



**OMAN OIL MARKETING
COMPANY SAOG AND ITS
SUBSIDIARIES**

**Parent and consolidated
financial statements
for the year ended 31 December 2021**

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OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Report and consolidated financial statements for the year ended 31 December 2021

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Independent auditors' report

To the Shareholders of Oman Oil Marketing Company SAOG

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Oman Oil Marketing Company SAOG (the Parent Company) and its subsidiaries (the Group), which comprise the consolidated and separate statements of financial position as at 31 December 2021, the consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Parent Company as at 31 December 2021, and their consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (*including International Independence Standards*) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

See notes 3 and 20 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<p>Total revenue recognized during the year by the Parent company amounted to RO 550.710 Million and the Group amounted to RO 560.671 Million.</p> <p>Revenue from the sale of goods is based on the consideration specified in a contract with the customer and is recognised when the control over good or service have been transferred to the buyer. There is a significant risk of misstatement in recognition and measurement of revenue.</p> <p>We identified the recognition of revenue as a key audit matter, because of the voluminous transactions to various customers across the country. The potential errors in the timing and accuracy of revenue recognition at the parent company and Group, could result in material misstatements in the financial statements of the parent company and Group when it recognises revenue.</p>	<p>Our audit approach included a combination of test of controls and substantive procedures, in particular, the following:</p> <ul style="list-style-type: none"> • Understanding the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • Understanding the control environment and testing the general IT controls over the main systems and applications involved in the revenue recording process; • Assessing the appropriateness of the Group's revenue recognition accounting policies including compliance with the relevant IFRS. • Performing test of controls on a sample basis to reconcile the daily sales to the cash collections and the subsequent bank deposits; • Performing substantive analytical procedures over significant revenue streams by building expectations of sales on the basis of quantities sold, regulated prices and contractual agreements with the customers; • Performing test of details to verify accuracy of sales transactions on a sample basis; • Performing sales cut-off procedures and selected a sample of invoices before and after year-end to test whether sales are recorded in the appropriate period.



Emphasis of Matter - comparative information

We draw attention to Note 33 to the consolidated and separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2020 has been restated. Our opinion is not modified in respect of this matter.

Other matter

The consolidated and separate financial statements of Oman Oil Marketing Company SAOG as at and for the years ended 31 December 2020 and 31 December 2019 (from which the statement of financial position as at 1 January 2020 has been derived), excluding the adjustments described in Note 33 to the consolidated and separate financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 28 February 2021 and 16 February 2020.

As part of our audit of the consolidated and separate financial statements as at and for the year ended 31 December 2021, we audited the adjustments described in Note 33 that were applied to restate the comparative information presented as at and for the year ended 31 December 2020 and the statement of financial position as at 1 January 2020. We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the years ended 31 December 2020 or 31 December 2019 (not presented herein) or to the consolidated and separate statement of financial position as at 1 January 2020, other than with respect to the adjustments described in Note 33 to the consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 33 are appropriate and have been properly applied.

Other Information

Management is responsible for the other information. The other information comprises of:

- Chairman's report
- Management Analysis report
- Corporate Governance report

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group and the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's and the Parent Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group's and the Parent Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that financial statements of the Parent Company as at and for the year ended 31 December 2021, comply, in all material respects, with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 2019.

Mobeen Chaudhri
Date :10 March 2022



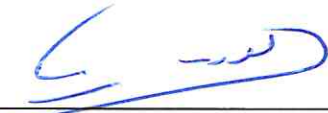
OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Parent company and consolidated statement of financial position
As at 31 December 2021

	Notes	2021 RO	Group 2020 RO Restated*	1 Jan 2020 RO Restated*	2021 RO	Parent 2020 RO Restated*	1 Jan 2020 RO Restated*
ASSETS							
Non-current assets							
Property, plant and equipment	5	56,773,800	54,135,341	46,495,914	42,747,082	53,083,660	46,064,544
Right-of-use assets	6	24,584,118	25,821,905	22,407,147	15,823,742	19,004,054	18,468,378
Investment in subsidiaries	7	-	-	-	16,479,706	3,430,311	2,169,162
Investment in associates and joint venture	8	-	749,581	897,183	-	749,581	897,183
Deferred tax assets	17	1,142,688	1,050,644	831,159	1,142,688	1,050,644	831,159
Total non-current assets		82,500,606	81,757,471	70,631,403	76,193,218	77,318,250	68,430,426
Current assets							
Inventories	10	6,651,179	4,518,934	5,651,324	3,320,199	4,321,509	5,485,289
Trade and other receivables	11	67,894,842	38,088,123	57,135,485	70,604,795	38,151,136	57,293,948
Prepayments		1,798,276	1,913,330	-	956,757	1,447,835	-
Term deposits	12	-	7,000,000	7,000,000	-	7,000,000	7,000,000
Cash and cash equivalents	12	12,874,149	13,500,773	19,654,552	9,462,902	11,425,531	18,002,708
		89,218,446	65,021,160	89,441,361	84,344,653	62,346,011	87,781,945
Investment held for sale	9	451,517	-	-	451,517	-	-
Total current assets		89,669,963	65,021,160	89,441,361	84,796,170	62,346,011	87,781,945
Total assets		172,170,569	146,778,631	160,072,764	160,989,388	139,664,261	156,212,371
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	13	6,450,000	6,450,000	6,450,000	6,450,000	6,450,000	6,450,000
Legal reserve	14	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000	2,150,000
Retained earnings		69,569,286	64,993,250	67,897,438	69,569,286	64,993,250	67,897,438
Total equity		78,169,286	73,593,250	76,497,438	78,169,286	73,593,250	76,497,438
Non-current liabilities							
Lease liabilities	6	21,071,872	21,218,236	17,455,683	12,974,276	14,689,265	13,944,383
Employees end-of-service benefits	15	279,548	324,946	285,159	273,067	320,394	283,681
Total non-current liabilities		21,351,420	21,543,182	17,740,842	13,247,343	15,009,659	14,228,064
Current liabilities							
Trade and other payables	16	66,585,476	45,837,110	60,008,920	63,737,101	45,367,856	59,847,086
Bank borrowings		-	-	578,250	-	-	578,250
Advance from customers		1,303,647	1,089,782	-	1,303,647	1,089,782	-
Lease liabilities	6	3,077,707	3,798,164	3,591,677	3,005,916	3,726,419	3,454,848
Current tax liabilities	17	1,351,680	716,898	1,455,392	1,325,850	677,050	1,406,440
Environmental provision	18	200,245	200,245	200,245	200,245	200,245	200,245
Derivative financial instruments	19	131,108	-	-	-	-	-
Total current liabilities		72,649,863	51,642,199	65,834,484	69,572,759	51,061,352	65,486,869
Total liabilities		94,001,283	73,185,381	83,575,326	82,820,102	66,071,011	79,714,933
Total equity and liabilities		172,170,569	146,778,631	160,072,764	160,989,388	139,664,261	156,212,371
Net assets per share	28	1.212	1.141	1.186	1.212	1.142	1.186

* The comparative information restated. See note 33

These consolidated financial statements were approved and authorized for issue by the Board of Directors on 6 March 2022 and signed on their behalf by:


Chairman




Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Parent company and consolidated statement of profit or loss and other comprehensive income For the year ended 31 December 2021

	Notes	Group		Parent	
		2021 RO	2020 RO Restated*	2021 RO	2020 RO Restated*
Revenue	20	560,671,587	442,208,811	550,710,226	438,489,005
Other income		2,280,946	1,991,773	1,925,949	1,872,558
		<u>562,952,533</u>	<u>444,200,584</u>	<u>552,636,175</u>	<u>440,361,563</u>
Cost of goods sold		(522,936,181)	(411,884,559)	(514,475,875)	(408,868,298)
Staff costs	23	(7,010,218)	(5,739,188)	(6,243,066)	(5,734,451)
Depreciation and impairment of of property, plant and equipment	5	(5,848,126)	(6,021,078)	(5,699,303)	(5,989,730)
Depreciation on right of use assets	6	(4,845,136)	(4,737,661)	(4,331,931)	(4,318,344)
Other operating expenses	24	(15,134,679)	(12,664,534)	(13,675,059)	(11,834,709)
Impairment loss on receivables	11	(371,572)	(771,453)	(340,749)	(771,453)
Operating profit		<u>6,806,621</u>	<u>2,382,111</u>	<u>7,870,192</u>	<u>2,844,578</u>
Share of loss from subsidiaries	7	-	-	(1,506,412)	(769,961)
Share of loss from equity accounted associates	8	-	(26,605)	-	(26,605)
Impairment on investment in an associate		(75,594)	(34,779)	(75,594)	(34,779)
Finance income	21	1,098,816	1,169,565	1,098,816	1,169,565
Finance cost on borrowings	21	(866,041)	(1,049,523)	(866,041)	(1,049,523)
Finance cost on lease liability	6	(1,231,720)	(1,092,406)	(824,022)	(824,760)
Profit before tax		<u>5,732,082</u>	<u>1,348,363</u>	<u>5,696,939</u>	<u>1,308,515</u>
Income tax	17	(1,156,046)	(382,551)	(1,120,903)	(342,703)
Profit after tax and total comprehensive income for the year		<u>4,576,036</u>	<u>965,812</u>	<u>4,576,036</u>	<u>965,812</u>
Basic and diluted earnings per share (Bz)		<u>77</u>	<u>15</u>	<u>77</u>	<u>15</u>

