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

a) Statement of compliance

The financial statements have been prepared in accordance with:

i) International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"),
ii) the rules and guidelines on disclosure issued by the Capital Market Authority of the Sultanate of Oman ("CMA") and
iii) the requirements of the Commercial Companies Law of 1974, as amended.

b) Basis of Measurement

The financial statements have been prepared on the historical cost basis. This is the first set of annual financial statements, in which IFRS 9 and IFRS 15 have been applied. Changes to accounting policies relating to IFRS 9 and IFRS 15 are described in note 3.1.

c) Functional currency

The financial statements are presented in Rial Omani ("RO'000"), which is also the Company's functional currency. All financial information presented has been rounded to the nearest thousand unless otherwise stated.

d) Use of judgements & estimates

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 27.

3) New and amended standards and interpretations to IFRS

3.1) Standards Issued & effective

For the year ended 31 December 2018, the Company has adopted among 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 those that are relevant to its operations and effective for periods beginning on 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 1 Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures

The adoption of these standards and interpretations has not resulted in any major changes to the Company's accounting policies except IFRS 9 "Financial instruments" and IFRS 15 "Revenue from Contracts with Customers" whose effects on the Company's financial statements are mentioned below:

IFRS 9 — Financial Instruments

The Company has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 are summarised below:

a) Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and
(3) Financial assets carried at fair value through profit or loss (FVTPL)

(1) Financial assets at amortised cost:
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 9 — Financial Instruments(continued)

a) Classification of financial assets(continued)

(1) Financial assets at amortised cost (continued)

(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(a) Business model assessment
The Company determines its business model at the level that best reflects how it manages Companys of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Company's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(b) SPPI test
As a second step of its classification process the Company assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 9 — Financial Instruments(continued)

a) Classification of financial assets(continued)

(1) Financial assets at amortised cost (continued)

(b) SPPI test (continued)

over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(2) Financial assets at fair value through other comprehensive income (FVOCI):

(i) Debt instruments at FVOCI
The Company applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

The Company does not have debt instruments at FVOCI

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 9 — Financial Instruments(continued)

a) Classification of financial assets(continued)

(2) Financial assets at fair value through other comprehensive income (FVOCI) (continued)

ii) Equity instruments at FVOCI
Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Company does not have equity instruments at FVOCI.

(3) Financial assets carried at fair value through profit or loss (FVTPL)

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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 Company does not have financial assets at fair value through profit or loss.

b) Impairment of financial assets*(Applicable for 2018 only)*
The adoption of IFRS 9 has fundamentally changed the Company'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 Company to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company'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 Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 9 — Financial Instruments(continued)

b) Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payment is 120 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

c) Hedge accounting
As IFRS 9 does not change the general principles of how an entity accounts for effective hedges. The Company do not have hedge instruments.

d) Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

Impact of adopting IFRS 9
The impact of this change in accounting policy as at 1 January 2018 has been to decrease retained earnings by RO 4.119 million as follows:

	RO'000
Closing balance under IAS 39 as of 31 December 2017 (note 10)	**65,590**
Impact on recognition of ECL on trade receivables:	
ECL under IFRS 9 for trade receivables at amortised cost	(4,119)
Total transition adjustment on adoption of IFRS 9 as at 1 January 2018	(4,119)
Opening balance under IFRS 9 as of 1 January 2018	**61,471**

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 9 — Financial Instruments(continued)

d) Transition (continued)

Classification of financial assets on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets as at 1 January 2018.

	Original classification (IAS 39) RO'000	New classification (IFRS 9) RO'000	Original Carrying amount RO'000	Re-measurement - ECL RO'000	Re-measurement - Others RO'000	New carrying amount RO'000
Financial assets						
Bank balances and cash (note 12)	Loans and receivables	Amortised cost	30,626	-	-	30,626
Trade and other receivables (note 10)	Loans and receivables	Amortised cost	68,208	(4,119)	-	64,089
Total Financial assets			**98,834**	**(4,119)**	**-**	**94,715**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

IFRS 15 — Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established 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 Company's adoption of IFRS 15 under modified retrospective method had the below impact on the financial statements of the Company.

