

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As of 30-Sep-2019



### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Oil Marketing Company SAOG (the "Company" or "Parent Company") is registered in the Sultanate of Oman as a public joint stock company and is primarily engaged in the marketing and distribution of petroleum products. The Company has its primary listing on the Muscat Securities Market (MSM), Sultanate of Oman.

The accounts of the Company are consolidated in the financial statements of Oman Oil Company SAOC (the ultimate parent company), a closed joint stock company registered in the Sultanate of Oman. The Company has entered into a 'Trademark License Agreement' with the parent company dated 22 September 2003, for the right to use the trademark 'Oman Oil', in exchange for an annual fee of 0.09% of all fuel sales.

These consolidated financial statements comprise the Parent company and its subsidiaries (together referred to as the "Group"), the details of which are set out below. The separate financial statements represent the financial statements of the Parent company on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements'.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

(a) The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by International Accounting Standards Board (IASB), the requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Oman.

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 3.

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### 2.2.1 New and amended standards and interpretations to IFRS

The Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2019.

#### IFRS 16 — Leases

IFRS 16 supersedes IAS 17 Leases. As a result of adoption of IFRS 16 the Company will recognise right of use assets and lease liabilities for all contracts that are, or contain, a lease. For leases currently classified as operating leases, under previous accounting requirements the Company did not recognise related assets or liabilities, and instead spread the lease payments on a straight-line basis over the lease term, disclosing in its condensed interim financial information the total commitment.

The Company has implemented IFRS 16 from 1 January 2019 and therefore the Company has recognised leases on balance sheet as at 1 January 2019. In addition, it is also decided to measure right-of-use assets by reference to the measurement of the lease liability on that date.

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

In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Company will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets. This will increase reported EBITDA by the amount of its operating lease cost.

As a result of the adoption of this standard as of 1 January 2019, RO17,251,178 was recognised as right of use assets and RO 15,864,211 was recognised as lease liabilities

**2.3 BASIS OF CONSOLIDATION**

In the year the 2017, the Company has established two subsidiaries, which has been consolidated.

	Shareholding percentage	Shareholding percentage	Country of incorporation	Principal activities
Subsidiary companies	2019	2018		
Oman Oil Marketing Company LLC	100%	100%	KSA	Marketing and distribution of petroleum products.
Alhalin International LLC	100%	100%	Oman	Retail convenience stores and related operations

*Subsidiaries*

The financial statements comprise those of the Parent company and each of its subsidiaries as at 30-Sep of each period of the year. Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Parent company:

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 BASIS OF CONSOLIDATION (CONTINUED)

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

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

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

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

### 2.4 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised and amortised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditure is recognised in the statement of comprehensive income as an expense when incurred.

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

### 2.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

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

The statement of comprehensive income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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

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

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss as 'Share of profit of an associate and a joint venture' in the consolidated statement of comprehensive income.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, and are determined as follows:

- Oil and lubricants : purchase cost on a first-in-first-out basis
- Stores and spares : at weighted average cost

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

### 2.7 FINANCIAL ASSETS (APPLICABLE TO 2017 ONLY)

The Group classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through the statement of comprehensive income; (b) those that the entity upon initial recognition designates as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

#### **Impairment**

##### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the statement of the statement of comprehensive income.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7.1 FINANCIAL ASSETS (APPLICABLE FROM 2018)

#### *Non-financial assets*

The carrying amounts of the Group's non-financial assets other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its recoverable amount. The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed (other than relating to goodwill) if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### *Initial recognition and measurement*

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

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

#### *Subsequent measurement*

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7.1 FINANCIAL ASSETS (APPLICABLE FROM 2018) (CONTINUED)

#### ***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 (EIR) 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.

#### ***Financial assets at fair value through OCI (debt instruments)***

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; 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.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group does not have any such instruments.

#### ***Financial assets designated at fair value through OCI (equity instruments)***

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group does not have any such instruments.



