Notes to the financial statements

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 principal place of business is located at Ghala, Sultanate of Oman.

On 11 March 2020, the World Health Organization, declared the outbreak of the coronavirus (COVID-19) as a global pandemic. The COVID-19 outbreak resulted in economic uncertainties globally, including in the Sultanate of Oman and a slowdown in business operations arising from lockdown measures and other related restrictions. These measures and restrictions also impacted the Company's financial performance during the year.

The Company's financial performance in the future may be comparatively lower than historical results depending on the duration of the COVID-19 pandemic and the related negative impact on the economy. Considering the uncertainty involved, it is not possible to reasonably quantify the impact of the pandemic on the results and financial performance of the Company in the future.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the minimum disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2020. The following standards and amendments have become effective for the current accounting period:

- Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications. Although, the amendment is applicable for annual periods commencing on or after 1 June 2020, the Company has early adopted the amendment. The early adoption of the amendment has resulted in recognition of rent concessions amounting to RO 228,444, which has been included under other income for the year.

- Amendments to references to the Conceptual Framework in IFRS.

- Amendments to IFRS 3 'Business combinations' - Appendix A 'Defined terms', the application guidance and the illustrative examples of IFRS 3.

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' – Clarification on definition of 'material'.

- Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' – Modification of some specific hedge accounting requirements.

The accounting policies have been adjusted accordingly, and impact of the policies is disclosed, if relevant and material for the Company. The impact of these standards has not been significant and prior periods have not been restated.

Notes to the financial statements

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective

The following standards and amendments will become effective for the annual periods beginning on or after 1 January 2021.

- IFRS 17 - Insurance Contracts
- Amendments to IAS 1 - Classification of Liabilities as Current or Non-current
- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 37 - Onerous Contracts – Cost of Fulfilling a Contract
- Annual Improvements to IFRS Standards 2018–2020
- Amendments to IFRS 10 and IAS 28 - Sale or contribution of assets between an investor and its associate or joint venture
- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 & IAS 39 - Interest Rate Benchmark Reform – Phase 2

The impact of the above amendments is not expected to be significant for the Company.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such 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 and in any future periods effected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements are as follows:

- *Allowance for expected credit losses (ECLs)*

  The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. To measure the ECLs, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the settlement of trade receivables over a number of years and the corresponding historical credit losses experienced within this period.

  The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP growth, oil prices and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

  At every reporting date, the default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between default rates, forecast economic conditions and ECLs require the use of estimates. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

  ECL on short term deposit, bank balances and other receivables is determined using credit rating information supplied by independent rating agencies, where available. ECL on short term deposit, bank balances and other receivables is provided if the amount is deemed material.

Notes to the financial statements

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

- *Useful lives of property, plant and equipment*

  Estimation of useful lives of the property, plant and equipment 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.

- *Provision for slow and non-moving inventories*

  Provision for slow and non-moving inventories is based on Management's estimates of the realizable value of the inventories based on the Company's provisioning policy and historical experiences considering the technical usage of the inventories.

- *Estimation of lease term and right of use asset*

  The Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease by considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

- *Impairment of non-financial assets*

  At the end of the reporting period, the Management has assessed if there is any indicators of impairment of non-financial assets (property, plant and equipment, investment properties and right of use asset), especially considering the effects of busines disruptions due to COVID 19 pandemic. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

  The Management has concluded based on assessment of available evidence, that impairment has not arisen in the carrying values of property, plant and equipment, investment property and right of use asset at the end of the reporting period.

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Accounting convention

These financial statements have been prepared under the historical cost convention.

b) Property, plant and equipment

Land is stated at cost and is not depreciated. Other items of 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 for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, plant and equipment (Continued)

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of income in the year the item is derecognized.

Capital work in progress is not depreciated. Otherwise, Depreciation is charged on property, plant and equipment so as to write off their cost less their estimated residual values over their estimated useful lives using the straight line method. The estimated useful lives of the assets are as follows:
:

	Years
Buildings and roads	7 – 20
Plant and equipment	3 – 20
Motor vehicles	3 – 7
Furnitures and fixtures	3 – 20

c) Investment properties

Property which is held for rental or capital appreciation is classified as investment property and accounted for under the cost method of accounting.

