

OMAN OIL MARKETING COMPANY SAOG



Notes to the unaudited financial statements

(Forming part of the financial statements)

1) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
Cost				
At 1 January 2012	9,359,527	27,221,781	3,234,411	39,815,719
Additions		4,467	2,771,876	2,776,343
Transfers	10,515	141,517	(152,032)	-
Disposals	(11,101)	(64,910)		(76,011)
At 30 June 2012	9,358,941	27,302,855	5,854,255	42,516,051
At 1 January 2013	11,361,843	31,372,164	3,791,814	46,525,820
Additions		2,234	1,898,582	1,900,816
Transfers		175,324	(175,324)	-
Disposals				-
At 30 June 2013	11,361,843	31,549,722	5,515,072	48,426,636
Depreciation				
At 1 January 2012	2,214,538	14,106,443	-	16,320,981
Charge for the year	237,602	1,376,794	-	1,614,396
Disposals			-	-
At 30 June 2012	2,452,140	15,483,237		17,935,376
At 1 January 2013	2,747,115	16,164,694	-	18,911,810
Charge for the year	286,004	1,379,445	-	1,665,448
Disposals			-	-
At 30 June 2013	3,033,118	17,544,139		20,577,258
Carrying amount				
At 30 June 2012	6,906,802	11,819,619	5,854,255	24,580,675
At 30 June 2013	8,328,725	14,005,584	5,515,072	27,849,379

2) Investment in joint venture

Investment in joint venture represents the Company's participation in 50% of the equity interest of Omanoil Matrix Marine Services LLC ("the Joint Venture"), a company incorporated in Oman on 28 April 2010. The other shareholder of the Joint Venture is Matrix Marine Holding GmbH, a company incorporated in Germany. The objective of the Joint Venture is to sell oil and their by products and supply fuel at the Port of Sohar.

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

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Total assets	520,640	2,725,339	800,156
Total liabilities	(313,955)	(2,489,313)	(574,296)
Net assets	<u>206,685</u>	<u>236,026</u>	<u>225,860</u>
Company's share in Net assets of the Joint Venture	<u>103,343</u>	<u>118,013</u>	<u>112,930</u>
Income	4,286,303	109,400	14,359,276
Expense	(4,306,067)	(18,488)	(14,278,528)
Profit / (Loss) of Joint venture for the period	<u>(19,764)</u>	<u>90,912</u>	<u>80,748</u>
Company's share in profit / (loss) of the Joint Venture	<u>(9,882)</u>	<u>45,456</u>	<u>40,374</u>

3) Available for Sale Investment

This represents a 9.18% non controlling interest in Muscat Gases Company SAOG ("MG"), an Omani Joint Stock Company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry which is engaged in manufacturing and selling of various types of industrial and cooking gases.

The proposed cash dividend of 60% was approved by the shareholders at the AGM for 2012, held on 23rd March 2013. OOMCO share of dividend received has been recognised.

Investment in Associate

A representative from OOMCO management has been appointed to the Board of MG with effect from 9th Feb 2013, which deemed to have given the power to participate in the financial and operating policy decisions of MG. Further, the Company intends to hold this investment for an indefinite period of time. The above qualifies MG investment to be an Associate.

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

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Total assets	9,971,712	-	-
Total liabilities	(3,302,565)	-	-
Net assets	<u>6,669,147</u>	<u>-</u>	<u>-</u>
Company's share in Net assets of the Associate	<u>612,028</u>	<u>-</u>	<u>-</u>
Purchase Consideration (Value of derecognised AFS)	2,312,830	-	-
Post acquisition share of profit from Associate	72,852	-	-
Carrying value of Investment in Associate	<u>2,385,682</u>	<u>-</u>	<u>-</u>
Profit/(Loss) of Associate for the period	<u>1,013,408</u>	<u>-</u>	<u>-</u>
Company's share in profit/(loss) of the Associate	<u>72,852</u>	<u>-</u>	<u>-</u>

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4) Inventories

	30/06/2013	30/06/2012	31/12/2012
	RO	RO	RO
Oil and lubricants	5,376,945	3,619,143	5,937,587
Stores and spares	7,498	7,498	7,498
Less: allowance for slow moving and obsolete inventory	(15,000)	(15,000)	(15,000)
	<u>5,369,443</u>	<u>3,611,641</u>	<u>5,930,085</u>

