Notes to the Financial Statements

1) LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Maha Petroleum Products Marketing Company SAOG ('the Company') is a joint stock company registered under the Commercial Companies Law, of the Sultanate of Oman.

The principal activity of the Company is the marketing and distribution of petroleum products.

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

2) BASIS OF PREPRATION & ADOPTION OF NEW & AMENDED IFRS

2 Basis of preparation

The financial statements have been prepared in accordance with:

a) International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB),
b) interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC),
c) the minimum disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

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

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

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

2 New and amended IFRS adopted by the Company

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

· IFRS 16 'Leases'

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

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

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

Notes to the Financial Statements

2 New and amended IFRS adopted by the Company (continued)

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

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

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

The weighted average incremental borrowing rate applied to lease liabilities is 5.5%.

Lessor:

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

· Other standards

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

- IFRIC 23 'Uncertainty over Income Tax Treatment' issued in June 2017 clarifies how to apply the recognition and measurement requirements in IAS 12 'Income Taxes' when there is uncertainty over income tax treatments.
- Amendments to IFRS 9 'Financial Instruments' issued in October 2017 allow entities to measure particular prepayable financial assets with so-called negative compensation at amortised cost or at fair value through other comprehensive income if a specified condition is met, instead of at fair value through profit or loss.
- Annual amendments to IFRSs (2015 - 2017 cycle) issued in December 2017 include amendments to IFRS 3 'Business combinations, IAS 12 'Income Taxes' and IAS 23 'Borrowing costs'.
- Amendments to IAS 19 'Employee benefits' issued in February 2018 require an entity to use the updated assumptions from the re-measurement of net defined benefit liability or asset to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, changes in accounting estimates and errors' issued in October 2018 clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendments are applicable for annual periods commencing on or after 1 January 2020.
- Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' issued in September 2019 modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the inter-bank offered rate reform. In addition, the amendments require entities to provide additional information about their hedging relationships which are directly affected by these uncertainties. The amendments are applicable for annual periods commencing on or after 1 January 2020.

Notes to the Financial Statements

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

· Allowance for expected credit losses (ECL)

The Company applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the settlement of trade receivables over a period of 4 years and the corresponding historical credit losses experienced within this period.

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

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

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

· Useful lives of property, plant and equipment

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

· Provision for slow and non-moving inventories

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

· Estimation of lease term and right of use asset

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES

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

a) Accounting convention

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

b) Property, plant and equipment

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

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

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

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

c) Investment properties

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

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

d) Inventories

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

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Trade receivables

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

g) Financial assets

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

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

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

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

Financial assets at amortised cost:

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

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

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Impairment

Financial assets

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

Trade receivables and contract assets

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

Other financial assets

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

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

Write off

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

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

Non-financial assets

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

i) Cash and cash equivalents

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Employees' end of service benefits

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

k) Taxation

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

l) Trade and other payables

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

m) Financial liabilities

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

n) Provisions

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

o) Foreign currency transactions

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

p) Leases

Lessee

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

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

From 1 January 2019

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

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

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

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

Right of use assets

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.

Notes to the Financial Statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Operating segments

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

s) Directors' remuneration

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

5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment include filling station assets with a carrying value of RO 25.3 million (30 Sep 2019 RO 22.1 million; 31 Dec 2019 RO 26.5 million). These assets are constructed and commissioned on filling station sites leased for periods not exceeding 25 years. Lease rentals for sites managed by the Company are agreed for periods varying from 3 to 25 years. In certain cases where the filling station assets cost is shared between the Company and the site owner, only the cost borne by the Company is recognized as property, plant and equipment.