3) New and amended standards and interpretations to IFRS (continued)

3.1) Standards Issued & effective(continued)

IFRS 15 — Revenue from Contracts with Customers (continued)

Transition impact on the initial application of IFRS 15:

Contract:	Debit in Contract assets RO'000	Debit in Contract costs RO'000	Credit in Other receivables RO'000	Debit/ (Credit) to retained earnings RO'000
MOD – Contract	149	-	(272)	(123)
MOD - RAFO Musanna	311	-	(296)	15
MOD - RAFO Adam	334	-	(189)	145
Mawasalat	-	186	(186)	-
	794	**186**	**(943)**	**37**

3.2) Standards issued but not yet effective

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 2018:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9: Prepayments features with negative compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements

- IAS 23 Borrowing Costs
- IAS 12 Income Taxes

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Company's financial statements, except for the IFRS 16 "Leases" whose effects on the Company's financial statements are explained below.

3) New and amended standards and interpretations to IFRS (continued)

3.2) Standards issued but not yet effective (continued)

IFRS 16 Leases:

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. 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). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. 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.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. While the Company is in process of assessing the impact of the initial application. Management believes that the most significant impact will be that the Company will need to recognise a right of use assets and lease liability for land on which their depots, office and bulk storage facilities are constructed, currently treated as an operating lease. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

4) Summary of significant accounting policies

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

4.1) Revenue (Policy applicable from 1 January 2018)

The Company'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

Company expects to be entitled in exchange for those goods or services. The Company 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.

4) Summary of significant accounting policies (continued)

4.1) Revenue (Policy applicable from 1 January 2018) (continued)

Sale of fuel, lubricants and petroleum products (continued)
The Company 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 Company considers the effects of variable consideration.

Volume Rebate
The Company 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 Company applies the most likely amount method for contracts with a single-volume.

The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective from 01 January 2018.

4.2) 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.

Rental income arising on account of operating lease is accounted for on a straight-line basis over the operating lease terms and is included as revenue in the statement of comprehensive income.

4.3) 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.

4) Summary of significant accounting policies (continued)

4.4) 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.

4.5) 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.

4.6) Finance charges and finance income

Finance charges comprise interest payable on borrowings. 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.

4.7) 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.

4) Summary of significant accounting policies (continued)

4.7) Income tax (continued)

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 Sultanate of Oman.

4.8) 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.

4.9) 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.

4.10) 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.

4) Summary of significant accounting policies (continued)

4.10) Property, plant and equipment (continued)

(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.

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.

4.11) 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.

4.12) Trade and other receivables *(Applicable for 2017 only)*

Trade and other receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for impaired debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

4) Summary of significant accounting policies (continued)

4.13) 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.

4.14) Impairment of financial assets *(Applicable for 2017 only)*

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 companies 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.

4.15) Impairment of 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.

4) Summary of significant accounting policies (continued)

4.16) 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.

4.17) 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.

4.18) 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 costs

Contract costs is the cost incurred to fulfil the contract and the relating assets must be amortised on a systematic basis that is consistent with the Company's transfer of the related goods or services to the customer unless there are indications of impairment based on management's estimation of recoverability of contract costs.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company 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 Company performs under the contract.

5) OTHER INCOME

	2018	2017
	RO'000	RO'000
Reimbursement of manpower costs	**294**	424
Others	**235**	120
	529	544

6) OPERATING AND ADMINISTRATION EXPENSES

	2018	2017
	RO'000	RO'000
Transportation	**5,295**	5,588
Employee costs (Note 7)	**5,267**	4,908
Depreciation (Note 8)	**3,892**	3,760
Filling stations operating expenses	**2,886**	2,161
License fees*	**1,950**	1,722
Maintenance expenses	**1,775**	1,791
Technical fees	**1,536**	1,083
Legal & Consultancy expenses	**308**	176
Marketing expenses	**236**	258
Directors' remuneration and sitting fees (Note 20)	**200**	200
Rent & utilities	**261**	202
Municipal fees & taxes	**229**	83
Bank charges	**225**	50
Allowance for slow moving inventory	**150**	-
Social Responsibility expenses	**49**	44
Amortisation	**10**	-
(Write back) impairment losses on trade and other receivables (Note 10)	**(210)**	1,834
Others	**488**	95
	24,547	23,955

*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 from selling of fuel.