5) Trade and other receivables

	30/06/2013	30/06/2012	31/12/2012
	RO	RO	RO
Trade receivables	27,745,209	24,344,240	21,446,462
Less: allowance for impaired debts	(811,053)	(580,073)	(587,970)
	<u>26,934,156</u>	<u>23,764,167</u>	<u>20,858,492</u>
Amounts due from related parties	1,064,848	3,072,628	2,625,872
Other receivables	1,358,896	867,482	1,122,213
Prepaid expenses	1,994,500	1,269,336	1,871,544
	<u>31,352,400</u>	<u>28,973,613</u>	<u>26,478,121</u>

6) Cash and cash equivalents

	30/06/2013	30/06/2012	31/12/2012
	RO	RO	RO
Cash on hand	39,492	29,750	29,203
Cash at bank	22,538,559	22,387,265	12,810,213
	<u>22,578,051</u>	<u>22,417,015</u>	<u>12,839,416</u>
Less: deposits having maturity more than three months from the date of placement	(1,500,000)	-	(3,500,000)
	<u>21,078,051</u>	<u>22,417,015</u>	<u>9,339,416</u>

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7) Share capital

	Number of shares		
	30/06/2013	30/06/2012	31/12/2012
3,225,000 Multi-vote shares of RO 0.1 each	3,225,000	3,225,000	3,225,000
61,275,000 Ordinary shares of RO 0.1 each	61,275,000	61,275,000	61,275,000
	64,500,000	64,500,000	64,500,000

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

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

8) Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit of each year is transferred to a legal reserve until the reserve reaches a minimum one-third of the issued share capital. The Company has resolved to discontinue any further transfers to this reserve, as the reserve equals one-third of the issued share capital. This reserve is not available for distribution.

9) Employees' end of service benefits

Movement in the liability is as follows:	30/06/2013	30/06/2012	31/12/2012
	RO	RO	RO
Balance at 1 January	270,088	198,190	198,190
Accrued during the year	53,305	63,294	72,912
End of service benefits paid	(14,033)	(35,743)	(1,014)
Balance at 30 June	309,359	225,741	270,088

10) Provision for site restoration and abandonment cost

Movement in the provision is as follows:	30/06/2013	30/06/2012	31/12/2012
	RO	RO	RO
Balance at 1 January	472,407	420,381	420,381
Additional provision	-	4,467	26,803
Unwind of discount (included in finance costs)	16,406	12,612	25,223
Balance at 30 June	488,813	437,460	472,407

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11) Trade and other payables

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Trade payables	2,901,292	1,851,599	1,163,592
Due to related parties	21,007,430	21,550,700	21,633,762
Accrued expenses	7,445,675	6,160,938	7,681,387
Directors' remuneration provision	66,000	63,000	108,000
	<u>31,420,397</u>	<u>29,626,237</u>	<u>30,586,741</u>

12) Bank borrowings

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Short Term loan	10,000,000	10,000,000	-
Term loan II	1,480,769	3,096,154	2,288,462
Term loan III	408,400	808,400	608,400
Term loan IV	4,619,400	-	-
	<u>16,508,569</u>	<u>13,904,554</u>	<u>2,896,862</u>
Current portion			
Short Term loan I	10,000,000	5,000,000	-
Term loan II	1,480,769	5,000,000	1,615,385
Term loan III	400,000	-	400,000
Term loan IV	990,000	-	-
	<u>12,870,769</u>	<u>10,000,000</u>	<u>2,015,385</u>
Non-current portion			
Term loan II	-	3,096,154	673,077
Term loan III	8,400	808,400	208,400
Term loan IV	3,629,400	-	-
	<u>3,637,800</u>	<u>3,904,554</u>	<u>881,477</u>

Short term Loans -

The Short term loan is repayable within one year of the balance sheet date. The loan is unsecured and carried interest at current market rates.

Long term Loans -

The long term loan II is unsecured and the rate is 8% per annum below the bank's base lending rate. The repayment commenced in April 2012 of OMR 135K per month for 26 months..

The long term loan III is unsecured and the rate is 4% per annum . The repayment of the loan will commence one month after the final drawdown

The long term loan IV is unsecured and the rate is 3.7% per annum . The repayment of the loan will commence six month after the first drawdown .

