AL MAHA PETROLEUM PRODUCTS MARKETING COMPANY SAOG

Financial statements
For the year ended 31 December 2022

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Sultanate of Oman

Principal place of business:
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AL MAHA PETROLEUM PRODUCTS MARKETING COMPANY SAOG
Financial statements
for the year ended 31 December 2022

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAHA PETROLEUM PRODUCTS MARKETING COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Maha Petroleum Products Marketing Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, its financial position of the Company as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 27 to the financial statements, which sets out the status of a claim against the Company from a fuel supplier. The Board of Directors based upon a review of documents and records available, and discussions with the in-house legal counsel, believes that the Company has a firm legal basis and there will not be any significant liability on the Company. Therefore, the Company has not recognized any provisions in this regard in these financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
Expected credit loss allowance for trade receivable At the year-end the Company had trade receivables of RO 75,326 thousand which comprises 50 % of total assets in the statement of financial position. The determination as to whether a trade receivable is collectable involves management judgement. Specific factors management considers include the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved. The accounting policy and disclosures relating to allowance for impaired debts are set out in notes 2.12 and 14 to the financial statements, respectively.	Our audit procedures in this area included the following: - We obtained an understanding of the methodology and process followed by the management for computing expected credit losses (ECL) and performed walkthrough tests to confirm our understanding. - We evaluated the management's methodology against the requirements of IFRS-9 Financial Instruments. - We evaluated the completeness, accuracy and relevance of data used in the ECL model and assumptions and judgments used by management by comparing to historical collection trends. - We independently recomputed the ECL, using our internal experts and compared the required ECL against management's ECL provision amount. - We assessed the adequacy and appropriateness of the disclosures in the financial statements.

Report on the audit of the financial statements (continued)

Other information included in the Company's 2022 Annual Report
Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2022 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2022 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 2019, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL MAHA PETROLEUM PRODUCTS MARKETING COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements
In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019, and CMA of the Sultanate of Oman.

Ernst & Young LLC

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ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
EY ERNST & YOUNG LLC
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P.O. Box 1750 - P.C. 112 Sultanate of Oman

Mohamed Al Qurashi
Muscat
26 February 2023

AL MAHA PETROLEUM PRODUCTS MARKETING COMPANY SAOG

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RO'000	2021 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**28,191**	28,648
Investment properties	10	**494**	541
Right -of- use assets	11	**6,368**	4,074
Contract assets-non current	12	**3,085**	3,353
Deferred tax assets	8	**2,741**	2,722
		40,879	39,338
Current assets			
Inventories	13	**3,824**	3,878
Trade and other receivables	14	**69,647**	58,412
Contract assets - current	12	**1,952**	1,952
Bank balances and cash	15	**35,241**	32,906
		110,664	97,148
TOTAL ASSETS		**151,543**	136,486
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**6,900**	6,900
Legal reserve	17	**2,300**	2,300
Special reserve	18	**2,104**	2,104
Retained earnings		**36,224**	32,792
Total equity		**47,528**	44,096
Liabilities			
Non-current liabilities			
Lease liabilities – non current	11	**6,163**	3,174
Contract liabilities – non current	12	**-**	785
Employees' end of service benefits	19	**235**	199
		6,398	4,158
Current liabilities			
Trade and other payables	20	**51,342**	42,851
Short term borrowings	21	**42,900**	42,000
Lease liabilities – current	11	**720**	1,156
Contract liabilities – current	12	**1,462**	1,343
Income tax payable	8	**1,193**	882
		97,617	88,232
Total liabilities		**104,015**	92,390
TOTAL EQUITY AND LIABILITIES		**151,543**	136,486
Net assets per share (RO)	25	**0.689**	0.639

These financial statements were approved and authorized for issue by the Board of Directors on 16 February 2023 and signed on their behalf by:

CHAIRMAN **DIRECTOR**

The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022 RO'000**	2021 RO'000
Revenue	4	**492,731**	372,484
Cost of sales		**(465,237)**	(350,067)
GROSS PROFIT		**27,494**	22,417
Other income	5	**4,949**	4,396
Operating and administration expenses	6	**(24,649)**	(23,208)
OPERATING PROFIT		**7,794**	3,605
Finance income		**1,422**	1,985
Finance costs	7	**(1,899)**	(2,283)
PROFIT BEFORE INCOME TAX		**7,317**	3,307
Income tax expense	8	**(1,125)**	(547)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,192**	2,760
Basic and diluted earnings per share (RO)	26	**0.090**	0.040

The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RO'000	Legal reserve RO'000	Special reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2021	6,900	2,300	2,104	30,032	41,336
Profit and total comprehensive income for the year	-	-	-	2,760	2,760
At 31 December 2021	6,900	2,300	2,104	32,792	44,096
Profit and total comprehensive income for the year	**-**	**-**	**-**	**6,192**	**6,192**
Dividend paid (note 22)	**-**	**-**	**-**	**(2,760)**	**(2,760)**
At 31 December 2022	**6,900**	**2,300**	**2,104**	**36,224**	**47,528**

