1 Legal status and principal activities

Al Maha Petroleum Products Marketing Company SAOG ("the Company") is registered under the Commercial laws of the Sultanate of Oman as a joint stock Company and is primarily engaged in the marketing and distribution of petroleum products. The Company's registered address is P O Box 57, Postal Code 116, Mina Al Fahal, Sultanate of Oman.

2 Basis of preparation and significant accounting policies

a) Statement of compliance

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

b) Basis of preparation

The financial statements have been prepared on the historical cost basis and are presented in Rial Omani ("RO"), which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand unless otherwise stated.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements are explained in note 24.

c) New standards and interpretation not yet effective

For the year ended 31 December 2016, the Company has adopted all of the 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 2016.

The following standards, amendments and interpretations became effective from 1 January 2016:

- IFRS 14 Regulatory Deferral Accounts
- Amendment to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

2 Basis of preparation and significant accounting policies (continued)

c) New standards and interpretation not yet effective (continued)

- Amendment to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual improvements in 2012-2014 Cycle
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
    - (i) Servicing contracts
    - (ii) Applicability of the amendments to IFRS & to condensed interim financial statements
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities: Applying the consolidation exception

The adoption of those standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current year.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Company but are not yet mandatory for the year ended 31 December 2016:

IFRS 9: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. The company has performed a high-level impact assessment of all three aspects of IFRS 9 and expects no significant impact on its balance sheet and equity. The company plans to adopt the new standard on the required effective date.

IFRS 15: IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date. The Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

2 Basis of preparation and significant accounting policies *(continued)*

c) New standards and interpretation not yet effective *(continued)*
Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company *(continued)*

Amendments to IFRS 10 and IAS 28: The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

Amendments to IAS 7: The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Company.

Amendments to IAS 12: The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

Amendments to IFRS 2: The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

2 Basis of preparation and significant accounting policies *(continued)*

c) New standards and interpretation not yet effective *(continued)*

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company *(continued)*

Amendments to IFRS 2 (continued)

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted.

IFRS 16: IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

2 Basis of preparation and significant accounting policies *(continued)*

d) Accounting policies

The significant accounting policies adopted by the Company are as follows:

Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Where costs are shared with other parties only share of cost borne by the Company with respect to these assets is recognised. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income. Land and capital work-in-progress are not depreciated. Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment as noted below:

	Years
Buildings and roads	7 to 20
Plant and equipment	7 to 12
Motor vehicles	3 to 7
Furniture and fixtures	3

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 Basis of preparation and significant accounting policies *(continued)*

d) Accounting policies *(continued)*

Property, plant and equipment *(continued)*

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost represents purchase price plus direct expenses incurred in bringing the inventory to its present condition and location. Cost is determined on weighted average basis.

Trade and other receivables

Trade and other receivables are stated net of impairment losses. A provision for impairment of trade receivables is established if there is objective evidence that Company will not be able to collect all amounts due according to the terms of receivables. Significant financial difficulties of the debtor, probability that debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of provision is recognised in the statement of comprehensive income.

Cash and cash equivalents

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

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2 Basis of preparation and significant accounting policies *(continued)*

d) Accounting policies *(continued)*

Impairment

(i) *Financial assets*

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 comprehensive income.

(ii) Non-Financial assets

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

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. 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 specified to the asset.

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 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.

Provisions

A provision is recognised in the statement of financial position when the Company has 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. Measurement of liabilities is based on current legal requirements and existing technology. Provisions are discounted only where the effect of the time value of money is material.

2 Basis of preparation and significant accounting policies *(continued)*

d) Accounting policies *(continued)*

Dividends

Dividends are recommended by the Board of Directors and subject to approval by shareholders at the Annual General Meeting. Dividends are recognised as a liability in the period in which they are declared.

Trade and other payables

Trade and other payables are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not and are stated at amortised cost.

Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. 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.

Employee benefits

Contributions to the Oman Government defined contribution retirement plan are recognised as expense in the statement of comprehensive income as incurred in accordance with the rules of the Oman Social Insurance Scheme.

Accruals for non-Omani employee terminal benefits under an unfunded defined benefit retirement plan, are made in accordance with Omani Labour Laws and calculated on the basis of the liability that would arise if the employment of all employees was terminated at the statement of financial position date.

Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in the statement of comprehensive income.