Land is not depreciated. The cost of building is depreciated by equal instalments over the estimated useful life of 20 years. Rental income on investment properties is recognized in the statement of income for the Company. Any gain or loss arising on disposal or impairment of an investment property is also recognised in the statement of income.

d) Inventories

Inventories are stated at lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

Cost of petroleum products is determined on a first in first out basis. Cost of fuel cards and general stores and consumables is determined by the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Provision is made where necessary for slow and non-moving inventories.

e) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and 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 and services.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on their delivery. The normal credit term is 30 to 90 days upon delivery.

Variable consideration

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 (e.g., fixed and progressive rebates). In determining the transaction price for the sale of goods, the Management considers the effects of variable consideration and consideration payable to the customer (if any).

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Revenue from contracts with customers (Continued)

If the consideration in a contract includes a variable amount, the Management estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers with volume rebates which give rise to variable consideration.

Volume rebates

The Company provides volume or progressive 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 expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold.

f) Contract balances

The timing of revenue recognition, billings and collections may result in trade receivables, contract assets and contract liabilities.

Due from customers on contracts

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.

The contract assets are transferred to trade receivables when the rights become unconditional (i.e. only the passage of time is required before payment of the consideration is due), which usually occurs when the Company issues an invoice to the customer.

Trade receivables

Trade receivables are amounts due from customers for goods transferred and services rendered in the ordinary course of business and represent the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). They are generally due for settlement within 30 to 90 days and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value. The Company holds the trade receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Contract balances (Continued)

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.

g) Financial assets

Recognition and initial measurement

The Company's financial assets comprise trade and other receivables, contract assets, term deposits and bank balances and cash. These financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets at amortised cost:

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Interest income from financial assets, if any, is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of income.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. The Company measures the impairment using the expected credit loss (ECL) model for different categories of financial assets.

Trade receivables and contract assets

The Company recognises allowance for expected credit losses (ECLs) applying a simplified approach for trade receivables and contract assets, at an amount equal to lifetime ECLs. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the trade receivables and the economic environment.

Other financial assets

For other financial assets, which are subject to impairment, the ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a lifetime ECL is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. For bank balances, term deposits and other receivables, the ECL adjustments are made only if they are material.

Write off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset or cash generating unit (CGU) and recognises an impairment loss in the statement of income.

The recoverable amount is assessed as higher of asset's or CGU's value in use (VIU) and fair value less costs to sell. In assessing the VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects market assessments of the time value of money and other asset specific risks. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss reversals are recognised immediately in the statement of income.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances, with an original maturity of three months or less, net of short term bank borrowings, if any.

j) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's Labour Law as per Royal Decree number 35/2003 (as amended) applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

k) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on the rates (and laws) that have been enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

l) Trade and other payables

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

m) Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

n) Provisions

A provision is recognized 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. 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.

o) Foreign currency transactions

Transactions denominated in foreign currencies are translated into Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Liabilities denominated in foreign currencies are translated into Rials Omani at exchange rates ruling on the end of the reporting period. Foreign exchange differences arising on translation are recognised in the statement of income.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Leases

Lessee

The Company leases its filling stations under various leasing arrangements. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices unless it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease is recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Lease liabilities include (wherever applicable) the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Company under residual value guarantees
- the exercise price of a purchase option if the Company is reasonably certain to exercise the option, and
- penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used.

Lease payments are allocated between the principal and interest cost. The interest cost is charged to the statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs, if applicable.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and of low-value assets are recognised on a straight-line basis as an expense in the statement of income.

Lessor
Lease income from the investment property where the Company is a lessor is recognised in the statement of income on a straight-line basis over the lease term. The investment property is included in the statement of financial position of the Company.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Dividend

The Board of Directors recommends to the shareholders the dividend to be paid out of profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, and other relevant directives issued by CMA while recommending the dividend. Dividend distribution to the shareholders is recognized as a liability in the Company's financial statements only in the period in which the dividends are approved by the shareholders.

r) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. The results of the operating segments are reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

s) Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman, and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration and meeting attendance fees are charged to the statement of income in the year to which they relate.

5 PROPERTY, PLANT AND EQUIPMENT

a) The movements of property, plant and equipment during the years 2020 and 2019 are set out on pages 33 and 34 respectively.

b) Capital work in progress at the end of the reporting period pertains to amounts incurred towards new filling stations under construction. These are expected to be completed in the year 2021.