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7.1 FINANCIAL ASSETS (APPLICABLE FROM 2018) (CONTINUED)

#### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group does not any such instruments.

#### *Impairment of financial assets (Applicable from 2018)*

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

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

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

## 2.8 CASH AND CASH EQUIVALENTS

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

## 2.9 BORROWINGS

All loans and borrowings are initially recognised at cost less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those that qualify for capitalisation.



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

### **2.10 PROVISIONS**

Provisions are recognised by the Group when there is a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### **2.11 TRADE CREDITORS AND OTHER PAYABLES**

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Group.

### **2.12 SHARE CAPITAL**

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

### **2.13 DIVIDEND DISTRIBUTION**

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Parent Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's separate financial statements only in the period in which the dividends are approved by the Parent Company's shareholders.

### **2.14 SEGMENT REPORTING**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Group's accounting policies described under note 2. Identification of segments and reporting are disclosed in note 17.

### **2.15 REVENUE RECOGNITION (Policy before 1 January 2018)**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15.1 REVENUE RECOGNITION (Policy applicable from 1 January 2018)

#### *Revenue from contracts with customers*

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

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

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

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

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

#### **Loyalty points programme**

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

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

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

#### 2.15.1 REVENUE RECOGNITION (Policy applicable from 1 January 2018) (CONTINUED)

##### **Contract balances**

###### *Contract assets*

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

###### *Contract liabilities*

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

#### 2.16 DIRECTORS' REMUNERATION

The Directors' remuneration is governed and calculated as set out in the Commercial Companies Law of 1974 and the regulations issued by the Capital Market Authority of Oman.

#### 2.17 END OF SERVICE BENEFITS

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the statement of comprehensive income as incurred.

#### 2.18 FOREIGN CURRENCY

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

#### 2.19 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

#### 2.20 LEASES

The accounting policies used in the preparation of the condensed interim financial information are consistent with those used in the annual audited financial statements of the Company prepared as at, and for the year ended 31 December 2018, as described in those annual audited financial statements except for the change arising due to adoption of IFRS 16

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

As explained above, the Company has implemented IFRS 16 from 1 January 2019 and therefore the Company has recognised a right-of-use assets and lease liability in the condensed interim financial information. In accordance with the transition provisions of IFRS 16, instead of recognising an operating expense for its operating lease arrangements, the Company will recognise finance cost on its lease liabilities and amortisation on its right-of-use assets.

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

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

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

##### **Lease liability**

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 INCOME TAX

#### *Current tax*

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

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

#### *Deferred tax*

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

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

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

### 2.22 EARNINGS PER SHARE

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

### 2.23 FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS, requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

#### 3.1 Impairment of trade receivables

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

##### 3.1.1 Impairment of receivables

On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which involves historical data, assumptions and expectation of future conditions. In the previous year, the impairment review of trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

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

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

#### 3.3 Classification of financial assets

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

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

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



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

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

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

At the reporting date, gross inventory were RO 5,547,027 (2018 - RO 6,972,532 ) and the provision for slow moving and obsolete inventory was RO 305,075 (2018 - RO 355,075 ). Any difference between the amounts actually released in future periods and the amounts expected to be released will be recognised in the statement of comprehensive income.

#### 3.6 Environmental provision

Environmental provision is made for environmental remediation costs based on environmental contamination assessments made on delivery and storage sites.

#### 3.7 Provisions for other costs

Included in the accrued expenses of the Group are accruals for costs which are currently under discussion with the relevant ministries, customers and a supplier in the Sultanate of Oman. These accruals are based upon the amounts due to be paid to the supplier as per the pricing mechanism communicated by the relevant ministry.

#### 3.8 Investment in associates

Management has assessed the level of influence that the Group has on Muscat Gases Company SAOG and determined that it has significant influence, because of the board representation and contractual terms even though the shareholding is below 20%. Accordingly, this investment has been classified as an associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount (higher of value in use and fair value less costs to sell) of the associate and its carrying value, and then recognises the loss in the statement of comprehensive income.

