

# **AL MAHA PETROLEUM PRODUCTS MARKETING CO SAOG**

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## Notes to the interim condensed financial statements

30 June 2021

### **1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Al Maha Petroleum Products Marketing Company SAOG ('the Company') is a joint stock company registered under the Commercial Companies Law, of the Sultanate of Oman. The principal activity of the Company is the marketing and distribution of petroleum products. The Company has its primary listing on the Muscat Securities Market. The principal place of business is located at Ghala, Sultanate of Oman.

### **2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of compliance**

The unaudited interim condensed financial statements for the six months period ended 30 June 2021 of the Company are prepared in accordance with International Accounting Standards (IAS) 34, 'Interim Financial Reporting'.

#### **Basis of preparation**

The interim condensed financial statements have been prepared on the historical cost.

The functional currency of the Company is the Rial Omani (RO). These unaudited interim condensed financial statements of the Company are prepared in Rial Omani. The unaudited interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's annual financial statements as at 31 December 2020. In addition, results for the period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year 2021.

#### **New and amended standards and interpretation to IFRS**

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed financial statements of the Company.

#### **Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed consolidated financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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### 3 OTHER INCOME

Other income includes transport rebate, interest income, rental income from filling station dealers, convenience stores and other property leased out, reimbursement of project manpower costs and others.

### 4 OPERATING AND ADMINISTRATION EXPENSES

	<b>Six months ended 30 June 2021 RO'000 (unaudited)</b>	Six months ended 30 June 2020 RO'000 (unaudited)
Transportation	2,027	1,840
Filling stations operating expenses	1,109	1,148
Allowance for expected credit losses on financial assets	798	352
Maintenance expenses	506	737
License fees	502	498
Provision against claims (note 16)	400	-
Bank charges	167	82
Technical fees	138	358
Legal and consultancy expenses	122	41
Rent and utilities	107	129
Amortisation of contract assets	105	5
Marketing expenses	101	38
Municipal fees and taxes	46	65
Directors' remuneration and sitting fees	39	23
Social responsibility expenses	6	229
Others	59	42
	<b>6,232</b>	<b>5,587</b>

### 5 FINANCE COSTS

	<b>Six months ended 30 June 2021 RO'000 (unaudited)</b>	Six months ended 30 June 2020 RO'000 (unaudited)
Interest on bank borrowings	930	881
Interest on lease liabilities	115	115
	<b>1,045</b>	<b>996</b>

### 6 PROPERTY PLANT AND EQUIPMENT

#### Acquisitions

During the six months ended 30 June 2021, the Company acquired assets with a cost of RO 1,137 ('000) (30 June 2020: RO 1,513 ('000)).

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### 7 INVENTORIES

	<b>30 June 2021 RO'000 (Unaudited)</b>	31 December 2020 RO'000 (Audited)
Petroleum products	3,036	2,736
General stores and consumables	1,107	710
Fuel cards	38	41
	<u>4,181</u>	<u>3,487</u>
Less: provision for slow and non-moving inventories	(105)	(105)
	<u><u>4,076</u></u>	<u><u>3,382</u></u>

### 8 BANK BALANCES AND CASH

	<b>30 June 2021 RO'000 (Unaudited)</b>	31 December 2020 RO'000 (Audited)
Cash at bank and in hand	40,961	31,367
Short term deposit	-	10,000
	<u>40,961</u>	<u>41,367</u>
Less: allowance for expected credit loss	(179)	(133)
	<u><u>40,782</u></u>	<u><u>41,234</u></u>

### 9 TRADE AND OTHER RECEIVABLES

	<b>30 June 2021 RO'000 (Unaudited)</b>	31 December 2020 RO'000 (Audited)
Trade receivables	61,192	49,682
Less: allowance for expected credit losses	(9,435)	(8,685)
	<u>51,757</u>	<u>40,997</u>
Prepayments	747	620
Amounts due from related parties (note 14)	56	41
Staff receivables	41	36
Accrued income	3	12
Other advances and receivables	730	595
	<u><u>53,334</u></u>	<u><u>42,301</u></u>

a) Trade receivables are non-interest bearing, unsecured and are generally on terms up to 90-180 days (2020 – 90-180 days).

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 receivables.

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### 9 TRADE AND OTHER RECEIVABLES (Continued)

b) The movement in allowance for expected credit losses against trade receivables is as follows:

	<b>30 June 2021</b>	31 December 2020
	<b>RO'000</b>	RO'000
	<b>(Unaudited)</b>	(Audited)
At 1 January	<b>8,685</b>	8,075
Charge for the period / year	<b>750</b>	610
<b>At 30 June/31 December</b>	<b><u>9,435</u></b>	<u>8,685</u>

### 10 SHARE CAPITAL

The authorised share capital of the Company consists of 85,000,000 shares (2020 – 85,000,000 shares) of RO 0.100 each (2020 – RO 0.100 each). The issued and paid-up share capital of the Company consists of 69,000,000 shares (2020 – 69,000,000 shares) of RO 0.100 each (2020 – 0.100 each).