6 INVESTMENT PROPERTIES

Year 2020	Freehold land RO'000	Buildings RO'000	Total RO'000
Cost			
At the beginning of the year and at the end of the year	238	943	1,181
Depreciation			
At 31 December 2019	--	546	546
Charge for the year	--	47	47
At 31 December 2020	--	593	593
Net book values			
At 31 December 2020	238	350	588
At 31 December 2019	238	397	635

Notes to the financial statements

6 INVESTMENT PROPERTIES (Continued)

Year 2019	Freehold land RO'000	Buildings RO'000	Total RO'000
Cost			
At the beginning of the year and at the end of the year	238	943	1,181
Depreciation			
At 31 December 2018	--	499	499
Charge for the year	--	47	47
At 31 December 2019	--	546	546
Net book values			
At 31 December 2019	238	397	635
At 31 December 2018	238	444	682

The following further notes apply:

a) The rental income during the year from the investment properties amounted to RO 121,000 (2019 – RO 102,000) [refer note 20].

b) At the end of the reporting period, the Company has assessed if there are any indicators for impairment of investment property, especially considering the impact of the COVID 19 pandemic, on the real estate sector in the Sultanate of Oman.

The Management has estimated the recoverable amount to be more than the carrying value, and accordingly concluded no impairment loss has arisen for the year. The recoverable amount has been calculated based on the estimate of the value in use using a discount rate of 8% per annum.

c) At the end of the reporting period, the fair values of the investment properties amounted to RO 1,741,000 (2019 – RO 1,596,000) based on an open market valuation undertaken by professional valuers. The Management believes the fair value of the investment property at the end of the reporting period to be not materially different from the fair value assessed.

7 LEASES

a) The Company enters into leasing arrangements for filling stations at various locations across the Sultanate of Oman. The average lease term for the filling stations is around 6 years (2019 – 5 years).

b) The movement in the right-of-use assets during the year is as follows:

	2020 RO'000	2019 RO'000
At the beginning of the year	3,515	--
Arising on adoption of IFRS 16	--	4,170
Additions during the year	1,688	355
Depreciation for the year	(1,131)	(1,010)
At the end of the year	4,072	3,515

Notes to the financial statements

7 LEASES (Continued)

c) At the end of the reporting period, lease liabilities are analysed as follows:

	2020 RO'000	2019 RO'000
Non-current portion	2,946	2,631
Current portion	1,329	1,025
	4,275	3,656

d) The contractual maturity analysis of the undiscounted cash flows of the lease liabilities is as follows:

	2020 RO'000	2019 RO'000
Upto 1 year	1,209	1,086
Between 1 year to 5 years	2,110	2,209
Above 5 years	2,284	1,177
	5,603	4,472

e) The amounts included in the statement of income relating to leases comprise:

	2020 RO'000	2019 RO'000
Depreciation	1,131	1,010
Interest on lease liabilities (note 23)	242	228
Payments for short term leases / low – value assets	354	270
Variable lease payments not included in the lease liabilities	204	272
Income from sub-leasing right of use assets	126	214

f) The total cash outflow for leases amounted to RO 1.71 million (2019 – RO 1.74 million).

8 CONTRACT BALANCES

	2020 RO'000	2019 RO'000
Trade receivables (note 10)	49,682	65,582
Contract assets [note a)]	4,893	1,026
Contract liabilities [note b)]	255	112

Notes to the financial statements

8 CONTRACT BALANCES (Continued)

The following further notes apply:

a) Contract assets at the end of the reporting period comprises the following

Year 2020	Contract assets RO'000	Contract costs RO'000	Total RO'000
At 31 December 2019	897	129	1,026
Additions during the year	61	4,000	4,061
Amortisation during the year (note 21)	--	(82)	(82)
Settled during the year	(112)	--	(112)
	846	4,047	4,893
Less: allowance for expected credit losses [note 10 c)]	(5)	(21)	(26)
At 31 December 2020	841	4,026	4,867
Less: current portion of contract balances	(841)	(318)	(1,159)
Non-current portion of contract balances	--	3,708	3,708

Year 2019	Contract assets RO'000	Contract costs RO'000	Total RO'000
At 31 December 2018	824	139	963
Additions during the year	185	--	185
Amortisation during the year (note 21)	--	(10)	(10)
Settled during the year	(112)	--	(112)
At 31 December 2019	897	129	1,026

(i) Contract assets at the end of the reporting period represent revenue earned from the contracts with the customers that include construction of filling stations as receipt of consideration is conditional on successful completion of performance obligation. Upon completion of obligation and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables.