#### 3.9 Joint arrangement

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement

The Group's joint arrangement is structured as a limited liability company and provides the company and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

#### 3.10 Taxes

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

# OMAN OIL MARKETING COMPANY SAOG



## Notes to the financial statements

(Forming part of the financial statements)

### Parent

#### 4) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
<b>Cost</b>				
At 1 January 2018	24,873,836	47,688,885	3,459,066	76,021,787
Additions	-	-	6,411,801	6,411,801
Transfers	-	-	-	-
Disposals	-	(416,122)	-	(416,122)
Available for Sale	-	-	-	-
<b>As at 30 September 2018</b>	<b>24,873,836</b>	<b>47,272,763</b>	<b>9,870,867</b>	<b>82,017,466</b>
At 1 January 2019	26,731,521	50,368,938	7,079,171	84,179,630
Reclassification	-	(56,331)	56,331	-
Additions	-	-	6,822,881	6,822,881
Transfers	2,378,584	4,265,693	(6,644,277)	-
Disposals	(11,970)	(179,199)	-	(191,169)
Available for Sale	-	-	-	-
<b>As at 30 September 2019</b>	<b>29,098,135</b>	<b>54,399,101</b>	<b>7,314,106</b>	<b>90,811,342</b>
<b>Depreciation</b>				
At 1 January 2018	6,936,900	29,894,615	-	36,831,515
Charge for the period	864,945	2,690,670	-	3,555,615
Disposals	-	(377,575)	-	(377,575)
Available for Sale	-	-	-	-
Impairment on available for sale	-	176,099	-	176,099
<b>As at 30 September 2018</b>	<b>7,801,845</b>	<b>32,383,809</b>	<b>-</b>	<b>40,185,654</b>
At 1 January 2019	8,136,247	32,519,542	-	40,655,789
Charge for the period	1,111,816	3,006,085	-	4,117,901
Disposals	-	(157,588)	-	(157,588)
<b>As at 30 September 2019</b>	<b>9,248,063</b>	<b>35,368,039</b>	<b>-</b>	<b>44,616,102</b>
<b>Carrying amount</b>				
As at 30 September 2018	17,071,991	14,888,954	9,870,867	41,831,812
<b>As at 30 September 2019</b>	<b>19,850,072</b>	<b>19,031,062</b>	<b>7,314,106</b>	<b>46,195,240</b>

# OMAN OIL MARKETING COMPANY SAOG



## Notes to the financial statements

(Forming part of the financial statements)

### Group

#### 4) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
<b>Cost</b>				
At 1 January 2018	24,873,836	47,690,244	3,459,066	76,023,146
Additions	-	-	6,504,140	6,504,140
Transfers	795,959	1,693,258	(2,489,217)	-
Disposals	-	(416,761)	-	(416,761)
Available for Sale	-	-	-	-
<b>As at 30 September 2018</b>	<b>25,669,795</b>	<b>48,966,741</b>	<b>7,473,989</b>	<b>82,110,525</b>
At 1 January 2019	26,731,521	50,371,977	7,263,310	84,366,808
Reclassification	-	(58,651)	58,651	-
Additions	-	2,237	7,054,230	7,056,467
Transfers	2,378,584	4,265,693	(6,644,277)	-
Disposals	(11,970)	(179,199)	-	(191,169)
<b>As at 30 September 2019</b>	<b>29,098,135</b>	<b>54,402,057</b>	<b>7,731,914</b>	<b>91,232,106</b>
<b>Depreciation</b>				
At 1 January 2018	6,936,900	29,894,709	-	36,831,609
Charge for the period	864,945	2,690,761	-	3,555,706
Disposals	-	(377,575)	-	(377,575)
Impairment losses	-	176,099	-	176,099
<b>As at 30 September 2018</b>	<b>7,801,845</b>	<b>32,383,994</b>	-	<b>40,185,839</b>
At 1 January 2019	8,136,247	32,519,820	-	40,656,067
Charge for the period	1,111,816	3,006,270	-	4,118,086
Disposals	-	(157,625)	-	(157,625)
<b>As at 30 September 2019</b>	<b>9,248,063</b>	<b>35,368,465</b>	-	<b>44,616,528</b>
<b>Carrying amount</b>				
<b>As at 30 September 2018</b>	<b>17,867,950</b>	<b>16,582,747</b>	<b>7,473,989</b>	<b>41,924,686</b>
<b>As at 30 September 2019</b>	<b>19,850,072</b>	<b>19,033,592</b>	<b>7,731,914</b>	<b>46,615,578</b>