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The attached notes 1 to 32 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	**2022 RO'000**	2021 RO'000
OPERATING ACTIVITIES:			
Profit before income tax:		**7,317**	3,307
Adjustments for:			
Depreciation on property, plant and equipment	9	**3,562**	3,664
Depreciation on right of use assets	11	**948**	1,191
Depreciation on investment properties	10	**47**	47
Accruals for employees' end of service benefits	19	**36**	36
Allowance for expected credit loss on bank balances	15	**5**	9
(Reversal of) / allowance for expected credit loss	12 & 14	**(377)**	1,086
Allowance for impairment of property, plant and equipment	9	**110**	14
Amortisation of contract assets	12	**215**	210
Provision for slow moving inventory	13	**86**	98
Gain on disposal of property, plant and equipment		**(33)**	(48)
Finance income		**(1,422)**	(1,985)
Finance costs	7	**1,899**	2,283
Operating cash flows before working capital changes:		**12,393**	9,912
Inventories		**(32)**	(593)
Trade and other receivables		**(10,585)**	(16,417)
Trade and other payables		**7,815**	6,919
Operating cash flows after working capital changes:		**9,591**	(179)
Employees end of service benefits paid	19	**-**	(48)
Income taxes paid	8	**(833)**	(388)
Net cash flows from / (used in) operating activities		**8,758**	(615)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9	**(3,454)**	(3,610)
Proceeds from short term deposit		**-**	10,000
Finance income		**1,422**	1,985
Proceeds from disposal of property, plant and equipment		**45**	48
Net cash flows (used in) / from investing activities		**(1,987)**	8,423
FINANCING ACTIVITIES			
Dividend paid	22	**(2,760)**	-
Payment of principal portion of lease liabilities	11	**(1,145)**	(1,371)
Finance costs paid		**(1,431)**	(2,034)
Proceeds from short-term borrowings		**751,427**	590,714
Repayment of short-term borrowings		**(750,527)**	(593,445)
Net cash flows used in financing activities		**(4,436)**	(6,136)
Net increase in Bank balances and cash		**2,335**	1,672
Bank balances and cash at the beginning of the year		**32,906**	31,234
Bank balances and cash at the end of the year	15	**35,241**	32,906

Note: During the year, certain capital work in progress have been transferred to contract assets at a net book value of RO 227 thousand (2021: RO 1,453 thousand) (note 9).

The attached notes 1 to 32 form part of these 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.

In December 2022, the Company has signed a partnership agreement with Vince Arabia in Kingdom of Saudi Arabia and registered its first overseas branch in Dammam, Kingdom of Saudi Arabia, named as "Al Maha Petroleum Products Marketing Company – KSA branch", bearing Commercial Registration number 2050165463.
The principal activity of the branch is to construct and operate filling stations.

2. Basis of preparation and 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) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Commercial Companies Law of 2019 of the Sultanate of Oman and the Capital Market Authority. They have been prepared under the assumption that the Company operates on going concern basis (note 3.7).

b) Basis of Measurement

The financial statements have been prepared on the historical cost convention.

c) Presentation and functional currency

These financial statements are presented in Rial Omani (RO), which is the Company's functional currency. All financial information presented in Rial Oman has been rounded to nearest thousands, unless otherwise indicated.

d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 3.

2. Basis of preparation and summary of significant accounting policies (continued)

Following are the significant accounting policies adopted by the Company:

2.2 Revenue from contracts with customers

The Company's principal activity is marketing and selling fuel and petroleum products.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of fuel and petroleum products

Revenue from sale of Fuel and petroleum products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The Company's terms of sales require amounts to be paid on average of 30 -90 days from the date of delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Company considers the effects of variable consideration. If the consideration in a contract includes a variable amount, the Company 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.

Volume Rebate

The Company applies either the most likely amount method or the expected value method to estimate the variable consideration in the contract. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The most likely amount is used for those contracts with a single volume threshold, while the expected value method is used for those with more than one volume threshold. The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the future expected rebates, the Company applies the most likely amount method for contracts with a single-volume.

2.3 Directors' remuneration

The Company follows the Commercial Companies Law, and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of comprehensive income in the year to which it relates.

2. Basis of preparation and summary of significant accounting policies (continued)

2.4 Employees' end of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labor 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.

2.5 Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying 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 respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.6 Income tax

Taxation is provided for based on relevant tax laws of the Sultanate of Oman in which the Company operates.

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 is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

2. Basis of preparation and summary of significant accounting policies (continued)

2.7 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. 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. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of comprehensive income as incurred.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Company and the cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income, as incurred.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

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

Work-in-progress is stated at cost less impairment. When the underlying asset is available for use in its intended condition and location, work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policy of the Company.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The useful lives of property, plant and equipment is lower than lease term.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

2. Basis of preparation and summary of significant accounting policies (continued)

2.8 Investment properties

Property held to earn rentals and/or for capital appreciation and not yet occupied by the company has been classified as investment property. Investment property is accounted for under cost model and are measured initially at cost, including transaction costs and is accordingly stated at cost less accumulated depreciation. The cost of investment property is its purchase price together with any incidental expenses. The cost of investment property is written down to residual value in equal installments over the estimated useful lives of 20 years.

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Rental income on investment property and repairs and maintenance expenses relating to the investment property are recognised in the statement of comprehensive income.

2.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who manages the Company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

The cost of inventories is determined using the first-in-first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

2.11 Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2. Basis of preparation and summary of significant accounting policies (continued)

2.11 Contract balances (continued)

Contract costs

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

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

2.12 Trade and other receivables

A receivable represents 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).

2.13 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, 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. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

2. Basis of preparation and summary of significant accounting policies (continued)

2.13 Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. 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.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in statement of comprehensive income when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables and Bank balances and cash.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass- through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement.

2. Basis of preparation and summary of significant accounting policies (continued)

2.13 Financial assets (continued)

Derecognition (continued)
In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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 loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables covering under IFRS 15, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For finance lease receivable, the company applies general approach in calculating the ECL and is determined by using the probability of default (PD), exposure at default (EAD) and loss given default (LGD). The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.14 Impairment of non-financial assets

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

2. Basis of preparation and summary of significant accounting policies (continued)

2.14 Impairment of non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables and bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 is satisfied. The Company has not designated any financial liability at fair value through profit or loss.