(ii) Contract costs comprise of the following:

- Initial costs of obtaining a contract consists of incremental costs incurred towards the development of assets for the client which involves implementation and subsequent services to assets. The contract is for over a year and the costs are expected to be recovered over the duration of the contract; and

- Costs to fulfil a contract consists of costs relating directly towards a customer contract which will generate or enhance the resources of the Company, which in turn will enable the Company in satisfying the performance obligations as a part of the contract.

b) Contract liabilities at the end of the reporting period comprise the following:

	2020 RO'000	2019 RO'000
Advance received from customers	255	112

Notes to the financial statements

9 INVENTORIES

	2020 RO'000	2019 RO'000
Petroleum products	2,563	3,470
Fuel cards	41	51
General stores and consumables	884	1,056
	3,488	4,577
Less: provision for slow and non-moving inventories (refer note below)	(105)	(55)
	3,383	4,522

The following further note applies:

The movement in provision for slow and non-moving inventories is as follows:

	2020 RO'000	2019 RO'000
At the beginning of the year	55	150
Provided during the year (note 21)	50	--
Written back during the year (note 20)	--	(95)
At the end of the year	105	55

10 TRADE AND OTHER RECEIVABLES

	2020 RO'000	2019 RO'000
Trade receivables	49,682	65,582
Less: allowance for expected credit losses [note b) below]	(8,685)	(8,075)
	40,997	57,507
Prepayments	620	636
Accrued income	12	28
Staff receivables	36	110
Amounts due from related parties [note 18 b)]	41	43
Other advances and receivables	595	601
	42,301	58,925

The following further notes apply:

a) Trade receivables are non-interest bearing, unsecured and are generally on terms up to 90 days (2019 – same terms).

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

	2020 RO'000	2019 RO'000
At the beginning of the year	8,075	7,087
Provided during the year (note 21)	610	1,365
Written off during the year	--	(377)
At the end of the year	8,685	8,075

Notes to the financial statements

10 TRADE AND OTHER RECEIVABLES (Continued)

c) The allowance for expected credit losses at the end of the reporting period on financial assets are analysed as follows:

	2020 RO'000	2019 RO'000
Trade receivables [note b)]	8,685	8,075
Contract assets [note 8 a)]	26	--
Short term deposits and bank balances (note 11)	133	--
	8,844	8,075

d) The estimation for allowance for expected credit losses has been detailed under note 29 b).

11 SHORT TERM DEPOSIT, BANK BALANCES AND CASH

	2020 RO'000	2019 RO'000
Bank balances and cash (forming part of cash and cash equivalents) [note a) below]	31,367	28,722
Term deposit with original maturity period of more than 3 months [note b) below]	10,000	20,000
	41,367	48,722
Less: allowance for expected credit losses [note 10 c)]	(133)	--
	41,234	48,722

The following further notes apply:

a) Bank balances and cash include call deposits which earn interest at commercial rates (2019 – same terms).

b) Short term deposit is placed with a local commercial bank and earns interest at commercial rates. The deposit is maturing within one year from the end of the reporting period and has accordingly been classified under current assets.

12 SHARE CAPITAL

a) The authorised share capital of the Company consists of 85,000,000 shares (2019 – 85,000,000 shares) of RO 0.100 each (2019 – RO 0.100 each). The issued and paid-up share capital of the Company consists of 69,000,000 shares (2019 – 69,000,000 shares) of RO 0.100 each (2019 – 0.100 each).

b) The details of shareholders who own 10% or more of the Company's share capital are as follows:

	2020		2019	
	%	No. of shares	%	No. of shares
ABS Lubricants	40	27,600,000	40	27,600,000
Civil Service Employees Pension Fund	13.2	9,081,781	12.9	8,895,910

Notes to the financial statements

13 LEGAL RESERVE

In accordance with Article 132 of the Commercial Companies Law of Oman, annual appropriation of 10% of the net profit for the year is to be made to the legal reserve until the reserve equals one third of the Company's capital. The reserve is not available for distribution but can be utilized to set off against any accumulated losses and increasing the Company's capital by issuing shares.