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13) Income tax

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
<i>Current liability:</i>			
Current period	742,170	540,000	1,303,718
Prior years	-	51,995	51,987
	<u>742,170</u>	<u>591,995</u>	<u>1,355,705</u>
<i>Comprehensive Income Statement</i>			
Current period	669,117	540,000	1,303,718
Reversal of excess tax provision relating to earlier years	-	(60,228)	(60,236)
Deferred tax relating to origination and reversal of temporary difference	-	-	(68,108)
	<u>669,117</u>	<u>479,772</u>	<u>1,175,374</u>
<i>Deferred tax asset:</i>			
At 1 January	77,838	9,730	9,730
Movement for the period	-	-	68,108
At end of the period	<u>77,838</u>	<u>9,730</u>	<u>77,838</u>
The deferred tax asset comprises the following differences			
Provision and other charges	180,929	151,483	180,929
Property and other equipment	(103,091)	(141,753)	(103,091)
	<u>77,838</u>	<u>9,730</u>	<u>77,838</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 12% of taxable income in excess of RO 30,000. For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes.

14) Environmental provision

Movement in the provision is as follows:	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Balance at 1 January	626,765	626,765	626,765
Provided during the year	-	5,747	-
Utilized	-	(5,747)	-
Balance at	<u>626,765</u>	<u>626,765</u>	<u>626,765</u>

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites

15) Net finance income

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Interest expenses	(152,153)	(137,197)	(236,260)
Interest income	75,758	197,292	340,553
	<u>(76,395)</u>	<u>60,095</u>	<u>104,293</u>

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16) Segment information

Business units from which reportable segments derive their revenues

Information reported to the Company's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of business units. The principal categories of business units are retail, commercial and others.

Other operations are predominantly lubricants and aviation fuel.

Information regarding the Company's reportable segments is presented below.

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Retail	99,411,844	85,846,379	179,646,647
Commercial	30,185,398	27,446,058	55,041,944
Others	18,194,203	25,917,025	43,833,935
	<u>147,791,445</u>	<u>139,209,461</u>	<u>278,522,526</u>

Revenue from major products and services and geographical information

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

17) Related party transactions

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

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

The volumes of significant related party transactions during the year and with parties with a shareholding of 10% or more in the Company and / or related to Directors, were as follows:

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Revenue			
Fuel sales to filling stations owned by directors	3,341,263	2,045,155	5,233,611
Fuel sales to commercial customers related to directors	2,007,605	6,104,203	12,818,394
Fuel sales to Joint Venture	516,440	270,010	726,421
Costs			
Fuel Purchases from other related parties	125,339,577	125,161,424	250,322,848
Brand royalty	130,431	122,015	243,209
Remuneration to directors	66,600	63,000	135,000
Directors' sitting fees	6,800	5,200	27,200
Net interest paid to other related parties	6,181	6,592	9,849
Balances			
Bank balances	909,112	3,469,091	1,425,074
Due from related parties	1,064,848	3,072,628	2,625,872
Due to related parties	21,007,430	21,550,700	21,633,762

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18) Staff cost

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Wages, salaries and allowances	1,884,992	1,804,987	3,817,748
End of service benefits	53,305	63,294	72,912
Social security costs	62,783	67,477	129,861
Other employee benefits	128,674	116,076	231,548
	<u>2,129,754</u>	<u>2,051,834</u>	<u>4,252,069</u>

19) Operating & other expenses

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

	30/06/2013 RO	30/06/2012 RO	31/12/2012 RO
Operating leases	1,040,859	1,029,331	2,071,993
Ministry of Oil and Gas license fee	598,747	556,827	1,113,852
Brand Royalty payable to Parent company	130,431	122,015	243,209
Director's remuneration	66,600	63,000	135,000
Board sitting fee	13,200	13,900	27,200
Tax consultant fee	1,054	4,052	6,927
Audit and professional fee	4,960	4,560	10,260
Provision / (Write back) for doubtful debts	233,617	166,394	174,323

20) Commitments

Operating leases

The Company has entered into certain long-term non-cancellable operating leases.

21) Corresponding figures

The corresponding figures included for comparative purposes have been reclassified to conform to the presentation in the current period.