2. Basis of preparation and summary of significant accounting policies (continued)

2.15 Financial liabilities (continued)

Financial liabilities at amortised cost (loans and borrowings):
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of comprehensive income.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

2.16 Cash and bank balances

Cash and bank balances comprise cash at banks and on hand short-term deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

2.17 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision for environment remediation, resulting from past operations or events, is recognised in the period in which an obligation to a third party arises and the amount can be reliably estimated. Measurement of liabilities is based on current legal requirements and existing technology.

2. Basis of preparation and summary of significant accounting policies (continued)

2.17 Provisions (continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third parties, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

2.18 Dividends

Dividends are recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

2.19 Trade and other payables

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

2.20 Fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2. Basis of preparation and summary of significant accounting policies (continued)

2.20 Fair values (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting year.

2.21 Foreign currencies

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses are recognised in the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

2. Basis of preparation and summary of significant accounting policies (continued)

2.22 Current versus non-current classification

The Company presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:
• Expected to be realised or intended to be sold or consumed in 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 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.

2.23 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right of use assets are subject to impairment. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

	Years
Land	5 - 25

2. Basis of preparation and summary of significant accounting policies (continued)

2.23 Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.24 New and amended standards and interpretations to IFRS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective

2. Basis of preparation and summary of significant accounting policies (continued)

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

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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

2.25 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *IFRS 17 Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

2. Basis of preparation and summary of significant accounting policies (continued)

2.25 Standards issued but not yet effective (continued)

- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *Definition of Accounting Estimates - Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the financial statements.

- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Company is currently assessing the impact of the amendments.

2. Basis of preparation and summary of significant accounting policies (continued)

2.25 Standards issued but not yet effective (continued)

- *Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2*

  In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

  The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

  The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28*

  In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. Early application of the amendments is still permitted.

  The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

  The amendments are not expected to have a material impact on the financial statements.

- *Lease Liability in a Sale and Leaseback – Amendments to IFRS 16*

  In September 2022, the Board issued Lease Liability in a Sale and Leaseback (Amendments to IFRS 16). The amendment to IFRS 16 specifies the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retain.

2. Basis of preparation and summary of significant accounting policies (continued)

2.25 Standards issued but not yet effective (continued)

After the commencement date in a sale and leaseback transaction, the seller-lessee applies paragraphs 29 to 35 of IFRS 16 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 of IFRS 16 to the lease liability arising from the leaseback. In applying paragraphs 36 to 46, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying these requirements does not prevent the seller-lessee from recognising, in profit or loss, any gain or loss relating to the partial or full termination of a lease, as required by paragraph 46(a) of IFRS 16.

The amendment does not prescribe specific measurement requirements for lease liabilities arising from a leaseback. The initial measurement of the lease liability arising from a leaseback may result in a seller-lessee determining 'lease payments' that are different from the general definition of lease payments in Appendix A of IFRS 16. The seller-lessee will need to develop and apply an accounting policy that results in information that is relevant and reliable in accordance with IAS 8.

The amendments are not expected to have a material impact on the financial statements.

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 judgment in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The effects of COVID-19 have resulted in certain judgements and estimates being significant in the current period. This is due to uncertainty introduced by the effects of the pandemic.

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

Estimates

3.1 Provision for expected credit losses of trade receivables and other provisions

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. Critical accounting estimates and judgements (continued)

Estimates (continued)

3.1 Provision for expected credit losses of trade receivables and other provisions (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. 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.

At the reporting date, gross trade receivable were RO 75,326 thousand (2021:RO 66,883 thousand), and the allowance for expected credit losses was RO 9,400 thousand (2021: RO 9,767 thousand).

Other provisions is recognised for expected claims if any based on management past experience and expectation that these cost might be incurred in the next financial year .

3.2 Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. 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.

3.3 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 Company establishes provisions, based on reasonable estimates, for possible consequences of finalization 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.

3.4 Leases - Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. Critical accounting estimates and judgements (continued)

Estimates (continued)

3.5 Net realisable value of inventories

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

At the reporting date, gross petroleum products and raw materials were RO 4,113 thousand (2021: RO 4,081 thousand), with provisions for old and obsolete inventories of RO 289 thousand (2021: RO 203 thousand). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of comprehensive income.

3.6 Impairment of non-financial assets

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 fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset.

The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to right of use and property, plant and equipment recognised by the Company.

Judgements

3.7 Going concern

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

3.8 Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee

The Company 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.

3. Critical accounting estimates and judgements (continued)

Judgements (continued)

3.8 Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee (continued)

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customisation to the leased asset).

4. Revenue

	2022 RO'000	2021 RO'000
Revenue from sale of goods	**347,948**	271,680
Revenue from contract with customers	**144,783**	100,804
	492,731	372,484
Type of sales		
Retail	**347,948**	271,680
Commercial	**86,005**	80,384
Others	**58,778**	20,420
	492,731	372,484
Geographic market - domestic market	**492,731**	372,484
Timing of revenue recognition		
Goods transferred at a point in time	**492,731**	372,484

5. Other income

	2022 RO'000	2021 RO'000
Reimbursement of transportation costs	**2,684**	2,256
Reimbursement of manpower costs	**647**	638
Fuel card income	**547**	422
Rental income from filing stations and others	**505**	465
Tankers rental income	**260**	243
Rental income from investment properties (note 10)	**90**	107
Others	**216**	265
	4,949	4,396

