al Maha

معكم أينما كنتم

With you everywhere

ANNUAL REPORT 2020


المها
al Maha


المها
al Maha
SUPREME 8000
MOTOR OIL
SAE 20W/50
API SL
Pro-Drive Extreme
Pro-Drive Ultra
SYNTHETIC MOTOR OIL
SAE 5W/30
API SN
AUTOMATIC TRANSMISSION FLUID
DEX II-D
SUPER
DIESEL ENGINE OIL
SUPER
COOLANT
4
Litres
Petrol

His Majesty Sultan Haitham Bin Tariq

His Late Majesty Sultan Qaboos Bin Said

معكم أينما كنتم
With you everywhere

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
Tax Card No : 8078569
VATIN : OM1100015801

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

Brigadier Saif Salim Saif Al-Harthi
Director

Faisal Ali Saleh Al Ahmed Al Ali
Director

Sultan Khalifa Saleh Al-Tai
Director

Dr. 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,

On my behalf and the Company's board of directors, I am pleased to congratulate **His Majesty Sultan Haitham Bin Tarik Al Said** on His Majesty's anniversary of assuming leadership of the Sultanate.

We are praying to the Almighty Allah to bring back this anniversary many years to come and grant His Majesty good health and happiness all along.

Despite all the setbacks and challenges resulted from the global Covid-19 pandemic and the decrease in the international oil prices in 2020, we are proud of the positive results we have achieved during the past year and happy in realizing the principle of responsibility towards the community, the shareholders and the employees for the service and interest of this great country.

On behalf of the Board of Directors, I am pleased to present the 17th Annual Report of your Company, together with the Audited Financial Statements for the year ended 31 December 2020.

FINANCIAL PERFORMANCE (RO'000)

	2020	2019	Inc /(dec)	Inc/(dec) %
Sales	**333,762**	465,914	(132,152)	(28%)
Cost of Sales	**(313,673)**	(438,829)	(125,156)	(29%)
Gross profit	**20,089**	27,085	(6,996)	(26%)
Other income	**4,907**	4,305	602	14%
Total expenses	**(24,133)**	(27,982)	(3,849)	(14%)
Net profit	**863**	3,408	(2,545)	(75%)
Earnings per share (RO)	**0.013**	0.049	(0.036)	(73%)
Book value per share (RO)	**0.599**	0.657	(0.058)	(9%)
Retained earnings(RO'000)	**30,032**	33,999	(3,967)	(12%)
Total equity (RO'000)	**41,336**	45,303	(3,967)	(9%)

HIGHLIGHTS

- Total sales during the year 2020 dropped to RO 333.8 million (2019: RO 465.9 million), a decrease by RO 132.2 million, i.e., by 28%. The decline in sales is mainly attributed to the reduction in economic activities & fall in demand due to the strict measures introduced by the Government to contain the pandemic.
- As a result of reduced economic activities, net profit dropped to RO 863 k (2019: 3,408 k), i.e., by about RO 2.5 million (75%) over 2019.
- Despite the exceptional circumstances that the Company went through, it made a profit in a challenging environment by following consistent policies that consider market variables.
- Through the planned action to achieve our objectives, your Company has increased its investments in marketing and digitizing fields to meet the present & future challenges. Your Company has expanded its stations to 235 stations, including commercial stations operated by the Company.

Chairman's Report

- Also, your Company has continued its strategic growth by investing in a competitive environment while keeping in mind its high economic returns. The Company has signed several commercial contracts spanning 25 to 30 years.
- Your Company was able to enter the African market through the lubricants segment. The African market is considered as one of the promising markets.

MARKETING PERFORMANCE

Despite all the odds, we remained committed to protecting the interests of our customers, suppliers, and our employees and recorded some positive results on the way.

- **Retails segment:** Your Company secured prominent retail sites for new fuel and service centers, initiated new products and services viz., mobile stations.

  A fuel station automation project has also started. The first phase of the project will be completed in mid-2021. This project will increase the efficiency and effectiveness of our operations and will enhance the performance of the internal control systems.
- **Commercial segment:** Due to the decrease in our main commercial customers' consumption, the commercial sector's growth has been affected due to the reasons mentioned earlier and due to the business slowdown.

  However, your Company won the much-expected strategic long term PDO project reflecting our total commitment to customer satisfaction and the trust we built with PDO over the years. Further, your Company also secured major commercial contracts viz., Musandam Power Company, Salalah Port, and others.

  Your company aims and strives to improve its performance by focusing on new opportunities.
- **Aviation segment** is the most affected segment due to pandemic as many flights were grounded and restriction on incoming flights with the closure of Muscat International airport, almost throughout the year since the pandemic breakout.

  Sales growth in this sector is expected to increase with the return of airport traffic, and the increase in passenger numbers.
- **Lubricant segment** posted positive growth during the year due to improved marketing of Petronas products & Al Maha brand lubricants, which have gained popularity in the market.
- **NFR (Non-Fuel Retailing) segment** has been accorded the highest priority. Redesigning of C Stores, Commercial buildings, and adopting a new business model for NFR business have been evolved to fully capitalize on the growth opportunity it offers to support our retail business.

DIVIDEND

Due to the economic challenges surrounding the prevailing Covid-19 situation, the Board of Directors has proposed not to distribute any dividend for the year ended 31 December 2020 (2019: RO 4,830,000, representing 70% of share capital).

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.

Chairman's Report

The Corporate Governance Report highlighting these endeavors has been incorporated as a separate section, forming part of the Annual Report.

SOCIAL RESPONSIBILITY

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

During the past year, the Company launched many programs within the framework of social responsibility; the most prominent being the financial contribution to the Government's efforts to fight the Covid-19 and the support of several charitable institutions.

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 difficult challenges that the Company witnessed during the year 2020, your Company seeks to follow and develop its main strategies to increase the Company's market share by focusing on customers and their needs and remain optimistic about overcoming the consequences of the pandemic in the near future and exploiting available opportunities to expand our customers base.

Your Company also continues to focus on expanding the retail network across the Sultanate and on operational excellence to keep pace with the requirements and modern consumer lifestyle.

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 Tarik and his efforts in continuing the legacy of His Majesty Sultan Qaboos towards a prosperous Oman.

We thank the Ministry of Commerce, Industry and Investment Promotion, Ministry of Energy and Minerals, OQ Refineries, our shareholders, customers, the officials of Capital Market Authority and Muscat Securities Market for their valuable and continued support and co-operation. We also appreciate the dedicated and committed service of our staff members.

____

Dr. Juma Ali Al Juma Al-Juma
Chairman
22 February 2021

MOORE

Office No. 41, 4th Floor
Building No. 1022, Way No. 1013
Al Wilaj Street, Al Qurum
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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 2020, 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 2020.

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.

We draw your attention to the paragraph on non-compliance in the Company's report on Corporate Governance that states the non-compliance with respect to the Code of Corporate Governance.

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 2020 and does not extend to any financial statements of Al Maha Petroleum Products Marketing Co. SAOG, taken as a whole.

22 February 2021

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.

Registered in the Sultanate of Oman with CR No. 1220356.
Member firms in principal cities throughout the world.

Corporate Governance Report

Our Corporate Governance Philosophy

The Company is committed to implement the Code of Corporate Governance issued by the Capital Market Authority (CMA) to sustainably maximize shareholder value while ensuring fairness to all stakeholders: customers, partners, investors, employees, government, and society. Our corporate governance reflects our value system encompassing our culture, policies and relationships with our stakeholders.

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 corporate governance standards.

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

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 Ordinary General Meeting held on 25 March 2019.

As at 31 December 2020, 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	5	YES	HSBC Bank Oman SAOG
2)	**His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan**	Deputy Chairman	Non-independent	5	No	-
3)	**Faisal Ali Saleh Al Ahmed Al Ali**	Director	Independent	5	No	-
4)	**Dr. Mohammed Ali Said Al-Qassabi**	Director	Independent	5	YES	-
5)	**Sultan Khalifa Saleh Al-Tai**	Director	Non-independent	5	YES	-
6)	**Saleh Nasser Juma Al-Araimi**	Director	Independent	5	YES	Oman Fisheries SAOG
7)	**Brigadier Saif Salim Saif Al-Harthi**	Director	Independent	5	YES	1) Bank Muscat SAOG 2) Al Omaniya Financial Services SAOG

Number of Board meetings in 2020:

The Board held five meetings in 2020 as detailed below:

1) 12 Feb 2020	2) 26 Jun 2020	3) 29 Jul 2020
4) 29 Oct 2020	5) 16 Dec 2020	

The intervals between the board meetings are in line with the CMA requirements of a maximum interval of four months, with the exception of the second meeting that was postponed due to the situation of the Covid-19 pandemic.

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 the CMA regulations and Code of Corporate Governance
- Review quarterly and annual financial statements
- Recommend external audit fees and terms of engagement to the Board of Directors
- Review and approve 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
- Review proposed specific transactions with related parties and making recommendations to the Board
- Conduct any special investigations and report to the Board

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 8 times in 2020, as detailed below:

1) 11 Feb 2020	2) 18 Mar 2020	3) 14 Jun 2020
4) 26 Jul 2020	5) 7 Sep 2020	6) 21 Oct 2020
7) 23 Nov 2020	8) 29 Dec 2020	

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	8
2)	Dr. Mohammed Ali Said Al-Qassabi	Member	Independent	8
3)	Sultan Khalifa Saleh Al-Tai	Member	Non-independent	8

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 considers that requires detailed attention. The Committee's main areas of competence are to review the following points:

- 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 two independent directors and two non-independent directors.

Executive Committee meetings

The Executive Committee met 2 times in 2020 as detailed below:

1)	12 Feb 2020	2)	16 Dec 2020

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	2
2)	Dr. Juma Ali Juma Al-Juma	Member	Non-independent	2
3)	Faisal Ali Saleh Al Ahmed Al Ali	Member	Independent	2
4)	Brigadier Saif Salim Saif Al-Harthi	Member	Independent	2

CORPORATE GOVERNANCE REPORT

Nomination & Remuneration Committee

The Board constituted "Nomination and Remuneration Committee" in 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 Remuneration and Nomination Committee comprises a Chairman and three Directors; one is non-independent and three are independent.

The Nomination & Remuneration Committee met 2 times in 2020 as detailed below:

1) 24 Feb 2020	2) 25 Feb 2020	

The attendance record of the Committee meetings was as follows:

Sl No	Director's name	Designation	Status	Meetings attended
1)	Brigadier Saif Salim Saif Al-Harthi	Chairman	Independent	2
2)	Sultan Khalifa Saleh Al-Tai	Member	Non independent	2
3)	Dr. Mohammed Ali Said Al-Qassabi	Member	Independent	2
4)	Faisal Ali Saleh Al Ahmed Al Ali	Member	Independent	1

Corporate Social Responsibility (CSR)

During the year 2020, several projects benefitting Society were undertaken. As a responsible corporate citizen, we responded to the need of the hour by contributing to various social responsibility activities, including contribution to the Government fund to fight Covid-19 in early March 2020.

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 Meetings - 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 28,000
2)	Total sitting fees of the Audit Committee meetings	RO 14,400
3)	Total sitting fees of the Executive Committee meetings	RO 4,800
4)	Total sitting fees of the Nomination & Remuneration Committee meetings	RO 4,200
	Total sitting fees	**RO 51,400**

The details of amounts paid to / proposed for directors for 2020 are shown below:

Sl No	Director's name	Sitting fees	Proposed remuneration	Total
		RO	RO	RO
1)	Dr. Juma Ali Juma Al-Juma	5,200	-	**5,200**
2)	His Highness Sheikh Zayed Bin Sultan Bin Khalifa Al Nahyan	5,200	-	**5,200**
3)	Faisal Ali Saleh Al Ahmed Al Ali	5,800	-	**5,800**
4)	Brigadier Saif Salim Saif Al-Harthi	6,400	-	**6,400**
5)	Saleh Nasser Juma Al -Araimi	8,800	-	**8,800**
6)	Sultan Khalifa Saleh Al-Tai	10,000	-	**10,000**
7)	Dr. Mohammed Ali Said Al-Qassabi	10,000	-	**10,000**
	Total	**51,400**	-	**51,400**

The total sitting fees for each director and the total sitting fees and remuneration for all directors are within the provisions of the Articles of Association and the Commercial Companies Law (18/2019).

Shareholders

The shareholders who owned 5% or more of the share capital of the Company at 31 December 2020 were as follows:

Sl No	Shareholder's name	% of shareholding	Number of shares held
1)	ABS Lubricants	40.0 %	27,600,000
2)	Civil Service Employees Pension Fund	13.2 %	9,081,781
3)	Public Authority for Social Insurance	6.5 %	4,497,909
4)	Ministry of Defense Pension Fund	5.4 %	3,718,430
5)	Mohammed Hamed Mohammed Al Harthy	5.2 %	3,630,000
	Total	**70.3 %**	**48,528,120**

CORPORATE GOVERNANCE REPORT

Distribution of shareholding

Category of shares	Number of shareholders	Number of shares	% of shareholding
Up to 5,000	986	1,625,597	2%
5,001 – 30,000	362	2,887,206	4%
30,001 – 50,000	31	1,271,269	2%
50,001 – 100,000	17	1,097,537	2%
100,001 – 400,000	18	3,283,142	5%
Above 400,000	15	58,835,249	85%
Total	**1,429**	**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 and in compliance with the Commercial Companies Law (18/2019).

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 Discussions and Analysis Report.

The Company did not have any GDRs/ADRs/Warrants or any other convertible warrants as on 31 December 2020 and hence the likely impact on equity is Nil.

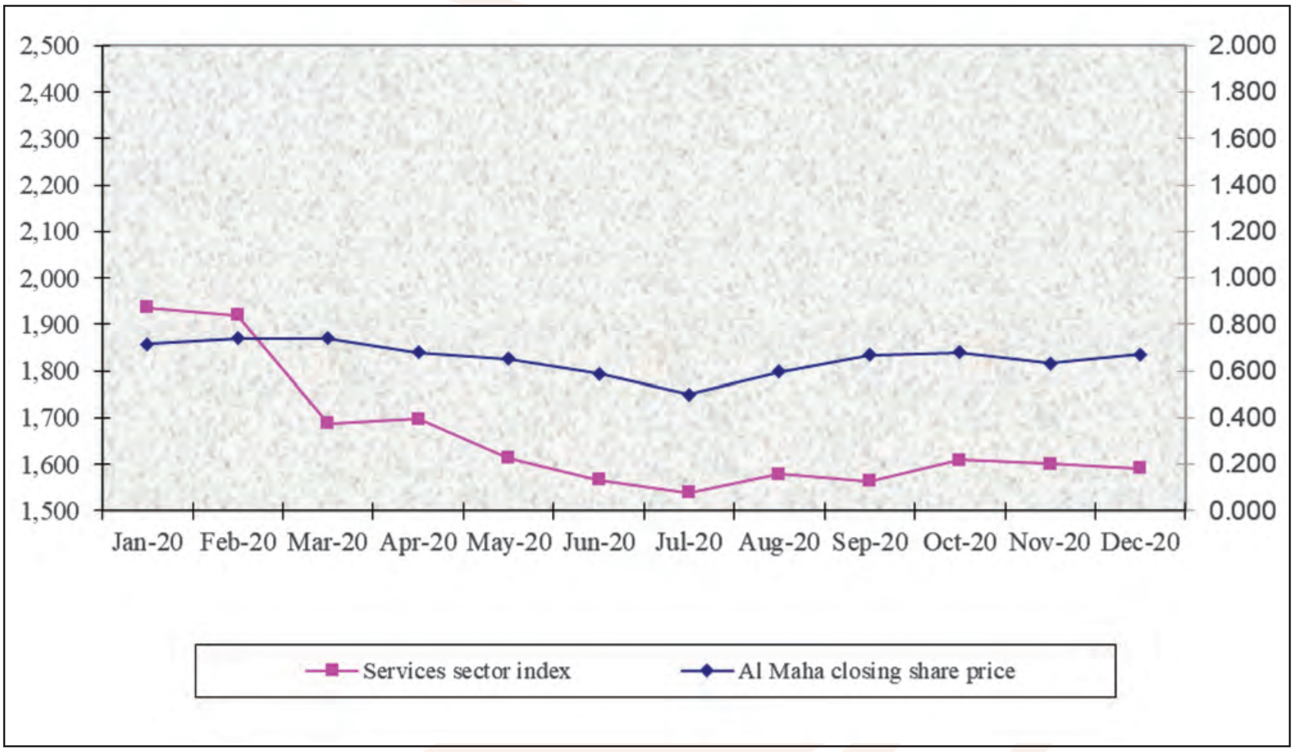
Market price data

The monthly market prices during 2020 are shown in the following table:

Month	High RO/ share	Low RO/ share	Close RO/ share
January	0.732	0.716	0.716
February	0.744	0.700	0.740
March	0.760	0.732	0.740
April	0.692	0.668	0.680
May	0.680	0.612	0.652
June	0.652	0.588	0.588
July	0.540	0.494	0.500
August	0.600	0.490	0.596
September	0.680	0.600	0.668
October	0.688	0.672	0.680
November	0.672	0.628	0.632
December	0.680	0.612	0.672

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 organisations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 60, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

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.

However, during the year due to the Covid 19 pandemic, there were instances of delay in preparing, circulating and getting the approval of minutes of meetings and the related agenda.

CORPORATE GOVERNANCE REPORT

Acknowledgement by the Board of Directors

1) The Board of Directors is responsible for the approval of the financial statements related to the activities of the Company and the results of its business, presented thereto by the executive management, which reveal the actual financial status of the Company.

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 2021.

Dr. Juma Ali Juma Al-Juma	**Saleh Nasser Juma Al-Araimi**
Chairman	**Director**

Management Discussions and Analysis

Business objectives

The Company is primarily engaged in the marketing & distribution of petroleum products viz. Gasoline (M91 & M95), 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

The retail sales segment is the main revenue earner, accounting for almost 73% of our business in 2020.

Through the network of 235 fuel stations, which includes some commercial stations, our fuel stations and service centers are spread all over the country, providing various services that consider the needs of customers.

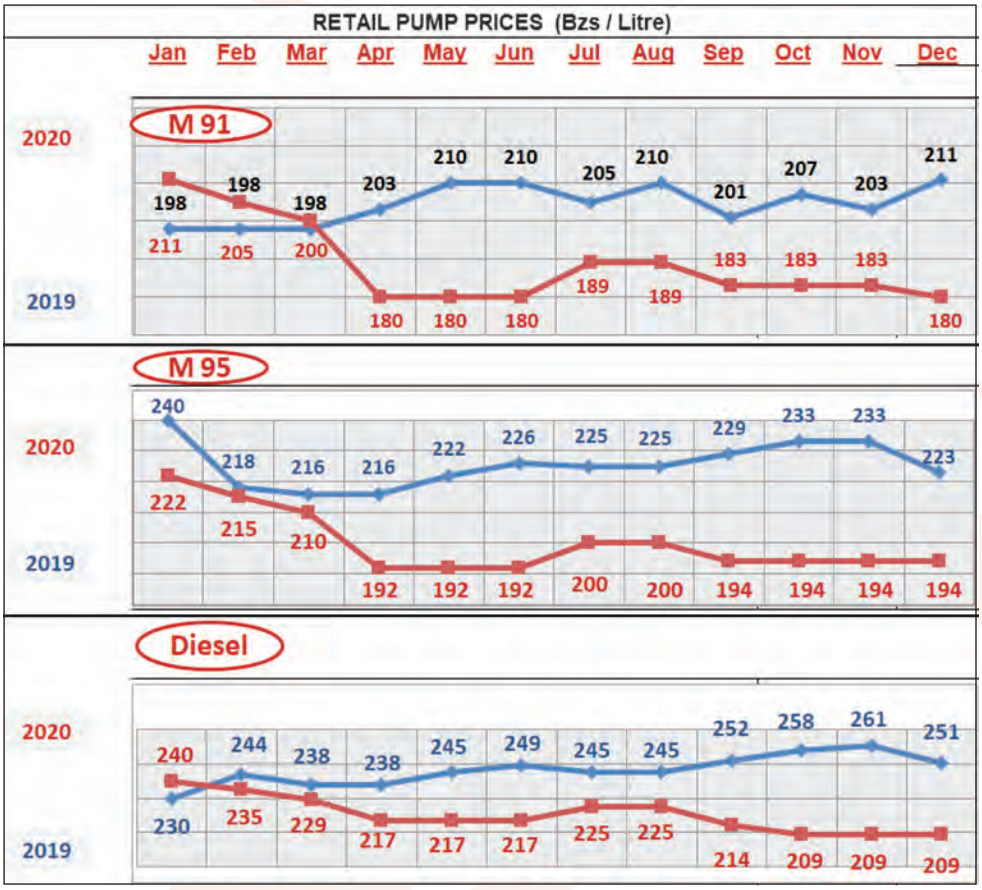
During the year 2020, most fuel stations have registered a significant drop in sales due to the Pandemic restrictions. The sales performance has improved in part with the easing of restrictions.

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

To enhance the efficiency & effectiveness of our retail operations and to strengthen our internal control system, we are in the process of implementing Automation system.

Management Discussion and Analysis

The following chart shows the fuel prices trend during the year in comparison with 2019:



2) Commercial sales

Commercial segment is the second largest business segment accounting for about 21% of our total revenue in 2020, providing gasoil to prestigious Government and commercial customers; the contracts secured through competitive pricing and efficient delivery.

Commercial Sales also affected by the pandemic as commercial activities took hit by the lock down measures introduced by the Government during the year. Construction & infrastructure is the most affected sector during the pandemic as the most of the infrastructure projects came to halt during the period.

However, during the year 2020, the company won a long-term strategic project with Petroleum Development Oman. Moreover, the company has also secured major commercial contracts.

3) Aviation sales

Aviation segment has recorded its worst performance in 2020 as the pandemic grounded many flights, halted the movement of air traffic affecting the tourism industry badly.

Sales growth in this sector is expected to increase with the return of airport traffic and the increase in passenger numbers.

Management Discussion and Analysis

4) Lubricants

Despite the setback in other segments, lubricant business has shown positive growth due to improved marketing of Petronas products & Al Maha brand lubricants, which have gained popularity in the market. Besides, Al Maha lubricants has also has expanded its footprints in other countries.

Financial performance (RO'000)

	2020	2019	Inc /(dec)	Inc/(dec) %
Sales	**333,762**	465,914	(132,152)	(28%)
Cost of Sales	**(313,673)**	(438,829)	(125,156)	(29%)
Gross profit	**20,089**	27,085	(6,996)	(26%)
Other income	**4,907**	4,305	602	14%
Total expenses	**(24,133)**	(27,982)	(3,849)	(14%)
Net profit	**863**	3,408	(2,545)	(75%)
Earnings per share (RO)	**0.013**	0.049	(0.036)	(73%)
Book value per share (RO)	**0.599**	0.657	(0.058)	(9%)
Retained earnings(RO'000)	**30,032**	33,999	(3,967)	(12%)
Total equity (RO'000)	**41,336**	45,303	(3,967)	(9%)

Sales have decreased to RO 333.8 million in 2020 (2019: RO 465.9 million), a decrease of RO 132.2 million (28%). The decline in sales is mainly attributed to the reduction in economic activities & fall in demand due to the strict measures introduced by the Government to contain the pandemic.

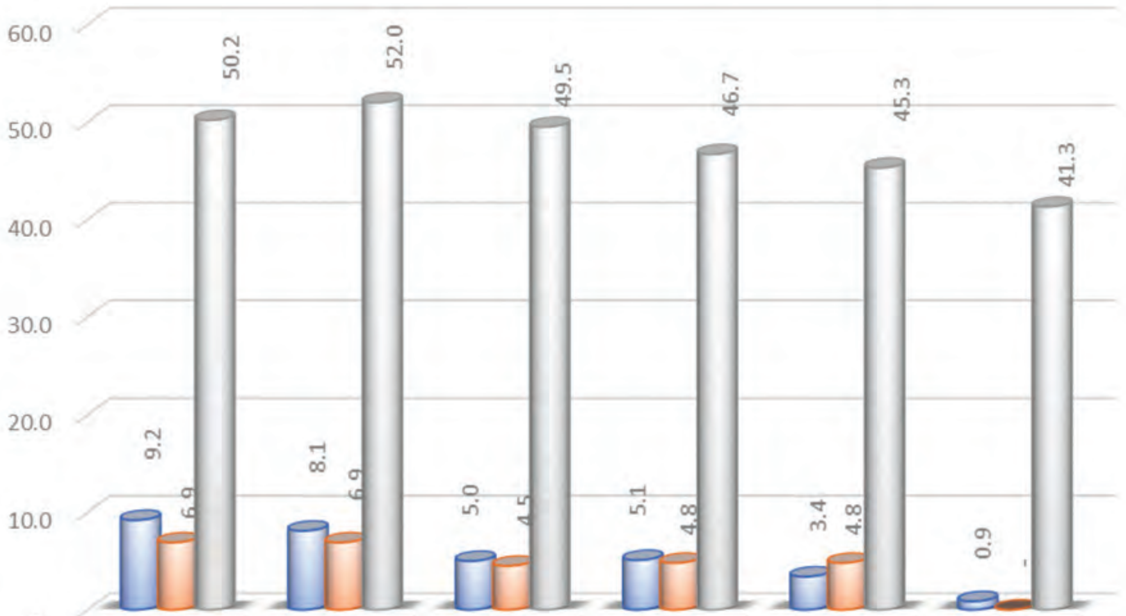
Expenditures decreased by RO 4 million (14%) mainly due to the decrease in technical fees, transportation costs, license fees, depreciation expenses, and provision for expected credit loss. An increase in finance charges partially offset the overall decrease of the expenditures.

Net profit after tax decreased to RO 863 thousand in 2020 (2019: RO 3.4 million), a decrease of RO 2.5 million (75%) mainly due to the decrease in sales.

Return on equity decreased in 2020 when compared with 2019 due to decrease in net profit in 2020.

Management Discussion and Analysis

Below is a chart which indicates the net profit, dividend and net equity since 2015:



	2015	2016	2017	2018	2019	2020
Net profit	9.2	8.1	5.0	5.1	3.4	0.9
Dividends	6.9	6.9	4.5	4.8	4.8	-
Net equity	50.2	52.0	49.5	46.7	45.3	41.3

HSE

Al Maha always accords highest priority to care for the environment and its protection.

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

People form the greatest resource in Al Maha and investment in learning and development is given utmost importance. Throughout the year, we implemented series of training and learning programs for employees based on their individual needs and organizational requirements in order to enhance their skills.

Our Omanisation level was 87% and the number of employees stood at 311 by the end of 2020.

Management Discussion and Analysis

Future outlook

Even though the fight against the pandemic is not yet over and uncertainty looms large, the arrival of vaccinations and high recovery rates provide hope for future economic recovery.

We expect the economy to recover from the pandemic impact and business gradually returning to normalcy in the next two years.

Despite the challenging environment, we are focused on our core activities and remain committed to achieve operational excellence to improve the customer perceived value of our products & services.

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 2020, 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 2020 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.

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.

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

Key Audit Matters (Continued)

We have determined the matters 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 41 million, which represents 32% 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.

Under current market conditions, where the COVID-19 pandemic has increased the credit risk significantly and considering the materiality of the trade receivables to the Company's financial statements, we have considered the impairment of trade receivables to be a key audit matter. Furthermore, the estimation of allowance for expected credit losses requires significant judgement.

Our audit procedures in this regard included:

- Obtaining an understanding of the Company's process for estimating ECL and assessing the appropriateness of the ECL methodology against the requirements of IFRS 9;
- Testing the key controls established by the Management to ensure identification of impaired debts;
- Obtaining the ageing analysis for receivables and testing, on a sample basis, its correctness;
- For a sample of material trade receivables and past due debts, assessing the recoverability status by considering subsequent receipts; and
- Considering adequacy and appropriateness of related disclosures.

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 the other information. The other information comprises the Chairman's report, Management Discussion and Analysis report and the 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.

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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.

22 February 2021

Moore Stephens

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Ruwi, Sultanate of Oman
MOORE STEPHENS L.L.C.

Financial Statements for the year ended 31 December 2020

Statement of financial position

	Note	2020 RO'000	2019 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**30,366**	31,079
Investment properties	6	**588**	635
Right of use asset	7	**4,072**	3,515
Contract assets	8 a)	**3,708**	1,026
Deferred tax asset	24	**2,387**	2,157
Total non-current assets		**41,121**	38,412
Current assets			
Inventories	9	**3,383**	4,522
Contract assets	8 a)	**1,159**	--
Trade and other receivables	10	**42,301**	58,925
Short term deposit	11	**10,000**	20,000
Bank balances and cash	11	**31,234**	28,722
Total current assets		**88,077**	112,169
Total assets		**129,198**	150,581
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**6,900**	6,900
Legal reserve	13	**2,300**	2,300
Retained earnings		**30,032**	33,999
Special reserve	14	**2,104**	2,104
Total equity		**41,336**	45,303
Liabilities			
Non-current liabilities			
Non-current portion of lease liabilities	7 c)	**2,946**	2,631
Non-current portion of other payables	16	**2,222**	--
Employees' end of service benefits	22 b)	**211**	333
Total non-current liabilities		**5,379**	2,964
Current liabilities			
Current portion of lease liabilities	7 c)	**1,329**	1,025
Trade and other payables	16	**35,780**	45,228
Contract liabilities	8 b)	**255**	112
Bank borrowings	17	**44,731**	55,032
Taxation	24	**388**	917
Total current liabilities		**82,483**	102,314
Total liabilities		**87,862**	105,278
Total equity and liabilities		**129,198**	150,581
Net assets per share	26	**0.599**	0.657

These financial statements were authorized for issue and approved by the Board of Directors on 22 February 2021 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 2020

Statement of comprehensive income

	Note	2020 RO'000	2019 RO'000
INCOME			
Revenue from contracts with customers	4 e) and 19	**333,762**	465,914
Cost of sales		**(313,673)**	(438,829)
Gross profit		**20,089**	27,085
Other income	20	**4,907**	4,305
		24,996	31,390
EXPENSES			
Operating and administration expenses	21	**11,687**	15,411
Salaries and other employee related costs	22 a)	**5,406**	5,377
Depreciation on property, plant and equipment	5	**3,894**	4,408
Depreciation on investment properties	6	**47**	47
Depreciation on right of use assets	7 b)	**1,131**	1,010
Finance charges	23	**1,810**	1,128
		23,975	27,381
Profit for the year before taxation		**1,021**	4,009
Taxation	24	**(158)**	(601)
Net profit and total comprehensive income for the year		**863**	3,408
Basic earnings per share	25	**0.013**	0.049

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 2020

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 2018	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
At 31 December 2019	**6,900**	**2,300**	**33,999**	**2,104**	**45,303**
Net profit and total comprehensive income for the year	**--**	**--**	**863**	**--**	**863**
Cash dividend paid during the year	**--**	**--**	**(4,830)**	**--**	**(4,830)**
At 31 December 2020	**6,900**	**2,300**	**30,032**	**2,104**	**41,336**

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

Financial Statements for the year ended 31 December 2020

Statement of cash flows

	2020	2019
	RO'000	RO'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year before taxation	**1,021**	4,009
Adjustments for:		
Depreciation on property, plant and equipment	**3,894**	4,408
Depreciation on investment properties	**47**	47
Depreciation on right of use assets	**1,131**	1,010
Impairment of capital work in progress	**200**	--
Loss / (profit) on disposal of property, plant and equipment	**4**	(5)
Rent concessions received during the year	**(228)**	--
Finance charges	**1,810**	1,128
Employees' end of service benefits	**(122)**	(9)
Operating cash flows before working capital changes	**7,757**	10,588
Working capital changes		
Inventories	**1,139**	(764)
Trade and other receivables (including contract assets)	**12,783**	2,106
Trade and other payables (including contract liabilities)	**(7,083)**	(429)
Cash generated from operations	**14,596**	11,501
Tax paid	**(917)**	(1,012)
Net cash generated from operating activities	**13,679**	10,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(3,407)**	(4,189)
Short term deposit	**10,000**	(20,000)
Proceeds from disposal of plant and equipment	**22**	10
Net cash generated from / (used in) investing activities	**6,615**	(24,179)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	**(4,830)**	(4,830)
Lease liabilities paid	**(1,083)**	(1,097)
Finance charges	**(1,568)**	(900)
Bank borrowings availed	**414,231**	449,011
Bank borrowings repaid	**(424,532)**	(434,173)
Net cash (used in) / generated from financing activities	**(17,782)**	8,011
Net increase / (decrease) in cash and cash equivalents during the year	**2,512**	(5,679)
Cash and cash equivalents at the beginning of the year	**28,722**	34,401
Cash and cash equivalents at the end of the year	**31,234**	28,722

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

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

2.1 Basis of preparation

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

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

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

- Amendments to IFRS 16 'Leases' provide a practical expedient that permits lessees to account for the rent concessions, that occur as a direct consequence of the COVID - 19 pandemic and meets specified conditions, as if they were not lease modifications. Although, the amendment is applicable for annual periods commencing on or after 1 June 2020, the Company has early adopted the amendment. The early adoption of the amendment has resulted in recognition of rent concessions amounting to RO 228,444, which has been included under other income for the year.
- Amendments to references to the Conceptual Framework in IFRS.
- Amendments to IFRS 3 'Business combinations' - Appendix A 'Defined terms', the application guidance and the illustrative examples of IFRS 3.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting policies, changes in accounting estimates and errors' – Clarification on definition of 'material'.
- Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' – Modification of some specific hedge accounting requirements.

Financial Statements for the year ended 31 December 2020

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)

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

- Allowance for expected credit losses (ECLs)

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

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

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

- *Useful lives of property, plant and equipment*

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

- *Provision for slow and non-moving inventories*

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

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

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

- Impairment of non-financial assets

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

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES

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

a) Accounting convention

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

b) Property, plant and equipment

Land is stated at cost and is not depreciated. Other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

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

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

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

c) Investment properties

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

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

d) Inventories

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

e) Revenue from contracts with customers

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

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

Variable consideration

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

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.

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Contract balances (Continued)

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

Trade receivables

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

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

Contract liabilities

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

g) Financial assets

Recognition and initial measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.
In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Financial assets (Continued)

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.

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.

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment (Continued)

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

Non-financial assets

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

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

i) Cash and cash equivalents

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

j) Employees' end of service benefits

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

k) Taxation

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

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

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

l) Trade and other payables

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Leases (Continued)

- 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.

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.

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Operating segments (Continued)

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. 5 PROPERTY, PLANT AND EQUIPMENT

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

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

6. INVESTMENT PROPERTIES

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

6. INVESTMENT PROPERTIES (Continued)

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	238	943	1,181
Depreciation			
At 31 December 2018	--	499	499
Charge for the year	--	47	47
At 31 December 2019	--	546	546
Net book values			
At 31 December 2019	238	397	635
At 31 December 2018	238	444	682

The following further notes apply:

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

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

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

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

Financial Statements for the year ended 31 December 2020

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 6 years (2019 – 5 years).

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

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

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

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

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

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

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

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

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

8. CONTRACT BALANCES

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

The following further notes apply:

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

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

Year 2019	Contract assets	Contract costs	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

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

(ii) Contract costs comprise of the following:

- Initial costs of obtaining a contract consists of incremental costs incurred towards the development of assets for the client which involves implementation and subsequent services to assets.

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

8. CONTRACT BALANCES (Continued)

The contract is for over a year and the costs are expected to be recovered over the duration of the contract; and

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

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

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

9. INVENTORIES

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

The following further note applies:

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

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

10. TRADE AND OTHER RECEIVABLES

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

Financial Statements for the year ended 31 December 2020

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 (2019 – same terms).

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

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

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

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

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

11. SHORT TERM DEPOSIT, BANK BALANCES AND CASH

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

The following further notes apply:

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

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

12. SHARE CAPITAL

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

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

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

13. LEGAL RESERVE

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

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

14. SPECIAL RESERVE

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

15. PROPOSED DIVIDEND

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

16. TRADE AND OTHER PAYABLES

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

16. TRADE AND OTHER PAYABLES (Continued)

The following further note applies:

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

17. BANK BORROWINGS

Bank borrowings at the end of the reporting period represent short term loans which are obtained from local commercial banks in the Sultanate of Oman and carry interest at commercial rates. The interest rates are subject to re-negotiation with the banks on a periodic basis. The facility agreement with a local commercial bank contains certain restrictive covenants which, if violated, can permit the bank to withdraw the facilities [note 29 d)].

18. RELATED PARTY TRANSACTIONS

a) The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors) and entities in which the key management personnel / significant Shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors. These transactions are entered into on terms and conditions approved by the management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.

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

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

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

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

19. REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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Notes to the financial statements

20. OTHER INCOME

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

21. OPERATING AND ADMINISTRATION EXPENSES

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

22. SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs include the following:

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

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

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

23. FINANCE CHARGES

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

24. TAXATION

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

24 TAXATION (Continued)

The following further notes apply:

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

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

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

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

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

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

25. BASIC EARNINGS PER SHARE

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

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

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26. NET ASSETS PER SHARE

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

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

27. OPERATING SEGMENTS

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

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

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

28. COMMITMENTS AND CONTINGENCIES

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

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

c) Other contingencies:

(i) In December 2015, a civil case, connected to a criminal case initiated against the former Managing Director and the former Senior Marketing Manager of the Company, had been filed by a party claiming RO 659,389 from the Company. The case has been rejected by Primary and appeal courts and has been raised to the Higher Supreme court. Based upon external legal advice, the Board of Directors consider that the Company has no legal responsibility in respect of these two cases and, accordingly, no provision has been made against this claim in the financial statements as at 31 December 2020 on the basis that Management believes the possibility of significant loss to the Company arising is less than probable.

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

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Notes to the financial statements

28. COMMITMENTS AND CONTINGENCIES (Continued)

- Price differential between the international and domestic gasoil prices payable in respect of fuel supplied during prior years to a customer amounting to approximately RO 820,000 as per the notification received from the Ministry of Finance by the fuel supplier. The Company has objected to the claim and considers that the sale was a domestic fuel sale supported by a notification received from the Ministry of Oil and Gas in this regard and not an international sale, as claimed by the fuel supplier.
- The Company had deducted RO 846,000 in previous years from the payable related to invoices raised by the fuel supplier. This deduction pertained to a transportation rebate that was not paid to the Company by the fuel supplier. The Company believes it is eligible to receive the transportation rebate during such period.
- The fuel supplier has also claimed interest of approximately RO 483,000 in respect of non-settlement of the above claims.

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

29. FINANCIAL RISK AND CAPITAL MANAGEMENT

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

a) Market risk

Currency risk

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

Interest rate risk

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

b) Credit risk

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

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

Trade receivables and contract assets

The Company has a credit policy in place for trade receivables and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

29. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

credit over a certain amount. In response to the COVID -19 pandemic, the Management has also evaluated credit to customers in sectors and regions impacted significantly by the pandemic and re-assessed the credit limits accordingly.

Expected credit losses (ECL)

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

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

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

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

Year 2020	**Carrying values**		**Expected loss rate**	**Loss allowance**
	Trade receivables	**Contract assets**		
	RO'000	**RO'000** [note 8 a)]	**%**	**RO'000**
Current	**23,304**	**4,867**	**0.55**	**154**
Past due by more than:				
1 - 30 days	**5,988**	**--**	**0.84**	**50**
31 – 60 days	**3,338**	**--**	**1.14**	**38**
61 – 90 days	**1,077**	**--**	**2.14**	**23**
Above 90 days	**11,760**	**--**	**35.98**	**4,231**
Impaired	**4,215**	**--**	**100.00**	**4,215**
	49,682	**4,867**		**8,711**

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

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29. FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk (Continued)

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

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

Short term deposits and bank balances

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

a) 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.

b) Capital management

The Company's objectives when managing capital are:

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

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

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

30. COMPARATIVES

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

Financial Statements for the year ended 31 December 2020

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Financial Statements for the year ended 31 December 2020

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


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