2 Basis of preparation and significant accounting policies *(continued)*

d) Accounting policies *(continued)*

Finance charges and finance income

Finance charges comprise interest payable on borrowings and foreign exchange gains and losses. Finance income comprises interest receivable on funds invested. Finance income is recognised in the statement of comprehensive income as it accrues taking into account the effective yield on the asset. Finance charge is recognised in the statement of comprehensive income as it accrues using the effective interest rate method.

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.

Segment reporting

Segment results that are reported to the Chief Executive Officer (CEO) include revenues directly attributable to a segment. Unallocated items comprise mainly assets, liabilities, expenses and tax assets and liabilities.

Directors' remuneration

The total remuneration paid to directors comprising sitting fees, remuneration and expenses is in accordance with the provision and is within the limit of the Commercial Companies Law; the CMA guidance; and the Articles of Association of the Company.

3 Other income

	2016 RO'000	2015 RO'000
Rental income	**1,031**	1,170
Fuel cards income	**478**	425
Others	**421**	367
	1,930	1,962

4 Operating and administration expenses

	2016 RO'000	2015 RO'000
Transportation	**5,874**	5,415
Employee costs (Note 5)	**4,559**	4,256
Depreciation (Note 6)	**3,247**	3,006
Filling stations operating expenses	**2,060**	2,843
License fees	**1,609**	1,398
Maintenance expenses	**1,168**	972
Technical fees	**1,073**	930
Provision for impairment of receivables (Note 8)	**1,125**	448
Directors' remuneration and sitting fees (Note 17)	**199**	194
Marketing expenses	**138**	134
Others	**448**	363
	21,500	19,959

License fees

Effective from 1 Jan 2009, license fee is payable to the Ministry of Commerce and Industry at 4 baiza per each Rial Omani of revenue earned.

5 Employee costs

Employee costs included in operating and administration expenses (Note 4) comprise:

	2016 RO'000	2015 RO'000
Wages, salaries and other benefits	**4,254**	3,967
Contributions to defined contribution retirement plan	**253**	234
End of service benefits - Current year charge (Note 11)	**52**	55
	4,559	4,256

6 Property, plant and equipment

	Land RO'000	Building and roads RO'000	Plant and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost							
At 1 January 2016	**441**	**23,204**	**16,805**	**3,009**	**1,247**	**7,138**	**51,844**
Additions	**-**	**-**	**1,082**	**359**	**4**	**2,886**	**4,331**
Transfers	**-**	**3,835**	**3,084**	**-**	**-**	**(6,919)**	**-**
Disposals	**-**	**-**	**(3)**	**(26)**	**-**	**-**	**(29)**
At 31 December 2016	**441**	**27,039**	**20,968**	**3,342**	**1,251**	**3,105**	**56,146**
Depreciation							
At 1 January 2016	**-**	**9,022**	**11,452**	**1,899**	**1,238**	**-**	**23,611**
Charge for the year (Note 4)	**-**	**1,330**	**1,582**	**331**	**4**	**-**	**3,247**
Related to disposals	**-**	**-**	**(3)**	**(26)**	**-**	**-**	**(29)**
At 31 December 2016	**-**	**10,352**	**13,031**	**2,204**	**1,242**	**-**	**26,829**
Net book value							
At 31 December 2016	**441**	**16,687**	**7,937**	**1,138**	**9**	**3,105**	**29,317**

6 Property, plant and equipment*(continued)*

	Land RO'000	Building and roads RO'000	Plant and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost							
At 1 January 2015	441	21,845	15,184	2,580	1,251	5,307	46,608
Additions	-	2	218	429	1	4,665	5,315
Transfers	-	1,413	1,421	-	-	(2,834)	-
Disposals	-	(56)	(18)	-	(5)	-	(79)
At 31 December 2015	441	23,204	16,805	3,009	1,247	7,138	51,844
Depreciation							
At 1 January 2015	-	7,821	10,057	1,554	1,238	-	20,670
Charge for the year (Note 4)	-	1,243	1,413	345	5	-	3,006
Related to disposals	-	(42)	(18)	-	(5)	-	(65)
At 31 December 2015	-	9,022	11,452	1,899	1,238	-	23,611
Net book value							
At 31 December 2015	441	14,182	5,353	1,110	9	7,138	28,233

6 Property, plant and equipment *(continued)*

(i) Property, plant and equipment include certain assets located at the depot at Mina Al Fahal with a carrying value of RO'000 55 (2015: RO'000 68). These assets are held in partnership with Oman Oil Marketing Company SAOG (OOMCO). The Company's buildings at the depot at Mina Al Fahal are constructed on land leased from the Ministry of Oil and Gas until 22 November 2017 and cannot be sold without the mutual consent of the Company and OOMCO.