7) EMPLOYEE COSTS

Employee costs included in operating and administration expenses (Note 6) comprise:

	2018	2017
	RO'000	RO'000
Wages, salaries and other benefits	**4,874**	4,540
Contributions to defined contribution retirement plan	**323**	291
End of service benefits - Current year charge (Note 14)	**70**	77
	5,267	4,908

8) 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 2018	877	27,666	22,166	3,296	1,261	5,406	60,672
Additions	-	270	151	907	8	3,382	4,718
Transfers	-	4,516	1,589	-	-	(6,105)	-
Disposals	-	-	(11)	(84)	-	-	(95)
At 31 December 2018	877	32,452	23,895	4,119	1,269	2,683	65,295
Depreciation							
At 1 January 2018	-	11,388	14,840	2,081	1,245	-	29,504
Charge for the year	-	1,517	1,913	453	9	-	3,892
Disposals	-	-	(10)	(76)	-	-	(86)
At 31 December 2018	-	12,855	16,743	2,458	1,254	-	33,310
Net book value							
At 31 December 2018	877	19,597	7,152	1,661	15	2,683	31,985

8) 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 2017	441	27,039	20,968	3,342	1,251	3,105	56,146
Additions	436	-	233	417	10	5,781	6,877
Transfers	-	1,749	1,415	-	-	(3,480)	(316)
Reclassification	-	(1,122)	(376)	(234)	-	-	(1,732)
Disposals	-	-	(74)	(229)	-	-	(303)
At 31 December 2017	877	27,666	22,166	3,296	1,261	5,406	60,672
Depreciation							
At 1 January 2017	-	10,352	13,031	2,204	1,242	-	26,829
Charge for the year	-	1,320	2,097	340	3	-	3,760
Reclassification	-	(334)	(217)	(234)	-	-	(785)
Related to disposals	-	-	(71)	(229)	-	-	(300)
At 31 December 2017	-	11,338	14,840	2,081	1,245	-	29,504
Net book value							
At 31 December 2017	877	16,328	7,326	1,215	16	5,406	31,168

8) 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 RO451,533 (2017: RO609,000). 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 31 October 2019 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 24.3million (2017: RO 21.2million). 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.

The future minimum lease commitments under non-cancellable operating leases is disclosed in note 24.

9) INVENTORIES

	2018 **RO'000**	2017 RO'000
Petroleum products	**2,953**	2,942
Less: Allowance for slow moving inventories	**(150)**	-
	2,803	2,942
General stores and consumables	**876**	935
	3,679	3,877

10) TRADE AND OTHER RECEIVABLES

	2018 **RO'000**	2017 RO'000
Trade receivables	**66,688**	68,768
Less: allowance for impairment losses	**(7,087)**	(3,178)
Trade receivables, net of impairment losses	**59,601**	65,590
Prepayments	**485**	550
Accrued income	**135**	281
Staff receivables	**108**	78
Amounts due from related parties (Note 20)	**19**	79
Other receivables	**975**	1,630
	61,323	68,208

10) TRADE AND OTHER RECEIVABLES (continued)

Movement in the allowance for impairment losses were as follows:

	2018	**2017**
	RO'000	RO'000
At 1 January	**3,178**	2,763
Adjustment on initial application of IFRS 9	**4,119**	-
(Reversal)/charge for the year (Note 6)	**(210)**	1,834
Written off	**-**	(1,419)
At 31 December	**7,087**	3,178

As at 31 December 2018, 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**
Weighted average loss rate	11%	0.9%	1.5%	2.1%	4.2%	50.7%
Gross carrying amount	66,688	24,621	16,444	8,900	4,431	12,292
Expected credit losses	(7,087)	(231)	(245)	(189)	(187)	(6,235)
2018	**59,601**	**24,898**	**16,201**	**8,708**	**4,237**	**5,557**

As at 31 December 2017, 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
2017	65,590	26,099	19,297	10,538	4,183	5,473

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.