* The comparative information restated. See note 33

The accompanying notes form an integral part of these consolidated financial statements.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Parent company and consolidated statement of changes in equity For the year ended 31 December 2021

Group	Share capital	Legal reserve	Retained earnings	Total
	RO	RO	RO	RO
At 1 January 2020, as previously reported	6,450,000	2,150,000	67,957,931	76,557,931
Impact of IFRS -16 restatement (note 33)	-	-	(60,493)	(60,493)
At 1 January 2020, restated*	6,450,000	2,150,000	67,897,438	76,497,438
Profit and total comprehensive income for the year restated*	-	-	965,812	965,812
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid (Note 25)	-	-	(3,870,000)	(3,870,000)
At 31 December 2020, restated*	6,450,000	2,150,000	64,993,250	73,593,250
Profit and total comprehensive income for the year	-	-	4,576,036	4,576,036
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid (Note 25)	-	-	-	-
At 31 December 2021	6,450,000	2,150,000	69,569,286	78,169,286

Parent	Share capital	Legal reserve	Retained earnings	Total
	RO	RO	RO	RO
At 1 January 2020, as previously reported	6,450,000	2,150,000	67,957,931	76,557,931
Impact of IFRS -16 restatement (note 33)	-	-	(60,493)	(60,493)
At 1 January 2020, restated*	6,450,000	2,150,000	67,897,438	76,497,438
Profit and total comprehensive income for the year restated*	-	-	965,812	965,812
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid (Note 25)	-	-	(3,870,000)	(3,870,000)
At 31 December 2020, restated*	6,450,000	2,150,000	64,993,250	73,593,250
Profit and total comprehensive income for the year	-	-	4,576,036	4,576,036
<i>Transactions with owners in their capacity as owners</i>				
Dividends paid (Note 25)	-	-	-	-
At 31 December 2021	6,450,000	2,150,000	69,569,286	78,169,286

* The comparative information restated. See note 33

The accompanying notes form an integral part of these consolidated financial statements.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Parent company and consolidated statement of cash flows

For the year ended 31 December 2021

	Notes	Group		Parent	
		2021 RO	2020 RO Restated*	2021 RO	2020 RO Restated*
Cash flows from operating activities					
Profit before income tax		5,732,082	1,348,363	5,696,939	1,308,515
<i>Adjustments for:</i>					
Share of loss from associates		-	26,605	-	26,605
Impairment of investment in associates	8	75,594	34,779	75,594	34,779
Share of loss from subsidiaries		-	-	1,506,412	769,961
Depreciation	5	5,848,126	6,021,078	5,699,303	5,989,730
Depreciation on right-of-use assets	6	4,845,136	4,737,661	4,331,931	4,318,344
Gain/(loss) on sale of property, plant and equipment		(24,789)	74,418	(24,789)	74,653
Gain on retirement of right-of-use assets		-	(42,179)	-	(42,179)
Provision for end-of-service benefits	15	51,638	78,475	49,709	75,401
Allowance for slow-moving and obsolete inventory	10	29,925	70,097	29,925	70,097
Allowance for impaired debts	11	371,572	771,453	340,749	771,453
Interest income	21	(1,098,816)	(1,169,565)	(1,098,816)	(1,169,565)
Finance cost on borrowings	21	866,041	1,049,523	866,041	1,049,523
Finance cost on lease liability	6	1,231,720	1,092,406	824,022	824,760
Operating profit before working capital changes		17,928,229	14,093,114	18,297,020	14,102,077
Changes in working capital:					
Inventories		(2,162,170)	1,062,293	971,385	1,093,683
Trade & other receivables and prepayment		(30,813,312)	15,674,561	(27,303,473)	16,714,024
Trade & other payables and advance from customers		21,237,904	(13,025,093)	18,727,675	(13,332,509)
Cash generated from operations		6,190,651	17,804,875	10,692,607	18,577,275
Finance cost paid on borrowings	21	(866,041)	(1,049,523)	(866,041)	(1,049,523)
Finance cost paid on lease liability	6	(1,231,720)	(936,706)	(824,022)	(824,760)
End of service benefits paid	15	(97,036)	(38,688)	(97,036)	(38,688)
Income tax paid		(613,308)	(1,340,530)	(564,145)	(1,291,578)
Net cash from operating activities		3,382,546	14,439,428	8,341,363	15,372,726
Cash flows from investing activities					
Interest income received	21	1,098,816	1,169,565	1,098,816	1,169,565
Investment in subsidiaries		-	-	(2,777,463)	(2,031,110)
Term deposit matured	12	7,000,000	-	7,000,000	-
Proceeds from sale of property, plant and equipment		81,060	31,738	81,060	31,738
Decrease in equity accounted investment		112,964	31,155	112,964	31,155
Acquisition of property, plant and equipment	5	(8,687,421)	(14,007,770)	(7,341,906)	(13,356,350)
Liquidation proceeds from joint venture		69,585	-	69,585	-
Dividend received from associate		39,921	55,063	39,921	55,063
Net cash used in investing activities		(285,075)	(12,720,249)	(1,717,023)	(14,099,939)
Cash flows from financing activities					
Repayment of borrowings		-	(578,250)	-	(578,250)
Repayment of lease liability	6	(3,724,095)	(3,424,708)	(3,587,112)	(3,401,714)
Payments made on behalf of the subsidiaries	22	-	-	(4,999,857)	-
Dividends paid		-	(3,870,000)	-	(3,870,000)
Net cash used in financing activities		(3,724,095)	(7,872,958)	(8,586,969)	(7,849,964)
Net decrease in cash and cash equivalents		(626,624)	(6,153,779)	(1,962,629)	(6,577,177)
Cash and cash equivalents at the beginning of the year		13,500,773	19,654,552	11,425,531	18,002,708
Cash and cash equivalents at the end of the year	12	12,874,149	13,500,773	9,462,902	11,425,531

* The comparative information restated. See note 33

The accompanying notes form an integral part of these consolidated financial statements.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

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's primary listing is on the Muscat Securities Market (MSM), Sultanate of Oman.

The accounts of the Company are consolidated in the financial statements of OQ SAOC (the parent company), a closed joint-stock company registered in the Sultanate of Oman. OQ SAOC is wholly owned by the Oman Investment Authority (the ultimate parent company). 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 Parent Company's financial statements on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements.'

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

In the current year, the Group has applied a number of other amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2021. The adoption of the following IFRSs has not had any material impact on the disclosures or the amounts reported in these consolidated financial statements and are listed below.

- *Amendments to IFRS 9, IAS 39, IFRS 4 and IFRS 7 – interest rate benchmark reform*
 - *Amendment to IFRS 16 – Covid-19 related rent concessions*
- The above amendments had no impact on the financial statements of the Group.*

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
Amendments to IAS 12 - Income Taxes - Deferred tax arising from a single transaction	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 - classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to IFRS 3 - Reference to the conceptual framework	1 January 2022
Amendments to IAS 16 - Property, plant and equipment – proceeds before intended use	1 January 2022
Amendments to IAS 37 - Onerous contracts – cost of fulfilling a contract	1 January 2022
Annual improvements to IFRS Standards 2018-2020 cycle: Amendments to IFRS 1 First-time adoption of IFRS, IFRS 9 Financial instruments, IFRS 16 Leases, and IAS 41 Agriculture	1 January 2022

Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28. The application date of this amendment until such time as the IASB has finalised its research project on the equity method.

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 them may have no material impact on the consolidated financial statements of the Group in the year of initial application.

