

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 2015	17,780,737	36,282,570	7,328,756	61,392,063
Additions	-	-	3,321,139	3,321,139
Transfers	2,654,189	3,608,054	(6,262,243)	-
Disposals	(42,073)	(134,410)		(176,483)
As at 30 September 2015	20,392,853	39,756,214	4,387,652	64,536,719
At 1 January 2016	20,613,145	39,556,199	5,384,971	65,554,315
Additions	-	-	6,823,485	6,823,485
Transfers	658,702	1,919,919	(2,578,621)	-
Disposals	(7,257)	(762,505)		(769,762)
As at 30 September 2016	21,264,590	40,713,613	9,629,835	71,608,038
Depreciation				
At 1 January 2015	4,107,290	21,998,608	-	26,105,898
Charge for the period	670,053	2,399,297	-	3,069,350
Disposals	(15,337)	(117,780)	-	(133,117)
As at 30 September 2015	4,762,006	24,280,125		29,042,131
At 1 January 2016	4,989,986	24,725,289	-	29,715,275
Charge for the period	698,715	2,654,785	-	3,353,500
Disposals	(4,301)	(643,211)	-	(647,512)
Derecognition of Site Restoration		-		-
As at 30 September 2016	5,684,400	26,736,863	-	32,421,263
Carrying amount				
As at 30 September 2015	15,630,847	15,476,089	4,387,652	35,494,588
As at 30 September 2016	15,580,190	13,976,750	9,629,835	39,186,775

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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-Sep-16 RO	30-Sep-15 RO
Net assets	251,522	432,672
Company's share in Net assets of the Joint Venture	125,761	216,336
Net carrying value of Investment.	125,761	216,336
(Loss)/Profit from Joint venture for the period	(970,000)	(686,000)
Company's share of (Loss)/Profit from the Joint Venture	(485,000)	(343,000)

3) Investment in Associate

Muscat Gas SAOG

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.

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-Sep-16 RO	30-Sep-15 RO
Company's Cost of Investment	2,463,773	2,449,038
Share of profit from Associate	67,438	101,974
Dividend Received	(96,360)	(110,126)
Carrying value of Investment in Associate	2,434,851	2,440,886
Income	7,039,374	7,041,875
Expense	(6,304,755)	(5,931,045)
Profit of Associate for the period	734,619	1,110,830
Company's share in profit of the Associate	67,438	101,974

3) Investment in Associate -Continue

Lubchem International Industry LLC

This represents a 40% non controlling interest in Lubchem International Industry LLC "LII". The Company is incorporated in the Emirat of Ras Al Khaima - UAE on 19th November 2009 under a trade license issued by RAK Investment Authority (RAKIA) – Government of Ras-Al-Khaimah, which is engaged in lubricant and grease manufacturing and chemical blending.

Two representative from OOMCO management have been appointed to the Board of "LII", which deemed to have given the power to participate in the financial and operating policy decisions of "LII". Further, the Company intends to hold this investment for an indefinite period of time and above qualifies "LII" investment to be recognised as an Associate.

	30-Sep-16	30-Sep-15
	RO	RO
Company's Cost of Investment	615,720	156,836
Shareholder Loans reclassified (Pending Share Allotment)	-	538,328
Share of loss from Associate	(34,372)	(79,444)
Carrying value of Investment in Associate	<u>581,348</u>	<u>615,720</u>
Loss from the Associate	<u>(85,930)</u>	<u>(198,609)</u>
Company's share in loss of the Associate	<u>(34,372)</u>	<u>(79,444)</u>

4) Inventories

	30-Sep-16	30-Sep-15
	RO	RO
Oil and lubricants	6,504,627	5,637,526
Stores and spares	7,498	7,498
Less: allowance for slow moving and obsolete inventory	(260,000)	(85,000)
	<u>6,252,125</u>	<u>5,560,024</u>

5) Trade and other receivables

	30-Sep-16	30-Sep-15
Trade receivables	43,965,611	40,785,455
Less: allowance for impaired debts	(1,329,107)	(1,054,667)
	<u>42,636,504</u>	<u>39,730,788</u>
Amounts due from related parties (Note-16)	2,805,660	2,745,734
Other receivables	2,761,377	688,128
Prepaid expenses	1,428,180	2,666,035
	<u>49,631,721</u>	<u>45,830,685</u>

6) Cash and cash equivalents

	30-Sep-16	30-Sep-15
	RO	RO
Cash in hand	76,543	67,958
Cash at bank	35,595,010	29,672,280
	<u>35,671,553</u>	<u>29,740,238</u>
Less: Deposits classified under non current assets	(7,000,000)	-
Net cash and cash equivalents for the statement of cash flow	<u>28,671,553</u>	<u>29,740,238</u>

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7) Share capital

	Number of shares	
	30-Sep-16	30-Sep-15
3,225,000 Multi-vote shares of RO 0.1 each	3,225,000	3,225,000
61,275,000 Ordinary shares of RO 0.1 each	61,275,000	61,275,000
	<u>64,500,000</u>	<u>64,500,000</u>

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
– Ordinary shares	28,380,000	28,380,000
Civil Services Pension Fund – Ordinary shares	8,352,027	8,352,027
	<u>39,957,027</u>	<u>39,957,027</u>

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-Sep-16 RO	30-Sep-15 RO
Balance at 1 January	260,379	303,925
Accrued during the period	50,402	-
End of service benefits paid	(36,407)	-
Balance as at 30 September	<u>274,374</u>	<u>303,925</u>

10) Provision for site restoration and abandonment cost

	RO	RO
Balance at 1 January	-	581,007
Unwind of discount (included in finance costs)	-	7,470
Balance as at 30 September	<u>-</u>	<u>588,477</u>

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11) Trade and other payables

	30-Sep-16 RO	30-Sep-15 RO
Trade payables	1,904,181	2,931,341
Due to related parties (Note-16)	31,944,378	26,990,306
Accrued expenses & others	8,114,190	8,799,733
Directors' remuneration provision	132,300	132,300
	<u>42,095,049</u>	<u>38,853,680</u>

12) Bank borrowings

	30-Sep-16 RO	30-Sep-15 RO
Short Term loan	20,000,000	20,000,000
Term loan	<u>6,766,903</u>	<u>1,975,971</u>
	<u>26,766,903</u>	<u>21,975,971</u>
Current portion		
Short Term loan	20,000,000	20,000,000
Term loan	<u>2,615,893</u>	<u>1,321,714</u>
	<u>22,615,893</u>	<u>21,321,714</u>
Non-current portion		
Term loan	<u>4,151,010</u>	<u>654,257</u>
	<u>4,151,010</u>	<u>654,257</u>

Long term Loans -

The long term loan is unsecured and carries interest at commercial rates.

OMAN OIL MARKETING COMPANY SAOG**Notes to the unaudited financial statements***(Forming part of the financial statements)***13) Income tax**

	30-Sep-16	30-Sep-15
	RO	RO
<i>Current liability:</i>		
Current period	1,031,472	1,210,412
Prior years	62,896	71,332
	<u>1,094,368</u>	<u>1,281,744</u>
<i>Comprehensive Income Statement</i>		
Current period	1,031,469	1,210,412
Reversal of excess tax provision relating to earlier years	-	-
Deferred tax relating to origination and reversal of temporary difference	-	-
	<u>1,031,469</u>	<u>1,210,412</u>
<i>Deferred tax asset:</i>		
At 1 January	213,911	213,911
Movement for the period	-	-
At end of the period	<u>213,911</u>	<u>213,911</u>
The deferred tax asset comprises the following differences		
Provision and other charges	235,301	235,301
Property and other equipment	(21,390)	(21,390)
	<u>213,911</u>	<u>213,911</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.

14) Environmental provision

Movement in the provision is as follows:	30-Sep-16	30-Sep-15
	RO	RO
Balance at 1 January	318,845	626,765
Utilized	-	(34,920)
Balance as at 30 September	<u>318,845</u>	<u>591,845</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-Sep-16	30-Sep-15
	RO	RO
Interest expenses	(498,660)	(125,186)
Interest income	523,317	200,623
	<u>24,657</u>	<u>75,437</u>

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16) 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-Sep-16	30-Sep-15
Balance as at 31 September		
Fuel sales to filling stations owned by directors	8,792,394	20,409,579
Fuel sales to commercial customers related to directors	9,498,568	28,194,151
Fuel sales to Joint Venture	280,579	1,765,773
Costs		
Fuel Purchases from related parties	277,920,827	243,991,370
Brand royalty	275,381	244,070
Remuneration to directors	132,300	132,300
Directors' sitting fees	32,500	21,000
Net interest paid to related parties	38,835	34,753
Balances		
Bank balances	82,039	132,344
Due from related parties	2,805,660	2,745,734
Due to related parties	31,944,378	26,990,306

17) Staff cost

	30-Sep-16 RO	30-Sep-15 RO
Wages, salaries and allowances	4,504,328	4,121,957
End of service benefits	50,402	-
Social security costs	252,262	230,258
Other employee benefits	268,212	224,388
	<u>5,075,204</u>	<u>4,576,603</u>

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18) Operating & other expenses

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

	30-Sep-16	30-Sep-15
	RO	RO
Operating leases	3,070,322	1,867,173
Ministry of Commerce & Industry license fee	1,248,254	1,111,876
Brand Royalty payable to Parent company	275,381	244,070
Director's remuneration provision	132,300	132,300
Board sitting fee	32,500	21,000
Tax consultant fee	1,736	5,485
Audit and professional fee provision	6,750	6,750
Provision for doubtful debts	566,753	300,745

19) Corresponding figures

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