11) CONTRACT BALANCES

	2018	2017
	RO'000	RO'000
Contract assets	**638**	-
Contract costs	**325**	-
	963	-

Contract assets are initially recognised for revenue earned from the contracts with the customers as receipt of consideration is conditional on successful completion of performance obligation. Upon completion of obligation and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at 1 January 2018, the Company has recognised the contract assets as per IFRS 15 as part of transition. Based on management's assessment, an amount of RO 311 thousand has been written off during the year and included under operating and administration expenses (Note 6).

Contract cost are recognised as per IFRS 15 and are being amortised with the terms specified under the contract.

The Company has applied modified retrospective approach for the contract balances as on 1 January 2018. Please refer note 3.1 for transition impact details.

12) CASH AND CASH EQUIVALENTS

a) Cash and bank balances:

	2018	2017
	RO'000	RO'000
Cash at bank	**34,370**	30,612
Cash in hand	**31**	14
	34,401	30,626

Bank balances are denominated in Rials Omani and held with local commercial banks. Certain bank balances earn interest at commercial rates. The management believes that the expected credit losses on bank balance is immaterial at the financial statement level as a whole.

b) Short term loan:

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%.

13) INCOME TAX

a) Recognised in the statement of comprehensive income:

Components of tax:

	2018 RO'000	2017 RO'000
Current tax:		
Current year tax expense	**1,004**	1,151
Prior year's tax reversal	**(103)**	-
	901	1,151
Deferred tax asset:		
Current year	**(285)**	(313)
	(285)	(313)
	616	838

The Company is subject to income tax in accordance with the Income Tax Law of the Sultanate of Oman at the enacted tax rate of 15% (2017: 15%) of taxable income. 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 15% and the effective tax rate of 17.41% (2017 – 19.69%) 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.

b) Reconciliation of income tax expense and effective tax rate

	2018 RO'000	2017 RO'000
Taxable income	**5,764**	7,680
Income tax expense computed at the applicable rates	**1,004**	1,151
Prior year tax expense	**(103)**	-
Deferred tax asset	**(285)**	(313)
	616	838

13) INCOME TAX(continued)

c) Current status of tax assessments

The Company's income tax assessments for years 2013 to 2018 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 2018.

d) Deferred tax asset

The deferred tax comprises the following temporary differences:

	2018	2017
	RO'000	RO'000
Provisions and other charges	**523**	477
Property, plant and equipment	**700**	461
	1,223	938

14) EMPLOYEES' END OF SERVICE BENEFITS

	2018	2017
	RO'000	RO'000
At 1 January	**290**	227
Charge for the year	**70**	77
Payments during the year	**(19)**	(14)
At 31 December	**341**	290

15) SHARE CAPITAL

The authorized share capital comprises 85 million shares of RO 0.100 each (31 December 2017: 85 million of RO 0.100 each)

At 31 December 2018, the issued and fully paid up share capital comprised 69 million shares of RO 0.100 each (31 December 2017: 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:

	2018		2017	
	No of Shares	**Percentage of shareholding**	No of Shares	Percentage of shareholding
Civil Service Employees Pension Fund	**8,895,910**	**12.8%**	8,895,910	12.8%
ABS Lubricants	**27,600,000**	**40%**	27,600,000	40%

16) 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. Therefore the company has resolved not to transfer any amount to legal reserve (2017 : nil).

During the year, no amount has been transferred to legal reserve, as the reserve equals to one-third of the issued share capital. (2017: nil).

17) SPECIAL RESERVE

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

18) TRADE AND OTHER PAYABLES

	2018	2017
	RO'000	RO'000
Trade payables	**38,692**	37,792
Accrued expenses	**4,497**	5,850
Advance from customers	**1,302**	940
Accrual for directors' remuneration (Note 19)	**148**	134
Other payables	**1,281**	1,012
	45,920	45,728

19) DIVIDEND

During the year dividend of RO 0.065 per share amounting to RO 4.485 million relating to 2017 was declared and paid (2017: 0.065 per share amounting to RO 4.485 million relating to 2016).