(ii) Property, plant and equipment include filling station assets with a carrying value of RO 14.9 million (2015: RO 16.7 million). These assets are constructed and commissioned on filling station sites leased for periods not exceeding 25 years. Lease rentals for sites managed by the Company are agreed for periods varying from five to seven years. In certain cases where the filling station assets cost is shared between the Company and site owner, only the cost borne by the Company is recognised as property, plant and equipment.

At 31 December, future minimum lease commitments under non-cancellable operating leases payable to owners of lands are as follows:

	2016	2015
	RO'000	RO'000
Not later than one year	**773**	1,074
One year to five years	**1,159**	4,876
More than five years	**19**	416
	1,951	6,366

7 Inventories

	2016	2015
	RO'000	RO'000
Petroleum products	**3,388**	2,170
Lubricants	**112**	79
	3,500	2,249

8 Trade and other receivables

	2016 RO'000	2015 RO'000
Trade receivables	**75,125**	52,421
Less: provision for impairment	**(2,763)**	(1,638)
Trade receivables, net of impairment losses	**72,362**	50,783
Staff receivables	**69**	92
Prepayments	**217**	125
Accrued income	**10**	12
Amounts due from related parties (Note 17)	**6**	4
Other receivables	**717**	686
	73,381	51,702

As at 31 December 2016, trade receivables in the amount of RO'000 2,763 (2015: RO'000 1,638) were impaired. Movements in the provision for impairment of receivables were as follows:

	2016 RO'000	2015 RO'000
At 1 January	**1,638**	1,190
Charge for the year (Note 4)	**1,125**	448
At 31 December	**2,763**	1,638

As at 31 December, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired			
	Total	**Neither past due nor impaired**	**Less than 30 days**	**30 to 60 days**	**60 to 90 days**	**More than 90 days**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
2016	**72,362**	**25,543**	**18,931**	**10,505**	**2,814**	**14,569**
2015	50,783	31,271	9,185	4,175	3,362	2,790

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over all receivables and the vast majority are, therefore, unsecured.

9 Cash and cash equivalent

	2016 RO'000	2015 RO'000
Cash at bank	**4,671**	19,215
Cash in hand	**10**	10
	4,681	19,225
Short term loan	**(16,578)**	(15,000)
	(11,897)	4,225

Bank balances are denominated in Rials Omani and held with local commercial banks. Certain bank balances earn interest at commercial rates.

Short term loan facility is availed from local commercial banks and has a maturity of one month. The loan carries interest at a rate of 2.5% to 3.5%.

10 Income tax

a) Recognised in the statement of comprehensive income:

Components of tax:

	2016 RO'000	2015 RO'000
Current year tax expense	**1,247**	1,415
Prior years tax expense	**14**	96
	1,261	1,511
Deferred tax asset		
Prior years	**-**	(292)
Current year	**(143)**	(190)
	(143)	(482)
	1,118	1,029

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% (2015: 12%) of taxable income in excess of RO'000 30 (2015- RO'000 30). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes.

The difference between the applicable tax rates of 12 % and the effective tax rate of 13.49% (2015 – 13.84%) arises due to the tax effect of income not considered to be taxable and expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

10 Income tax*(continued)*

b) Reconciliation of income tax expense and effective tax rate

	2016 RO'000	2015 RO'000
Taxable income	**10,425**	11,821
Less: Statutory deduction	**(30)**	(30)
	10,395	11,791
Income tax expense computed at the applicable rates	**1,247**	1,415
Prior year tax expense	**14**	96
Deferred tax asset	**(143)**	(482)
	1,118	1,029

c) Current status of tax assessments

The Company's income tax assessments for years 2013 to 2015 have not been finalized. The Management considers that amount of additional taxes, if any, that may become payable on finalization of the assessments for the open tax years would not be significant to the Company's financial position at 31 December 2016.

d) Deferred tax asset

	2016 RO'000	2015 RO'000
The deferred tax comprises the following temporary differences:		
Provisions and other charges	**482**	253
Property, plant and equipment	**143**	229
	625	482

11 Employees' end of service benefits

	2016 RO'000	2015 RO'000
At 1 January	**310**	331
Charge for the year	**52**	55
Reversed during the year	**(113)**	-
Payments during the year	**(22)**	(76)
At 31 December	**227**	310

12 Share capital

The authorized share capital comprises 85 million shares of RO 0.100 each (31 December 2015: 85 million of RO 0.100 each)

At 31 December 2016, the issued and fully paid up share capital comprised 69 million shares of RO 0.100 each (31 December 2015: 69 million shares of RO 0.100 each).