6. Operating and administration expenses

	2022 RO'000	2021 RO'000
Employee costs:		
Wages, salaries and other benefits	**6,047**	5,417
Contributions to defined contribution retirement plan	**458**	426
End of service benefits (note 19)	**36**	36
	6,541	5,879
Operating expenses:		
Filling station operating expenses	**4,073**	3,106
License fees	**1,232**	1,032
Transportation expenses	**4,926**	4,249
Allowance for impairment of assets (note 9)	**110**	15
Other operating expenses	**1,934**	1,761
	12,275	10,163
Administration and general expenses:		
Legal and professional expenses	**388**	369
Allowance for expected credit losses (note 12,14 and 15b)	**(371)**	735
Sales promotion expenses	**200**	132
Vehicle maintenance expenses	**292**	279
Directors sitting fees and expenses	**324**	230
Other administrative expenses	**228**	309
	1,061	2,054
Depreciation and Amortisation:		
Depreciation on property, plant and equipment (note 9)	**3,562**	3,664
Depreciation on right of use assets (note 11)	**948**	1,191
Depreciation on investment property (note 10)	**47**	47
Amortisation of contract assets (note 12)	**215**	210
	4,772	5,112
	24,649	23,208

7. Finance costs

	2022 RO'000	2021 RO'000
Interest on short term borrowings (note 21)	**1,361**	1,854
Interest on contract liabilities (note 12)	**70**	180
Accretion of interest on lease liabilities (note 11)	**468**	249
	1,899	2,283

8. Income tax

	2022	2021
	RO'000	RO'000
Income tax expense comprises of the following:		
Current taxation charge:		
Current tax expense	**1,144**	882
Deferred taxation:		
Deferred tax for the year	**(19)**	(335)
	1,125	547

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 15% on taxable income. For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes relating to both income and expense items. After giving effect to these adjustments, the average effective tax rate is estimated to be 15.16% (2021: 24.70%).

Tax provision movement is as follows:

	2022	2021
	RO'000	RO'000
At 1 January	**882**	388
Income tax expense for the year	**1,144**	882
Paid during the year	**(833)**	(388)
At 31 December	**1,193**	882

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year:

	2022	2021
	RO'000	RO'000
Accounting profit before tax	**7,317**	3,307
Tax on accounting profit before tax at 15% (2021: 15%)	**1,098**	496
Add tax effect of:		
Non-deductible expenses	**46**	386
Tax charge for the year	**1,144**	882

The Company's tax assessment for the year 2018 has been taken up by the Oman Tax authorities and the Company has been issued a demand for payment of additional tax charge of RO 22 k due to dis-allownce of directors remuneration for the year 2018 amounting to RO 148 K based on internal guidelines of the Tax Authority. The Company has not accepted this disallowance on the basis that the directors remuneration paid for the year 2018 is in accordance with article 101 of Legislations Regulating the Joint stock Companies listed in Muscat Stock Exchange. Based on the clarification received from the Capital Market Authority in this regard, the Company has filed an objection with the Tax Authority for the disallowance of directors remuneration and the demand for additional tax charge as referred above.

8. Income tax (continued)

The Company's tax assessments for the years 2019, 2020 and 2021 have not yet been assessed by Oman taxation authorities. The Management considers that the amount of additional taxes, if any, that may become payable on finalisation of assessment of the open tax years would not be significant to the Company's financial position at 31 December 2022.

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021: 15%).

The deferred tax asset recognised in the statement of financial position is attributable to the following:

	At 1 January RO'000	**Charge for the year RO'000**	**At 31 December RO'000**
2022			
Provision for obsolete inventory	31	12	**43**
Provision for impairment	1,523	(40)	**1,483**
Other provisions	79	(59)	**20**
Depreciation	1,048	70	**1,118**
IFRS 16 adjustment	41	36	**77**
Deferred tax asset at 15%	2,722	19	**2,741**

	At 1 January RO'000	Charge for the year RO'000	At 31 December RO'000
2021			
Provision for obsolete inventory	16	15	31
Provision for impairment	1,327	196	1,523
Other provisions	20	59	79
Depreciation	960	88	1,048
IFRS 16 adjustment	64	(23)	41
Deferred tax asset at 15%	2,387	335	2,722

9. Property, plant and equipment

	Free hold land RO'000	Building and roads RO'000	Plant and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost							
At 1 January 2022	**639**	**37,382**	**26,853**	**3,718**	**1,476**	**2,353**	**72,421**
Additions	**-**	**8**	**359**	**104**	**2**	**2,981**	**3,454**
Transfers	**-**	**1,175**	**921**	**-**	**-**	**(2,096)**	**-**
Transfers –contract assets (note 12)	**-**	**-**	**-**	**-**	**-**	**(227)**	**(227)**
Disposals	**-**	**(107)**	**(2,887)**	**(32)**	**(23)**	**-**	**(3,049)**
Write off	**-**	**(88)**	**(22)**	**-**	**-**	**-**	**(110)**
At 31 December 2022	**639**	**38,370**	**25,224**	**3,790**	**1,455**	**3,011**	**72,489**
Depreciation							
At 1 January 2022	**-**	**17,538**	**21,743**	**3,121**	**1,371**	**-**	**43,773**
Charge for the year	**-**	**1,798**	**1,443**	**268**	**53**	**-**	**3,562**
Related to disposals	**-**	**(106)**	**(2,876)**	**(32)**	**(23)**	**-**	**(3,037)**
At 31 December 2022	**-**	**19,230**	**20,310**	**3,357**	**1,401**	**-**	**44,298**
Carrying amount							
At 31 December 2022	**639**	**19,140**	**4,914**	**433**	**54**	**3,011**	**28,191**