3 Summary of significant accounting policies

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

3.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the 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.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The consolidated financial statements are prepared under the historical cost convention except the derivative financial instruments and investment held for sale. 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. When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price. The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Preparing consolidated financial statements in conformity with IFRS requires specific critical accounting estimates. In 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 statements.

3.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent and its subsidiaries as at 31 December 2021.

Subsidiary companies	Shareholding		Country of incorporation	Principal activities
	2021	2020		
Oman Oil Marketing Company LLC	100%	100%	Kingdom of Saudi Arabia	Marketing & distribution of petroleum products
Ahlain International LLC	100%	100%	Sultanate of Oman	Retail convenience stores and related operations
Sultanate Energy Company Limited	100%	100%	United Republic of Tanzania	Marketing and distribution of petroleum products
Duqm Bunker Terminal LLC	100%	100%	Sultanate of Oman	Marketing and distribution of bunker petroleum products

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.2 Basis of consolidation (continued)

Subsidiaries

The financial statements comprise the Parent Company and each of its subsidiaries as at 31 December 2021. Subsidiaries are all entities over which the Group exercises control. Control is achieved when the Parent Company has:

- 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 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. 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 Group's 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. 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 its separate financial

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.

Certain items of property, plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to the profit or loss. 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	2 to 25
Plant and equipment	5 to 25
Vehicle, furniture and computers	4 to 8

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.3 Property, plant and equipment (continued)

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.

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

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

3.4 Business combination

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set can produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in statement of profit or loss and other comprehensive income immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised as statement of profit or loss and other comprehensive income.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured, and settlement is accounted for within equity. Otherwise, another contingent consideration is remeasured at fair value at each reporting date, and subsequent changes in the fair value of the contingent consideration are recognised in statement of profit or loss and other comprehensive income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards). In that case, all or a portion of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based measure of the replacement awards compared with the acquiree's awards and the extent to which the replacement awards relate to pre-combination service.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary. Any resulting gain or loss is recognised in statement of profit or loss and other comprehensive income. Any interest retained in the former subsidiary is measured at fair value when lost control.

Transactions eliminated on consolidation

Intra-group balances and transactions are eliminated, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arise from intra-group transactions. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3.5 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. The asset's recoverable amount is estimated if any such indication exists. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped into the smallest that generate cash inflows from continuing use, largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.5 Impairment of non-financial assets (continued)

The recoverable amount or CGU is more significant than its value in use and its fair value fewer disposal costs. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in statement of profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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 amortization if no impairment loss had been recognised.

3.6 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 investee's financial and operating policy decisions 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 in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

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

The statement of profit or loss and other comprehensive income 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 applying 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 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. It then recognises the loss in the consolidated statement of profit or loss and other comprehensive income.

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

3.7 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:

- Inventories are purchase at 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.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.8 Financial assets

Initial recognition and measurement

At initial recognition, the classification of financial assets 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 statement of profit or loss and other comprehensive income, transaction costs. Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. Trade receivables without a significant financing component are initially measured at the transaction price.

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 managing its financial assets 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 within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets. All affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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.

Impairment of financial assets

The Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses for calculating impairment of trade receivables including due from related parties. The Group has established a provision matrix 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.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Other financial assets at amortised costs

Other financial assets at amortised costs include other receivables. Other financial assets at amortised costs are considered to have low credit risks, and the loss allowance considered is limited to twelve months expected loss.

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Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.8 Financial assets (continued)

Derecognition

Financial assets

The Group derecognises a financial asset when: – the contractual rights to the cash flows from the financial asset expire; or – it transfers the rights to receive the contractual cash flows in a transaction in which either:

- substantially all of the risks and rewards of ownership of the financial asset are transferred; or

- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss and other comprehensive income.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changed due to interest rate benchmark reform, the Group updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met: – the change is necessary as a direct consequence of the reform; and – the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e., the basis immediately before the change. When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applied the policies on accounting for modifications to the additional changes.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts, and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.9 Cash and cash equivalents

For the purpose of consolidated statement of cash flow and consolidated statement of financial position, 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.

3.10 Borrowings

All loans and borrowings are initially recognised at a cost less directly attributable to transaction costs. After initial recognition, interest-bearing loans and borrowings are 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 profit or loss and other comprehensive income when the liabilities are derecognised and the amortisation process. Interest costs are recognised as expenses when incurred except those that qualify for capitalisation. The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expired. The Group also derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of profit or loss and other comprehensive income.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.11 Provisions

Provisions are recognised by the Group when there is a legal or constructive obligation resulting from a past event. An outflow of economic benefits will probably 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. Due to the passage of time, the provision increase is recognised as an interest expense.

3.12 Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and share options are deducted against the share capital account, net of any tax effects. Where the Company's ordinary shares are repurchased (treasury shares), the consideration paid, excluding any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders and presented as reserve for own shares within equity, until they are cancelled, sold or reissued.

3.14 Dividend distribution

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the 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 Parent Group's shareholders approve the dividends.

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 is transferred to the customer at an amount that reflects the Group's consideration 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 the 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. The Group considers whether other promises in the contract are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration.

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 variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimated variable consideration and recognises a refund liability for the expected future rebates.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.15 Revenue recognition (continued)

Loyalty points programme

The Group has a loyalty program, 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 customer's likelihood to redeem the points. The Group updates its estimate of the points redeemed quarterly and any adjustments to that contract liability balance are charged against revenue. Loyalty reward points are valid for one year from the date of earning.

Contract balances

Contract assets

A contract asset is a right to consideration in exchange for goods or services transferred to the customer. Suppose the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due. In that case, 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. Suppose a customer pays consideration before the Group transfers goods or services to the customer. In that case, a contract liability is recognised when the payment is made or due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

3.16 End-of-service benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Omani Social Insurance Scheme, are recognised as an expense in the statement of profit and loss and other comprehensive income. The Company's obligation in respect of non-Omani employees' terminal benefits is the amount of future benefit that such employees have earned in return for their service in the current and prior periods having regard to the employee contract and Oman Labour Law 2003, as amended.

In accordance with the provisions of IAS 19, Employee benefits, management carries an exercise to assess the present value of the Company's obligations as of reporting date, using the actuarial techniques, in respect of employees' end of service benefits payable under the Oman aforesaid Labour Law. Under this method, an assessment is made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service.

3.17 Foreign currency

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

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value is determined. Non-monetary items that are measured based on the historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in statement of profit or loss and other comprehensive income and presented within finance costs.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.18 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period 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.

3.19 Other income

Other income comprises interest received or receivable on funds invested. Interest income is recognised in the statement of profit or loss and other comprehensive income using the effective interest rate method.

3.20 Leases

The Group as a lessee

Right-of-use assets

The right-of-use assets are presented as a separate note line item in the property, plant and equipment. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy. Depreciation is calculated on a straight line basis over the lease term unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use 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, less any lease incentives received.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease or, if that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments included in the measurement of the lease liability comprise of fixed lease payments (including in-substance fixed payments), less any lease incentives, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early. The lease liability is presented as a line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

3.20 Leases (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group as lessor

Leases for which the Group is a lessor are classified as operating leases since the terms of the lease does not transfer substantially all the risks and rewards of ownership to the lessee. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are charged to operating expenses. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component. The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.21 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments as trading investments to hedge its risks associated with commodity price fluctuations. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:-

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group

actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

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.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

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.

3.24 Net asset per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the ordinary shares outstanding at the reporting date.

3.25 Asset held for sale

Non-current assets, or disposal groups comprising assets and liabilities are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets or disposals groups are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the groups other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in statement of profit and loss and other comprehensive income.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021

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.