At 31 December, shareholders owning more than 10% of the Company's share capital are as follows:

	Number of shares	
	2016	2015
Civil Service Employees Pension Fund	**8,895,910**	9,109,824
ABS Lubricants	**27,600,000**	27,600,000

13 Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital.

During the year, no amount has been transferred to legal reserve, as the reserve equals to one-third of the issued share capital. (2015: nil).

14 Special reserve

The Company had established a special reserve in prior years to cover against any losses from unforeseen contingencies.

15 Trade and other payables

	2016	2015
	RO'000	RO'000
Trade payables	**33,091**	27,108
Advance from customers	**2,432**	1,283
Accrued expenses	**5,179**	4,778
Accrual for directors' remuneration (Note 17)	**155**	175
Other payables	**1,168**	1,636
	42,025	34,980

16 Dividend

During the year dividend of RO 0.100 per share amounting to RO 6.9 million relating to 2015 was declared and paid (2015: RO 0.110 per share amounting to RO 7.6 million relating to 2014).

The Board of Directors has proposed a cash dividend of RO 0.100 per share amounting to RO 6.9 million for the year ended 31 December 2016, which is subject to the approval of the shareholders at Annual General Meeting to be held on 20 March 2017.

17 Related party transactions

The Company has entered into transactions with members of the board of directors and members of the key management personnel of the Company. Transactions with related parties are considered by the board of directors to be at normal commercial terms and are as follows:

	2016	2015
	RO'000	RO'000
Revenue		
Fuel sales to filling station owned by a director	**664**	-
Fuel sales to directors	**28**	21
	692	21

	2016	2015
	RO'000	RO'000
Expenses		
Directors' remuneration and sitting fees (Note 4)	**199**	194
Operating lease payment for a filling station owned by a director	**47**	-
Net interest paid to other related parties	**498**	-
	744	194

At 31 December 2016, there were no transactions with shareholders holding 10% or more interest in the Company (2015: nil).

Amounts due from and due to related parties are disclosed in note 8 and 15.
Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2016, the Company has not recorded any impairment of amounts owed by related parties (2015: nil).

Compensation of key management personnel

The remuneration of executive directors and other members of key management during the year were as follows:

	2016	2015
	RO'000	RO'000
Short-term benefits	**611**	431
Employees' pension and end of service benefits	**25**	21
	636	452

18 Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.
The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by management under policies approved by the Board of Directors (the Board). The Board has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the audit committee with the responsibility of the development and monitoring the Company's risk management policies and procedures and its compliance with them. These policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Market risk

(a) Foreign exchange risk

Foreign exchange risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. The Company is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally denominated in United States Dollars (US Dollar) or currencies pegged to the US Dollar. Since the Rial Omani is pegged to the US Dollar, management believes that the exchange rate fluctuation would have an insignificant impact on the profit.

(b) Interest rate risk

The Company's interest rate risk arises from bank borrowings and bank deposits. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. The Company limits interest rate risk on bank deposits by monitoring changes in interest rates.

Management has estimated the effect on profit for the year due to increase or decrease in interest rates to be insignificant.

(c) Price risk

As at 31 December 2016, the company is not exposed to equity securities or commodity price risk, as it does not hold any such financial instruments.

18 Financial instruments and financial risk management (continued)

(ii) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents and credit exposures to customers. The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company requires bank guarantees on higher credit risk customers. The Company does not require collateral in respect of all other financial assets

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

Trade and other receivables

Credit is extended to corporate customers only with an objective of optimising the Company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the company's credit risk and its working capital. It is, therefore, the Company's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information.

Generally credits are not allowed in excess of agreed credit periods except for government customers and debts are collected within agreed credit terms and grace days. A stop supply mechanism is in place which will automatically inactivate customer accounts and stop further supplies in the event of a delay of payment beyond the credit period and the grace days. All exceptions and overrides are approved in line with the policy guidelines. Debtor positions are regularly monitored and reviewed to assess the overall risk and exposure. Though losses on account of default are infrequent, adequate provisions for impairment based on the ageing of the debts are made to reflect the debtors position as accurately as possible in the financial statements.