9. Property, plant and equipment (continued)

	Free hold land RO'000	Building and roads RO'000	Plant and equipment RO'000	Motor vehicles RO'000	Furniture and fixtures RO'000	Capital work in progress RO'000	Total RO'000
Cost							
At 1 January 2021	639	36,469	26,157	3,801	1,398	2,011	70,475
Additions	-	-	46	114	78	3,372	3,610
Transfers –Contract assets (note 12)	-	-	-	-	-	(1,453)	(1,453)
Transfers	-	913	650	-	-	(1,563)	-
Disposals	-	-	-	(197)	-	-	(197)
Write off	-	-	-	-	-	(14)	(14)
At 31 December 2021	639	37,382	26,853	3,718	1,476	2,353	72,421
Depreciation							
At 1 January 2021	-	15,753	20,242	2,989	1,322	-	40,306
Charge for the year	-	1,785	1,501	329	49	-	3,664
Related to disposals	-	-	-	(197)	-	-	(197)
At 31 December 2021	-	17,538	21,743	3,121	1,371	-	43,773
Carrying amount							
At 31 December 2021	639	19,844	5,110	597	105	2,353	28,648

9. Property, plant and equipment (continued)

(i) Property, plant and equipment include filling station assets with a carrying value of RO 23.2 million (2021: RO 24.2 million). These assets are constructed and commissioned on filling station sites leased for periods not exceeding 25 years. Lease rentals for sites managed by the Company are agreed for periods varying from five to ten years. In certain cases where the filling station assets cost is shared between the Company and site owner, only the cost borne by the Company is recognised as property, plant and equipment. During the year the Company written off on 4 shared filling station assets that were not operational.

10. Investment properties

2022	Freehold land RO'000	Buildings RO'000	Total RO'000
Cost			
At 1 January and at 31 December	238	943	**1,181**
Depreciation			
At 1 January 2022	-	640	**640**
Charge for the year	-	47	**47**
At 31 December 2022	-	687	**687**
At 31 December 2022	238	256	**494**

2021	Freehold land RO'000	Buildings RO'000	Total RO'000
Cost			
At 1 January and at 31 December	238	943	1,181
Depreciation			
At 1 January 2021	-	593	593
Charge for the year	-	47	47
At 31 December 2021	-	640	640
At 31 December 2021	238	303	541

a) The rental income during the year from the investment properties amounted to RO 90 thousand (2021: RO 107 thousand) (note 4).

b) At the end of the reporting year, the Company has assessed if there are any indicators for impairment of investment property, considering the impact of global economic outlook and expected recession in the markets on the real estate sector in the Sultanate of Oman.

c) At the end of the reporting year, the fair values of the investment properties amounted to RO 1,527 thousand (2021: RO 1,453 thousand) based on valuation undertaken by professional valuers. 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.

11. Leases

The Company has lease contracts for various land on which their filling station, depots and office operates. The Company enters into leasing arrangements for filling stations at various locations across the Sultanate of Oman. The lease terms are typically between five and twenty-five years. The Company's obligations under its leases are secured by the lessor's title to the leased assets.

The Company also has certain leases with lease terms of 12 months or less and leases with low value. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	2022	2021
	RO'000	RO'000
At 1 January	**4,074**	4,072
Additions during the year	**133**	1,175
Re-measurements / adjustments	**3,433**	190
Deletions	**(324)**	(172)
Depreciation for the year	**(948)**	(1,191)
At 31 December	**6,368**	4,074

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	2021
	RO'000	RO'000
At 1 January	**4,330**	4,275
Additions during the year	**133**	1,175
Re-measurements / adjustments	**3,452**	183
Deletions	**(355)**	(181)
Accretion of interest	**468**	249
Payments	**(1,145)**	(1,371)
At 31 December	**6,883**	4,330
Current	**720**	1,156
Non-current	**6,163**	3,174

The following are the amounts recognised in statement of comprehensive income:

	2022	2021
	RO'000	RO'000
Depreciation on right of use assets (note 6)	**948**	1,191
Interest expense on lease liabilities (note 7)	**468**	249
Expense relating to short-term leases/low value assets	**697**	354
	2,113	1,794

11. Leases (continued)

Changes in liabilities arising from financing activities:

	1 January 2022 RO'000	**Cashflows RO'000**	**Others RO'000**	**31 December 2022 RO'000**
Lease liabilities	**4,330**	**(1,145)**	**3,698**	**6,883**

	1 January 2021 RO'000	Cashflows RO'000	Others RO'000	31 December 2021 RO'000
Lease liabilities	4,275	(1,371)	1,426	4,330

12. Contract asset / liabilities

	2022 RO'000	2021 RO'000
Contract assets (note a)	**5,037**	5,305
Contract liabilities (note b)	**1,462**	2,128

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

2022	**Contract assets RO'000**	**Contract costs RO'000**	**Total RO'000**
At 1 January 2022	**1,782**	**3,553**	**5,335**
Additions during the year	**-**	**114**	**114**
Discounting impact	**(58)**	**-**	**(58)**
Transfers from CWIP (note 9)	**227**	**-**	**227**
Amortisation during the year (note 6)	**-**	**(215)**	**(215)**
Settled during the year	**(346)**	**-**	**(346)**
	1,605	**3,452**	**5,057**
Less: allowance for expected credit losses	**(20)**	**-**	**(20)**
At 31 December 2022	**1,585**	**3,452**	**5,037**
Current portion of contract balances	**1,585**	**367**	**1,952**
Non-current portion of contract balances	**-**	**3,085**	**3,085**

12. Contract asset / liabilities (continued)

2021	Contract assets RO'000	Contract costs RO'000	Total RO'000
At 1 January 2021	846	4,047	4,893
Additions during the year	11	-	11
Discounting impact	-	(284)	(284)
Transfers from CWIP (note 9)	1,453	-	1,453
Amortisation during the year (note 6)	-	(210)	(210)
Settled during the year	(528)	-	(528)
	1,782	3,553	5,335
Less: allowance for expected credit losses	(10)	(20)	(30)
At 31 December 2021	1,772	3,533	5,305
Current portion of contract balances	1,772	180	1,952
Non-current portion of contract balances	-	3,353	3,353

(i) Contract assets at the end of the reporting year 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.