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 Key sources of estimation uncertainty

Impairment of receivables including due from related parties

When measuring ECL, the Group uses reasonable and supportable forward-looking information based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The probability of default constitutes a key input in measuring an ECL and entails considerable judgment; 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, 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 the probability of default to various categories of receivables. (Refer note 11)

At the reporting date, net carrying value of trade receivables were RO 67,894,842 (2020: RO 38,088,123) and the provision for expected credit loss was RO 3,505,380 (2020: RO 3,133,808). 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.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

5a. Property, plant and equipment

Group

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
Cost				
At 1 January 2020	31,458,759	56,939,367	5,291,376	93,689,502
Additions	-	28,131	13,979,639	14,007,770
Transfers	2,360,503	3,715,470	(6,075,973)	-
Disposals	(910,812)	(5,196,691)	-	(6,107,503)
At 31 December 2020	<u>32,908,450</u>	<u>55,486,277</u>	<u>13,195,042</u>	<u>101,589,769</u>
Additions	87,997	102,024	8,497,400	8,687,421
Transfers	9,273,021	9,551,891	(18,824,912)	-
Disposals	(58,769)	(811,461)	-	(870,230)
At 31 December 2021	<u><u>42,210,699</u></u>	<u><u>64,328,731</u></u>	<u><u>2,867,530</u></u>	<u><u>109,406,960</u></u>
Accumulated depreciation and impairment				
At 1 January 2020	9,574,500	37,619,088	-	47,193,588
Charge for the year	1,694,725	4,326,353	-	6,021,078
Disposals	(677,585)	(5,323,766)	-	(6,001,351)
Provision for impairment	-	241,113	-	241,113
At 31 December 2020	<u>10,591,640</u>	<u>36,862,788</u>	<u>-</u>	<u>47,454,428</u>
Charge for the year	1,321,290	4,526,836	-	5,848,126
Disposals	(50,459)	(763,500)	-	(813,959)
Provision for impairment	-	144,565	-	144,565
At 31 December 2021	<u><u>11,862,471</u></u>	<u><u>40,770,689</u></u>	<u><u>-</u></u>	<u><u>52,633,160</u></u>
Net book value				
At 31 December 2021	<u><u>30,348,228</u></u>	<u><u>23,558,042</u></u>	<u><u>2,867,530</u></u>	<u><u>56,773,800</u></u>
At 31 December 2020	<u><u>22,316,810</u></u>	<u><u>18,623,489</u></u>	<u><u>13,195,042</u></u>	<u><u>54,135,341</u></u>

Note

a) The net book value of Plant equipment and vehicles includes RO 90,146 (2020: RO 117,026) of furniture, fixtures & office equipment, RO 1,051,420 (2020: RO 1,607,481) of computer equipment and RO 329,669 (2020: RO 407,906) of vehicles.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

5b. Property, plant and equipment

Parent

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
Cost				
At 1 January 2020	31,458,759	56,936,438	4,837,474	93,232,671
Additions	-	-	13,356,350	13,356,350
Transfers	2,360,503	3,715,470	(6,075,973)	-
Disposals	(910,812)	(5,196,691)	-	(6,107,503)
At 31 December 2020	32,908,450	55,455,217	12,117,851	100,481,518
Additions	-	-	7,341,906	7,341,906
Transfers	5,008,016	1,983,652	(6,991,668)	-
Asset transferred to subsidiary company (note b)	-	-	(11,778,345)	(11,778,345)
Disposals	(58,769)	(811,461)	-	(870,230)
At 31 December 2021	37,857,697	56,627,408	689,744	95,174,849
Accumulated depreciation and impairment	-	-	-	-
At 1 January 2020	9,574,500	37,593,627	-	47,168,127
Charge for the year	1,694,725	4,295,005	-	5,989,730
Disposals	(677,585)	(5,323,527)	-	(6,001,112)
Provision for impairment	-	241,113	-	241,113
At 31 December 2020	10,591,640	36,806,218	-	47,397,858
Charge for the year	1,290,141	4,409,162	-	5,699,303
Disposals	(50,459)	(763,500)	-	(813,959)
Provision for impairment	-	144,565	-	144,565
At 31 December 2021	11,831,322	40,596,445	-	52,427,767
Net book value				
At 31 December 2021	26,026,375	16,030,963	689,744	42,747,082
At 31 December 2020	22,316,810	18,648,999	12,117,851	53,083,660

Note

a) The net book value of Plant equipment and vehicles includes RO 80,495 (2020: RO 108,098) of furniture, fixtures & office equipment, RO 1,046,594 (2020: RO 1,605,470) of computer equipment and RO 329,669 (2020: RO 407,906) of vehicles.

b) The parent company transferred the Bunker Fuel Terminal at the Port of Duqm to M/S: Duqm Bunker Terminal LLC as the consideration in kind for the share capital of the subsidiary.

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

6 Right of use assets and lease liability

6.1 Right of use assets

Group	Leasehold land	Offices	Total
	RO	RO	RO
At 1 January 2020 - restated*	21,969,398	437,749	22,407,147
Additions - restated*	6,639,224	2,169,790	8,809,014
Less: Depreciation - restated*	(4,340,842)	(396,819)	(4,737,661)
Less: Terminations	(656,595)	-	(656,595)
At 31 December 2020 - restated*	23,611,185	2,210,720	25,821,905
Additions	3,553,208	54,141	3,607,349
Less: Depreciation	(4,634,302)	(210,834)	(4,845,136)
At 31 December 2021	22,530,091	2,054,027	24,584,118

Parent	RO	RO	RO
	At 1 January 2020 - restated*	18,030,629	437,749
Additions - restated*	3,340,825	2,169,790	5,510,615
Less: Depreciation - restated*	(3,921,525)	(396,819)	(4,318,344)
Less: Terminations	(656,595)	-	(656,595)
At 31 December 2020 - Restated	16,793,334	2,210,720	19,004,054
Additions	1,151,619	-	1,151,619
Less: Depreciation	(4,132,828)	(199,103)	(4,331,931)
At 31 December 2021	13,812,125	2,011,617	15,823,742

6.2 Lease liability

Group and Parent	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
As at 1 January - restated*	25,016,400	21,047,360	18,415,684	17,399,231
Additions - restated*	2,857,274	7,667,634	1,151,620	4,847,753
Interest expense on lease liability - restated*	1,231,720	1,092,406	824,022	824,760
Less: Terminations	-	(698,774)	-	(698,774)
Less: Payments	(4,955,815)	(4,092,226)	(4,411,134)	(3,957,286)
At 31 December	24,149,579	25,016,400	15,980,192	18,415,684

The maturity of lease liability is as follows (restated*):				
Not later than 1 year	3,077,707	3,798,164	3,005,916	3,726,419
Later than 1 year	21,071,872	21,218,236	12,974,276	14,689,265

The Group leases several assets including land and buildings. The lease term ranges between 2 to 20 years (2020: 2 to 20 years). The expired contracts were replaced by new leases for identical underlying assets.

Amount recognised in profit and loss

Depreciation expense on right-of-use assets - restated*	4,845,136	4,737,661	4,331,931	4,318,344
Interest expense on lease liabilities - restated*	1,231,720	1,092,406	824,022	824,760
Expense related to short-term lease, variable lease, and low value assets	690,936	875,743	690,936	818,411
Income from sub-leasing right-of-use assets (a)	(917,696)	(982,999)	(917,696)	(899,236)

a). Operating leases, in which the Group is a lessor, relate to property owned by the group with lease terms between 2-5 years with similar extension option. The lessee does not have an option to purchase the property at the expiry of the contract.

* The comparative information restated. See note 33

OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

7. Investment in subsidiaries

Investment in subsidiaries are equity amounted . The carrying value at reporting date is as follows:

	% Holding	Parent	
		2021 RO	2020 RO
Oman Oil Marketing Company LLC	100%	2,697,975	2,141,198
Ahlain International LLC	100%	513,651	152,568
Sultanate Energy Company Limited	100%	1,818,935	1,136,545
Duqm Bunker Terminal LLC	100%	11,449,145	-
		<u>16,479,706</u>	<u>3,430,311</u>

i) Oman Oil Marketing Company LLC is incorporated in the Kingdom of Saudi Arabia on 16-Jan-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 contributed additional capital of RO 1,396,980 and recognised share of loss of RO 840,203 in respect of the subsidiary (2020: RO 618,164).

ii) Ahlain International LLC is incorporated on 19-Mar-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 contributed additional capital of RO 500,000 and recognised its share of loss of RO 138,917 in respect of the subsidiary (2020: loss of RO 47,756).

iii) Sultanate Energy Company Ltd is incorporated in the United Republic of Tanzania on 12-Mar-2019 under the Companies Act 2002. The entity is engaged in the marketing & distribution of petroleum products. In the current year, the Parent company has contributed additional capital of RO 880,482 and has recognised share of loss of RO 198,091 in respect of the subsidiary (2020: RO 104,041).

iv) During the year 2020, the parent incorporated a subsidiary; Duqm Bunker Terminal LLC on 25 June 2020 under a trade license issued by the Ministry of Commerce & Industry under Special Economic Zone at Duqm. The investee engaged in bunker fuel operations. The Parent company has contributed a capital of RO 11,778,346 and has recognised share of loss of RO 329,201 in respect of the subsidiary (2020: RO Nil).

8. Investment in associates and joint venture

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Investment in associates - Muscat Gasses Co SAOG (note a)	451,517	567,032	451,517	567,032
Investment in associates - Lubechem International LLC (note b)	-	112,964	-	112,964
Joint venture (note c)	-	69,585	-	69,585
	<u>451,517</u>	<u>749,581</u>	<u>451,517</u>	<u>749,581</u>
Less: Classified as investment held for sale (Refer note 9)	(451,517)	-	(451,517)	-
	<u>-</u>	<u>749,581</u>	<u>-</u>	<u>749,581</u>

The amounts recognised in the statement of profit or loss and comprehensive income are as follows:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Share of profit/(loss) from associates	-	26,605	-	26,605
Impairment loss recognised on associate	75,594	34,779	75,594	34,779
	<u>75,594</u>	<u>61,384</u>	<u>75,594</u>	<u>61,384</u>

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Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

8. Investment in associates and joint venture (continued)

a) Muscat Gases Company SAOG

The Parent Company has 9.18% (2020: 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 investee has been accounted as an associate based on the significant influence exercised through direct and indirect board representations.

During the year, the Board of Directors approved to sell the investment in the associate in their meeting held on 10 May 2021. Accordingly, the investment was classified as held for sale in accordance with IFRS 5 - 'Non-current assets held for sale' (Note 9). Hence, the investment has not been equity accounted as on 31 December 2021.

The investment was recorded at fair value which was considered to be lower than the carrying value. Accordingly, an impairment of RO 75,594 was charged during the year.

	Group and Parent	
	2021	2020
	RO	RO
Carrying value at the beginning of the year	567,032	611,200
Share of profit/(loss) from associates	-	10,895
Less: Dividend received during the year	(39,921)	(55,063)
Less: Impairment during the year	(75,594)	-
Carrying value at the end of the year	451,517	567,032

Group's share of the associate's revenue and profit:

Revenue	1,667,081	1,501,263
Profit for the period	-	118,721
Parent's share in profit of the associate	-	10,895

Share of associates' statement of financial position:

Current assets	430,169	591,044
Non-current assets	551,254	320,683
Current liabilities	(301,781)	(173,622)
Non-current liabilities	(91,697)	(119,203)
Net assets	587,945	618,902

b) Lubechem International Industry LLC

Effective 6 May 2014, the Parent Company acquired a 40% shareholding in Lubechem International Industry LLC (Lubechem), a company engaged in the manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending. Lubechem is registered in the Emirates of Ras Al-Khaimah as a limited liability company in Ras Al-Khaimah Investment Authority.

During the year, the Parent Company sold its shareholding to the existing shareholder.

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

c) Joint venture

Investment in joint venture represented 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 was Matrix Marine Holding GmbH, a company incorporated in Germany. The objective of the joint venture was to sell oil and its by-products at the port of Sohar. In the year 2016, the joint venture ceased its operations and commenced liquidation proceedings. During the year, the liquidation procedures have been completed.

9. Investment held for sale

Investment in associate, Muscat Gases Company SAOG was classified as held for sale in accordance with IFRS 5 - 'Non-current assets held for sale'. The investment was measured at fair value less costs to sell at RO 451,517 which was lower than the carrying value of the investment (Refer Note 8a). Management has considered the market value to equal the value of the investment.

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

10. Inventories

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Fuel and lubricants	6,923,070	4,757,708	3,798,184	4,757,708
Stores and spares	14,204	26,065	14,204	26,065
Goods for resale	206,094	197,425	-	-
	7,143,368	4,981,198	3,812,388	4,783,773
Less: Allowance for slow-moving and obsolete inventory	(492,189)	(462,264)	(492,189)	(462,264)
	6,651,179	4,518,934	3,320,199	4,321,509

Movement in the allowance for slow-moving and obsolete inventory during the year is as follows:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
At 1 January	462,264	392,167	462,264	392,167
Allowance recorded during the year	29,925	70,097	29,925	70,097
At 31 December	492,189	462,264	492,189	462,264

11. Trade and other receivables

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Trade receivables	64,950,205	38,230,010	63,362,337	38,230,010
Amounts due from related parties (Note 22)	3,897,906	2,034,309	8,897,763	2,246,391
Less: allowance for credit losses	(3,505,380)	(3,133,808)	(3,474,557)	(3,133,808)
	65,342,731	37,130,511	68,785,543	37,342,593
Other receivables	2,096,529	957,612	1,368,942	808,543
VAT recoverable	455,582		450,310	
	67,894,842	38,088,123	70,604,795	38,151,136

Following table shows the movement in life time ECL recognised in accordance with the simplified approach set out in IFRS 9:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
At 1 January	3,133,808	2,362,355	3,133,808	2,362,355
Provided during the year	371,572	771,453	340,749	771,453
At 31 December	3,505,380	3,133,808	3,474,557	3,133,808

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

11. Trade and other receivables (continued)

The following table details the risk profile of trade receivables including due from related parties based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

Group

<i>Trade receivables including due from related parties days past due</i>	Weighted average loss rate	Gross carrying amount	Expected life time credit loss	Net Carrying amount
31-Dec-21	RO	RO	RO	RO
Not past due	0.38%	45,285,661	173,557	45,112,104
< 30 days	0.47%	10,788,379	50,633	10,737,746
31-60 days	2.14%	3,011,977	64,406	2,947,571
61-90 days	5.07%	1,454,802	73,788	1,381,014
91-180 days	5.57%	2,213,818	123,360	2,090,458
181-360 days	10.67%	2,139,685	228,224	1,911,461
> 365 days	70.60%	3,953,789	2,791,412	1,162,377
		68,848,111	3,505,380	65,342,731
31-Dec-20				
Not past due	0.32%	25,568,122	83,094	25,485,028
< 30 days	0.94%	4,179,720	39,283	4,140,437
31-60 days	2.44%	1,486,168	36,243	1,449,925
61-90 days	11.58%	1,317,526	152,597	1,164,929
91-180 days	15.41%	2,157,336	332,396	1,824,940
181-360 days	22.94%	1,769,697	406,013	1,363,684
> 365 days	55.05%	3,785,750	2,084,182	1,701,568
		40,264,319	3,133,808	37,130,511

Parent

<i>Trade receivables including due from related parties days past due</i>	Weighted average loss rate	Gross carrying amount	Expected life time credit loss	Net Carrying amount
31-Dec-21	RO	RO	RO	RO
Not past due	0.36%	48,697,650	173,557	48,524,093
< 30 days	0.47%	10,788,379	50,633	10,737,746
31-60 days	2.14%	3,011,977	64,406	2,947,571
61-90 days	5.07%	1,454,802	73,788	1,381,014
91-180 days	5.57%	2,213,818	123,360	2,090,458
181-360 days	10.67%	2,139,685	228,224	1,911,461
> 365 days	69.82%	3,953,789	2,760,589	1,193,200
		72,260,100	3,474,557	68,785,543
31-Dec-20				
Not past due	0.32%	25,780,204	83,094	25,697,110
< 30 days	0.94%	4,179,720	39,283	4,140,437
31-60 days	2.44%	1,486,168	36,243	1,449,925
61-90 days	11.58%	1,317,526	152,597	1,164,929
91-180 days	15.41%	2,157,336	332,396	1,824,940
181-360 days	22.94%	1,769,697	406,013	1,363,684
> 365 days	55.05%	3,785,750	2,084,182	1,701,568
		40,476,401	3,133,808	37,342,593

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

12. Cash and cash equivalents

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Cash on hand	97,788	60,938	21,741	24,545
Cash in bank	12,776,361	20,439,835	9,441,161	18,400,986
Less: Term deposits	-	(7,000,000)	-	(7,000,000)
Cash and cash equivalents	12,874,149	13,500,773	9,462,902	11,425,531

Cash in bank balances are with commercial banks in Oman, United Arab Emirates, Kingdom of Saudi Arabia and Tanzania, and are denominated in Omani Rial, Saudi Riyals, UAE Dirham, Tanzanian shilling and US Dollars. Cash in bank include call deposits that are short term in nature and carries interest at commercial rate. Refer note 5 for non-cash transaction.

13. Share capital

The Group and Parent Company's authorised share capital consists of RO 15,000,000 (2020: RO 15,000,000).

The Group and Parent companies had issued fully paid-up shares at the par value of 100 baisa. The value of the issue was RO 6,450,000 (2020: RO 6,450,000). Below are the details of shares entirely issued and paid up.

