

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

These consolidated financial statements comprise the Parent company and its subsidiaries (together referred to as the Group), the details of which are set out below. The separate financial statements represent the financial statements of the Parent company on a standalone basis. The consolidated and separate financial statements are collectively referred to as 'the financial statements'. During the year the 2017, the Company has established two subsidiaries, which has been consolidated for the year ended 31 December 2017. The comparative figures of the group as of and for the period ended 31 Mar 2017 are same as parent.

	Shareholding percentage 2017	Shareholding percentage 2016	Country of incorporation	Principal activities
Subsidiary companies				
Oman Oil Marketing Company LLC	100%	-	KSA	Marketing and distribution of petroleum products.
Alhalin International LLC	100%	-	Oman	Retail convenience stores and related operations

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 2.1 Basis of preparation

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

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

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

##### 2.2.1 Standards, amendments and interpretation effective in 2017

For the year ended 31 December 2017, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

##### 2.2.1 Standards, amendments and interpretation effective in 2017 (continued)

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

##### 2.2.2 New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
  - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
  - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
  - IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's financial statements respectively.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach.

The Group has performed an assessment and concluded that the impact is not material as in majority of the Group's contracts with customers, sale of good is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have a significant impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

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## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

##### 2.2.2 New standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (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. Group 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 Revenue from Contracts with Customers, 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.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

###### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: 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 providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group does not expect significant impact on its statement of financial position and equity.

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## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### 2.3 BASIS OF CONSOLIDATION

##### *Subsidiaries*

The financial statements comprise those of the Parent company and each of its subsidiaries as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Parent company:

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

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

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

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

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

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

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

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

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## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

### 2.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

### 2.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

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

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

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

#### 2.5 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

#### 2.6 INVENTORIES

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

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

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

#### 2.7 FINANCIAL ASSETS

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

##### *Loans and receivables*

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

#### 2.8 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 Group 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.

#### 2.9 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.

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### **2.10 IMPAIRMENT**

##### *Financial assets*

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

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

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

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

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

##### *Non-financial assets*

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

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

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

#### **2.11 BORROWINGS**

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

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

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

#### **2.12 PROVISIONS**

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

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### **2.13 TRADE CREDITORS AND OTHER PAYABLES**

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

#### **2.14 SHARE CAPITAL**

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

#### **2.15 DIVIDEND DISTRIBUTION**

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

#### **2.16 SEGMENT REPORTING**

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

#### **2.17 REVENUE**

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

#### **2.18 DIRECTORS' REMUNERATION**

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

#### **2.19 END OF SERVICE BENEFITS**

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

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

#### **2.20 FOREIGN CURRENCY**

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



# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

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As at 31 March 2018

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

#### 2.21 BORROWING COSTS

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

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

#### 2.22 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.

#### 2.23 INCOME TAX

##### *Current tax*

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

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

##### *Deferred tax*

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

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

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

#### 2.24 EARNINGS PER SHARE

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

# OMAN OIL MARKETING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2018

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

#### 2.25 CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

#### 3.1 Depreciation

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives is based on Management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

#### 3.2 Allowance for doubtful debts

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

At the reporting date, gross trade receivables were RO 64,051,388 (Mar-17 - RO 48,696,441) and the provision for doubtful debts was RO 2,121,061 (Mar-17 - RO 1,492,120). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

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As at 31 March 2018

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

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

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

At the reporting date, gross inventory were RO 6,022,941 (Mar-17 - RO 6,077,834) and the provision for slow moving and obsolete inventory was RO 384,507 (2016 - RO 85,000). Any difference between the amounts actually released in future periods and the amounts expected to be released will be recognised in the statement of comprehensive income.

#### 3.4 Environmental provision

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

#### 3.5 Provision for site restoration and abandonment cost

Provision for site restoration and abandonment cost is based on the Management assessment of various factors such as average cost per filling station for restoration and abandonment, estimated life of filling station and discount rate to be used for discounting the expected cash flows over the estimated life of the filling stations.