### 11 TRADE AND OTHER PAYABLES

	<b>30 June 2021</b>	31 December 2020
	<b>RO'000</b>	RO'000
	<b>(Unaudited)</b>	(Audited)
Trade payables	<b>33,923</b>	28,133
Accrued expenses	<b>3,061</b>	3,019
Advances from customers	<b>1,068</b>	1,355
Other payables (a)	<b>3,945</b>	5,495
VAT Payable (net) (b)	<b>155</b>	-
	<b><u>42,152</u></b>	<u>38,002</u>
Less: non current portion of other payables	<b>(1,556)</b>	(2,222)
	<b><u>40,596</u></b>	<u>35,780</u>

(a) Other payables include an amount of RO 4 million which is payable in monthly instalments of RO 111,111 each. Amounts due within one year have been classified as part of current liabilities.

(b) VAT was implemented from 16 Apr 2021 in Sultanate of Oman.

### 12 BANK BORROWINGS

Bank borrowings represents short term loans which are obtained from local commercial banks in the Sultanate of Oman and carry interest at commercial rates. The interest rates are subject to re-negotiation with the banks on a periodic basis. The facility agreement with a local commercial bank contains certain restrictive covenants which, if violated, can permit the bank to withdraw the facilities.

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### 13 SEGMENTAL INFORMATION

Operating segments are the business units from which reportable segments derive their revenue.

The reportable operating segments Company derives its revenue mainly from the sale of petroleum products.

Information reported to the Company's Chief Executive Officer for purposes of resource allocation and assessment of segment performance is more specifically focused on the category of business units.

The Company's reportable segments include retail, commercial and other sales. Other sales are predominantly aviation fuel and an insignificant portion of lubricants.

Retail segment represent the most significant component of revenue for the Company.

### 14 RELATED PARTY TRANSACTIONS

The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors) and entities in which the key Management personnel / significant shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors.

These transactions are entered into on terms and conditions approved by the management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.

Transactions with related parties included in the statement of comprehensive income are as follows:

	<b>Six months ended 30 June 2021 RO'000 (Unaudited)</b>	Six months ended 30 June 2020 RO'000 (Unaudited)
Revenue	<u>143</u>	<u>106</u>
Directors' remuneration and sitting fees	<u>39</u>	<u>23</u>
Operating lease expense for a filling station owned by a Director	<u>12</u>	<u>6</u>

Amounts due from related parties are disclosed in note 9. The amounts are interest free and on normal credit terms (2020 – same terms).

### 15 INCOME TAX

	<b>Six months ended 30 June 2021 RO'000 (Unaudited)</b>	Six months ended 30 June 2020 RO'000 (Unaudited)
<b>Statement of comprehensive income</b>		
Current period	412	(16)
Deferred tax	(175)	-
	<u>237</u>	<u>(16)</u>

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### **15 INCOME TAX (Continued)**

The Company is subject to income tax at 15% (2020 – 15%) of taxable profits.

The taxation assessment for the year 2018, 2019 & 2020 have not been finalized by the Taxation Authority. The Management considers that the amount of additional taxes, if any, that may become payable on finalization of the taxation assessment for the above tax year, may not be material to the financial position at the end of the reporting period.

### **16 COMMITMENTS AND CONTINGENCIES**

a) At 30 June 2021, the Company had capital commitments amounting to RO 2,100 ('000) (31 Dec 2020 : RO 1,521 ('000)).

b) Other contingencies:

i) In December 2015, a civil case, connected to a criminal case initiated against the former Managing Director and the former Senior Marketing Manager of the Company, had been filed by a party claiming RO 659,389 from the Company. 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 in respect of these two cases and, accordingly, no provision has been made against this claim in the financial statements on the basis that Management believes the possibility of significant loss to the Company arising is less than probable.

ii) In previous years, the Company received claims from a major fuel supplier in Oman in respect of:

a) 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 objected to the claim and considers that the sale was a domestic fuel sale supported by a notification received from the Ministry of Oil and Gas (MOG now MEM) in this regard and not an international sale, as claimed by the fuel supplier.

b) The Company had deducted RO 846,000 in previous years from the payable related to invoices raised by the fuel supplier. This deduction pertained to a transportation rebate that was not paid to the Company by the fuel supplier. 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.

Based upon the review of the correspondences with the supplier relating to above two claims and the opinion of external lawyers and in-house legal counsel, the Board of Directors believes that the possibility of any liability ultimately arising to the Company is less than probable. The Board of Directors are constantly monitoring the status of these claims and made adequate provisions of RO 400,000 in the financial statements based on the probable outcome of the ongoing negotiations.

### **17 COMPARATIVE INFORMATION**

Comparatives have been regrouped or reclassified, wherever necessary, to conform to the presentation adopted in these financial statements. Such reclassifications do not impact the company's previous year reported profit or equity.

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### **18 IMPACT OF COVID-19 OUTBREAK**

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to global businesses, with a consequential negative impact on economic activity, whilst the COVID-19 vaccines distribution has started across the world.

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the Company's business in various significant ways.

The implications of COVID-19 are ongoing, and the ultimate outcome of this event is unknown and therefore the full impact on the Company for events and circumstances that arose after the reporting date cannot be reasonably quantified at the authorisation date of this financial statements. The effect of COVID-19 on the Company, when known, will be incorporated into the determination of the Company's estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities.