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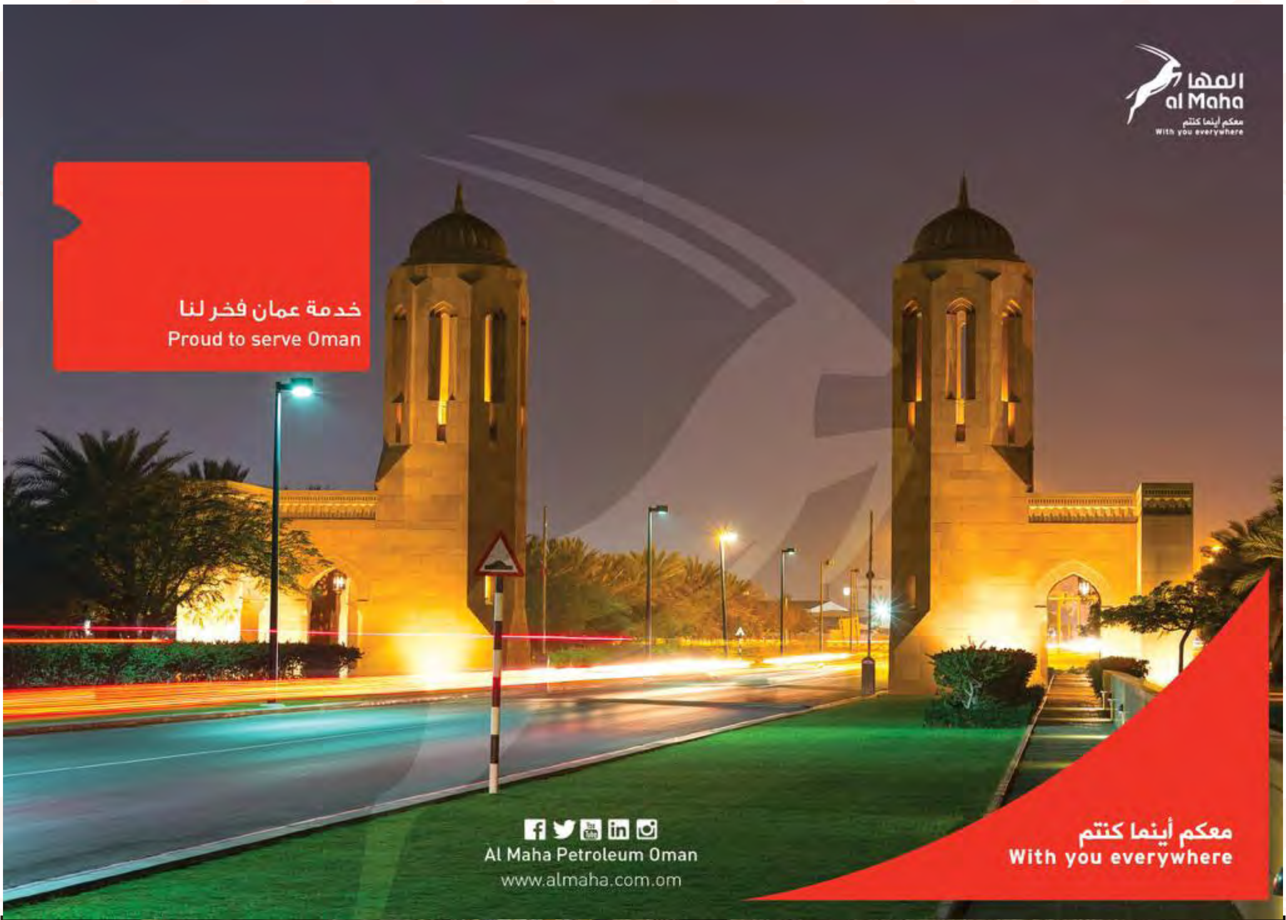
Annual Report 2019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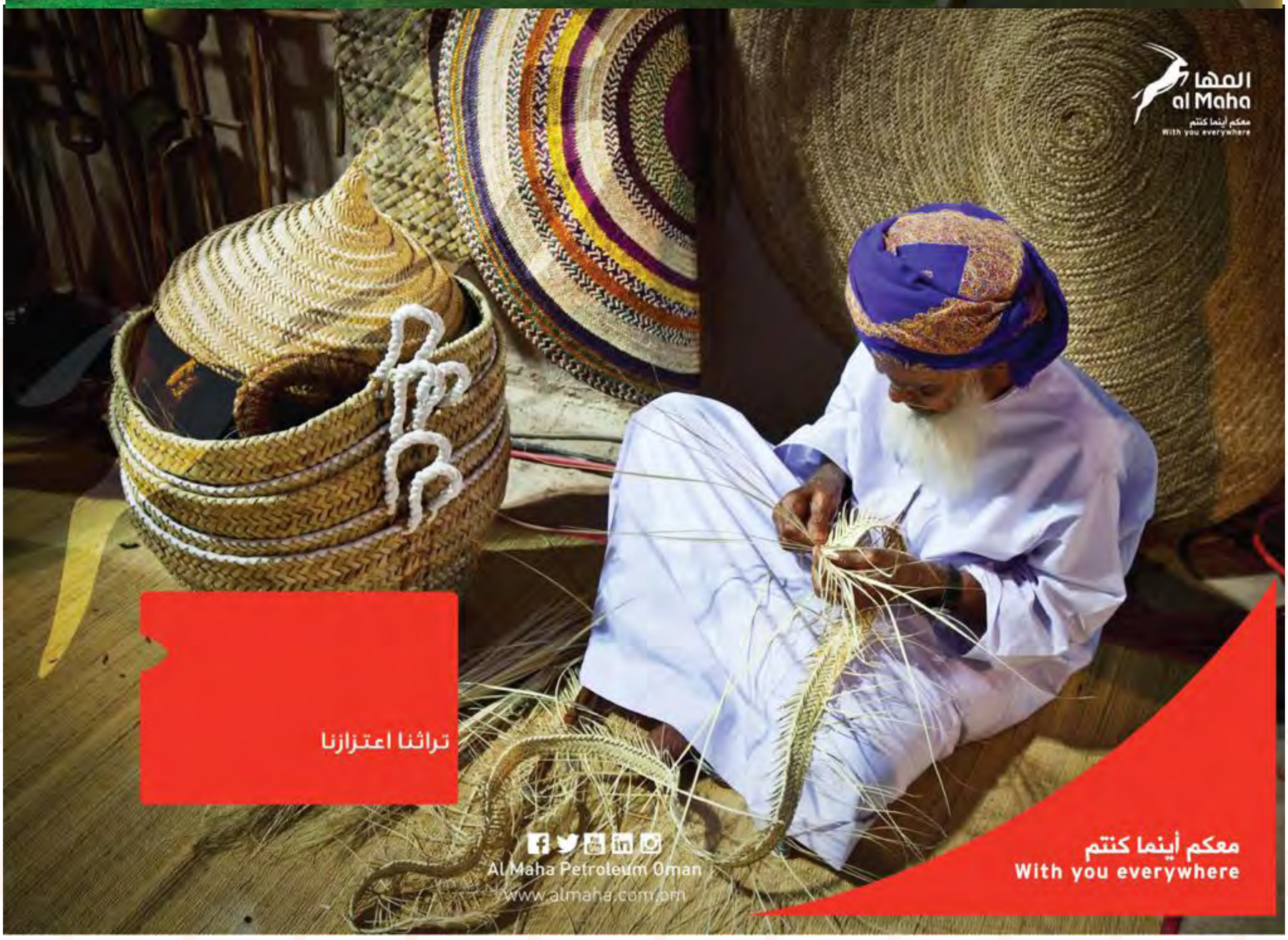
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His Majesty
Sultan Haitham Bin Tariq

His Majesty
Sultan Qaboos Bin Said Bin Taimour (Late)

C-STORE - NEW LOOK

Registered Office:

Al Maha Petroleum Products Marketing Company SAOG
P.O. Box : 57, P.C. : 116,
Operator No.: (968) 24610200
Fax No. : (968) 24610380
Mina Al Fahal, Sultanate of Oman
CR No. 1613707

Location :

Building No.: 245
Block No. : 250
Street : Al Maaredh, Street No.: 61
Area : Ghala
Website : www.almaha.com.om

CONTENTS

BOARD OF DIRECTORS

Dr. Juma Ali Juma Al-Juma
Chairman

His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan
Deputy Chairman

Saleh Nasser Juma Al-Araimi
Director

Saif Salim Saif Al-Harthi
Director

Faisal Ali Saleh Al Ahmed Al Ali
Director

Sultan Khalifa Saleh Al-Tai
Director

Mohammed Ali Said Al-Qassabi
Director

EXECUTIVE MANAGMENT TEAM

Eng. Hamed Salim Hamed Al Maghdri
Chief Executive Officer

Ahmed Bakhit Al Shanfari
Head - Marketing Division

Hafedh Awadh Al Hadeed
Head - Sales Division

Hiriyanna Narayanaswamy
Chief Financial Officer

Salah Abdullah Al Shamsi
Head – Strategic Planning &
Risk Management Division

Abdulhaleem Ali Issa Al Sabbagh
Head - Support Services Division

Hamood Salah Hamood Al Amri
Head – Technical Division

CHAIRMAN'S REPORT

Dear Shareholders,

At the outset, we express our deepest & sincere condolences to the people of Oman on the passing away of our beloved leader, "Father of the Nation", **His Majesty Sultan Qaboos Bin Said Bin Taimour**, may Almighty Allah rest his soul in peace, who spearheaded the growth of Oman for nearly half a century, with his vision & wisdom and provided ideal political, economic and financial framework for all the sectors of the economy to flourish.

On behalf of the Board of Directors, I am pleased to present the 16th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2019.

FINANCIAL PERFORMANCE (RO'000)

	2019	2018	Inc /(dec)	Inc/(dec) %
Sales	**465,914**	487,915	(22,001)	(4.5%)
Cost of sales	**(436,603)**	(458,621)	(22,018)	(4.8%)
Gross profit	**29,311**	29,294	17	0.1%
Other income	**2,079**	1,960	119	6%
Total expenses	**(27,982)**	(26,105)	1,877	7%
Net profit after tax	**3,408**	5,149	(1,741)	(34%)
Shareholders' value:				
Earnings per share (RO)	**0.049**	0.075	(0.026)	(34%)
Book value per share (RO)	**0.657**	0.677	(0.020)	(3%)
Net equity (RO'000)	**45,303**	46,725	(1,422)	(3%)

HIGHLIGHTS

- Total sales during the year 2019 reached RO 465.9 million (2018: RO 487.9 million), a decrease by RO 22 million i.e., by 4.5%, mainly due to decrease in retail sales value by 4%, Commercial sales by 13%, despite 10% increase in aviation sales segment.
- Net profit decreased by RO 1.7 million (34%) over 2018 due to increase in total expenses by 7% mainly on account of increased allowance for expected credit losses as per IFRS 9, increase in depreciation costs mainly related to opening of 9 stations during the year & impairment of MAF depot assets, increase in maintenance costs, aviation technical fees and finance charges.

MARKETING PERFORMANCE

Low oil price environment continued during the year affecting the revenue growth of major sectors of the economy.

Retail Segment

Despite the continuous increase in investment in Retail segment, low demand environment & consequent decline in the automobile industry saw reduced activity at our fuel stations.

During the year, 9 more retail outlets have been opened taking the total number of filling stations to 226.

CHAIRMAN'S REPORT

We continue to focus on expansion of retail network by exploring new sites for potential development and allocating budgetary resources to automate our retail stations and improve customer facilities & ambience at our stations.

Commercial Segment

The decreased consumption by our major customers in the industrial and construction sector affected the growth of Commercial segment. Further, low spending on infrastructure development activities also restricted the demand for our products.

Despite stiff competition and challenging business dynamics, we aim to improve our performance by focusing on new opportunities being created by the newly secured projects.

Aviation Segment

The Aviation business continued to maintain its positive growth mainly due to increased fuel supplies to Oman Air & other major customers.

Significant increase in the influx of passengers and travellers registered in the Muscat International airport as a result of strong growth of tourism sector is expected to further contribute to the aviation sales growth.

MARKET SHARE

Based on the information published in the financial results of the other petroleum products marketing companies, your Company's market share at the end of year 2019 stood at 30%.

DIVIDEND

In line with our consistent dividend policy of maintaining a sustainable dividend payment, the Board of Directors has recommended a cash dividend of **Bzs 0.070** per share amounting **RO 4,830,000** representing **70%** of share capital, subject to the approval of the shareholders' Annual General Meeting.

CORPORATE GOVERNANCE

Our corporate philosophy on Corporate Governance has been to ensure fairness to the Stakeholders through transparency, full disclosures, empowerment of employees and collective decision making. The corporate Governance Report highlighting these endeavors has been incorporated as a separate section, forming part of the Annual Report.

Corporate Strategy and Risk Management department has been set up during the year to explore new strategic opportunities across the value chain to enhance efficiencies, and track strategy implementation throughout the organization.

SOCIAL RESPONSIBILITY

Contribution towards the society and working for the welfare of the Society forms part of the core corporate values of Your Company.

During the year several schemes were launched and special assistance were given to the needy.

CHAIRMAN'S REPORT

HSE

Health, Safety, Security, and Environment are the indispensable constituents of our activities. Your Company strives to improve personal and process safety by continuous monitoring and effective management. The target is to achieve zero occupational incidents and the primary focus is laid on the Safety Management System.

FUTURE OUTLOOK

Despite the challenging environment, your Company is focused on the development of the key business strategies & optimistic about the future opportunities being created by expansion of road networks, new highways, new ports development & development of new residential areas with the general increase in population.

Your Company continues to focus on the expansion of retail network across the country and operational excellence to cater to the changing patterns of consumer behavior. Petrol stations are gaining importance as centres for additional retail services, such as fast-moving consumer goods shopping and food corners. The ever-increasing life dynamics, less & less time available, growing diversification of the consumers' needs and more and more investments in the automation technology have a strong impact on the retail sector.

We are fully committed to the need of the hour i.e. to integrate new technologies like digitalization, operation automation, fully integrated ERP, backed up by innovative processes, to provide efficient solutions for all our customer segments & businesses.

ACKNOWLEDGEMENT

On behalf of the Board of Directors and executive management, I take this opportunity, to express our most sincere gratitude and loyalty to **His Majesty Sultan Haitham bin Tariq** and his efforts in continuing the legacy of His Majesty Sultan Qaboos towards a prosperous Oman.

We thank our shareholders, customers, the officials of Capital Market Authority and Muscat Securities Market for their valuable support and co-operation. We also appreciate the dedicated and committed service of our staff members.

Juma Ali Juma Al-Juma
Chairman
12 February 2020

MOORE

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REPORT OF FACTUAL FINDINGS ON THE CORPORATE GOVERNANCE REPORTING TO THE SHAREHOLDERS OF AL MAHA PETROLEUM PRODUCTS MARKETING CO. SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying Corporate Governance report of Al Maha Petroleum Products Marketing Co. SAOG ('the Company') as at and for the year ended 31 December 2019, and its application of Corporate Governance practices in accordance with amendments to CMA Code of Corporate Governance issued under Circular No. E/10/2016 dated 1 December 2016 (collectively 'the Code').

Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. These procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

The procedures performed were as follows:

- We obtained the Corporate Governance report issued by the Board of Directors and ensured it includes as a minimum, the disclosure requirements detailed under Annexure 3 of the Code.

- We obtained details regarding the non-compliance with the Code, if any, identified by the Board of Directors for the year ended 31 December 2019.

We report our findings below:

We found that the Company's Corporate Governance report fairly reflects the Company's application of the provisions of the Code and additional regulations and disclosures and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Corporate Governance report.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance report included in its annual report for the year ended 31 December 2019 and does not extend to any financial statements of Al Maha Petroleum Products Marketing Company SAOG, taken as a whole.

12 February 2020

Moore Stephens

مور ستيفنز ش.م.م
ص.ب: ٩٣٣، الرمز: ١١٢
روي سلطنة عمان
P.O. Box: 933, P.Code: 112
Ruwi, Sultanate of Oman
MOORE STEPHENS L.L.C.

CORPORATE GOVERNANCE REPORT

Our Corporate Governance Philosophy

Good corporate governance is about maximizing shareholder value on a sustainable basis while ensuring fairness to all stakeholders: customers, partners, investors, employees, government and society. Our corporate governance is reflection of our value system encompassing our culture, policies and relationships with our stakeholders.

We are committed to defining, following and practising the highest level of corporate governance across all our business functions.

Our Corporate Governance structure is based on the Code of Corporate Governance issued by the Capital Market Authority (CMA).

Board of Directors

The Board of Directors ('the Board') is at the core of our corporate governance practice and oversees how the Management serves and protects the long-term interests of all our stakeholders. We believe that an active, well-informed and independent Board is necessary to ensure the highest standards of corporate governance.

The Board's main responsibilities include:

- Review the strategic plans and operational performance
- Review effectiveness of internal controls
- Approval of business plans and budgets
- Approval of quarterly and annual financial statements
- Approval of policies and procedures

Election of the Board of Directors

The Board of Directors is elected by the shareholders of the Company at the Annual General Meeting of the Company.

Elections of the members of the Board of Directors are carried out in the Annual Ordinary General Meetings of the Company in accordance with the provisions of the Commercial Companies Law and the guidelines issued by the Capital Market Authority.

If the office of a director becomes vacant in the period between two annual ordinary general meetings, the board appoints a temporary director to assume his office until the next ordinary general meeting in accordance with the provisions of the Commercial Companies Law.

Current Board

The current Board was elected in the Annual General Meeting held on 25 March 2019.

As at 31 December, 2019, the Board consists of **seven** members of which **four** are independent directors.

CORPORATE GOVERNANCE REPORT

Sl No	Director's name	Designation	Status	Board meetings attended	AGM attended	Directorships in other SAOG Companies
1)	**Dr. Juma Ali Juma Al-Juma**	Chairman	Non independent	6	YES	HSBC Bank Oman SAOG
2)	**His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan**	Deputy Chairman	Non independent	7	YES	-
3)	**Faisal Ali Saleh Al Ahmed Al Ali** (appointed on 25 March 2019)	Director	**Independent**	4	YES	-
4)	**Mohammed Ali Said Al-Qassabi**	Director	**Independent**	7	YES	-
5)	**Sultan Khalifa Saleh Al-Tai**	Director	Non independent	6	YES	Al Batinah Hotels Co. SAOG
6)	**Saleh Nasser Juma Al-Araimi**	Director	**Independent**	7	YES	Al Izz Islamic Bank SAOG, Oman Fisheries SAOG
7)	**Saif Salim Saif Al-Harthi**	Director	**Independent**	7	YES	Al Omaniya Financial Services SAOG
	Previous member:					
	Gamal Aly Aly Al-Gamal (until 25 March 2019)	Director	**Independent**	2	NO	-

Number of Board meetings in 2019:

The Board held seven meetings in 2019 as detailed below:

1) 09 Jan 2019	2) 14 Feb 2019	3) 25 Mar 2019
4) 27 Apr 2019	5) 29 Jul 2019	6) 29 Oct 2019
7) 10 Dec 2019		

The intervals between the board meetings are in line with the CMA requirement of a maximum interval of four months.

CORPORATE GOVERNANCE REPORT

Audit Committee

Role of Audit Committee

The Audit Committee Charter defines the duties and responsibilities of the Committee, which are concisely:

- Ensuring compliance with CMA regulations and Code of Corporate Governance
- Review quarterly and annual financial statements
- Considering external audit fees and terms of engagement
- Reviewing and approving the annual internal and external audit plans and ensuring that auditors have full and unrestricted access to all relevant documents and staff
- Oversight of all audit activities and internal control evaluation
- Reviewing proposed specific transactions with related parties and making recommendations to the Board
- Conduct any special investigations and report to the Board

The Audit Committee approved the Internal Audit Charter and issued the Audit Committee Charter which was later approved by the Board of Directors.

The Company has an internal audit function that reports to the Audit Committee.

Composition of Audit Committee

The Audit Committee comprises a Chairman and two Directors, all of whom are non-executive and two of them are independent directors. The Committee members are knowledgeable in finance, industry and laws and regulations governing SAOG companies.

Audit Committee meetings

The Audit Committee met 7 times in 2019 as detailed below:

1) 12 Feb 2019	2) 10 Mar 2019	3) 25 Apr 2019
4) 24 Jul 2019	5) 07 Aug 2019	6) 07 Oct 2019
7) 23 Oct 2019		

The attendance record of the Audit Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	Saleh Nasser Juma Al-Araimi	Chairman	**Independent**	7
2)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	7
3)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	7

CORPORATE GOVERNANCE REPORT

Executive Committee

Role of Executive Committee

The Executive Committee is delegated the powers and authority to facilitate the smooth running of the operations of the Company and to provide the Board with a mechanism for considering in depth, any issue that the Board consider that it requires detailed attention . The Committee's main areas of competence are as follows:

- Strategic issues
- Investment decisions
- Treasury and liquidity management
- Business plans and budgets
- Major changes in policies and procedures
- Proposals for new business areas
- Progress reviews
- Staff matters
- Other matters referred by the Board to the Committee

Composition of Executive Committee

The Executive Committee comprises of two independent directors and two Non-independent director.

Executive Committee meetings

The Executive Committee met 4 times in 2019 as detailed below:

1) 08 Jan 2019	2) 14 Feb 2019	3) 29 Jul 2019
4) 10 Dec 2019		

The attendance record of the Executive Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	Chairman	Non independent	4
2)	Dr. Juma Ali Juma Al-Juma	Member	Non independent	3
3)	Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	Member	**Independent**	2
4)	Saif Salim Saif Al-Harthi	Member	**Independent**	4
	Previous member:			
1)	Gamal Aly Aly Al-Gamal (until 25 March 2019)	Member	Independent	2

CORPORATE GOVERNANCE REPORT

Nomination & Remuneration Committee

The Board constituted "Nomination and Remuneration Committee" during 2016, to assist and advise the Board on the following matters:

1) establishing remuneration & incentive policy for Directors & Executive Management
2) defining bonus policy for Executive Management
3) appointment of skilled persons to the Board & Executive Management
4) succession planning for Directors & Executive Management

The Nomination and Remuneration Committee comprises a Chairman and three Directors, one of them is non-independent and three of them are independent.

The Nomination & Remuneration Committee met 8 times in 2019 as detailed below:

1) 08 Jan 2019	2) 13 Feb 2019	3) 16 Apr 2019
4) 23 Apr 2019	5) 24 Apr 2019	6) 29 Jul 2019
7) 16 Oct 2019	8) 05 Dec 2019	

The attendance record of the Committee meetings was as follows:

S. No	Director's name	Designation	Status	Meetings attended
1)	Saif Salim Saif Al-Harthi	Chairman	**Independent**	6
2)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	6
3)	Mohammed Ali Said Al-Qassabi	Member	**Independent**	8
4)	Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	Member	**Independent**	6
	Previous members:			
1)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan (Until 25 Mar 2019)	Chairman	Non independent	2
2)	Gamal Aly Aly Al Gamal (Until 25 Mar 2019)	Member	Independent	2

Corporate Social Responsibility (CSR)

During the year several projects benefitting Society were undertaken. The Company is committed to continue these initiatives with more vigour in the years ahead.

Remuneration of Directors

Sitting fees are paid to the Board and committee members to take account of the additional work involved. The details of sitting fees are shown below:

- Board Meetings-RO 800 per meeting
- Audit Committee Meetings-RO 600 per meeting
- Executive Committee Meetings-RO 600 per meeting
- Nomination & Remuneration Committee - RO 600 per meeting

CORPORATE GOVERNANCE REPORT

Details of total sitting fees for the year are given below:

1)	Total sitting fees of the Board of Directors meetings	RO 33,600
2)	Total sitting fees of the Audit Committee meetings	RO 10,200
3)	Total sitting fees of the Executive Committee meetings	RO 8,400
4)	Total sitting fees of the Nomination & Remuneration Committee meetings	RO 15,400
	Total sitting fees	**RO 67,600**

The proposed directors' remuneration for the year 2019 is RO 93,627 subject to the approval of the Annual General Meeting, to be held on 15 March 2020.

The details of amounts paid to / proposed for directors for 2019 are shown below:

S. No	Director's name	Sitting fees	Proposed remuneration	Total
		RO	RO	RO
1)	Dr. Juma Ali Juma Al-Juma	6,600	13,375	**19,975**
2)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	9,200	13,375	**22,575**
3)	Faisal Ali Saleh Al Ahmed Al Ali (appointed on 25 March 2019)	8,000	10,031	**18,031**
4)	Saif Salim Saif Al-Harthi	10,000	13,375	**23,375**
5)	Saleh Nasser Juma Al -Araimi	9,800	13,375	**23,175**
6)	Sultan Khalifa Saleh Al-Tai	10,000	13,375	**23,375**
7)	Mohammed Ali Said Al-Qassabi	10,000	13,375	**23,375**
	Previous Member:			
1)	Gamal Aly Aly Al-Gamal (until 25 March 2019)	4,000	3,344	**7,344**
	Total	**67,600**	**93,627**	**161,227**

The total sitting fees for each director and the total sitting fees and remuneration for all directors are within the provisions of Articles of Association and the amendments made to the Commercial Companies Law in November 2005.

Shareholders

The shareholders who owned 5% or more of the share capital of the Company at 31 December 2019 were as follows:

Shareholder's name	% of shareholding	Number of shares held
1) ABS Lubricants	40.0%	27,600,000
2) Civil Service Employees Pension Fund	12.9%	8,895,910
3) Public Authority for Social Insurance	6.5%	4,457,512
4) Ministry of Defense Pension Fund	5.4%	3,718,430
Total	**64.8%**	**44,671,852**

CORPORATE GOVERNANCE REPORT

Distribution of shareholding

Category of shares	Number of shareholders	Number of shares	% of shareholding
Up to 5,000	961	1,569,629	2%
5,001 – 30,000	364	2,869,475	4%
30,001 – 50,000	34	1,405,349	2%
50,001 – 100,000	17	1,178,103	2%
100,001 – 400,000	17	2,902,034	4%
Above 400,000	16	59,075,410	86%
Total	**1,409**	**69,000,000**	**100%**

Dividend policy

The Board of Directors will maintain a sustainable dividend policy which will address the financial strength of the Company, support its long-term strategies and at the same time, will pay a reasonable dividend to the shareholders.

Communication with shareholders

The annual and quarterly financial statements are published in two newspapers (Arabic and English).

All the information relating to the Company, news and the financial results are available in the Company's website and in Muscat Securities Market website. The Annual General Meeting offers a further opportunity for the directors to meet with shareholders.

The Annual Report includes the Management Discussion and Analysis Report.

The Company did not have any GDRs/ADRs/Warrants or any other convertible warrants as on 31 December 2019 and hence the likely impact on equity is Nil.

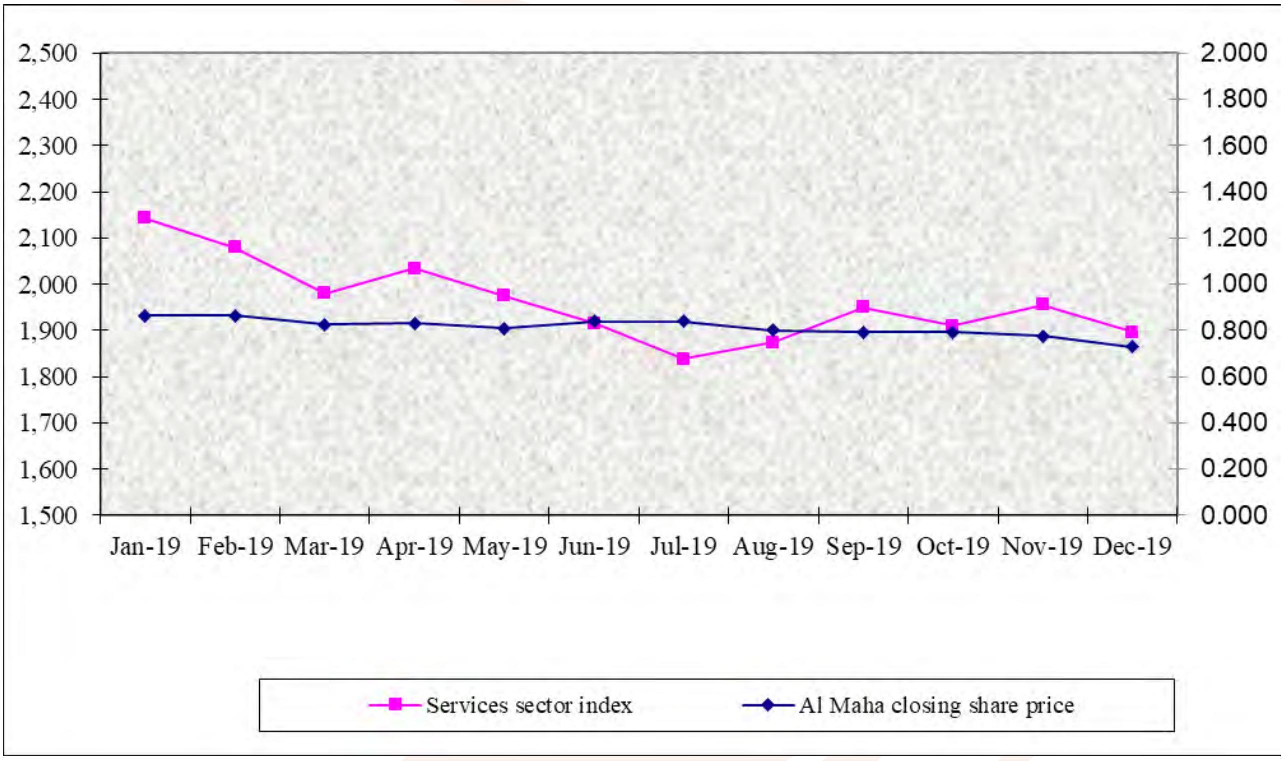
Market price data

The monthly market prices during 2019 are shown in the following table:

Month	High RO/ share	Low RO/ share	Close RO/ share
January	0.948	0.864	0.864
February	0.880	0.852	0.864
March	0.904	0.824	0.824
April	0.832	0.816	0.832
May	0.828	0.800	0.808
June	0.840	0.808	0.840
July	0.832	0.832	0.840
August	0.820	0.800	0.800
September	0.800	0.720	0.792
October	0.792	0.780	0.792
November	0.792	0.760	0.776
December	0.776	0.728	0.728

CORPORATE GOVERNANCE REPORT

Performance in comparison to MSM services sector index:



Statutory auditors

Moore Stephens LLC, Oman is part of the Moore Global network, which is regarded as one of the world's major accounting and consulting networks, with its headquarters in London, consisting of more than 260 independent firms with 609 offices and more than 30,000 people across 112 countries.

The Oman office commenced practice in the Sultanate of Oman in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organizations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 55, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

The fees payable to Moore Stephens for the year 2019 amounts to RO 10,200 towards professional services rendered to the Company RO 9,000 for audit & RO 1,200 for tax services and RO 400 for attending Audit Committee meetings.

External Quality Assurance Review of Internal Audit Department

As required by CMA Resolution Number 10/2018, during 2019 Board of Directors appointed M/s Deloitte, as External Quality Assurance Reviewer of Internal Audit Department. Their report is submitted to the Board. Following are the opinion of M/s Deloitte:

CORPORATE GOVERNANCE REPORT

"It is our conclusion that Internal Audit Department generally conforms with the IIA's Standards for the Professional Practice of Internal Auditing and the IIA Code of Ethics and Article 27 of the CMA resolution no. 10/2018.

The above statement is in accordance with the requirements stated in Standard 1321 of IPPF and Article 27 of CMA resolution no. 10/2018. The phrase generally conforms means there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the Standards or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives."

Details of non-compliance with the provisions of Corporate Governance

The Company complies with the provisions of the Code of Corporate Governance. Therefore, there are no penalties imposed on the Company by CMA/MSM during the period of this report.

Acknowledgement by the Board of Directors

1) The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the disclosure requirements issued by the Capital Market Authority.

2) The Board has overall responsibility for the Company's internal controls which are designed to manage rather than eliminate risk to which the Company is exposed and provides reasonable rather than absolute assurance against material misstatement or loss.

   The Board of Directors has reviewed the internal controls and is satisfied that appropriate controls are in place to implement the Code's requirements.

3) The Board of Directors believes to the best of its knowledge that there are no material issues which might affect the continuity of the Company's operations in the financial year which shall end on 31 December 2020.

Juma Ali Juma Al-Juma
Chairman

Saleh Nasser Juma Al-Araimi
Director

Management Discussion and Analysis

Business & objectives

The Company is primarily engaged in the marketing & distribution of petroleum products viz. Gasoline (M91,M95 & M98), diesel, aviation fuel, kerosene & lubricants.

The Company operates with the following objectives:

1) Improving shareholders net-worth and payment of consistent and fair returns
2) Increasing the overall market share in all business areas & effectively addressing the prevailing competition
3) Improving the corporate image through better customer service and brand recognition
4) Recruiting and empowering Omani youths
5) Total commitment to the protection of Health, Safety and Environment (HSE)

Business operations

The Company operates its business through the following segments:

1) Retail sales
2) Commercial sales
3) Other sales (including Aviation & lubricant sales).

The performance of these major segments is discussed below:

1) Retail sales

Retail sales segment forms the biggest revenue earner of our business, accounting for almost 57% of our business.

As part of retail network expansion strategy, 9 news stations were commissioned & opened to public during the year.

The Company has the largest network of fuel stations in the country, providing round the clock service catering the varying needs of our customers.

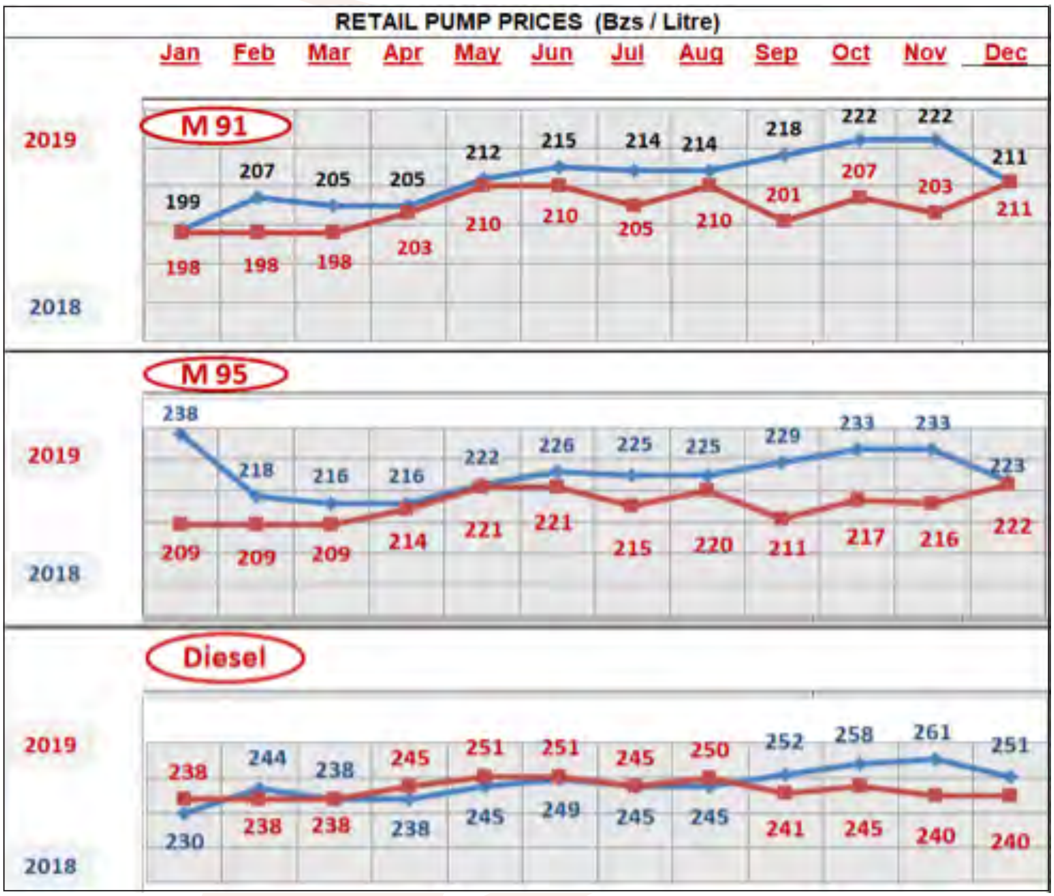
With a network of 226 retail stations as at the end of 2019, Al Maha reaches every corner of the country, emerging as a one-stop destination for retail customers with ever-changing needs. Most of these centres also provide non-fuel related services such as car washing and convenience stores.

Non-fuel sales, in particular convenience store sales, car service centres and other facilities at filling stations are becoming increasingly important factors in boosting Retail sales business. Accordingly, fuel stations have been getting a comprehensive makeover aimed at enhancing customer convenience and service.

The Company is continuing its ambitious rebranding programme; as on date 96% of the stations have a new logo.

Management Discussion and Analysis

The following chart shows the fuel prices trend during the year in comparison with 2018:



2) Commercial sales

The Commercial segment has differentiated itself as a market leader accounting for almost 27% of our business. This segment has been to retain profitability by maintaining a delicate balance between volume and value in a highly competitive and discount driven business environment.

The emergence of Gas as an alternative source of fuel mainly in the power sector has limited the growth of this segment. Further decreased demand due to the slowdown in the construction & industrial sector & tight liquidity in the market leading to increased payment period by large customers are also affecting the growth of this segment.

We are adapting to the changing business scene & working relentlessly to make our logistics most cost effective.

Despite the challenging environment, we look forward for the growth of this segment with prime focus on the retention of existing large customers by offering quality service at competitive prices.

3) Other sales

Other sales comprise aviation fuel and lubricants sales accounting for almost 16% of our business.

Aviation sales segment has improved its performance & growth in 2019, mainly on account of

Management Discussion and Analysis

increased fuel supplies to Oman Air and other commercial airlines at the Muscat International airport.

During the year, the Company is selected by Oman Air, as their aviation fuel supplier to the extent of 50% of their fuel requirement, which signifies the continued recognition of our services by the national carrier.

Going forward, we plan to tap new airlines operating in the region that will contribute to the growth of the aviation segment.

In the lubricant segment we are optimistic to expand our market share through a well-planned marketing and development strategy and our partnership with "Petronas International", a leading lubricant brand in the region.

FINANCIAL PERFORMANCE

	2019 RO-Million	2018 RO-Million	Increase / (decrease)	
			RO-Million	%
Sales	**465.9**	**487.9**	(22)	(4.5%)
Total expenses	**(28.0)**	**(26.1)**	1.9	7%
Net Profit after tax	**3.4**	**5.1**	(1.7)	(34%)
Net assets	**45.3**	**46.7**	(1.4)	(3%)

Earnings Per Share – RO	**0.049**	**0.075**
Net assets per share – RO	**0.657**	**0.677**
Return on equity - %	**7.5%**	**10.9%**

Sales have decreased to RO 465.9 million in 2019 (2018: RO 487.9 million), a decrease of RO 22 million (4.5%) mainly on account of decrease in retail sales, commercial sales, despite increase in Aviation business.

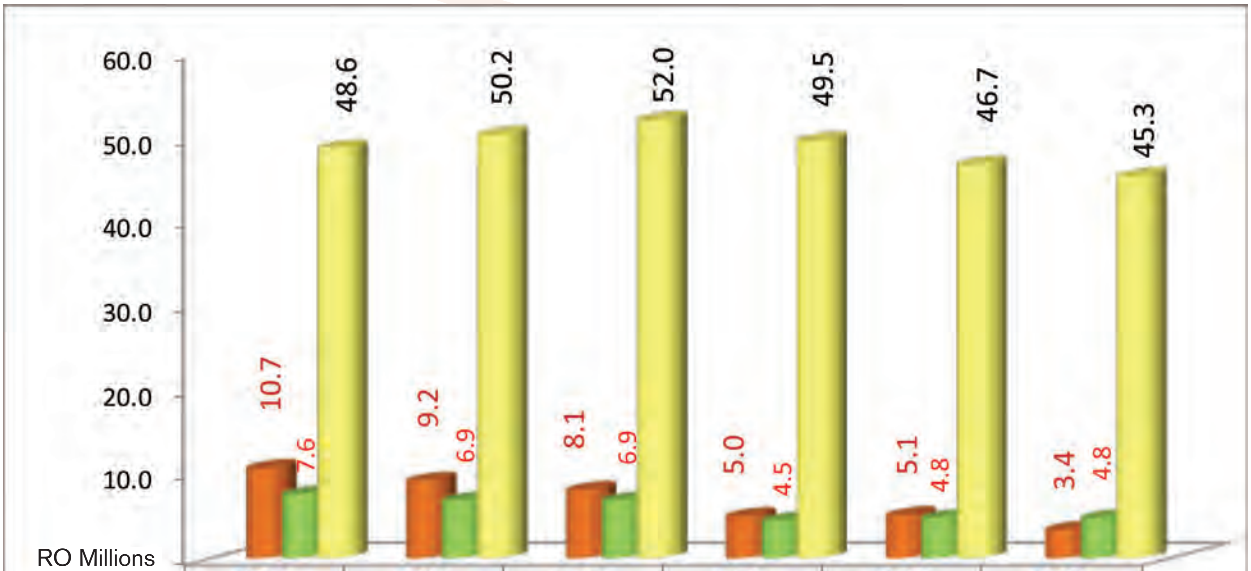
Expenditure rose by RO 1.9 million (7%) mainly due to the increase in allowance for expected credit losses as per IFRS 9, impairment of MAF Depot assets, depreciation costs maintenance expenses and aviation technical fees, after setting off decrease in transport cost, filing station operating expenses, license fees, marketing expenses and others.

Net profit after tax decreased to RO 3.4 million in 2019 (2018: RO 5.1 million), a decrease of RO 1.7 million (34%) mainly due to the decrease in sales and increase in expenses.

Return on equity decreased in 2019 when compared with 2018 due to decrease in net profit in 2019.

Management Discussion and Analysis

Below is a chart which indicates the net profit, dividend and net equity since 2014:



	2014	2015	2016	2017	2018	2019
Net profit	10.7	9.2	8.1	5.0	5.1	3.4
Dividends	7.6	6.9	6.9	4.5	4.8	4.8
Net equity	48.6	50.2	52.0	49.5	46.7	45.3

HSE

We are committed to conducting business with a strong environment conscience, ensuring sustainable development, safe workplaces and enrichment of the quality of life of its employees, customers and the community.

Compliance with safety systems & procedures and environmental laws is monitored at the unit, division and corporate levels. The HSE activities of the Company are reviewed periodically in Board meetings. During the year safety audits were carried out at various offices and locations and various training programs were conducted across the Corporation covering safety-related topics.

HUMAN RESOURCES

The Company believes that holistic and meaningful employee engagement and their right development will enhance employees' potential. With the focus on aligning various HR policies with the Strategic Corporate Vision, many new initiatives have been undertaken aimed at both - employee engagement and making the employees 'future-ready'.

Our Omanisation level was 84% and the number of employees stood at 302 by the end of 2019.

OPPORTUNITIES, OBSTACLES / RISKS

The world is changing at a very faster rate changing the business dynamics of every industry; the petroleum products marketing business also witnessing rapid changes.

Management Discussion and Analysis

VAT introduction, arrival of Electric cars, Price deregulation by the Government, might become reality in the coming years & we need to be well prepared to face these challenges, quickly adopting to the changed scenario whenever it happens. We shall effectively respond to these changes by right strategy alignment. Our future lies in preserving our commitment to support our customers. We aim to deliver highest quality services to our customers to stay competitive and relevant in our market.

Despite the challenging environment, we are focused on our core businesses and is committed to deliver high values to all our stakeholders and shouldering the responsibilities of a good corporate citizen.

Our business strategy would be in tune with latest technology and innovations and we are committed to install the best of automation process and the latest safety systems at our all outlets & operations.

We have now embarked on digital transformation of the organization to serve and sustain the trust of our customers and look forward enthusiastically for the journey ahead.

MOORE

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Al Maha Petroleum Products Marketing Co. SAOG, set out on pages 26 to 56 , which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019 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 (ISA). 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the Company's 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 28 c) to the financial statements which sets out the status of certain claims against the Company. The Board of Directors, based upon a review of the internal documents and records available and the opinion of legal counsel believe that it is less than probable that any significant amounts will ultimately be payable in respect of the claims and, accordingly, no related provision has been established in these financial statement. Our opinion is not modified in respect of this matter.

Other Matter

The financial statements of the Company for the year ended 31 December 2018, were audited by another auditor whose audit report dated 24 February 2019 expressed an unmodified opinion on the financial statements.

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 period. 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.

MOORE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL MAHA PETROLEUM PRODUCTS MARKETING CO. SAOG (Continued)

Key Audit Matters (Continued)

We have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment of trade receivables

At the end of the reporting period, the trade receivables (net of allowance for expected credit losses) amounted to RO 57.5 million, which represents 38% of the total assets of the Company. In accordance with the requirements of IFRS 9, the Company is required to assess the impairment of its trade receivables on a regular basis. The estimation of allowance for expected credit losses (ECL) is based on historical losses which are then adjusted to reflect the current and forward-looking information.

Considering the materiality of the trade receivables to the Company's financial statements and since the estimation of allowance for expected credit losses requires significant management judgement, we have considered the impairment of trade receivables to be a key audit matter.

Our audit procedures in this regard included:

- Obtaining the ageing analysis for trade receivables and testing on a sample basis its correctness;
- Examining the Company's assessment of the recoverability of certain large trade receivables and considering if any specific receivables need to be impaired; and
- Re-estimating the ECL for trade receivables at 31 December 2019 and comparing with ECL provision recorded at that date.

Additional information regarding the impairment for trade receivables is set-out in notes 10 and 29 b) to the financial statements.

Other information

The Management and the Board of Directors are responsible for other information. The other information comprises the Chairman's report, Management Discussion and Analysis report and Corporate Governance Report.

Our opinion on the financial statements does not cover the other information and we do 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 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, 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

MOORE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL MAHA PETROLEUM PRODUCTS MARKETING CO. SAOG (Continued)

Responsibilities of Management and the Board of Directors for the Financial Statements

The Management and the Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, the disclosure requirements for public joint stock companies issued by the Capital Market Authority and for such internal control as they determine are 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, Management and the Board of Directors 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

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 judgement 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 the purpose of 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 Management's 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.

MOORE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL MAHA PETROLEUM PRODUCTS MARKETING CO. SAOG (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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, related safeguards.

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 period 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 the Regulatory Requirements

The financial statements also comply, in all material respects, with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, and the disclosure requirements for public joint stock companies issued by the Capital Market Authority.

The engagement partner on the audit resulting in this independent auditor's report is Mr Paul Callaghan.

12 February 2020

Moore Stephens

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ص.ب: ٩٣٣، الرمز: ١١٢
روي سلطنة عمان
P.O. Box: 933, P.Code: 112
Ruwi, Sultanate of Oman
MOORE STEPHENS L.L.C.

Financial Statements for the year ended 31 December 2019

Statement of financial position

	Note	2019 RO'000	2018 RO'000 (as restated – note 30)	2017 RO'000 (as restated – note 30)
ASSETS				
Non-current assets				
Property, plant and equipment	5	**31,079**	31,303	30,439
Investment properties	6	**635**	682	729
Right of use asset	7	**3,515**	--	--
Contract assets	8 a)	**1,026**	963	--
Deferred tax asset	24	**2,157**	1,841	938
Total non-current assets		**38,412**	34,789	32,106
Current assets				
Inventories	9	**4,522**	3,758	3,877
Trade and other receivables	10	**58,925**	61,244	68,208
Short term deposit	11	**20,000**	--	--
Bank balances and cash	11	**28,722**	34,401	30,626
Total current assets		**112,169**	99,403	102,711
Total assets		**150,581**	**134,192**	**134,817**
EQUITY AND LIABILITIES				
Equity				
Share capital	12	**6,900**	6,900	6,900
Legal reserve	13	**2,300**	2,300	2,300
Retained earnings		**33,999**	35,421	38,221
Special reserve	14	**2,104**	2,104	2,104
Total equity		**45,303**	46,725	49,525
Liabilities				
Non-current liabilities				
Non-current portion of lease liabilities	7	**2,631**	--	--
Employees' end of service benefits	22 b)	**333**	342	290
Total non-current liabilities		**2,964**	342	290
Current liabilities				
Current portion of lease liabilities	7	**1,025**	**--**	**--**
Trade and other payables	16	**45,228**	45,919	45,728
Contract liabilities	8 b)	**112**	--	--
Bank borrowings	17	**55,032**	40,194	38,114
Taxation	24	**917**	1,012	1,160
Total current liabilities		**102,314**	87,125	85,002
Total liabilities		**105,278**	87,467	85,292
Total equity and liabilities		**150,581**	**134,192**	**134,817**
Net assets per share	26	**0.657**	**0.677**	**0.718**

These financial statements were authorized for issue and approved by the Board of Directors on 12 February 2020 and were signed on their behalf by:

Chairman **Director**

The attached notes 1 to 30 form part of these financial statements.

Financial Statements for the year ended 31 December 2019

Statement of comprehensive income

	Note	2019 RO'000	2018 RO'000
INCOME			
Revenue from contracts with customers	19	**465,914**	487,915
Cost of sales		**(436,603)**	(458,621)
Gross profit		**29,311**	29,294
Other income	20	**2,079**	1,960
		31,390	31,254
EXPENSES			
Operating and administration expenses	21	**15,411**	15,599
Salaries and other employee related costs	22 a)	**5,377**	5,267
Depreciation on property, plant and equipment	5	**4,408**	3,845
Depreciation on investment properties	6	**47**	47
Depreciation on right of use assets	7	**1,010**	--
Finance charges	23	**1,128**	731
		27,381	25,489
Profit for the year before taxation		**4,009**	5,765
Taxation	24	**(601)**	(616)
Net profit and total comprehensive income for the year		**3,408**	**5,149**
Basic earnings per share	25	**0.049**	**0.075**

Note:

The Company has no items of other comprehensive income.

The attached notes 1 to 30 form part of these financial statements.

Financial Statements for the year ended 31 December 2019

Statement of changes in equity

	Share capital	Legal reserve	Retained earnings	Special reserve	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
	(note 12)	(note 13)		(note 14)	
At 31 December 2017 – as previously stated	6,900	2,300	38,221	2,104	49,525
Transition adjustment on adoption of IFRS 9 and IFRS 15	--	--	(4,082)	--	(4,082)
Effect of restatement (note 30)	--	--	618	--	618
At 1 January 2018 – as restated	6,900	2,300	34,757	2,104	46,061
Net profit and total comprehensive income for the year	--	--	5,149	--	5,149
Cash dividend paid during the year	--	--	(4,485)	--	(4,485)
At 31 December 2018 (as restated)	6,900	2,300	35,421	2,104	46,725
At 31 December 2018 (as restated)	**6,900**	**2,300**	**35,421**	**2,104**	**46,725**
Net profit and total comprehensive income for the year	**--**	**--**	**3,408**	**--**	**3,408**
Cash dividend paid during the year	**--**	**--**	**(4,830)**	**--**	**(4,830)**
At 31 December 2019	**6,900**	**2,300**	**33,999**	**2,104**	**45,303**

The attached notes 1 to 30 form part of these financial statements.

Financial Statements for the year ended 31 December 2019

Statement of cash flows

	2019 RO'000	2018 RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	**4,009**	5,765
Adjustments for:		
Depreciation on property, plant and equipment	**4,408**	3,845
Depreciation on investment properties	**47**	47
Depreciation on right of use assets	**1,010**	--
Profit on disposal of property, plant and equipment	**(5)**	(16)
Finance charges	**1,128**	731
Employees' end of service benefits	**(9)**	52
Operating cash flows before working capital changes	**10,588**	10,424
Working capital changes		
Inventories	**(764)**	119
Trade and other receivables (including contract assets)	**2,106**	1,919
Trade and other payables (including contract liabilities)	**(429)**	191
Cash generated from operations	**11,501**	12,653
Tax paid	**(1,012)**	(1,049)
Net cash generated from operating activities	**10,489**	11,604
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(4,189)**	(4,718)
Short term deposit	**(20,000)**	--
Proceeds from disposal of plant and equipment	**10**	25
Net cash used in investing activities	**(24,179)**	(4,693)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(4,830)**	(4,485)
Lease liabilities paid	**(1,097)**	--
Finance charges	**(900)**	(731)
Bank borrowings availed	**449,011**	457,727
Bank borrowings repaid	**(434,173)**	(455,647)
Net cash used in financing activities	**8,011**	(3,136)
Net (decrease) / increase in cash and cash equivalents during the year	**(5,679)**	3,775
Cash and cash equivalents at the beginning of the year	**34,401**	30,626
Cash and cash equivalents at the end of the year	**28,722**	**34,401**

The attached notes 1 to 30 form part of these financial statements.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

2. BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

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

The Commercial Companies Law of the Sultanate of Oman promulgated by Royal Decree No. 18 / 2019 ('the Commercial Companies Law') was issued on 13 February 2019 and came into force on 17 April 2019.

The new Law has replaced the provisions of the Commercial Companies Law promulgated by the Royal Decree No. 4 / 74 and subsequent amendments, thereof. In accordance with Article 3 of the Royal Decree No. 18 / 2019, the commercial companies in existence on the date of enforcement of the new Law, shall comply with its provisions within a year from the date of enforcement of the Law.

The financial statements are presented in Omani Rials, which is the functional currency of the Company.

2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2019.

The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- IFRS 16, 'Leases' issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17.

  As a lessee, the Company leases assets, including land for its filling stations. The Company has adopted the limited retrospective approach available under IFRS 16 with the cumulative impact of initially applying the standard, if any, being recognised as an adjustment to the opening retained earnings at 1 January 2019. Accordingly, comparative information has not been restated.

  Applying IFRS 16, for existing lease arrangements (except as noted below), the Company has recognized right of use assets and lease liabilities in the statement of financial position, being initially measured at the present value of the future lease payments, with the right of use assets adjusted by the amount of any prepaid or accrued lease payments.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

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

2.2 New and amended IFRS adopted by the Company (Continued)

- IFRS 16 (Continued)

  The Company has also recognised depreciation of right of use assets and interest on the lease liabilities in the statement of comprehensive income. For short-term leases (lease term of 12 months or less) and leases of low-value assets, if any, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Company has used the following practical expedients to leases previously classified as operating leases applying IAS 17.

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Company has elected not to recognise right of use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 is 5.5%. The lease liabilities measured at 1 January 2019 was determined as follows:

	1 January 2019
	RO'000
Operating lease commitments at 31 December 2018	7,263
Effect of discounting the above	(3,093)
Lease liabilities at 1 January 2019	4,170

The Company has recognised right-of-use asset and lease liability of RO 4.2 million upon transition to IFRS 16.

Lessor:

The Company enters into lease arrangements as a lessor for its investment property. Leases for which the Company is a lessor are classified as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

- Other than IFRS 16, the Management believes the adoption of the following amendments and standards, has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for the current accounting period.

- IFRIC 23 'Uncertainty over Income Tax Treatment' issued in June 2017 clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments.
- Amendments to IFRS 9 'Financial Instruments' issued in October 2017 allow entities to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.
- Annual amendments to IFRSs (2015 - 2017 cycle) issued in December 2017 include amendments to IFRS 3 'Business combinations, IAS 12 'Income Taxes' and IAS 23 'Borrowing costs'.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

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

2.2 New and amended IFRS adopted by the Company (Continued)

- Amendments to IAS 19 'Employee benefits' issued in February 2018 require an entity to use the updated assumptions from the re-measurement of net defined benefit liability or asset to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, changes in accounting estimates and errors' issued in October 2018 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendments are applicable for annual periods commencing on or after 1 January 2020.
- Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' issued in September 2019 modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the inter-bank offered rate reform. In addition, the amendments require entities to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are applicable for annual periods commencing on or after 1 January 2020.

The Management believes the adoption of the above amendments is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements include the following:

- Allowance for expected credit losses (ECL)

  The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the settlement of trade receivables over a period of 3 years and the corresponding historical credit losses experienced within this period.

  The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

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

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

- Useful lives of property, plant and equipment

  Estimation of useful lives of the property, plant and equipment is based on Management's assessment of various factors such as the operating cycles, the maintenance programs and normal wear and tear using its best estimates.

- Provision for slow and non-moving inventories

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

- Estimation of lease term and right of use asset

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

4. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in note 2.2 to the financial statements, the following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Accounting convention

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

b) Property, plant and equipment

Land is stated at cost and is not depreciated. Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, plant and equipment (Continued)

Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

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

Capital work in progress is not depreciated. Otherwise, depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful economic lives are as follows:

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

c) Investment properties

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

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

d) Inventories

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

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

e) Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Variable consideration

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., fixed and progressive rebates). In determining the transaction price for the sale of goods, the Management considers the effects of variable consideration and consideration payable to the customer (if any).

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

Volume rebates

The Company provides volume or progressive rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Company applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold.

f) Contract balances

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

Due from customers on contracts

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

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

Trade receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing component, when they are recognised at fair value.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Contract balances (Continued)

The Company holds the trade receivable with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost.

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.

The Company then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates. The Company reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

g) Financial assets

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

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

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

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

Financial assets at amortised cost:

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

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

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment

Financial assets

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

Trade receivables and contract assets

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

Other financial assets

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

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

Write off

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

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

Non-financial assets

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of income.

i) Cash and cash equivalents

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employees' end of service benefits

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

k) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations. Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and it is based on the rates (and laws) that have been enacted at the end of the reporting period. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

l) Trade and other payables

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

m) Financial liabilities

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

n) Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

o) Foreign currency transactions

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

p) Leases

Lessee

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Leases (Continued)

From 1 January 2019

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

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

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

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

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs, if applicable.

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

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

Lessor

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Until 31 December 2018 – Lessee

The operating lease payments are charged to the statement of income on a straight line basis, unless another systematic basis is more representative of the time pattern of the benefit.

q) Dividend

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

r) Operating segments

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

s) Directors' remuneration

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

5. PROPERTY, PLANT AND EQUIPMENT

a) The movements of property, plant and equipment during the years 2019 and 2018 are set out on pages 55 and 56 respectively.

b) Property, plant and equipment include filling station assets with a carrying value of RO 26.5 million (2018 – RO 24.3 milllion). 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 3 to 25 years. In certain cases where the filling station assets cost is shared between the Company and the site owner, only the cost borne by the Company is recognized as property, plant and equipment.

c) Vehicle with a carrying value of RO 2,474 (2018 – RO 16,807) is registered in the name of an employee, who holds it in trust for and on behalf of the Company.

d) Capital work in progress at the end of the reporting period pertains to amounts incurred towards new filling stations under construction. These are expected to be completed in the year 2020.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

6. INVESTMENT PROPERTIES

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

Year 2018 (as restated – note 30)	Freehold land	Buildings	Total
	RO'000	RO'000	RO'000
Cost			
At the beginning of the year and at the end of the year	238	943	1,181
Depreciation			
At 31 December 2017	--	452	452
Charge for the year	--	47	47
At 31 December 2018	--	499	499
Net book values			
At 31 December 2018	238	444	682
At 31 December 2017	238	491	729

The following further notes apply:

a) The rental income during the year from the investment properties amounted to RO 102,000 (2018 – RO 159,000) [refer note 20].

b) At the end of the reporting period, the fair values of the investment properties amounted to RO 1,596,000 based on an open market valuation undertaken by professional valuers.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

7. LEASES

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

b) At the end of the reporting period, right-of-use asset comprises the following:

	2019 RO'000
Arising on adoption of IFRS 16 (note 2.2)	4,170
Additions during the year	355
Depreciation for the year	(1,010)
At the end of the year	3,515

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

	2019 RO'000
Non-current portion	2,631
Current portion	1,025
	3,656

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

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

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

	2019 RO'000
Depreciation	1,010
Interest on lease liabilities (note 23)	228
Payments for short term leases / low – value assets	168
Variable lease payments not included in the lease liability	479
Income from sub-leasing right of use assets	214

f) The total cash outflow for leases amounted to RO 1.74 million.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

7. LEASES (Continued)

a) A few property leases in which the Company is the lessee contain variable lease payment terms that are linked to profitability achieved by the leased filling station. The variable payments constitute up to 28% of the Company's entire lease payments. The Company expects this ratio to remain constant in future years.

b) In respect of operating leases for which right of use asset is recognised in 2019, lease rental expenses of RO 980,839 were recorded in 2018.

8. CONTRACT BALANCES

	2019	2018
	RO'000	RO'000
Trade receivables (note 10)	**65,582**	66,688
Contract assets [note a) below]	**1,026**	963
Contract liabilities [note b) below]	**112**	--

The following further notes apply:

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

Year 2019	**Work in progress**	**Initial costs of obtaining a contract**	**Total**
	RO'000	**RO'000**	**RO'000**
At 31 December 2018	**824**	**139**	**963**
Additions during the year	**185**	**--**	**185**
Amortisation during the year (note 21)	**--**	**(10)**	**(10)**
Settled during the year	**(112)**	**--**	**(112)**
At 31 December 2019	**897**	**129**	**1,026**

Year 2018	Work in progress	Initial costs of obtaining a contract	Total
	RO'000	RO'000	RO'000
Arising on adoption of IFRS 15	943	--	943
Additions during the year	192	149	341
Amortisation for the year (note 21)	--	(10)	(10)
Written off during the year	(311)	--	(311)
At 31 December 2018	824	139	963

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

8. CONTRACT BALANCES (Continued)

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

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

	2019	2018
	RO'000	RO'000
Advance received from customers	**112**	--

9. INVENTORIES

	2019	2018
	RO'000	RO'000
Petroleum products	**3,470**	2,953
Less: provision for slow and non-moving inventories (refer note below)	**(55)**	(150)
	3,415	2,803
Fuel cards	**51**	79
General stores and consumables	**1,056**	876
	4,522	3,758

The following further note applies:

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

	2019	2018
	RO'000	RO'000
At the beginning of the year	**150**	--
Provided during the year (note 21)	**--**	150
Written back during the year (note 20)	**(95)**	--
At the end of the year	**55**	150

10. TRADE AND OTHER RECEIVABLES

	2019	2018
	RO'000	RO'000
Trade receivables	**65,582**	66,688
Less: allowance for expected credit losses [note b) below]	**(8,075)**	(7,087)
	57,507	59,601
Prepayments	**636**	485
Accrued income	**28**	135
Staff receivables	**110**	108
Amounts due from a related party [note 18 b)]	**43**	19
Other advances and receivables	**601**	896
	58,925	61,244

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

10. TRADE AND OTHER RECEIVABLES (Continued)

The following further notes apply:

a) Trade receivables are non-interest bearing, unsecured and are generally on terms up to 90 days (2018 – same terms).

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

	2019 RO'000	2018 RO'000
At the beginning of the year	**7,087**	3,178
Provided during the year (note 21)	**1,365**	4,119
Written back during the year (note 20)	**--**	(210)
Written off during the year	**(377)**	--
At the end of the year	**8,075**	7,087

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

11. SHORT TERM DEPOSIT, BANK BALANCES AND CASH

	2019 RO'000	2018 RO'000
Bank balances and cash (forming part of cash and cash equivalents) [note a) below]	**28,722**	34,401
Term deposit with original maturity period of more than 3 months [note b) below]	**20,000**	--
	48,722	34,401

The following further notes apply:

a) Bank balances and cash include call deposits which earn interest at commercial rates (2018 – same terms).

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

12. SHARE CAPITAL

a) The authorised share capital of the Company consists of 85,000,000 shares (2018 – 85,000,000 shares) of RO 0.100 each (2018 – RO 0.100 each). The issued and paid-up share capital of the Company consists of 69,000,000 shares (2018 – 69,000,000 shares) of RO 0.100 each (2018 – 0.100 each).

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

	2019		2018	
	%	No. of shares	%	No. of shares
ABS Lubricants	**40**	**27,600,000**	40	27,600,000
Civil Service Employees Pension Fund	**12.9**	**8,895,910**	12.9	8,895,910

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

13. LEGAL RESERVE

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

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

14. SPECIAL RESERVE

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

15. PROPOSED DIVIDEND

a) Subsequent to the end of the reporting period, the Board of Directors has proposed a cash dividend of RO 0.070 per share (2018 – RO 0.070 per share) amounting to RO 4,830 million (2018 – RO 4.830 million), subject to shareholders' approval at the forthcoming Annual General Meeting.

b) During the year, an amount of RO 42,458 relating to unclaimed dividends for the year 2018 has been settled by transfer of funds to the Investor's Trust Fund of the CMA (2018 – RO 8,909).

16. TRADE AND OTHER PAYABLES

	2019	2018
	RO'000	RO'000
Trade payables	39,306	38,692
Accrued expenses	3,550	4,497
Advances from customers	896	1,302
Accrual for directors' remuneration	94	148
Other payables	1,382	1,280
	45,228	45,919

17. BANK BORROWINGS

Bank borrowings at the end of the reporting period represent short term loans which are obtained from local commercial banks in the Sultanate of Oman and carry interest at commercial rates. The interest rates are subject to re-negotiation with the banks on a periodic basis. The borrowings and other facilities are secured by Omnibus counter indemnity form.

18. RELATED PARTY TRANSACTIONS

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

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

18. RELATED PARTY TRANSACTIONS (Continued)

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

	2019 RO'000	2018 RO'000
Transactions with other entities related to Directors:		
Revenue	**87**	--
Transactions with Directors:		
Directors' remuneration and sitting fees (note 21)	**162**	200
Operating lease payment for a filling station owned by a Director	**24**	24

b) Amounts due from a related party are interest free and on normal credit terms (2018 – same terms).

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

	2019 RO'000	2018 RO'000
Short term employment benefits	**360**	477
Employees' end of service benefits	**25**	44
	385	521

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

	2019 RO'000	2018 RO'000
Retail sales	**267,488**	277,766
Commercial sales	**126,042**	144,619
Other sales	**72,384**	65,530
	465,914	487,915

20. OTHER INCOME

	2019 RO'000	2018 RO'000
Interest income	**610**	462
Rental income from filling stations and others	**550**	598
Reimbursement of manpower costs	**490**	294
Rental income from investment property [note 6 a)]	**102**	159
Provision for slow and non-moving inventories written back (note 9)	**95**	--
Allowance for expected credit losses written back during the year [note 10 b)]	**--**	210
Provisions no longer required	**170**	--
Others	**62**	237
	2,079	1,960

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

21. OPERATING AND ADMINISTRATION EXPENSES

	2019 RO'000	2018 RO'000
Transportation	**4,936**	5,295
Filling stations operating expenses	**2,052**	2,886
Maintenance expenses	**1,914**	1,775
Technical fees	**1,875**	1,536
License fees	**1,637**	1,950
Allowance for expected credit losses [note 10 b)]	**1,365**	--
Rent and utilities	**374**	261
Legal and consultancy expenses	**291**	308
Bank charges	**266**	225
Directors' remuneration and sitting fees [note 18 a)]	**162**	200
Marketing expenses	**161**	236
Municipal fees and taxes	**89**	229
Impairment of contract assets	**56**	311
Social responsibility expenses	**36**	49
Amortisation of contract asset [note 8 a)]	**10**	10
Provision for slow and non -moving inventories (note 9)	**--**	150
Others	**187**	178
	15,411	15,599

22. SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs include the following:

	2019 RO'000	2018 RO'000
Salaries and employee related costs	**4,972**	4,874
Contributions to defined contributions retirement plan for Omani employees	**349**	323
Cost of end of service benefits for expatriate employees	**56**	70
	5,377	5,267

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

	2019 RO'000	2018 RO'000
At the beginning of the year	**342**	290
Expense for the year	**56**	70
Settled during the year	**(65)**	(18)
At the end of the year	**333**	342

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

23. FINANCE CHARGES

	2019 RO'000	2018 RO'000
Interest on lease liabilities [note 7 e)]	**228**	--
Bank interest and charges	**900**	731
	1,128	731

24. TAXATION

	2019 RO'000	2018 RO'000 (as restated – note 30)
Statement of income		
Current year	**917**	1,004
Prior year	**--**	(103)
Deferred tax credit	**(316)**	(285)
	601	616
Statement of financial position		
Non-current asset		
Deferred tax	**2,157**	1,841
Current liability		
Current year	**917**	1,115
Prior year	**--**	(103)
	917	1,012

The following further notes apply:

a) The Company is subject to income tax at 15% (2018 – 15%) of taxable profits.

b) During the year, the taxation assessments for the years 2013 to 2017 were finalised by the Tax Authority with no additional demand for tax.

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

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

	2019 RO'000	2018 RO'000
Tax charge on accounting profit at applicable rates	**601**	865
Add / (less) tax effect of:		
Depreciation	**161**	99
Provisions	**134**	68
Others	**21**	(27)
	917	1,004

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Notes to the financial statements

24 TAXATION (Continued)

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

	Accelerated capital allowances	Provisions	Others	Total
	RO'000	RO'000	RO'000	RO'000
At 1 January 2018 (as originally stated)	461	477	--	938
Effect of restatement (note 30)	--	618	--	618
At 1 January 2018 (as restated)	461	1,095	--	1,556
Credited to the statement of income	239	46	--	285
At 31 December 2018	700	1,141	--	1,841
At 31 December 2018	**700**	**1,141**	**--**	**1,841**
(Charged) / credited to the statement of income	**161**	**134**	**21**	**316**
At 31 December 2019	**861**	**1,275**	**21**	**2,157**

25. BASIC EARNINGS PER SHARE

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

	2019	2018
Net profit for the year (RO'000)	**3,408**	5,149
Weighted average number of shares outstanding during the year (thousands)	**69,000**	69,000
Basic earnings per share (in Rials Omani)	**0.049**	0.075

26. NET ASSETS PER SHARE

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

	2019	2018
Net assets (RO'000)	**45,303**	46,725
Number of shares outstanding at 31 December (thousands)	**69,000**	69,000
Net assets per share (in Rials Omani)	**0.657**	0.677

27. OPERATING SEGMENTS

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

- Retail sales segment, which includes sales made through company operated stations, dealer operated stations and third party operated stations.

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27. OPERATING SEGMENTS (Continued)

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

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

28. COMMITMENTS AND CONTINGENCIES

a) At the end of the reporting period, the Company had outstanding bank guarantees, letters of credit and performance bonds amounting to RO 1,872,000 (2018 – RO 12,442,000)

b) At the end of the reporting period, the Company had capital commitments amounting to RO 770,000 (2018 – RO 800,000).

c) Other contingencies:

(i) In December 2015, a civil case, connected to a criminal case initiated against the former Managing Director and the former Senior Marketing Manager of the Company, had been filed by a party claiming RO 659,389 from the Company. The case has been rejected by Primary and appeal courts and has been raised to the Higher Supreme court. Based upon external legal advice, the Board of Directors consider that the Company has no legal responsibility in respect of these two cases and, accordingly, no provision has been made against this claim in the financial statements as at 31 December 2019 on the basis that Management believes the possibility of significant loss to the Company arising is less than probable.

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

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

- The Company had deducted RO 846,000 in previous years from the payable related to invoices raised by the fuel supplier. This deduction pertained to a transportation rebate that was not paid to the Company by the fuel supplier. The Company believes it is eligible to receive the transportation rebate during such period.

Financial Statements for the year ended 31 December 2019

Notes to the financial statements

28 COMMITMENTS AND CONTINGENCIES (Continued)

b) Contingencies (Continued)

ii) (Continued)

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

Based upon the review of the correspondences with the supplier relating to above two claims and the opinion of external lawyers and in-house legal counsel, the Board of Directors believes that the possibility of any liability ultimately arising to the Company is less than probable. The Board of Directors are constantly monitoring the status of these claims and consider no related provisions are required to be established in these financial statements.

29. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

a) Market risk

Currency risk

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

Interest rate risk

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

b) Credit risk

Trade receivable

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

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

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 and other receivables.

The default rates are based on settlement of receivables over past periods and corresponding historical credit losses experienced within this period.

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Notes to the financial statements

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

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 as at 31 December 2019 and 31 December 2018 was determined as follows:

31 December 2019	**Trade receivables**	**Expected loss rate**	**Loss allowance**
	RO'000	**%**	**RO'000**
Current	**30,306**	**1%**	**245**
1 - 30 days	**15,138**	**1%**	**107**
31 – 60 days	**3,237**	**2%**	**49**
61 – 90 days	**1,381**	**3%**	**39**
Above 90 days	**12,916**	**39%**	**5,031**
Impaired	**2,604**	**100%**	**2,604**
	65,582		**8,075**

31 December 2018	Trade receivables	Expected loss rate	Loss allowance
	RO'000	%	RO'000
Current	24,621	1%	231
1 - 30 days	16,444	2%	245
31 – 60 days	8,900	2%	189
61 – 90 days	4,431	4%	187
Above 90 days	12,292	51%	6,235
	66,688		7,087

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

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

Bank balances

Credit risk from bank balances maintained in current accounts and term deposits with local commercial banks are managed by ensuring balances are maintained with reputed banks only. The ECL on bank balances are not expected to be material to the Company's financial position at the end of the reporting period and have accordingly not been provided.

c) Liquidity risk

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

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29 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

d) Capital management

The Company's objectives when managing capital are:

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

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

30. PRIOR PERIOD RESTATEMENT

During the year, the following prior period errors were identified by the Management and restated:

a) On adoption of IFRS 9 on 1 January 2018, the deferred tax asset arising on allowance for expected credit losses of RO 4.119 million amounting to RO 618,000 had not recognised and adjusted against the opening retained earnings.

b) Certain plots of lands which are held by the Company for an undetermined future use have been classified under property, plant and equipment. Furthermore, the head office building, classified under property, plant and equipment, is partly leased out and the Company is earning rentals therefrom. Accordingly, the related lands and the building should have been classified as investment properties.

The impact of the adjustments on each line item in the financial statements for the years 2018 and 2017 is detailed as follows:

Line item in the financial statements	As previously stated RO'000	Effect of restatement RO'000	As restated RO'000
Year 2018			
Statement of income			
Depreciation of fixed assets	3,892	(47)	3,845
Depreciation of investment properties	--	47	47
Statement of financial position			
Property, plant and equipment	31,985	(682)	31,303
Investment properties	--	682	682
Deferred tax asset	1,223	618	1,841
Retained earnings	34,803	618	35,421
Year 2017			
Statement of financial position			
Property, plant and equipment	31,168	(729)	30,439
Investment properties	--	729	729

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

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2019	Freehold land	Buildings and roads	Plant and equipment	Motor Vehicles	Furniture and equipment	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
						[note 5 d)]	
Cost							
At 31 December 2018 (as restated – note 30)	639	31,509	23,895	4,119	1,269	2,683	64,114
Additions during the year	--	--	201	42	109	3,837	4,189
Transfers during the year	--	3,421	1,651	--	15	(5,087)	--
Disposals during the year	--	--	(212)	(68)	--	--	(280)
At 31 December 2019	639	34,930	25,535	4,093	1,393	1,433	68,023
Depreciation							
At 31 December 2018 (as restated – note 30)	--	12,356	16,743	2,458	1,254	--	32,811
Charge for the year	--	1,647	2,260	478	23	--	4,408
Disposals during the year	--	--	(207)	(68)	--	--	(275)
At 31 December 2019	--	14,003	18,796	2,868	1,277	--	36,944
Net book value							
At 31 December 2019	639	20,927	6,739	1,225	116	1,433	31,079
At 31 December 2018 (as restated – note 30)	639	19,153	7,152	1,661	15	2,683	31,303

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2018	Freehold land	Buildings and roads	Plant and equipment	Motor Vehicles	Furniture and equipment	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000 [note 5 d)]	RO'000
Cost							
At 31 December 2017 (as restated – note 30)	639	26,723	22,166	3,296	1,261	5,406	59,491
Additions during the year	--	270	151	907	8	3,382	4,718
Transfers during the year	--	4,516	1,589	--	--	(6,105)	--
Disposals during the year	--	--	(11)	(84)	--	--	(95)
At 31 December 2018 (as restated – note 30)	639	31,509	23,895	4,119	1,269	2,683	64,114
Depreciation							
At 31 December 2017 (as restated – note 30)	--	10,886	14,840	2,081	1,245	--	29,052
Charge for the year	--	1,470	1,913	453	9	--	3,845
Disposals during the year	--	--	(10)	(76)	--	--	(86)
At 31 December 2018 (as restated – note 30)	--	12,356	16,743	2,458	1,254	--	32,811
Net book value							
At 31 December 2018 (as restated – note 30)	639	19,153	7,152	1,661	15	2,683	31,303
At 31 December 2017 (as restated – note 30)	639	15,837	7,326	1,215	16	5,406	30,439


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