- 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 include liability in respect of a contract with a major customer for the construction, management, and operation of retail fuel stations in pre-defined locations within its concession areas. This contract is for 15 years, from Sep 2020 to Aug 2035. According to the contract, the Company shall establish eight retail fuel stations in the specified strategic locations, which is subject to the approval of the concerned Government authorities. As on the reporting date, the Company has obtained initial approval from the concerned authority to construct five fuel stations. However, the final approval from the relevant authorities in this regard is still awaited. In respect of the remaining three fuel stations, initial approval was not approved by the relevant authority due to the minimum distance restriction for constructing a filling station. As a result, the Company is discussing with the customer for alternative solutions.

Per the terms of the contract, in return for the customer awarding strategic locations for the construction of fuel stations, a sum of RO 4 million is payable in monthly installments of RO 111,111 each for three years starting from September 2020. Due to the non-resolution of an alternative solution as referred to above, the Company has suspended the monthly installment from Aug 2022.

12. Contract asset / liabilities (continued)

On the reporting date, the Company has paid an amount of RO 2,555,553 to the customer in this regard, and the balance payable amount of RO 1,444,447 is shown in the books of account as contract liabilities at the present value of RO 1,426 thousand (2021: RO 2,119 thousand).

The Company is ongoing discussion with the customer on the matter and considers the amount paid to the customer in respect of the non-approved locations to be recoverable as the approval of a retail fuel location is not in the control of the Company and management believe that there will be no legal implications as result of suspending the monthly settlement due to the customer.

13. Inventories

	2022 **RO'000**	2021 RO'000
Petroleum products	**3,444**	3,147
Fuel cards	**71**	18
General stores and consumables	**598**	916
	4,113	4,081
Provision for slow moving inventories	**(289)**	(203)
	3,824	3,878

Movement in the provision for slow moving inventories is as follows:

	2022 **RO '000**	2021 RO '000
At 1 January	**203**	105
Provided during the year	**86**	98
At 31 December	**289**	203

14. Trade and other receivables

	2022 **RO'000**	2021 RO'000
Trade receivables	**75,326**	66,883
Receivables from related parties	**-**	49
Less: allowance for expected credit loss	**(9,400)**	(9,767)
	65,926	57,165
Prepayments	**630**	616
Accrued income	**51**	2
Staff receivables	**109**	92
Other receivables	**2,931**	537
	69,647	58,412

As at 31 December 2022, trade receivables of RO 9,400 thousand (2021: RO 9,767 thousand) were impaired and provided against. Movements in the allowance for expected credit loss is as follows:

14. Trade and other receivables (continued)

Movement in the allowance for expected credit loss is as follows:

	2022 **RO'000**	2021 RO'000
At 1 January	**9,767**	8,685
(Reversed) / provided during the year	**(367)**	1,082
At 31 December	**9,400**	9,767

The amounts are considered to be due within 90 days from the date of invoice for all customers and the vast majority are unsecured. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

The other classes within trade and other receivables do not contain impaired assets.

As at 31 December 2022, The Company has unclaimed receivables from Oman Tax Authority amounting to OMR 796,465 presenting VAT input Tax for fuel sold from Dealer Filling Station through the Company prepaid and postpaid fuel cards. Considering the different process of VAT return filing and VAT refund claims, as per the Company Tax Consultant's advice, the Company have cautiously excluded input tax amount related to the value of fuel sold to prepaid and postpaid fuel card customers from Dealer Filling Satiation till the Company receive signed and stamped Tax Invoice from Dealer Filling Station.

As per Article 73 of Oman VAT Law, it is allowed to amend the VAT return within 3 years from the date of submission. The Company is in the process of rectification of documentation to comply with Law and Executive Regulations to collect Tax Invoices from the Dealers before filing VAT refund from Oman Tax Authority and Company will ensure that all tax invoices are collected and in compliance with related Law and Executive Regulations.

Furthermore, management is in confidence that all Vat input tax in relation fuel sold from Dealer filling station is recoverable and has legal right to refund all VAT input since implementation of VAT in April 2021 till the date of report.

15. Bank balances and cash

	2022 **RO'000**	2021 RO'000
Cash at bank (a)	**34,747**	32,692
Deposits	**-**	-
Less: Allowance for expected credit loss (b)	**(147)**	(142)
	34,600	32,550
Cash in hand	**641**	356
Bank balances and cash	**35,241**	32,906

a) Bank balances and cash include call deposits which earn interest at commercial rates (2021 – same terms).

15. Bank balances and cash (continued)

b) Movement in the allowance for expected credit loss is as follows:

	2022 RO'000	2021 RO'000
At 1 January	**142**	133
Provided during the year (note 6)	**5**	9
At 31 December	**147**	142

16. Share Capital

The authorized share capital comprises 85 million shares of RO 0.100 each (31 December 2021: 85 million of RO 0.100 each)

At 31 December 2022, the issued and fully paid up share capital comprised 69 million shares of RO 0.100 each (31 December 2021: 69 million shares of RO 0.100 each) (note25).

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

	2022		2021	
	%	**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**	13.2	9,081,781

17. Legal reserve

Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman), as amended requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital. Since the amount of legal reserve has exceeded one-third of the Company's share capital, no further transfers have been made during the year. This reserve is not available for distribution.