No transfer has been made in the current year as the Company has already achieved the minimum amount required in the legal reserve in an earlier period.

14 SPECIAL RESERVE

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

15 PROPOSED DIVIDEND

The Board of Directors has not proposed any dividend for the year 2020 (2019 – Cash dividend of RO 0.070 per share amounting to RO 4.830 million).

16 TRADE AND OTHER PAYABLES

	2020 RO'000	2019 RO'000
Trade payables	28,133	39,306
Accrued expenses	3,019	3,550
Advances from customers	1,355	896
Accrual for directors' remuneration	--	94
Other payables (refer note below)	5,495	1,382
	38,002	45,228
Less: non-current portion of other payables (refer note below)	(2,222)	--
	35,780	45,228

The following further note applies:

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

17 BANK BORROWINGS

Bank borrowings at the end of the reporting period represent 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 [note 29 d)].

Notes to the financial statements

18 RELATED PARTY TRANSACTIONS

a) 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.

	2020 RO'000	2019 RO'000
Transactions with other entities related to Directors:		
Revenue	229	87
Transactions with Directors:		
Directors' remuneration and sitting fees (note 21)	51	162
Operating lease payment for a filling station owned by a Director	14	24

b) Amounts due from related parties are interest free and on normal credit terms (2019 – same terms).

c) The key management personnel compensation for the year comprises:

	2020 RO'000	2019 RO'000
Short term employment benefits	403	360
Employees' end of service benefits	23	25
	426	385

19 REVENUE FROM CONTRACTS WITH CUSTOMERS

	2020 RO'000	2019 RO'000
Retail sales	243,332	299,381
Commercial sales	70,315	96,646
Other sales	20,115	69,887
	333,762	465,914

20 OTHER INCOME

	2020 RO'000	2019 RO'000
Reimbursement of transportation costs	2,239	2,226
Interest income	916	610
Reimbursement of manpower costs	663	490
Rental income from filling stations and others	503	550
Rent concessions	228	--
Rental income from investment properties [note 6 a)]	121	102
Provision for slow and non-moving inventories written back (note 9)	--	95
Provisions no longer required	82	170
Others	155	62
	4,907	4,305

Notes to the financial statements

21 OPERATING AND ADMINISTRATION EXPENSES

	2020 RO'000	2019 RO'000
Transportation	3,803	4,936
Filling stations operating expenses	2,299	2,052
Maintenance expenses	1,722	1,914
License fees	999	1,637
Allowance for expected credit losses on financial assets [notes 8 a), 10 b) and 11]	769	1,365
Technical fees	450	1,875
Rent and utilities	329	374
Social responsibility expenses	229	36
Bank charges	213	266
Impairment of capital work in progress (note 5)	200	--
Municipal fees and taxes	112	89
Legal and consultancy expenses	108	291
Marketing expenses	101	161
Amortisation of contract assets [note 8 a)]	82	10
Directors' remuneration and sitting fees [note 18 a)]	51	162
Provision for slow and non -moving inventories (note 9)	50	--
Impairment of contract assets	--	56
Others	170	187
	11,687	15,411

22 SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs include the following:

	2020 RO'000	2019 RO'000
Salaries and employee related costs	4,944	4,972
Contributions to defined contributions retirement plan for Omani employees	410	349
Cost of end of service benefits for expatriate employees	52	56
	5,406	5,377

b) Movements in expatriate employees' end of service benefits liability during the year is as follows:

	2020 RO'000	2019 RO'000
At the beginning of the year	333	342
Expense for the year	52	56
Settled during the year	(174)	(65)
At the end of the year	211	333

23 FINANCE CHARGES

	2020 RO'000	2019 RO'000
Interest on lease liabilities [note 7 e)]	242	228
Bank interest and charges	1,568	900
	1,810	1,128

Notes to the financial statements

24 TAXATION

	2020 RO'000	2019 RO'000
Statement of income		
Current year	388	917
Deferred tax credit	(230)	(316)
	158	601
Statement of financial position		
Non-current asset		
Deferred tax	2,387	2,157
Current liability		
Current year	388	917