	Group		Parent	
	Number of shares		Number of shares	
	2021	2020	2021	2020
3,225,000 Multi-vote shares	3,225,000	3,225,000	3,225,000	3,225,000
61,275,000 Ordinary shares	61,275,000	61,275,000	61,275,000	61,275,000
	64,500,000	64,500,000	64,500,000	64,500,000

In accordance with Article 5 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	
	2021	2020	2021	2020
OQ SAOC (formerly Oman Oil Company SAOC)	3,225,000	3,225,000	3,225,000	3,225,000
- Ordinary shares	28,380,000	28,380,000	28,380,000	28,380,000
Civil Services Pension Fund - Ordinary shares	8,352,027	8,352,027	8,352,027	8,352,027
	39,957,027	39,957,027	39,957,027	39,957,027

14. 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 2021 the legal reserve has already reached the requirement hence the Parent company has not transferred any amount to the legal reserve.

15. Employees' end-of-service benefits

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
At 1 January	324,946	285,159	320,394	283,681
Expense for the year (note 23)	51,638	78,475	49,709	75,401
End-of-service benefits paid	(97,036)	(38,688)	(97,036)	(38,688)
At 31 December	279,548	324,946	273,067	320,394

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

16. Trade and other payables

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Trade payables	7,924,277	5,328,894	5,290,358	4,908,958
Due to related parties (Note 22)	52,196,956	35,208,861	52,196,956	35,208,861
Accrued expenses	4,990,801	4,640,154	4,776,345	4,590,836
Other payables	1,173,442	659,201	1,173,442	659,201
Directors' remuneration payable (Note 22)	300,000	-	300,000	-
	<u>66,585,476</u>	<u>45,837,110</u>	<u>63,737,101</u>	<u>45,367,856</u>

17. Income tax

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
<i>Current liability:</i>				
Current year	1,238,777	602,036	1,212,947	562,188
Prior years	112,903	114,862	112,903	114,862
	<u>1,351,680</u>	<u>716,898</u>	<u>1,325,850</u>	<u>677,050</u>

Charge during the year

Current year	1,248,090	602,036	1,212,947	562,188
Deferred tax	(92,044)	(219,485)	(92,044)	(219,485)
	<u>1,156,046</u>	<u>382,551</u>	<u>1,120,903</u>	<u>342,703</u>

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
<i>Deferred tax asset:</i>				
At 1 January	1,050,644	831,159	1,050,644	831,159
Movement for the year	92,044	219,485	92,044	219,485
At 31 December	<u>1,142,688</u>	<u>1,050,644</u>	<u>1,142,688</u>	<u>1,050,644</u>

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Provisions and other charges	625,049	640,016	625,049	640,016
Property, plant and equipment	403,909	324,624	403,909	324,624
Leases	113,730	86,004	113,730	86,004
	<u>1,142,688</u>	<u>1,050,644</u>	<u>1,142,688</u>	<u>1,050,644</u>

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% (2020: 15%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes.

Subsidiaries are companies registered in the Sultanate of Oman, Kingdom of Saudi Arabia and Tanzania of which the tax rate applicable in Sultanate of Oman is 15%, Tanzania is 30% and 25% Zakat in Kingdom of Saudi Arabia. Duqm Bunker Terminal Company is registered within Special Economic Zone at Duqm and entitle for tax exemption. The assessment of subsidiaries with tax authorities are at different stages of completion. The parent company and each subsidiaries are assessed separately for taxation. The group as an entity is not taxable.

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

17. Income tax (continued)

The reconciliation of tax as per accounting profit to effective tax is set out below:

Reconciliation of tax:	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Profit before tax	<u>5,732,082</u>	<u>1,339,492</u>	<u>5,696,939</u>	<u>1,299,644</u>
Income tax	854,541	194,947	854,541	194,947
On account of subsidiaries	35,143	39,848		
Expenses temporarily disallowed	(29,241)	41,859	(29,241)	41,859
Expenses permanently disallowed	295,603	105,897	295,603	105,897
Effective tax	<u>1,156,046</u>	<u>382,551</u>	<u>1,120,903</u>	<u>342,703</u>

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 up to 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, 2019 and 2020 would not be material to the financial position of the Group as at 31 December 2021.

18. Environmental provision

The Group provides for environmental remediation costs based on internal assessment of environmental contamination made on its service stations. The provision of RO 200,245 (2020: RO 200,245) is expected to be used as per site specific remediation plan.

19. Derivative financial instruments

The Group entered into a commodity derivative swaps with authorised traders to hedge the bunker fuel inventory. These derivatives contracts have been designated as fair value hedge under IFRS 9.

As at 31 December 2021, the fair value of the derivative financial instrument was as follows:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Current liabilities	<u>131,108</u>	<u>-</u>	<u>-</u>	<u>-</u>

20. Segment information

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, as the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. Information reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segments only. No information that includes the segments' assets and liabilities are reported to the Board of Directors as the assets and liabilities are inter related. The Group operates primarily in Oman and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given to the chief operating decision maker. Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous period.

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Retail	404,777,842	320,837,387	400,271,412	317,117,581
Commercial	102,412,358	98,941,729	102,412,358	98,941,729
Others	53,481,387	22,429,695	48,026,456	22,429,695
	<u>560,671,587</u>	<u>442,208,811</u>	<u>550,710,226</u>	<u>438,489,005</u>

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

20. Segment information (continued)

The revenue is mainly from sale of fuel and lubes and is recognised at point of time.

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales during the year (2020: nil). 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 recognized at point in time. The Group's operating revenues arise primarily from the marketing and distribution of petroleum products in the Sultanate of Oman.

21. Finance income - net

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Interest income on deposits	1,098,816	1,169,565	1,098,816	1,169,565
Interest expenses on borrowings	(866,041)	(1,049,523)	(866,041)	(1,049,523)
	<u>232,775</u>	<u>120,042</u>	<u>232,775</u>	<u>120,042</u>

Finance income and cost

Finance income/cost comprises interest received on deposits and interest expense that are recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

22. Related party transactions

Related parties comprise the shareholders, directors and business entities to control or exercise significant influence in financial and operating decisions. The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which are approved by the management.

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 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	
	2021 RO	2020 RO	2021 RO	2020 RO
Revenue				
Fuel sales to other related parties	<u>14,826,660</u>	<u>33,369,519</u>	<u>14,826,660</u>	<u>33,369,519</u>
Costs				
Cost of goods sold includes fuel purchases from other related parties	524,161,126	402,060,884	524,161,126	402,060,884
Payments made on behalf of the subsidiaries	-	-	4,999,857	-
Procurement of services from other related parties	399,113	1,407,276	399,113	1,407,276
Brand royalty to parent company	486,478	387,406	486,478	387,406
Blending charges to associate company	-	291,683	-	291,683
Net interest income over bank charges from other related parties	218,952	270,814	218,952	270,814
Directors' sitting fees	27,350	66,400	27,350	66,400
Directors remuneration	300,000	-	300,000	-
Compensation of key management personnel				
- Short-term employee benefits	665,862	1,003,641	665,862	1,003,641
- Post-employment benefits	31,500	187,842	31,500	187,842

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

22. Related party transactions (continued)

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Balances				
Bank balances	<u>3,863,968</u>	<u>8,021,951</u>	<u>3,863,968</u>	<u>8,021,951</u>
Due from related parties				
- from subsidiary companies	-	-	4,999,857	212,082
- from other related companies	<u>3,897,906</u>	<u>2,034,309</u>	<u>3,897,906</u>	<u>2,034,309</u>
Total - Due from related parties (Note 11)	<u>3,897,906</u>	<u>2,034,309</u>	<u>8,897,763</u>	<u>2,246,391</u>
Due to related parties				
- to other related companies	<u>51,920,889</u>	<u>35,127,672</u>	<u>51,920,889</u>	<u>35,127,672</u>
- to parent company	<u>276,067</u>	<u>193,317</u>	<u>276,067</u>	<u>193,317</u>
Total - Due to related parties (Note 16)	<u>52,196,956</u>	<u>35,208,861</u>	<u>52,196,956</u>	<u>35,208,861</u>
Directors remuneration (Note 16)	<u>300,000</u>	<u>-</u>	<u>300,000</u>	<u>-</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.