The Board of Directors has proposed a cash dividend of **RO 0.070** per share amounting to **RO 4.830 million** for the year ended 31 December 2018, (31 December 217 : RO 0.065 per share amounting to RO 4.485 million), which is subject to the approval of the shareholders at Annual General Meeting to be held on 15 March 2018.

20) 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:

	2018	2017
	RO'000	RO'000
Expenses		
Directors' remuneration and sitting fees(Note 6)	**200**	200
Operating lease payment for a filling station owned by a director	**24**	2
	224	202

At 31 December 2018, there were no transactions with shareholders holding 10% or more interest in the Company (2017: nil).

Amounts due from related parties are disclosed in note 10.

Outstanding balances at the year-end arise in the normal course of business. For the year ended 31 December 2018, the Company has not recorded any impairment of amounts owed by related parties (2017: nil).

Compensation of key management personnel

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

	2018	2017
	RO'000	RO'000
Short-term benefits	**477**	520
Employees' pension and end of service benefits	**44**	35
	521	555

21) 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, interest rate risk and price 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 2018, the Company is not exposed to equity securities or commodity price risk, as it does not hold any such financial instruments.

(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

21) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(ii) Credit risk (continued)

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.

The Company has significant concentrations of credit risk with the Government sector. At 31 December 2018, Government organisations in Oman accounted for 24% (2017 - 24%) of the outstanding trade accounts receivable. At 31 December 2018, there were no other significant concentrations of credit risk.

Credit risk on other financial assets, including cash and cash equivalents arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances.
Cash and bank balances are placed on deposit with reputed financial institutions in the Sultanate of Oman.

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

	2018	2017
	RO'000	RO'000
Trade receivable	**59,601**	65,590
Bank balances	**34,370**	30,612
Advance to suppliers	**48**	71
Due from related parties	**19**	29
Other receivables	**1,655**	2,518
	95,693	98,820

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

	2018		2017	
	Gross	**Impairment**	Gross	Impairment
	RO'000	**RO'000**	RO'000	RO'000
Not past due	**54,585**	**541**	60,157	41
Past due 120days - 1 year	**6,457**	**1,116**	2,258	158
More than 1 year	**5,646**	**5,430**	6,353	2,979
	66,688	**7,087**	68,768	3,178

The Company's trade receivables balances of RO 7,087K were considered as impairment provision(31 December 2017: RO 3,178K). The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9. The impairment provision for comparative figures was assessed under IAS 39, measurement basis which applied an "Incurred loss" model.

The credit risk exposure on the Company's trade receivables is disclosed in Note 10.

21) FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (continued)

(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.

The 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 based on contractual undiscounted payments:

	Carrying amount	**6 months or less**	**6-12 months**	**More than 1 Years**
	RO'000	**RO'000**	**RO'000**	**RO'000**
31 December 2018				
Bank borrowings	**40,240**	**40,240**	**-**	**-**
Trade payables	**38,692**	**38,692**	**-**	**-**
Accruals and other payables	**6,966**	**6,966**	**-**	**-**
	85,898	**85,898**	**-**	**-**

	Carrying amount	6 months or less	6-12 months	More than 1 Years
	RO'000	RO'000	RO'000	RO'000
31 December 2017				
Bank borrowings	38,147	38,147	-	-
Trade payables	37,792	37,792	-	-
Accruals and other payables	7,711	7,697	14	-
	83,650	83,636	14	-

22) 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:

	2018	2017
Shareholders' equity (RO'000)	**46,107**	49,525
Number of shares outstanding at the end of the reporting period (thousands) (note 14)	**69,000**	69,000
Net assets per share (RO)	**0.668**	0.718

23) 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:

	2018	2017
Profit for the year (RO'000)	**5,149**	5,012
Weighted average number of shares (thousands)	**69,000**	69,000
Earnings per share - basic and diluted (RO)	**0.074**	0.073

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

24) CONTINGENCIES AND COMMITMENTS

a. 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 2018.