#### 3.6 Provisions for other costs

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

#### 3.7 Investment in associates

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

#### 3.8 Joint arrangement

The Group holds 50% of the voting rights of its joint arrangement. The Group has joint control over this arrangement as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

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

#### 3.9 Taxes

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

# OMAN OIL MARKETING COMPANY SAOG



## Notes to the unaudited financial statements

(Forming part of the financial statements)

### Parent

#### 4) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
<b>Cost</b>				
At 1 January 2017	22,887,634	42,686,113	7,065,888	72,639,635
Additions	-	-	1,500,657	1,500,657
Transfers	-	-	-	-
Disposals	-	(114,115)	-	(114,115)
<b>As at 31 March 2017</b>	<b>22,887,634</b>	<b>42,571,998</b>	<b>8,566,545</b>	<b>74,026,177</b>
At 1 January 2018	24,873,836	47,688,885	3,459,066	76,021,787
Additions	-	-	2,776,191	2,776,191
Transfers	-	-	-	-
Disposals	-	-	-	-
Available for Sale	-	(910,962)	-	(910,962)
<b>As at 31 March 2018</b>	<b>24,873,836</b>	<b>46,777,923</b>	<b>6,235,257</b>	<b>77,887,016</b>
<b>Depreciation</b>				
At 1 January 2017	5,949,825	26,942,410	-	32,892,235
Charge for the period	250,819	805,682	-	1,056,501
Derecognition of Site restoration	-	-	-	-
Disposals	-	(134,334)	-	(134,334)
<b>As at 31 March 2017</b>	<b>6,200,644</b>	<b>27,613,758</b>	<b>-</b>	<b>33,815,162</b>
At 1 January 2018	6,936,900	29,894,615	-	36,831,515
Charge for the period	273,748	854,155	-	1,127,903
Disposals	-	-	-	-
Available for Sale	-	(557,562)	-	(557,562)
Impairment on available for sale	-	(94,716)	-	(94,716)
<b>As at 31 March 2018</b>	<b>7,210,648</b>	<b>30,096,492</b>	<b>-</b>	<b>37,307,140</b>
<b>Carrying amount</b>				
<b>As at 31 March 2017</b>	<b>16,686,990</b>	<b>14,958,240</b>	<b>8,566,545</b>	<b>40,211,015</b>
<b>As at 31 March 2018</b>	<b>17,663,188</b>	<b>16,681,431</b>	<b>6,235,257</b>	<b>40,579,876</b>

# OMAN OIL MARKETING COMPANY SAOG



## Notes to the unaudited financial statements

(Forming part of the financial statements)

### Group

#### 4) Property, Plant and Equipment

	Land and buildings	Plant equipment and vehicles	Assets under construction	Total
<b>Cost</b>				
At 1 January 2017	22,887,634	42,686,113	7,065,888	72,639,635
Additions	-	-	1,500,657	1,500,657
Transfers	-	-	-	-
Disposals	-	(114,115)	-	(114,115)
<b>As at 31 March 2017</b>	<b>22,887,634</b>	<b>42,571,998</b>	<b>8,566,545</b>	<b>74,026,177</b>
At 1 January 2018	24,873,836	47,690,244	3,459,066	76,023,146
Additions	-	-	2,793,577	2,793,577
Transfers	-	-	-	-
Disposals	-	-	-	-
Available for Sale	-	(910,962)	-	(910,962)
<b>As at 31 March 2018</b>	<b>24,873,836</b>	<b>46,779,282</b>	<b>6,252,643</b>	<b>77,905,761</b>
<b>Depreciation</b>				
At 1 January 2017	5,949,825	26,942,410	-	32,892,235
Charge for the period	250,819	805,682	-	1,056,501
Derecognition of Site restoration	-	-	-	-
Disposals	-	(134,334)	-	(134,334)
<b>As at 31 March 2017</b>	<b>6,200,644</b>	<b>27,613,758</b>	<b>-</b>	<b>33,815,162</b>
At 1 January 2018	6,936,900	29,894,711	-	36,831,611
Charge for the period	273,748	854,189	-	1,127,937
Disposals	-	-	-	-
Available for Sale	-	(557,562)	-	(557,562)
Impairment on available for sale	-	(94,716)	-	(94,716)
<b>As at 31 March 2018</b>	<b>7,210,648</b>	<b>30,096,622</b>	<b>-</b>	<b>37,307,270</b>
<b>Carrying amount</b>				
<b>As at 31 March 2017</b>	<b>16,686,990</b>	<b>14,958,240</b>	<b>8,566,545</b>	<b>40,211,015</b>
<b>As at 31 March 2018</b>	<b>17,663,188</b>	<b>16,682,660</b>	<b>6,252,643</b>	<b>40,598,491</b>

## OMAN OIL MARKETING COMPANY SAOG

### Notes to the unaudited financial statements

(Forming part of the financial statements)



#### 5) Investment in Subsidiaries

	%Holding	Parent	
		31-Mar-18	31-Mar-17
Oman Oil Marketing Company LLC-KSA	100%	799,634	1,032,000
Ahlain International LLC	100%	217,331	-
		<u>1,016,965</u>	<u>1,032,000</u>

i) Oman Oil Marketing Company LLC is incorporated in the Kingdom of Saudi Arabia on 16 January 2017 under a trade license issued by the Ministry of Commerce & Industry. The subsidiary is primarily engaged in the marketing and distribution of petroleum products. In the current period, the Parent has recognised share of loss of RO 28,309 in relation to pre-operating activities.

ii) Ahlain International LLC is incorporated on 19 March 2017 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the retail convenience stores and related operations in Sultanate of Oman. In the current period, the Parent has recognised share of loss of RO 9,114 (2017: NIL) in respect of the subsidiary.

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

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

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

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

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

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Net assets	139,169	139,170	139,169
Company's share in Net assets of the Joint Venture	69,585	69,585	69,585
Net carrying value of Investment.	<u>69,585</u>	<u>69,585</u>	<u>69,585</u>

##### 1.2 Associates- Muscat Gas Company SAOG

The Parent has a 9.18% (2016: 9.18%) interest in Muscat Gases Company SAOG (investee), a joint stock company incorporated in the Sultanate of Oman on 13 November 1989 under a trade license issued by the Ministry of Commerce & Industry. The investee is engaged in the manufacturing and selling of industrial and cooking gases. As at 31 March 2018, the fair value of the Group's and Parent Company's interest in the investee (listed on the MSM), was RO 1,539,340. The total amount of impairment recognised so far RO 864,232 due to the decrease in fair market value.

The following table illustrates summarised financial information of the Group's investment in the associate:

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Total assets	10,758,641	10,602,929	10,758,641
Total liabilities	(2,031,678)	(2,362,732)	(2,031,678)
Net assets	<u>8,726,963</u>	<u>8,240,197</u>	<u>8,726,963</u>
Company's share in Net assets of the Associate	<u>800,873</u>	<u>756,203</u>	<u>800,873</u>
Company's Carrying Value of Investment	1,539,340	2,446,179	1,539,340
Share of profit from Associate -estimated	-	18,463	-
Impairment on Investment	-	(760,731)	-
Carrying value of Investment in Associate	<u>1,539,340</u>	<u>1,703,911</u>	<u>1,539,340</u>
Income	2,272,273	2,328,232	2,272,273
Expense	(2,272,273)	(2,127,110)	(2,272,273)
Estimated profit of Associate for the period	-	201,122	-
Company's share in profit of the Associate	-	<u>18,463</u>	-

## 6) Investment in Associate -Continue

### 1.3 Associates-Lubchem International Industry LLC

Effective 6 May 2014, the Parent Company acquired a 40% shareholding in Lubechem International Industry LLC (Lubechem), a company engaged in the manufacturing of grease and lubricants, lubricants waste recycling and chemicals blending. Lubechem is registered in the Emirates of Ras Al-Khaimah as a limited liability company in Ras Al-Khaimah Investment Authority. The Group has recognised an impairment of RO 161,133as at 31-Dec-2017.

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Company's Cost of Investment	395,714	623,736	395,714
Shareholder Loans reclassified	4,239	-	4,239
Share of loss from Associate	(12,411)	-	(12,411)
Carrying value of Investment in Associate	<u>387,542</u>	<u>623,736</u>	<u>387,542</u>
Income/(Loss) from the Associate for the period	(31,028)	-	(31,028)
Company's share in loss of the Associate	<u>(12,411)</u>	<u>-</u>	<u>(12,411)</u>

## 7) Inventories

	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Oil and lubricants	6,015,443	6,070,336	6,036,615
Stores and spares	7,498	7,498	7,498
Less: allowance for slow moving and obsolete inventory	(384,507)	(85,000)	(384,507)
	<u>5,638,434</u>	<u>5,992,834</u>	<u>5,659,606</u>

## 8) Trade and other receivables

	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Trade receivables	64,051,388	48,696,441	64,511,052
Less: allowance for impaired debts	(2,121,061)	(1,492,120)	(2,121,061)
	<u>61,930,327</u>	<u>47,204,321</u>	<u>62,389,991</u>
Amounts due from related parties (Note-18)	5,499,272	2,898,467	5,193,098
Other receivables	13,860,792	1,050,863	13,860,792
Prepaid expenses	1,603,179	1,541,173	1,603,179
	<u>82,893,570</u>	<u>52,694,824</u>	<u>83,047,060</u>

## 9) Cash and cash equivalents

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Cash in hand	37,909	34,666	37,909
Cash at bank	18,856,763	38,120,838	20,054,882
	<u>18,894,672</u>	<u>38,155,504</u>	<u>20,092,791</u>
Less: Deposits classified under non current assets	-	-	-
Net cash and cash equivalents for the statement of cash flow	<u>18,894,672</u>	<u>38,155,504</u>	<u>20,092,791</u>

10) Share capital	Parent		Group
	Number of shares		Number of shares
	31-Mar-18	31-Mar-17	31-Mar-18
3,225,000 Multi-vote shares of RO 0.1 each	3,225,000	3,225,000	3,225,000
61,275,000 Ordinary shares of RO 0.1 each	61,275,000	61,275,000	61,275,000
	<u>64,500,000</u>	<u>64,500,000</u>	<u>64,500,000</u>

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

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

#### 11) Legal reserve

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

#### 12) Employees' end of service benefits

Movement in the liability is as follows:	Parent		Group
	31-Mar-18	31-Mar-17	31-Mar-18
	RO	RO	RO
Balance at 1 January-2018	344,455	358,042	345,806
Accrued during the period	-	-	443
End of service benefits paid	-	(30,807)	(421)
Balance as at March-2018	<u>344,455</u>	<u>327,235</u>	<u>345,828</u>



# OMAN OIL MARKETING COMPANY SAOG

## Notes to the unaudited financial statements

(Forming part of the financial statements)



### 13) Trade and other payables

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Trade payables	10,363,935	2,074,563	10,738,556
Due to related parties (Note-18)	39,304,984	38,243,814	39,304,984
Accrued expenses & others	8,617,159	10,467,644	8,615,596
Directors' remuneration provision	44,100	44,100	44,100
	<u>58,330,178</u>	<u>50,830,121</u>	<u>58,703,236</u>

### 14) Bank borrowings

	31-Mar-18	31-Mar-17	31-Mar-18
	RO	RO	RO
Short Term loan	20,000,000	20,000,000	20,000,000
Term loan	-	-	-
Term loan I	3,614,064	5,348,814	3,614,064
	<u>23,614,064</u>	<u>25,348,814</u>	<u>23,614,064</u>
<b>Current portion</b>			
Short Term loan	20,000,000	20,000,000	20,000,000
Term loan I	-	-	-
Term loan I	1,734,750	2,615,893	1,734,750
	<u>21,734,750</u>	<u>22,615,893</u>	<u>21,734,750</u>
<b>Non-current portion</b>			
Term loan I	-	-	-
Term loan	1,879,314	2,732,921	1,879,314
	<u>1,879,314</u>	<u>2,732,921</u>	<u>1,879,314</u>