The Group has applied the exemption under IAS 24 paragraphs 25 and 26, and have not disclosed the related party transactions and outstanding balances, including commitments related to:

- a government that has control or joint control of, or significant influence over, the reporting entity;
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

In applying the exemption, the Group has disclosed the following related to the transactions and related outstanding balances:

- the nature of its relationship with the reporting entity;
- the following information in sufficient detail to enable users of the entity's financial statements to understand the effect of related
 - the nature and amount of each individually significant transaction; and
 - for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

23. Staff costs

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Wages, salaries and allowances	<u>6,194,749</u>	<u>4,753,344</u>	<u>5,429,526</u>	<u>4,748,607</u>
End-of-service benefits (Note 15)	<u>51,638</u>	<u>75,401</u>	<u>49,709</u>	<u>75,401</u>
Social security costs	<u>324,623</u>	<u>378,108</u>	<u>324,623</u>	<u>378,108</u>
Other employee benefits	<u>439,208</u>	<u>532,335</u>	<u>439,208</u>	<u>532,335</u>
	<u>7,010,218</u>	<u>5,739,188</u>	<u>6,243,066</u>	<u>5,734,451</u>

24. Other operating expenses

The other operating expenses of the group and parent company include the following:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Ministry of Commerce and Industry license fee	<u>1,511,796</u>	<u>1,742,684</u>	<u>1,511,796</u>	<u>1,742,684</u>
Operating leases	<u>690,936</u>	<u>875,743</u>	<u>690,936</u>	<u>818,411</u>
Brand royalty payable to parent company	<u>486,478</u>	<u>387,406</u>	<u>486,478</u>	<u>387,406</u>
Board sitting fees	<u>27,350</u>	<u>66,400</u>	<u>27,350</u>	<u>66,400</u>
Audit and professional fee	<u>19,000</u>	<u>12,890</u>	<u>17,000</u>	<u>12,890</u>

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Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

25. Dividends

The Board of Directors has proposed a cash dividend of RO 0.040 per share for year 2021, amounting to RO 2,580,000 (2020: nil), which is subject to Shareholders' approval at the next Annual General Meeting (2020: No dividend was approved).

26. Commitments

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Contracted commitments	<u>2,486,053</u>	<u>7,514,370</u>	<u>2,486,053</u>	<u>7,514,370</u>

27. 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	
	2021 RO	2020 RO	2021 RO	2020 RO
Net profit for the year (RO)	<u>4,576,036</u>	<u>956,941</u>	<u>4,576,036</u>	<u>956,941</u>
Weighted average number of shares (Note 13)	<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>0.071</u>	<u>0.015</u>	<u>0.071</u>	<u>0.015</u>

28. Net assets per share

This is a non gaap measure. 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	
	2021 RO	2020 RO	2021 RO	2020 RO
Shareholders' equity (RO)	<u>78,169,286</u>	<u>73,644,872</u>	<u>78,169,286</u>	<u>73,644,872</u>
Number of shares outstanding at the end of the reporting	<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>1.212</u>	<u>1.142</u>	<u>1.212</u>	<u>1.142</u>

29. Contingencies

At 31 December 2021 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 9,062,493 (2020: RO 10,662,839).

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.

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

30. Reconciliation of liabilities arising from financing activities

	At 1 January	Additions during the year	Repayments during the year	At 31 December
Group	RO	RO	RO	RO
31 December 2021				
Lease liabilities	25,016,400	2,857,274	(3,724,095)	24,149,579
Short term bank borrowings	-	105,000,000	(105,000,000)	-
	<u>25,016,400</u>	<u>107,857,274</u>	<u>(108,724,095)</u>	<u>24,149,579</u>
31 December 2020				
Lease liabilities - restated	21,047,360	6,968,860	(2,999,820)	25,016,400
Short term bank borrowings	-	60,000,000	(60,000,000)	-
	<u>21,047,360</u>	<u>66,968,860</u>	<u>(62,999,820)</u>	<u>25,016,400</u>
Parent				
31 December 2021				
Lease liabilities	18,415,684	1,151,620	(3,587,112)	15,980,192
Short term bank borrowings	-	105,000,000	(105,000,000)	-
	<u>18,415,684</u>	<u>106,151,620</u>	<u>(108,587,112)</u>	<u>15,980,192</u>
31 December 2020				
Lease liabilities	17,399,231	4,148,979	(3,132,526)	18,415,684
Short term bank borrowings	-	60,000,000	(60,000,000)	-
	<u>17,399,231</u>	<u>64,148,979</u>	<u>(63,132,526)</u>	<u>18,415,684</u>

31. 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 when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign currency risk arising from currency exposures with respect to US Dollar, UAE Dirhams, Saudi Arabian Rials and Tanzanian shilling. The majority of foreign currency transactions are denominated in US Dollar and GCC currencies. The Company is not exposed to currency risk as the Rial Omani and GCC currencies listed above are pegged to the US Dollar. Management believes that the impact of the fluctuations from transactions and balances denominated in Tanzanian shilling is not significant at 31 December 2021 and 2020.

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 2021, the Group is not exposed to significant equity securities or commodity price risk except for what is disclosed in note 19. (Refer note 19 for the carrying value of liability in relation to derivative instrument at one of the subsidiary).

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

31. 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 all other financial assets.

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 including due from related parties

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 including due from related parties (considered as being the gross carrying value before impairment provisions) at the reporting date by type of customer was:

	Group		Parent	
	2021 RO	2020 RO	2021 RO	2020 RO
Commercial	33,524,024	21,296,286	36,936,013	21,508,368
Retail	5,414,500	3,742,489	5,414,500	3,742,489
Others	29,909,587	15,225,544	29,909,587	15,225,544
	<u>68,848,111</u>	<u>40,264,319</u>	<u>72,260,100</u>	<u>40,476,401</u>
Less: Allowance for credit loss	<u>(3,505,380)</u>	<u>(3,133,808)</u>	<u>(3,474,557)</u>	<u>(3,133,808)</u>
	<u>65,342,731</u>	<u>37,130,511</u>	<u>68,785,543</u>	<u>37,342,593</u>

Bank balances

Balances with banks are assessed to have a low credit risk of default since the central bank highly regulates these banks. Accordingly, the management of the Group estimates the loss allowance on balances with banks at the end of the reporting period at an amount equal to 12-month ECL. None of the balances with the bank at the end of the reporting period are past due and taking into account the historical default experience and the current credit ratings of the bank, the management of the Group has assessed that the impairment so assessed is immaterial and hence have not recorded any loss or allowances on these balances.

The Group limits its credit risk with regard to bank balance deposits by only dealing with reputable bank and financial institution with strong credit ratings. The Group's bank accounts are placed with reputed financial institutions having appropriate credit rating.

Cash at banks

Banks with rating of A1	782,822	814,477	-	-
Banks with rating of B1	48,481	1,171,131	-	-
Banks with rating of Ba3	10,952,175	17,461,344	6,122,212	17,408,103
Banks with rating of Ba2	992,883	992,883	3,318,949	992,883
	<u>12,776,361</u>	<u>20,439,835</u>	<u>9,441,161</u>	<u>18,400,986</u>

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

31. Financial risk management (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include dues from related parties. Other financial assets at amortised cost are considered to have low credit risk, and the loss allowance considered during the year was therefore limited to 12 months expected losses. Management believes that the expected credit loss on the above category of financial assets is not material and hence no loss allowance was made for such financial assets as at 31 December 2021 and 31 December 2020.

(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 has access to adequate financing facilities, of which RO 115.85 Mn were unutilized at the reporting date (2020: RO 60 Mn). The Group expect to meet its obligations from operating cashflows, short term borrowings and proceeds from maturing financial assets. 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.

	Carrying amount	Less than 1 year	More than 1 years
	RO	RO	RO
31-December-2021			
Group			
Lease liabilities	31,597,961	4,151,526	27,446,435
Trade payables	7,924,277	7,924,277	-
Due to related parties	52,196,956	52,196,956	-
Accruals and other payables	6,464,243	6,464,243	-
	<u>98,183,437</u>	<u>70,737,002</u>	<u>27,446,435</u>
Parent			
Lease liabilities	21,295,808	3,685,414	17,610,394
Trade payables	5,290,358	5,290,358	-
Due to related parties	52,196,956	52,196,956	-
Accruals and other payables	6,249,787	6,249,787	-
	<u>85,032,909</u>	<u>67,422,515</u>	<u>17,610,394</u>
31-December-2020			
Group			
Lease liabilities - restated	35,384,645	4,922,194	30,462,451
Trade payables	5,328,894	5,328,894	-
Due to related parties	35,208,861	35,208,861	-
Accruals and other payables	5,299,355	5,299,355	-
	<u>81,221,755</u>	<u>50,759,304</u>	<u>30,462,451</u>
Parent			
Lease liabilities - restated	25,340,783	4,426,838	20,913,945
Trade payables	4,908,958	4,908,958	-
Due to related parties	35,208,861	35,208,861	-
Accruals and other payables	5,250,037	5,250,037	-
	<u>70,708,639</u>	<u>49,794,694</u>	<u>20,913,945</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.