The exposure to credit risk at the reporting date was on account of:

	2016	2015
	RO'000	RO'000
Trade receivable	**72,362**	50,783
Bank balances	**4,671**	19,215
Due from related parties	**6**	4
Advance to suppliers	**108**	69
Other receivables	**905**	846
	78,052	70,917

18 Financial instruments and financial risk management (continued)

(ii) Credit risk(continued)

The age of trade receivables and related impairment loss at reporting date was :

	2016		2015	
	Gross RO'000	**Impairment RO'000**	Gross RO'000	Impairment RO'000
Not past due	**57,793**	**-**	40,455	-
Past due 120 days - 1 year	**12,420**	**24**	8,582	129
More than 1 year	**4,912**	**2,739**	3,384	1,509
	75,125	**2,763**	52,421	1,638

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The below schedule shows the maturity profile of the financial liabilities:

	Carrying amount	**6 months or less**	**6-12 months**	**1–2 Years**	**More than 2 Years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
31 December 2016					
Bank borrowings	**16,578**	**16,578**	**-**	**-**	**-**
Trade payables	**33,091**	**33,091**	**-**	**-**	**-**
Accruals and other payables	**8,934**	**8,350**	**584**	**-**	**-**
	58,603	**58,019**	**584**	**-**	**-**

18 Financial instruments and financial risk management (continued)

(iii) Liquidity risk (continued)

	Carrying amount	6 months or less	6-12 months	1–2 Years	More than 2 Years
	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2015					
Bank borrowings	15,000	15,000	-	-	-
Trade payables	27,108	27,108	-	-	-
Accruals and other payables	7,872	7,054	818	-	-
	49,980	49,162	818	-	-

19 Net assets per share

Net assets per share is calculated by dividing the shareholders' equity of the Company at the year-end by the number of shares outstanding as follows:

	2016	2015
Shareholders' equity (RO'000)	**51,413**	50,186
Number of shares outstanding at the end of the reporting period (thousands) (note 12)	**69,000**	69,000
Net assets per share (RO)	**0.745**	0.727

20 Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2016	2015
Profit for the year (RO'000)	**8,127**	9,200
Weighted average number of shares (thousands)	**69,000**	69,000
Earnings per share - basic and diluted (RO)	**0.118**	0.133

Since the Company has no potentially dilutive instruments, basic earnings per share is equal to diluted earnings per share.

21 Contingencies and commitments

In Dec 2015, a civil case, connected to the previous criminal case initiated against the former Managing Director and the former Senior Marketing Manager of the Company, had been filed by a party. The case has been rejected by Primary and appeal courts and has been raised to the Higher Supreme court. Based upon external legal advice, the Board of Directors consider that the Company has no legal responsibility against these two cases and accordingly, no provision has been made against this claim in the financial statements as at 31 December 2016.

The Company has issued certain guarantees and commitments in the normal course of its business as follows:

	2016 **RO'000**	2015 RO'000
Bank guarantees	**1,072**	557
Capital commitments	**420**	959
	1,492	1,516

22 Segment reporting

Business units from which reportable segments derive their revenues

Information reported to the Company's Chief Executive Officer 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 other sales.

Other sales are aviation fuel and lubricants.

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

	Segment revenue	
	2016	2015
	RO'000	RO'000
Retail sales	**213,950**	185,929
Commercial sales	**150,481**	121,109
Other sales	**37,785**	42,269
	402,216	349,307

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales in the year (2015: nil).

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.

23 Fair values of financial instruments

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and bank balance and receivables. Financial liabilities consist of payables.

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

The accounting policies for financial instruments have been applied to the line items below:

	2016	2015
	RO'000	RO'000
Assets		
Trade and other receivables	**73,381**	51,702
Cash and bank balances	**4,681**	19,225
	78,062	70,927

Liabilities

	2016	2015
	RO'000	RO'000
Trade and other payables	**41,679**	34,617
Retention payable	**346**	363
	42,025	34,980

24 Key sources of uncertainty

Impairment of accounts receivable

An estimate of the collectible amount of trade receivable 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.

At the reporting date, gross trade receivable was RO'000 75,125 (2015: RO'000 52,421 million), and the provision for impairment of receivables was RO'000 2,763 million (2015: RO'000 1,638 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of comprehensive income.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory was RO'000 3,500 (2015 – RO'000 2,249), with nil (2015 – nil) provisions for old and obsolete inventories. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

24 Key sources of uncertainty*(continued)*

Taxation

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 Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of Company. 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.

25 Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements. Such reclassifications are immaterial and do not affect previously reported net profit or shareholders' equity.