The following further notes apply:

a) Taxation is provided at 15% (2019 – 15%) on the profit for the year adjusted for tax purposes.

b) The Company's taxation assessments for the years 2018 and 2019 have not been finalised by the Tax Authority. The Management believes that the tax assessed, if any, in respect of the unassessed tax years would not be material to the financial position of the Company at the end of the reporting period.

c) The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	2020 RO'000	2019 RO'000
Tax charge on accounting profit at applicable rates	153	601
Add tax effect of:		
Depreciation	104	161
Provisions	117	134
Others	14	21
	388	917

d) The movement in deferred tax asset in the statement of financial position at the end of the reporting period is as follows:

	Accelerated capital allowances RO'000	Provisions RO'000	Others RO'000	Total RO'000
At 31 December 2018	700	1,141	--	1,841
(Charged) / credited to the statement of income	161	134	21	316
At 31 December 2019	861	1,275	21	2,157
At 31 December 2019	861	1,275	21	2,157
Credited to the statement of income	99	88	43	230
At 31 December 2020	960	1,363	64	2,387

Notes to the financial statements

25 BASIC EARNINGS PER SHARE

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

	2020	2019
Net profit for the year (RO'000)	863	3,408
Weighted average number of shares outstanding during the year (thousands)	69,000	69,000
Basic earnings per share (in Rials Omani)	0.013	0.049

26 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	2020	2019
Net assets (RO'000)	41,336	45,303
Number of shares outstanding at 31 December (thousands)	69,000	69,000
Net assets per share (in Rials Omani)	0.599	0.657

27 OPERATING SEGMENTS

The Company is organized in the Sultanate of Oman into three main reportable segments:

- Retail sales segment, which includes sales made through company operated stations, dealer operated stations and third party operated stations.
- Commercial sales segment, which includes sales made in bulk under contractual agreements.
- Other sales segment, which comprises of all other sales which cannot be classified in the other two segments. The segment mainly comprises of sales made to the aviation sector, sales of lubricants and revenue earned from fuel card sales.

Revenue earned from each reportable segment is included under note 19. Performance is measured based on revenue earned by each segment, as included in the internal management reports that are reviewed by the Board of Directors. Segment revenue is used to measure performance as Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. There were no inter-segmental sales during the year.

28 COMMITMENTS AND CONTINGENCIES

a) At the end of the reporting period, the Company had outstanding bank guarantees, letters of credit and performance bonds amounting to RO 4,410,237 (2019 – RO 1,872,000)

b) At the end of the reporting period, the Company had capital commitments amounting to RO 1,520,736 (2019 – RO 770,000).

Notes to the financial statements

28 COMMITMENTS AND CONTINGENCIES (Continued)

c) 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 as at 31 December 2020 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:

- 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 in this regard and not an international sale, as claimed by the fuel supplier.

- 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 consider no related provisions are required to be established in these financial statements.

29 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Market risk

Currency risk

The Company operates in the local market and the entire financial assets and liabilities are denominated in Rials Omani. Accordingly, the Management believes that the Company is not exposed to any material currency risk.

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets (bank balances) and liabilities (bank borrowings). The Management manages the interest rate risk by constantly monitoring the changes in interest rates.

Notes to the financial statements

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables, contract assets and any short term deposits and bank balances held with commercial banks.

The carrying value of trade and other receivables approximate their fair values due to the short-term nature of those receivables.

Trade receivables and contract assets

The Company has a credit policy in place for trade receivables and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. In response to the COVID -19 pandemic, the Management has also evaluated credit to customers in sectors and regions impacted significantly by the pandemic and re-assessed the credit limits accordingly.

Expected credit losses (ECL)

The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The Company derives its expected credit loss rates using a payment profile of sales and the corresponding historical credit losses experienced within this period.