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Notes to the parent company and consolidated financial statements

For the year ended 31 December 2021 (continued)

32. 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	
	2021 RO	2020 RO	2021 RO	2020 RO
Financial assets (at amortised cost)				
Cash and cash equivalents	12,874,149	13,500,773	9,462,902	11,425,531
Trade and other receivables	67,894,842	38,088,123	70,604,795	38,151,136
	<u>80,768,991</u>	<u>51,588,896</u>	<u>80,067,697</u>	<u>49,576,667</u>
Financial liabilities (at amortised cost)				
Trade and other payables	66,585,476	45,837,110	63,737,101	45,367,856
Lease liabilities (note 6.2)	24,149,579	25,016,400	15,980,192	18,415,684
	<u>90,735,055</u>	<u>70,853,510</u>	<u>79,717,293</u>	<u>63,783,540</u>

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

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

33. Prior period restatement on lease

During 2021, management reviewed all agreements to ensure data accuracy and completeness. The Group discovered that few leases were not recorded. In some lease contracts, the full non-cancellable term of the leases was not considered based on lease contracts and accordingly lease term was not in accordance with IFRS 16. As a result, right of use assets, lease liabilities, finance cost on lease and depreciation charge have been understated and other operating expenses have been overstated. Further, it was noted that incentives given to customers was recorded as operating expenses and not-netted off against revenue in accordance with IFRS 15.

These errors have been corrected by restating each of the affected financial statement line items for prior periods. Also, management has reclassified the term deposit in cash and cash equivalents as separate financial line item in the statement of financial position. The following tables summarise the impacts on the Parent company's and Group's financial statements.

Parent company and consolidated statement of financial position

Group	Notes	2020	Adjustments /	2020	1 Jan 2020	Adjustments /	1 Jan 2020
		As reported	Reclassifications	Restated	As reported	Reclassifications	Restated
		RO	RO	RO	RO	RO	RO
ASSETS							
Right-of-use assets	6	21,516,187	4,305,718	25,821,905	18,798,993	3,608,154	22,407,147
Cash and cash equivalents	12	20,500,773	(7,000,000)	13,500,773	26,654,552	(7,000,000)	19,654,552
Term deposit	12	-	7,000,000	7,000,000	-	7,000,000	7,000,000
Others		100,455,953	-	100,455,953	111,011,065	-	111,011,065
Total Assets		<u>142,472,913</u>	<u>4,305,718</u>	<u>146,778,631</u>	<u>156,464,610</u>	<u>3,608,154</u>	<u>160,072,764</u>
Retained earnings		65,044,872	(51,622)	64,993,250	67,957,931	(60,493)	67,897,438
Others		8,600,000	-	8,600,000	8,600,000	-	8,600,000
Total equity		<u>73,644,872</u>	<u>(51,622)</u>	<u>73,593,250</u>	<u>76,557,931</u>	<u>(60,493)</u>	<u>76,497,438</u>
Lease liabilities	6	20,659,060	4,357,340	25,016,400	17,378,713	3,668,647	21,047,360
Others		48,168,981	-	48,168,981	62,527,966	-	62,527,966
Total liabilities		<u>68,828,041</u>	<u>4,357,340</u>	<u>73,185,381</u>	<u>79,906,679</u>	<u>3,668,647</u>	<u>83,575,326</u>
Total equity and liabilities		<u>142,472,913</u>	<u>4,305,718</u>	<u>146,778,631</u>	<u>156,464,610</u>	<u>3,608,154</u>	<u>160,072,764</u>

Parent

ASSETS							
Right-of-use assets	6	14,698,336	4,305,718	19,004,054	14,860,224	3,608,154	18,468,378
Cash and cash equivalents	12	18,425,531	(7,000,000)	11,425,531	25,002,708	(7,000,000)	18,002,708
Term deposit	12	-	7,000,000	7,000,000	-	7,000,000	7,000,000
Others		102,234,676	-	102,234,676	112,741,285	-	112,741,285
Total Assets		<u>135,358,543</u>	<u>4,305,718</u>	<u>139,664,261</u>	<u>152,604,217</u>	<u>3,608,154</u>	<u>156,212,371</u>
Retained earnings		65,044,872	(51,622)	64,993,250	67,957,931	(60,493)	67,897,438
Others		8,600,000	-	8,600,000	8,600,000	-	8,600,000
Total equity		<u>73,644,872</u>	<u>(51,622)</u>	<u>73,593,250</u>	<u>76,557,931</u>	<u>(60,493)</u>	<u>76,497,438</u>
Lease liabilities	6	14,058,344	4,357,340	18,415,684	13,730,584	3,668,647	17,399,231
Others		47,655,327	-	47,655,327	62,315,702	-	62,315,702
Total liabilities		<u>61,713,671</u>	<u>4,357,340</u>	<u>66,071,011</u>	<u>76,046,286</u>	<u>3,668,647</u>	<u>79,714,933</u>
Total equity and liabilities		<u>135,358,543</u>	<u>4,305,718</u>	<u>139,664,261</u>	<u>152,604,217</u>	<u>3,608,154</u>	<u>156,212,371</u>

Parent company and consolidated statement of profit or loss and other comprehensive income

Group	2020	Adjustments	Reclassifications	2020
	As reported	RO	RO	RO
	RO			Restated
Revenue	442,391,587	-	(182,776)	442,208,811
Depreciation on right of use assets	(4,562,356)	(175,305)	-	(4,737,661)
Other operating expenses	(13,300,674)	453,364	182,776	(12,664,534)
Finance income	(823,218)	(269,188)	-	(1,092,406)
Others	(422,748,398)	-	-	(422,748,398)
	<u>956,941</u>	<u>8,871</u>	<u>-</u>	<u>965,812</u>
Parent				
Revenue	438,671,781	-	(182,776)	438,489,005
Depreciation on right of use assets	(4,143,039)	(175,305)	-	(4,318,344)
Other operating expenses	(12,470,849)	453,364	182,776	(11,834,709)
Finance income	(555,572)	(269,188)	-	(824,760)
Others	(420,545,380)	-	-	(420,545,380)
	<u>956,941</u>	<u>8,871</u>	<u>-</u>	<u>965,812</u>

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Notes to the parent company and consolidated financial statements For the year ended 31 December 2021 (continued)

33. Prior period restatement on Lease (continued)

Parent company and consolidated statement of cashflow

	2020 RO As reported	Group Adjustments RO	2020 RO Restated	2020 RO As reported	Parent Adjustments RO	2020 RO Restated
Cash flows from operating activities						
Profit before income tax	1,339,492	8,871	1,348,363	1,299,644	8,871	1,308,515
<i>Adjustments for:</i>						
Depreciation on right-of-use assets	4,562,356	175,305	4,737,661	4,143,039	175,305	4,318,344
Finance cost on lease liability	823,218	269,188	1,092,406	555,572	269,188	824,760
Other	6,914,684	-	6,914,684	7,650,458	-	7,650,458
Operating profit before working capital changes	13,639,750	453,364	14,093,114	13,648,713	453,364	14,102,077
Changes in working capital	3,895,937	(184,176)	3,711,761	4,659,374	(184,176)	4,475,198
Cash generated from operations	17,535,687	269,188	17,804,875	18,308,087	269,188	18,577,275
Finance cost paid on lease liability	(667,518)	(269,188)	(936,706)	(555,572)	(269,188)	(824,760)
Other	(2,428,741)	-	(2,428,741)	(2,379,789)	-	(2,379,789)
Net cash from operating activities	14,439,428	-	14,439,428	15,372,726	-	15,372,726
Net cash used in investing activities	(12,720,249)	-	(12,720,249)	(14,099,939)	-	(14,099,939)
Net cash used in financing activities	(7,872,958)	-	(7,872,958)	(7,849,964)	-	(7,849,964)
Net decrease in cash and cash equivalents	(6,153,779)	-	(6,153,779)	(6,577,177)	-	(6,577,177)
Cash and cash equivalents at the beginning of the year	19,654,552	-	19,654,552	18,002,708	-	18,002,708
Cash and cash equivalents at the end of the year	13,500,773	-	13,500,773	11,425,531	-	11,425,531

34. Approval of consolidated financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 06 March 2022.