# OMAN OIL MARKETING COMPANY SAOG



## Notes to the financial statements

(Forming part of the financial statements)

### Group & Parent

#### 5) Leases

	Leasehold Land	Warehouse & Offices and parking	Total
On adoption of IFRS 16 as at 1 January 2019	16,633,590	617,588	17,251,178
Additions	987,546	-	987,546
Disposals	-	-	-
	-	-	-
<b>As at 30 September 2019</b>	<b>17,621,136</b>	<b>617,588</b>	<b>18,238,724</b>
On adoption of IFRS 16 as at 1 January 2019	-	-	-
Charge for the period	2,387,628	237,062	2,624,690
Disposals	-	-	-
<b>As at 30 September 2019</b>	<b>2,387,628</b>	<b>237,062</b>	<b>2,624,690</b>
<b>Carrying amount</b>			
<b>As at 30 September 2019</b>	<b>15,233,508</b>	<b>380,526</b>	<b>15,614,034</b>

## OMAN OIL MARKETING COMPANY SAOG

### Notes to the financial statements

(Forming part of the financial statements)



#### 6) Investment in Subsidiaries

	%Holding	Parent	
		30-Sep-19	30-Sep-18
Oman Oil Marketing Company LLC-KSA	100%	457,984	742,327
Ahlain International LLC	100%	190,337	205,339
Sultanate Energy Company Limited	100%	651,690	
		<u>1,300,011</u>	<u>947,666</u>

i) Oman Oil Marketing Company LLC is incorporated in the Kingdom of Saudi Arabia on 16 January 2017 under a trade license issued by the Ministry of Commerce & Industry. The subsidiary is primarily engaged in the marketing and distribution of petroleum products.

ii) Ahlain International LLC is incorporated on 19 March 2017 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the retail convenience stores and related operations in Sultanate of Oman.

iii) Sultanate Energy Company Limited is established during the year 2019 in United Republic of Tanzania and pending for the share allotment

#### 7) Investment in Joint Venture & Associates

##### 7.1 Joint Venture - Omanoil Matrix Marine Services LLC

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.

During the year 2016, the joint venture has ceased its operations and currently in the final stage of liquidation proceedings. Management has carried out an assessment and has concluded that the joint venture has sufficient assets, the carrying value to be recovered from the liquidator.

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

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Net assets	<u>139,169</u>	<u>139,169</u>	<u>139,169</u>	<u>139,169</u>
Company's share in Net assets of the Joint Venture	<u>69,585</u>	<u>69,585</u>	<u>69,585</u>	<u>69,585</u>
Net carrying value of Investment.	<u>69,585</u>	<u>69,585</u>	<u>69,585</u>	<u>69,585</u>

##### 7.2 Associates- Muscat Gas Company SAOG

The Parent has a 9.18% (2018: 9.18%) interest in Muscat Gases Company SAOG (investee), a joint stock company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the manufacturing and selling of cooking gases. As at 30 September 2019, the fair value of the Group's and Parent Company's interest was RO 611,200 (2018: RO 757,117).

## 7) Investment in Associate -Continue

### 7.3 Associates-Lubchem International Industry LLC

Effective 6 May 2014, the Parent Company acquired a 40% shareholding in Lubchem International Industry LLC (Lubchem), a company engaged in the manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending. Lubchem is registered in the Emirates of Ras Al -Khaimah as a limited liability company in Ras Al-Khaimah Investment Authority. The carrying value of the Group's interest was RO 344,880 (2018: RO 386,562).

	<b>Group</b>	<b>Group</b>	<b>Parent</b>	
	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Company's Cost of Investment	387,396	417,011	387,396	417,011
Shareholder Loans reclassified	-	4,239	-	4,239
Share of loss from Associate	<b>(42,516)</b>	<b>(34,688)</b>	<b>(42,516)</b>	<b>(34,688)</b>
Carrying value of Investment in Associate	<b>344,880</b>	<b>386,562</b>	<b>344,880</b>	<b>386,562</b>
Income/(Loss) from the Associate for the period	<b>(106,290)</b>	<b>(86,720)</b>	<b>(106,290)</b>	<b>(86,720)</b>
Company's share in loss of the Associate	<b>(42,516)</b>	<b>(34,688)</b>	<b>(42,516)</b>	<b>(34,688)</b>

## 8) Inventories

	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Fuel and lubricants	5,707,736	7,273,504	5,707,736	7,273,504
Stores and spares	7,629	7,629	7,629	7,629
Other Inventory From Subsidiary	136,737	46,474	-	-
Less: Allowance for slow moving and obsolete inventory	<b>(305,075)</b>	<b>(355,075)</b>	<b>(305,075)</b>	<b>(355,075)</b>
	<b>5,547,027</b>	<b>6,972,532</b>	<b>5,410,290</b>	<b>6,926,058</b>

## 9) Trade and other receivables

	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade receivables	55,909,338	63,660,345	55,500,639	62,947,189
Less: allowance for impaired debts	<b>(2,051,112)</b>	<b>(2,226,297)</b>	<b>(2,051,112)</b>	<b>(2,226,297)</b>
	<b>53,858,226</b>	<b>61,434,048</b>	<b>53,449,527</b>	<b>60,720,892</b>
Amounts due from related parties (Note-20)	4,300,054	5,900,547	4,708,753	6,442,400
Other receivables	662,006	1,451,483	875,804	1,451,483
Prepaid expenses	413,348	1,774,936	413,348	1,774,936
	<b>59,233,634</b>	<b>70,561,014</b>	<b>59,447,432</b>	<b>70,389,711</b>

## 10) Cash and cash equivalents

	<b>Group</b>	<b>Group</b>	<b>Parent</b>	<b>Parent</b>
	<b>30-Sep-19</b>	<b>30-Sep-18</b>	<b>30-Sep-19</b>	<b>30-Sep-18</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Cash in hand	24,748	36,454	24,748	36,454
Cash at bank	53,756,476	53,064,033	53,228,097	51,774,298
	<b>53,781,224</b>	<b>53,100,487</b>	<b>53,252,845</b>	<b>51,810,752</b>
Less: Term Deposits	<b>(7,000,000)</b>	<b>(7,000,000)</b>	<b>(7,000,000)</b>	<b>(7,000,000)</b>
Net cash and cash equivalents for the statement of cash flow	<b>46,781,224</b>	<b>46,100,487</b>	<b>46,252,845</b>	<b>44,810,752</b>



## OMAN OIL MARKETING COMPANY SAOG

### Notes to the financial statements

(Forming part of the financial statements)



11) Share capital	Group		Parent	
	Number of shares		Number of shares	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
3,225,000 Multi-vote shares of RO 0.1 each	3,225,000	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	61,275,000
	<b>64,500,000</b>	<b>64,500,000</b>	<b>64,500,000</b>	<b>64,500,000</b>