6 INVESTMENT PROPERTIES

		Freehold land RO'000	Buildings RO'000	Total RO'000
Cost	**At 01 Jan 2020**	**238**	**943**	**1,181**
Depreciation	**At 01 Jan 2020**	**-**	**546**	**546**
	Charge for the reporting period	**-**	**35**	**35**
	At 30 Sep 2020	**-**	**581**	**581**
Net book value	**At 30 Sep 2020**	**238**	**361**	**600**
Cost	At 01 Jan 2019	238	943	1,181
Depreciation	At 01 Jan 2019	-	499	499
	Charge for the reporting period	-	24	24
	At 30 Sep 2019	-	523	523
Net book value	At 30 Sep 2019	238	420	658
Cost	At 01 Jan 2019	238	943	1,181
Depreciation	At 01 Jan 2019	-	499	499
	Charge for the reporting period	-	47	47
	At 31 December 2019	-	546	546
Net book value	At 31 December 2019	238	397	635

Notes to the Financial Statements

7 LEASES

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

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

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Beginning balance	**3,515**	4,170	4,170
Additions / (deletions) during the reporting period	**951**	(286)	355
Depreciation for the reporting period	**(834)**	(564)	(1,010)
At the end of the reporting period	**3,632**	3,320	3,515

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

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Non-current portion	**2,827**	2,537	2,631
Current portion	**1,204**	868	1,025
	4,031	3,405	3,656

8 INVENTORIES

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Petroleum products	**2,397**	3,522	3,470
Less: provision for slow and non-moving inventories	**(55)**	(150)	(55)
	2,342	3,372	3,415
Fuel cards	**49**	58	51
General stores and consumables	**1,057**	708	1,056
	3,448	4,139	4,522

9 TRADE AND OTHER RECEIVABLES

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Trade receivables	**64,315**	63,102	65,582
Less: allowance for expected credit losses	**(8,885)**	(8,195)	(8,075)
	55,430	54,907	57,507
Prepayments	**698**	782	636
Accrued income	**28**	64	28
Staff receivables	**41**	124	110
Amounts due from related parties	**44**	16	43
Other advances and receivables	**569**	891	600
	56,810	56,784	58,925

Notes to the Financial Statements

9 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 90-180 days (2019 – 90 days).

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

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
At the beginning of the reporting period	**8,075**	7,087	7,087
Provided during the reporting period (note 20)	**810**	1,108	1,365
Written off during the reporting period	**-**	-	(377)
At the end of the reporting period	**8,885**	8,195	8,075

10 SHORT TERM DEPOSIT, BANK BALANCES AND CASH

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Bank balances and cash	**22,149**	29,900	28,722
Term deposit with maturity of more than 3 months	**-**	-	20,000
	22,149	29,900	48,722

The following further notes apply:

a) Bank balances and cash include call deposits which earn interest at commercial rates.

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.

11 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:

	30-Sep-2020		31-Dec-2019	
	%	**No. of shares**	%	No. of shares
ABS Lubricants	**40**	**27,600,000**	40	27,600,000
Civil Service Emp.Pension Fund	**12.9**	**8,895,910**	12.9	8,895,910

Notes to the Financial Statements

12 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.

13 SPECIAL RESERVE

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

14 DIVIDEND

In the Annual General Meeting held on 15 March 2020, the shareholders approved a cash dividend of RO 0.070 per share for the year 2019 (2018 – RO 0.070 per share) amounting to RO 4.830 million (2018 – RO 4.830 million), which was paid at the end of March 2020.

15 TRADE AND OTHER PAYABLES

	30-Sep-20	30-Sep-19	31-Dec-19
	RO'000	RO'000	RO'000
Trade payables	**28,898**	37,754	39,306
Accrued expenses	**2,420**	2,643	3,550
Advances from customers	**1,807**	1,302	896
Accrual for directors' remuneration	**-**	-	94
Other payables	**1,475**	1,511	1,382
	34,600	43,210	45,228

16 BANK BORROWINGS

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

17 OTHER INCOME

Other Income includes interest income, rental income from filling stations dealers & operators, Convenience stores, office rentals, fuel card income, reimbursement of manpower costs and miscellaneous income.