The historical rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the changes in government policies and volatility of oil prices to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance was determined as follows for trade receivables and contract assets:

Year 2020	Carrying values		Expected loss rate	Loss allowance
	Trade receivables RO'000	Contract assets RO'000 [note 8 a)]	%	RO'000
Current	23,304	4,867	0.55	154
Past due by more than:				
1 - 30 days	5,988	--	0.84	50
31 – 60 days	3,338	--	1.14	38
61 – 90 days	1,077	--	2.14	23
Above 90 days	11,760	--	35.98	4,231
Impaired	4,215	--	100	4,215
	49,682	4,867		8,711

Notes to the financial statements

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

Trade receivables and contract assets (Continued)

Year 2019	Carrying values		Expected loss rate	Loss allowance
	Trade receivables RO'000	Contract assets RO'000 [note 8 a)]	%	RO'000
Current	30,306	1,026	0.78	245
Past due by more than:				
1 - 30 days	15,138	--	0.71	107
31 – 60 days	3,237	--	1.51	49
61 – 90 days	1,381	--	2.82	39
Above 90 days	12,916	--	38.95	5,031
Impaired	2,604	--	100	2,604
	65,582	1,026		8,075

Amount due from related parties are expected to have low credit risk and credit losses, if any, on these dues are expected to be immaterial.

ECL on other receivables has not been provided as the amounts involved are not considered to be material to the financial statements.

Short term deposits and bank balances

Credit risk from short term deposit and bank balances maintained in call and current accounts with local commercial banks is managed by ensuring balances are maintained with reputed banks only. The ECL on term deposits and bank balances are calculated based on credit rating information supplied by independent rating agencies.

c) Liquidity risk

The Company manages liquidity risk by monitoring cash flows and ensuring that adequate funds are available including unutilized credit facilities to meet its obligations as they fall due. The financial liabilities are payable within 6 months from the end of the reporting period.

d) Capital management

The Company's objectives when managing capital are:

- to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing services and goods commensurate with the level of risk.

The Company sets capital in proportion to risk and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or raise additional capital.

In the context of managing capital, the Company has covenanted, with banks providing external debt, to maintain specified ratios (note 17). At the end of the reporting period, the actual ratios were within the covenanted level.

Notes to the financial statements

30 COMPARATIVES

Comparatives have been regrouped or reclassified wherever necessary in order to conform to the presentation adopted in these financial statements.

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2020	Freehold land RO'000	Buildings and roads RO'000	Plant and equipment RO'000	Motor Vehicles RO'000	Furniture and equipment RO'000	Capital work in progress RO'000 [note 5 b)]	Total RO'000
Cost							
At 31 December 2019	639	34,930	25,535	4,093	1,393	1,433	68,023
Additions during the year	--	--	19	--	6	3,382	3,407
Transfers during the year	--	1,572	835	--	--	(2,407)	--
Impaired during the year	--	--	--	--	--	(200)	(200)
Disposals during the year	--	(33)	(232)	(292)	(1)	--	(558)
At 31 December 2020	639	36,469	26,157	3,801	1,398	2,208	70,672
Depreciation							
At 31 December 2019	--	14,003	18,796	2,868	1,277	--	36,944
Charge for the year	--	1,758	1,677	413	46	--	3,894
Disposals during the year	--	(8)	(231)	(292)	(1)	--	(532)
At 31 December 2020	--	15,753	20,242	2,989	1,322	--	40,306
Net book value							
At 31 December 2020	639	20,716	5,915	812	76	2,208	30,366
At 31 December 2019	639	20,927	6,739	1,225	116	1,433	31,079

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2019	Freehold land RO'000	Buildings and roads RO'000	Plant and equipment RO'000	Motor Vehicles RO'000	Furniture and equipment RO'000	Capital work in progress RO'000 [note 5 b)]	Total RO'000
Cost							
At 31 December 2018	639	31,509	23,895	4,119	1,269	2,683	64,114
Additions during the year	--	--	201	42	109	3,837	4,189
Transfers during the year	--	3,421	1,651	--	15	(5,087)	--
Disposals during the year	--	--	(212)	(68)	--	--	(280)
At 31 December 2019	639	34,930	25,535	4,093	1,393	1,433	68,023
Depreciation							
At 31 December 2018	--	12,356	16,743	2,458	1,254	--	32,811
Charge for the year	--	1,647	2,260	478	23	--	4,408
Disposals during the year	--	--	(207)	(68)	--	--	(275)
At 31 December 2019	--	14,003	18,796	2,868	1,277	--	36,944
Net book value							
At 31 December 2019	639	20,927	6,739	1,225	116	1,433	31,079
At 31 December 2018	639	19,153	7,152	1,661	15	2,683	31,303