b. During 2017, the Company received claims from a major fuel supplier in Oman in respect of:

   i) Price differential between the international and domestic gasoil prices payable in respect of fuel supplied during prior years to a customer amounting to approximately RO 820,000 as per the notification received from the Ministry of Finance by the fuel supplier. The Company has disputed the claim and considers that the sale was a domestic fuel sale based upon a notification received from the Ministry of Oil and Gas in this regard and not an international sale, as contested by the fuel supplier.

   ii) RO 846,000 deducted by the Company in previous years from the amounts payable relating to invoices raised by the fuel supplier. This deduction relates to a transportation rebate (the rebate) that was not paid to the Company by the fuel supplier relating to the prior years. The Company believes it is eligible to receive the transportation rebate during such period.

   The fuel supplier has also claimed interest of approximately RO 483,000 in respect of non-settlement of the above claims by the Company.

   Based upon a review of the internal documents and records available and discussion with the in-house legal counsel, the Board of Directors believes that no liability will ultimately arise to the Company and accordingly, no provision has been established in respect of the above amounts in these financial statements.

c. The Company guarantees and commitments in the normal course of its business as follows:

	2018	2017
	RO'000	RO'000
Bank guarantees and letter of credits	**11,642**	10,850
Capital commitments	**800**	2,766
	12,442	13,616

24) CONTINGENCIES AND COMMITMENTS (continued)

Operating leases:

The Company has entered into certain long-term non-cancellable operating leases. Under the terms of these leases, the minimum future rental payable as at 31 December 2018 are, as follows:

	2018	2017
	RO'000	RO'000
Future minimum lease payments:		
Not later than one year	**1,103**	549
Later than one year and not later than five years	**2,549**	1,611
More than five years	**2,068**	1,903
	5,720	4,063

25) 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 predominantly aviation fuel and an insignificant portion of lubricants.

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

	Segment revenue	
	2018	2017
	RO'000	RO'000
Retail sales	**277,766**	238,135
Commercial sales	**144,558**	143,545
Other sales	**65,592**	49,243
	487,916	430,923

The revenue reported above represents revenue generated from external customers excluding rental income. There were no inter-segmental sales in the year (2017: nil).

The disaggregation of revenue in accordance with IFRS 15 is in line with the segments disclosed above and the revenue for all these segments are recognised at point in time.

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

26) 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 trade and other payables and short term loan.
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:

	2018	2017
	RO'000	RO'000
Assets		
Trade and other receivables	**61,323**	68,208
Cash and bank balances	**34,401**	30,626
	95,724	98,834

Liabilities

	2018	2017
	RO'000	RO'000
Trade and other payables	**45,286**	45,218
Retention payable	**634**	510
	45,920	45,728

27) KEY SOURCES OF UNCERTAINTY

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

Estimates and judgments 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 judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

Impairment of receivables – policy applicable from 1 January 2018

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

27) KEY SOURCES OF UNCERTAINTY (continued)

Impairment of receivables – policy applicable from 1 January 2018 (continued)

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.

Impairment of accounts receivable – policy applied before 1 January 2018

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 66.7 million (2017: RO 68.8 million), and the allowanceforexpected credit losses was RO 7.1 million (2017: RO 3.2 million). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

Classification of financial assets - policy applicable from 1 January 2018

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.

Impairment of financial assets at amortised cost - policy applicable from 1 January 2018

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

Useful lives of property, plant and equipment (Applicable to 2017 and 2018)

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.

27) KEY SOURCES OF UNCERTAINTY (continued)

Impairment of inventories (Applicable to 2017 and 2018)

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 3.8 million (2017 – RO 3.9 million), with RO 0.15 million (2017 – 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(Applicable to 2017 and 2018)

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.

Taxation (Applicable to 2017 and 2018)

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

28) COMPARATIVE FIGURES

Certain comparative information has been reclassified to conform to the presentation adopted in the current year financial statements. Such reclassifications are not material and have not affected previously reported net profit or shareholders' equity except for the adoption of IFRS 9 and IFRS 15, as disclosed in note 3.1 that has impacted the retained earnings as at 1 January 2018. Other reclassifications mainly pertains to the transfer of certain amounts from property, plant and equipment to other receivables amounting to RO 947 thousand.