>			
Bank borrowings	2,313,299	578,250	1,735,049
Trade payables	3,615,008	3,615,008	-
Due to related parties	46,996,542	46,996,542	-
Accruals and other payables	11,784,435	11,784,435	-
	<u>64,709,284</u>	<u>62,974,235</u>	<u>1,735,049</u>
<b>Group</b>			
Bank borrowings	2,313,299	578,549	1,734,750
Trade payables	3,738,010	3,738,010	-
Due to related parties	46,996,542	46,996,542	-
Accruals and other payables	11,786,500	11,786,500	-
	<u>64,834,351</u>	<u>63,099,601</u>	<u>1,734,750</u>

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 AND ITS SUBSIDIARIES

### Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

#### 29. Categories of financial instruments

Financial assets consist of cash and bank balances and trade and other receivables. Financial liabilities consist of trade and other payable, bank borrowings and lease liabilities

	Group		Parent	
	2019 RO	2018 RO	2019 RO	2018 RO
<i>Financial assets (at amortised cost)</i>				
Cash and bank balances	<b>26,654,552</b>	34,232,566	<b>25,002,708</b>	33,024,855
Trade and other receivables	<b>57,426,125</b>	58,561,058	<b>57,293,948</b>	58,997,554
	<b>84,080,677</b>	92,793,624	<b>82,296,656</b>	92,022,409
<i>Financial liabilities (at amortised cost)</i>				
Trade and other payables	<b>58,968,748</b>	62,521,052	<b>58,806,914</b>	62,395,985
Bank borrowings	<b>578,250</b>	2,312,999	<b>578,250</b>	2,312,999
Lease liabilities	<b>13,730,584</b>	-	<b>13,730,584</b>	-
	<b>73,277,582</b>	64,834,051	<b>73,115,748</b>	64,708,984

The fair values of financial instruments are not materially different from their carrying values

#### 30. Approval of consolidated financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 11 February 2020.