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	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
	<b>39,957,027</b>	<b>39,957,027</b>	<b>39,957,027</b>	<b>39,957,027</b>

### 12) 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.

### 13) Employees' end of service benefits

Movement in the liability is as follows:

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Balance at 1 January-2019	290,874	345,806	287,850	344,455
Accrued during the period	53,919	38,443	52,899	38,443
End of service benefits paid	(9,417)	(68,205)	(6,399)	(68,972)
Balance as at September-2019	<b>335,376</b>	<b>316,044</b>	<b>334,350</b>	<b>313,926</b>

## OMAN OIL MARKETING COMPANY SAOG

### Notes to the financial statements

(Forming part of the financial statements)



#### 14) Trade and other payables

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Trade payables	2,417,365	2,616,451	2,417,365	1,966,842
Due to related parties (Note-20)	46,637,705	51,703,862	46,637,705	51,703,862
Accrued expenses & others	9,639,629	9,535,983	9,417,320	9,534,990
Directors' remuneration provision	132,300	132,300	132,300	132,300
Advances from customers	955,964	703,239	955,964	703,239
	<u>59,782,963</u>	<u>64,691,835</u>	<u>59,560,654</u>	<u>64,041,233</u>

#### 15) Bank borrowings

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Short Term loan	30,000,000	30,000,000	30,000,000	30,000,000
Term loan	1,011,938	2,746,688	1,011,938	2,746,688
	<u>31,011,938</u>	<u>32,746,688</u>	<u>31,011,938</u>	<u>32,746,688</u>
<b>Current portion</b>				
Short Term loan	30,000,000	30,000,000	30,000,000	30,000,000
Term loan	1,011,938	1,734,750	1,011,938	1,734,750
	<u>31,011,938</u>	<u>31,734,750</u>	<u>31,011,938</u>	<u>31,734,750</u>
<b>Non-current portion</b>				
Term loan	-	1,011,938	-	1,011,938
	<u>-</u>	<u>1,011,938</u>	<u>-</u>	<u>1,011,938</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 is unsecured and carries interest at commercial rates.

#### 16) Lease Liability

Total Lease liability	14,416,597	14,416,597
Reclassified to current lease liabilities	(4,141,148)	(4,141,148)
Net for non current Lease Liability	<u>10,275,449</u>	<u>10,275,449</u>
<b>Current portion</b>		
	4,141,148	4,141,148
	<u>4,141,148</u>	<u>4,141,148</u>
<b>Non-current portion</b>		
	10,275,449	10,275,449
	<u>10,275,449</u>	<u>10,275,449</u>

# OMAN OIL MARKETING COMPANY SAOG

## Notes to the financial statements

(Forming part of the financial statements)



### 17) Income tax

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
<b><i>Current liability:</i></b>				
Current period	970,129	1,419,132	970,129	1,419,132
Prior years	128,256	77,721	128,256	77,721
	<b>1,098,385</b>	<b>1,496,853</b>	<b>1,098,385</b>	<b>1,496,853</b>
<b><i>Comprehensive Income Statement</i></b>				
Current period	970,129	1,419,132	970,129	1,419,132
Deferred tax relating to origination and reversal of	-	73,985	-	73,985
	<b>970,129</b>	<b>1,493,117</b>	<b>970,129</b>	<b>1,493,117</b>
<b><i>Deferred tax asset:</i></b>				
At 1 January	618,933	431,466	618,933	431,466
Movement for the period	-	-	-	-
Balance as at September-2019	<b>618,933</b>	<b>431,466</b>	<b>618,933</b>	<b>431,466</b>
<b>The deferred tax asset comprises the following differences</b>				
Provision and other charges	527,829	358,550	527,829	358,550
Property and other equipment	91,104	72,916	91,104	72,916
	<b>618,933</b>	<b>431,466</b>	<b>618,933</b>	<b>431,466</b>

The Company is subject to income tax in accordance with the income tax law of the Sultanate of Oman enacted tax rate of 15% (2018 : 15%)

### 18) Environmental provision

Movement in the provision is as follows:	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Balance at 1 January-2019	300,245	300,245	300,245	300,245
Balance as at September-2019	<b>300,245</b>	<b>300,245</b>	<b>300,245</b>	<b>300,245</b>

The Company provides for environmental remediation costs based on environmental contamination assessments made.