Notes to the Financial Statements

18 SALARIES AND EMPLOYEE RELATED COSTS

	Jan-Sep 2020 RO'000	Jan-Sep 2019 RO'000	Jan-Dec 2019 RO'000
Salaries and employee related costs	**3,642**	3,500	4,972
Contributions to retirement benefit plan for Omani employees	**308**	259	349
End of service benefits for expatriate employees	**42**	46	56
	3,992	**3,805**	**5,377**

19 OPERATING EXPENSES

Transportation	**2,826**	3,745	4,936
Retail stations rentals & operating expenses	**1,367**	1,181	1,406
Commercial facilities operating expenses	**505**	584	766
Aviation technical fees & expenses	**465**	1,342	1,790
Maintenance expenses	**512**	785	948
Other operating expenses	**21**	104	136
	5,696	**7,741**	**9,982**

20 ADMINISTRATION EXPENSES

License fees	**745**	962	1,637
Allowance for expected credit losses	**810**	1,108	1,365
Office Rent, utilities and maintenance	**434**	511	737
Vehicles maintenance	**219**	342	479
Legal and professional consultancy expenses	**65**	133	282
Marketing & customer service expenses	**53**	116	161
Bank charges	**127**	178	266
Social Responsibility expenses	**231**	12	36
Directors' remuneration and sitting fees	**32**	54	162
Software maintenance	**167**	74	96
Provision for slow and non -moving inventories	**-**	-	56
General Insurance	**110**	119	142
	2,993	**3,609**	**5,418**

21 DEPRECIATION & AMORTISATION

Depreciation on Property, Plant & Equipment	**2,981**	3,153	4,409
Depreciation - Right to use assets	**834**	564	1,010
Depreciation - Investment Property	**35**	23	47
Amortization - Contract Costs	**8**	8	10
	3,858	**3,748**	**5,476**

22 FINANCE CHARGES

Bank interest and charges	**1,248**	534	900
Interest on lease liabilities	**172**	152	228
	1,420	**686**	**1,128**

Notes to the Financial Statements

23 TAXATION

	Jan-Sep 2020 RO'000	Jan-Sep 2019 RO'000	Jan-Dec 2019 RO'000
Statement of income			
Current period	**58**	533	917
Prior period	**-**	(7)	(316)
Deferred tax credit			
	58	526	601
Statement of financial position			
Non-current asset			
Deferred tax	**2,157**	1,841	2,157
Current liability			
Current period	**58**	533	917
Prior period	**-**	-	-
	58	533	917

The following further notes apply:

a) The Company is subject to income tax at 15% (2019 – 15%) of taxable profits.

b) During the year 2019, the taxation assessments for the years 2013 to 2017 were finalised by the Tax Authority with no additional demand for tax.

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

24 BASIC EARNINGS PER SHARE

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

	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Net profit for the period (RO'000)	**328**	3,029	3,408
Weighted average number of shares outstanding during the period (thousands)	**69,000**	69,000	69,000
Basic earnings per share (in Rials Omani)	**0.0048**	0.0439	0.0494

25 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:

Net assets (RO'000)	**40,801**	44,924	45,303
Number of shares outstanding (thousands)	**69,000**	69,000	69,000
Net assets per share (in Rials Omani)	**0.591**	0.651	0.657

Notes to the Financial Statements

26 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.

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 reporting period.

27 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.

	Jan-Sep 2020 RO'000	Jan-Sep 2019 RO'000	Jan-Dec 2019 RO'000
Transactions with other entities related to Directors:			
Revenue	**169**	30	87
Transactions with Directors:			
Directors' remuneration and sitting fees (note 21)	**32**	54	162
Operating lease payment for a filling station owned by a Director	**8**	18	24

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

Notes to the Financial Statements

28 COMMITMENTS AND CONTINGENCIES

a) At the end of the reporting period, the Company had capital commitments amounting to RO 618,000 (30 Sep 2019: RO 857,000, 31 Dec 2019: RO 770,000).

b) Other contingencies:

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

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

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

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

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

Based upon the review of the correspondences with the supplier relating to above two claims and the opinion of external lawyers and in-house legal counsel, the Board of Directors believes that the possibility of any liability ultimately arising to the Company is less than probable.

The Board of Directors are constantly monitoring the status of these claims and 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.

Notes to the Financial Statements

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

a) Market risk

Currency risk

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

Interest rate risk

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

b) Credit risk

Trade receivable

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

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

Expected credit losses (ECL)

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

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

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.

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

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

Bank balances

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

Notes to the Financial Statements

29 FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

c) Liquidity risk

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

The Company's objectives when managing capital are:

to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing services and goods commensurate with the level of risk.
- The Company sets capital in proportion to risk and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or raise additional capital.

30 Regrouping of Comparative figures

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