18. Special reserve

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

19. Employees' end of service benefits

	2022 RO'000	2021 RO'000
At 1 January	**199**	211
Charge for the year (note 6)	**36**	36
Paid during the year	**-**	(48)
At 31 December	**235**	199

20. Trade and other payables

	2022 RO'000	2021 RO'000
Trade payables	**45,646**	37,150
Accrued expenses	**3,332**	3,110
Advance from customers	**799**	710
Other payables	**1,565**	1,881
	51,342	42,851

21. Short-term borrowings

The carrying amount of the Company's short-term loan is denominated in Rial Omani. The short-term loan is unsecured, carries interest at a commercial rate. The Company has adequate facilities with local banks to repay / rollover the loan within 12 months to meet its ongoing business requirements. Interest will be paid based on the maturity date.

Changes in liabilities arising from financing activities:

	1 January RO'000	**Cash inflows RO'000**	**Cash outflows RO'000**	**31December RO'000**
Short term loan 2022	**42,000**	**751,427**	**(750,527)**	**42,900**
Short term loan 2021	44,731	590,714	(593,445)	42,000

22. Dividends paid and proposed

Dividends paid
During the year dividend of RO 0.040 per share amounting to RO 2.760 million relating to 2021 was declared and paid (2021: Nil).

Proposed dividend
The Board of Directors has proposed a cash dividend of RO 0.085 per share amounting to RO 5.865 million for the year ended 31 December 2022, which is subject to the approval of the shareholders at Annual General Meeting to be held on 21 March 2023.

23. Related party transactions

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

	2022	2021
	RO'000	RO'000
Transactions with other entities related to Directors:		
Revenue	**410**	290
Transactions with Directors:		
Directors' remuneration and sitting fees	**324**	230
Operating lease payment for a filling station owned by a director	**24**	24
	348	254

At 31 December 2022, there were no transactions with shareholders holding 10% or more interest in the Company (2021: nil). Amounts due from related parties are interest free and on normal credit terms (2021: same terms). Amount due from related parties are disclosed in note 14.

Compensation of key management personnel
The remuneration of key management personnel during the year were as follows:

	2022	2021
	RO'000	RO'000
Short-term benefits	**658**	483
Employees' pension and end of service benefits	**21**	21
	679	504

24. Financial risk management

24.1 Financial risk factors

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Risk management is carried out by management under policies approved by the Board of Directors.

24.2 Market risk

24.2.1 Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US dollars. As the Company's commercial transactions are primarily in foreign currencies pegged to Rial Omani, the management has not taken any forward contracts. Since most of the foreign currency transactions are either in US Dollars or in currencies linked to US Dollar, management believes that should these currencies weaken or strengthen against the Rial Omani, there would be an insignificant or no impact on the post tax profits.

24. Financial risk management (continued)

24.2 Market risk (continued)

24.2.2 Interest rate risk

The Company's interest rate risk arises from bank borrowings and bank deposits. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company. The Company limits interest rate risk on bank deposits by monitoring changes in interest rates. Management has estimated the effect on profit for the year due to increase or decrease in interest rates to be insignificant.

24.3 Credit risk

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

The Company only deals with commercial banks in Oman with good ratings. Management does not expect any of its counter parties to fail to meet its obligations.

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

The Company has significant concentrations of credit risk with the Government sector. At 31 December 2022, Government organisations in Oman accounted for 36% (2021: 40%) of the outstanding trade accounts receivables. At 31 December 2022, there were no other significant concentrations of credit risk.

Credit risk on other financial assets, including cash and cash equivalents arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances.

Cash and bank balances are placed with reputed financial institutions in the Sultanate of Oman.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as follows:

	2022	2021
	RO'000	RO'000
Trade receivables (note 14)	**75,326**	66,883
Bank balances and cash (note 15)	**35,241**	32,906
	110,567	99,789

24. Financial risk management (continued)

24.3 Credit risk (continued)

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:

		Trade receivables				
			Days past due			
31 December 2022	*Contract assets RO'000*	*Current RO'000*	*< 30 days RO'000*	*31 - 180 days RO'000*	*> 180 days RO'000*	*Total RO'000*
Expected credit loss rate	**0.39%**	**0.44%**	**0.62%**	**2.38%**	**92.80%**	**12.48%**
Gross carrying amount	**5,057**	**44,449**	**10,924**	**10,372**	**9,581**	**75,326**
Expected credit loss	**20**	**194**	**68**	**247**	**8,891**	**9,400**

		Trade receivables				
			Days past due			
31 December 2021	*Contract assets RO'000*	*Current RO'000*	*< 30 days RO'000*	*31 - 180 days RO'000*	*> 180 days RO'000*	*Total RO'000*
Expected credit loss rate	0.56%	0.50%	0.76%	4.30%	83.59%	14.59%
Gross carrying amount	5,335	36,432	9,391	10,257	10,852	66,932
Expected credit loss	30	183	71	441	9,072	9,767

24.4 Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be paid on an average of 30 days from the date of sale. Trade payables are normally settled within 90 days of the date of purchase.