#### Short term Loans -

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

#### Long term Loans -

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

# OMAN OIL MARKETING COMPANY SAOG

## Notes to the unaudited financial statements

(Forming part of the financial statements)



### 15) Income tax

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
<b>Current liability:</b>			
Current period	328,788	337,770	356,314
Prior years	77,722	62,896	50,196
	<u>406,510</u>	<u>400,666</u>	<u>406,510</u>
<b>Comprehensive Income Statement</b>			
Current period	328,788	328,971	328,788
Deferred tax relating to origination and reversal of	-	-	-
	<u>328,788</u>	<u>328,971</u>	<u>328,788</u>
<b>Deferred tax asset:</b>			
At 1 January	505,451	306,138	505,451
Balance as at Sep	<u>505,451</u>	<u>306,138</u>	<u>505,451</u>
<b>The deferred tax asset comprises the following differences</b>			
Provision and other charges	432,535	303,312	432,535
Property and other equipment	72,916	2,826	72,916
	<u>505,451</u>	<u>306,138</u>	<u>505,451</u>

The Company is subject to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 15% (2016 : 12%)

### 16) Environmental provision

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Movement in the provision is as follows:			
Balance at 1 January-2018	300,245	300,245	300,245
Utilized during the period	-	-	-
Balance as at March-2018	<u>300,245</u>	<u>300,245</u>	<u>300,245</u>

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

### 17) Net finance income

	Parent		Group
	31-Mar-18 RO	31-Mar-17 RO	31-Mar-18 RO
Interest income	176,370	194,453	176,370
Interest expenses	(105,863)	(135,476)	(105,863)
	<u>70,507</u>	<u>58,977</u>	<u>70,507</u>

# OMAN OIL MARKETING COMPANY SAOG

## Notes to the unaudited financial statements

(Forming part of the financial statements)



### 18) Related party transactions

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

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

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

	Parent		Group
	31-Mar-18	31-Mar-17	31-Mar-18
<b>Balance as at 31-March</b>			
Fuel sales to filling stations owned by directors	1,724,411	1,980,927	1,724,411
Fuel sales to commercial customers related to directors	4,430,751	2,607,876	4,430,751
Fuel sales to Joint Venture	-	-	-
<b>Costs</b>			
Fuel Purchases from related parties	140,718,584	108,104,848	140,718,584
Brand royalty	129,642	105,305	129,642
Remuneration to directors - Provision	44,100	44,100	44,100
Directors' sitting fees	12,400	6,400	12,400
Net interest paid to related parties	-	-	-
<b>Balances</b>			
Bank balances	1,123,528	1,936,568	1,123,528
Due from related parties (Note 8)	5,499,272	2,898,467	5,193,098
Due to related parties (Note 13)	39,304,984	38,243,814	39,304,984

### 19) Staff cost

	Parent		Group
	31-Mar-18	31-Mar-17	31-Mar-18
	RO	RO	RO
Wages, salaries and allowances	1,727,034	1,551,051	1,754,426
End of service benefits	-	-	-
Social security costs	84,149	85,198	84,149
End Of Service	-	-	-
Other employee benefits	83,843	108,220	83,843
	<u>1,895,026</u>	<u>1,744,469</u>	<u>1,922,418</u>

## OMAN OIL MARKETING COMPANY SAOG

### Notes to the unaudited financial statements

(Forming part of the financial statements)



## 20) Operating & other expenses

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

	Parent		Group 31-Mar-18
	31-Mar-18 RO	31-Mar-17 RO	
Operating leases	959,398	1,088,020	959,398
Ministry of Commerce & Industry license fee	544,788	475,554	544,788
Brand Royalty payable to Parent company	129,642	105,305	129,642
Director's remuneration provision	44,100	44,100	44,100
Board sitting fee	12,400	6,400	12,400
Audit and professional fee provision	2,550	2,250	2,550
Provision for doubtful debts	126,977	730,652	126,977

## 21) Corresponding figures

The corresponding figures included for comparative purposes have been reclassified to conform to the presentation in the current period. There were no group number in first quarter of 2017 to report.