### 19) Net finance income

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Interest income	976,105	720,690	976,105	720,690
Interest expenses	(628,915)	(507,508)	(628,915)	(507,508)
	<b>347,190</b>	<b>213,182</b>	<b>347,190</b>	<b>213,182</b>

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### Notes to the financial statements

(Forming part of the financial statements)



## 20) Related party transactions

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

The Company has entered into transactions with entities over which certain Directors are able to exercise significant influence. In the normal course of business, the 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:

	Group		Parent	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
<b>Revenue</b>				
Fuel sales to filling stations owned by directors	<b>6,065,859</b>	7,774,876	<b>6,065,859</b>	7,774,876
Fuel sales to commercial customers related to directors	<b>19,110,167</b>	52,071,613	<b>19,110,167</b>	52,071,613
<b>Costs</b>				
Fuel Purchases from related parties	<b>407,360,207</b>	432,851,395	<b>407,360,207</b>	432,851,395
Blending charges	<b>370,335</b>	834,267	<b>370,335</b>	834,267
Procurement of services from related parties	<b>808,852</b>	-	<b>808,852</b>	-
Brand royalty	<b>388,257</b>	416,041	<b>388,257</b>	416,041
Remuneration to directors - provision	<b>132,300</b>	132,300	<b>132,300</b>	132,300
Directors' sitting fees	<b>27,400</b>	28,300	<b>27,400</b>	28,300
Net interest income over bank charges	<b>94,849</b>	127,123	<b>94,849</b>	127,123
<b>Balances</b>				
Bank balances	<b>34,575,035</b>	32,801,307	<b>34,575,035</b>	32,801,307
Due from related parties (Note 9)	<b>4,300,054</b>	5,900,547	<b>4,708,753</b>	6,442,400
Due to related parties (Note 14)	<b>46,637,705</b>	51,703,862	<b>46,637,705</b>	51,703,862
Directors remuneration (Note 14)	<b>132,300</b>	132,300	<b>132,300</b>	132,300

## 21) Staff cost

	Group		Parent	
	30-Sep-19 RO	30-Sep-18 RO	30-Sep-19 RO	30-Sep-18 RO
Wages, salaries and allowances	<b>5,460,067</b>	5,007,744	<b>5,311,716</b>	4,925,715
End of service benefits	<b>52,898</b>	38,443	<b>52,898</b>	38,443
Social security costs	<b>257,848</b>	258,740	<b>257,848</b>	258,740
Other employee benefits	<b>325,398</b>	197,045	<b>325,398</b>	197,045
	<b>6,096,211</b>	5,501,972	<b>5,947,860</b>	5,419,943

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### Notes to the financial statements

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## 22) Operating & other expenses

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

	Group		Parent	
	30-Sep-19	30-Sep-18	30-Sep-19 RO	30-Sep-18 RO
Operating leases	328,143	3,010,958	328,143	3,010,958
Ministry of Commerce & Industry license fee	1,198,544	1,873,342	1,198,544	1,873,342
Brand Royalty payable to Parent company	388,257	416,041	388,257	416,041
Director's remuneration provision	132,300	132,300	132,300	132,300
Board sitting fee	27,400	28,300	27,400	28,300
Tax consultant fee	1,750	-	1,750	-
Audit and professional fee provision	5,998	6,750	5,998	6,750
Provision for (reversal of) doubtful debts	(526,749)	233,814	(526,749)	233,814

## 23) Comparative Figures

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