24. Financial risk management (continued)

24.4 Liquidity risk (continued)

Management has taken several steps in protecting cash flows through compensating cost saving measures and reductions to discretionary capital expenditure. Further, the Company aims to maintain the level of its cash and cash equivalents at an amount sufficient to meet cash outflows in a range of scenarios.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

2022	**Up to one year RO'000**	**1-5 years RO'000**	**More than 5 years RO'000**	**Total RO'000**
Lease liabilities (note 11)	**1,127**	**2,641**	**7,392**	**11,160**
Short term borrowings (note 21)	**42,900**	**-**	**-**	**42,900**
Trade and other payables (note 20)	**48,775**	**2,567**	**-**	**51,342**
	92,802	**5,208**	**7,391**	**105,402**

2021	Up to one year RO'000	1 - 5 years RO'000	More than 5 years RO'000	Total RO'000
Lease liabilities (note 11)	1,269	2,430	2,493	6,192
Short term borrowings (note 21)	42,000	-	-	42,000
Trade and other payables (note 20)	40,913	1,938	-	42,851
	84,182	4,368	2,493	91,043

24.5 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a commercially defensible capital structure to reduce the cost of capital. Capital comprises share capital, legal reserve, special reserve and retained earnings.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Company monitors capital using a gearing ratio, which is 'net debt' divided by total equity. The Company includes within net debt, short term loans, lease liabilities, trade and other payables, less cash and short-term deposits.

24. Financial risk management (continued)

24.5 Capital management (continued)

	2022	2021
	RO'000	RO'000
Short term borrowings (note 21)	**42,900**	42,000
Lease liabilities (note 11)	**6,883**	4,330
Trade and other payables (note 20)	**51,342**	42,851
Less: Bank balances and cash (note 15)	**(35,241)**	(32,906)
Net debt	**65,884**	56,275
Equity	**47,528**	44,096
Capital and net debt	**113,412**	100,371
Gearing ratio	**1.39**	1.28

24.6 Fair value estimation

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. Financial assets consist of cash and bank balances and trade and other receivables. Financial liabilities consist of trade and other payables and term loans.

The fair values of financial assets and financial liabilities at the end of the reporting date are not materially different from their carrying values.

The fair value of land and buildings was determined by external, independent valuers, having appropriate recognized professional qualification and experience in location and category of property being valued. The independent valuers provide the fair value of the company's land and building at reporting date based on market approach. The fair value measured has been categorized as level 3 based on highest and best use.

The following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair values are not based on observable market data.

24. Financial risk management (continued)

24.6 Fair value estimation (continued)

The following table presents the non-financial assets for the company that are measured at fair value:

At 31 December 2022	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
Land and buildings	**-**	**-**	**1,527**	**1,527**

At 31 December 2021	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Land and buildings	-	-	1,453	1,453

There were no transfers between Level 1 and Level 2 during 2022.

25. Net assets per share

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

	2022	2021
Shareholders' equity (RO'000)	**47,528**	44,096
Number of shares outstanding at the end of the reporting period (thousands) (note 16)	**69,000**	69,000
Net assets per share (RO)	**0.689**	0.639

26 Basic and diluted earnings per share

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

	2022	2021
Profit for the year (RO'000)	**6,192**	2,760
Weighted average number of shares (thousands)	**69,000**	69,000
Earnings per share - basic and diluted (RO)	**0.090**	0.040

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

27. Contingencies and commitments

a) 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.

b) The Company received claims from a major fuel supplier in Oman in respect of:

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

ii) RO 846,000 deducted by the Company in previous years from the amounts payable relating to invoices raised by the fuel supplier. This deduction relates to a transportation rebate (the rebate) that was not paid to the Company by the fuel supplier relating to the prior years.

During the year, the Company has paid an agreed sum of RO 432 thousand to the supplier in full and final settlement of above claim (ii) as mutually agreed settlement comprising 51% of the total claim which was paid in 6 monthly installments of RO 72,000 starting from 15 April 2022 to 15 September 2022.

The fuel supplier has also claimed interest of approximately RO 406,000 (2021: 483,000) in respect of non-settlement of the claim (i) by the Company.

Based upon the review of the correspondences with the supplier relating to the above claims and the opinion of external lawyers and in-house legal counsel, the Company is constantly monitoring the status of these claims and maintains adequate reserves to cover any liability that may arise.

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

	2022 **RO'000**	2021 RO'000
Bank guarantees and letter of credits	**2,339**	1,959
Capital commitments	**3,022**	3,226
	5,361	5,185

28. Financial instruments

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

	2022	2021
	RO'000	RO'000
Assets at amortised costs		
Trade and other receivables (excluding prepayments)	**69,017**	57,796
Cash at bank and in hand (note 15)	**35,241**	32,906
	104,258	90,702

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

	2022	2021
	RO'000	RO'000
Liabilities measured at amortised costs		
Trade and other payables (note 20)	**51,342**	42,851
Short-term borrowings (note 21)	**42,900**	42,000
	94,242	84,851

29. Segmental information

Management has determined the Company's operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Chief Executive Officer identifies operating segments based on a business perspective. The reportable operating segments derive their revenue primarily from the sale of refined petroleum products. Retail sales amounting to RO 347.9 million (2021: RO 271.7 million) represent the most significant component of revenue for the Company.

30. Climate related risks

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally.

While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains. The Company is making progress on embedding climate risk in its risk framework.

31. Impact of COVID-19 outbreak

The Covid-19 outbreak was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

The Covid-19 pandemic shows considerable signs of easing as many countries have lifted travel bans, ended lockdowns and eased quarantine measures. Many governments have announced curtailment of certain measures to provide financial and non-financial assistance to the affected entities. At the same time, Covid-19 may continue to affect companies and economies. Many entities are still dealing with lost revenue and disrupted supply chains and, as a result, millions of workers have lost their jobs.

These developments have presented entities with challenges in preparing their IFRS financial statements. However, as the impact largely depends on the nature of an entity's business and the extent to which it has been affected, the potential impact has not been illustrated in these financial statements.

The Covid-19 pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. Therefore, entities should carefully consider whether additional disclosures are necessary in order to help users of financial statements understand the judgements applied in the financial statements.

32. Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted in the current year financial statements. Such reclassifications are not material and have not affected previously reported net profit or shareholders' equity.