

**ABU DHABI NATIONAL OIL
COMPANY FOR DISTRIBUTION PJSC**

**Reports and financial
statements for the year ended
31 December 2017**

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

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	Pages
Directors' report	1
Independent Auditor's Report	2 – 8
Carve-out statement of financial position	9
Carve-out statement of profit or loss and comprehensive income	10
Carve-out statement of changes in equity	11
Carve-out statement of cash flows	12
Notes to the carve-out financial statements	13 – 46

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report for the year ended 31 December 2017

The Directors present their report together with the audited carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC. (the "Company") and its subsidiary (collectively referred to as "the Group") for the year ended 31 December 2017.

Principal activities

The principal activities of the Group are marketing of petroleum products, natural gas and ancillary products.

Review of business

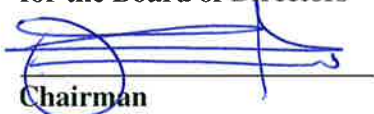
During the year, the Group reported a revenue of AED 19,756,294 thousand (2016: AED 17,670,071 thousand). Profit for the year was AED 1,804,207 thousand (2016: AED 1,780,960 thousand).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2017	1,845,017
Total comprehensive income for the year	1,804,207
Transfer to statutory reserve	(166,667)
Dividend	(2,134,688)
	<hr/>
Retained earnings at 31 December 2017	1,347,869
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On 25 February 2018, the Board of Directors resolved to recommend the distribution to shareholders of dividend of AED 0.0588 per share in respect of the fiscal year ended 31 December 2017.

for the Board of Directors



Chairman

25 FEB 2018

Abu Dhabi, UAE

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of
Abu Dhabi National Oil Company for Distribution PJSC
Abu Dhabi, U.A.E.

Opinion

We have audited the carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC (“ADNOC Distribution” or the “Company”) and its subsidiary (collectively referred to as “the Group”), which comprise the carve-out statement of financial position as at 31 December 2017, and the carve-out statement of profit or loss and comprehensive income, carve-out statement of changes in equity and carve-out statement of cash flows for the years then ended, and notes to the carve-out financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying carve-out financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the accounting policies set out in note 3 to the carve-out financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the carve-out financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants, together with other ethical requirements that are relevant to our audit of the carve-out financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of preparation

We draw attention to notes 1 and 3 to the carve-out financial statements which describes the basis of preparation of these carve-out financial statements. The carve-out financial statements have been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 to carve-out the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division.

Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the carve-out financial statements of the current period. We have communicated the key audit matters to the Audit Committee but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Audit Committee. On the following pages, we have described the key audit matters we identified and have included a summary of the audit procedures we performed to address those matters.



The key audit matters were addressed in the context of our audit of the carve-out financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR’S REPORT (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Accuracy and completeness of revenue recognised from retail sales and related IT systems</p> <p>The Group reported revenues from retail sales of AED 13,746,259 thousand for year ended 31 December 2017 (AED: 12,299,777 thousand for the year ended 31 December 2016).</p> <p>Revenue recognition from retail sales is assessed as a key audit matter due to the degree of complexity of IT systems and processes used.</p> <p>The Group’s accounting policies with regards to revenue recognition are presented in note 3 to the carve-out financial statements.</p>	<p>Our audit procedures included the assessment of controls of the retail revenue process and related IT systems. We tested the design and operating effectiveness of relevant controls of retail revenue process and included testing controls over the accuracy and completeness of revenue recognised from retail sales. We have obtained understanding of the significant revenue processes including performance of an end to end walkthrough of the retail revenue process and identification of the relevant controls (including IT systems, interfaces and reports).</p> <p>We involved our IT specialists to test information technology general controls, system interfaces, data/information reporting and specific application controls surrounding retail revenue systems.</p> <p>In addition, we also performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • a detailed substantive analytical procedures of significant revenue streams; and • specific procedures to ensure the accuracy and completeness of retail revenue and revenue recognition criteria adopted is appropriate and in line with the Group’s accounting policies.

INDEPENDENT AUDITOR’S REPORT (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Carve-out of civil aviation operations</p> <p>The carve-out financial statements reflect the financial position of the Group as at 31 December 2017 and 31 December 2016, and its financial performance and its cash flows for the years then ended excluding the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division as disclosed in note 1 to the carve-out financial statements.</p> <p>The carve-out process was assessed as key audit matter as it involves manual adjustments which increases the risk of human error.</p>	<p>Our audit procedures included the assessment of controls over carve out of civil aviation operation process. We tested the design and operating effectiveness of relevant controls to assess the need for the carve-out of civil aviation operations. This included testing controls over the accuracy and completeness of the carve-out of civil aviation operations.</p> <p>In addition, we also performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Verified the transfer agreement and ensured the carve-out process is carried out in accordance with the terms of the agreement; • Specific procedures on the carve-out amounts to ensure the accuracy and completeness of the amounts and transactions carved-out; • Audit procedures to ensure the validity of the balances and transactions and to ensure that civil aviation balances and transactions are excluded in the carve-out financial statements; and • Involved our IT specialist to test the accuracy of the system generated reports (information produced by entity) used in the carve-out process.

INDEPENDENT AUDITOR'S REPORT (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment	
<p>Liquefied Petroleum Gasoline Operations related assets classified under property, plant and equipment had a carrying amount of AED 261,715 thousand as at 31 December 2017.</p> <p>The Group undertakes a review of indicators of impairment and wherever indicators of impairment exist, an impairment review is carried out by determining the recoverable amount which takes into account the fair value of the property under consideration (see note 4 to the carve-out financial statements).</p> <p>The estimation of recoverable amounts of the assets was assessed as a key audit matter due to the degree of complexity involved in valuation and the significance of the judgements and estimates made by the management.</p>	<p>Our audit procedures included the assessment of controls over impairment analysis and calculations. We tested the design and operating effectiveness of relevant controls to assess the need for provision for impairment. This included testing controls over the accuracy and completeness of the impairment calculation models.</p> <p>In addition, we also performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> • Engaged our internal valuation specialists to assess compliance with accounting standards and assess the valuation of the assets; • Evaluated whether the model used by management to calculate the value in use of each cash-generating unit complies with IAS 36 Impairment of Assets; • Obtained and analysed the financial impairment assessments provided by management for the subject assets to determine whether they are reasonable and supportable; • Analysed the discount rates and Weighted Average Cost of Capital (WACC) calculated by management to compare and verify management's calculations; • Challenged the reasonableness of growth rates and other key cash flow assumptions; and • Sensitivity analysis around the key assumptions used by management to ascertain the extent of change in those assumptions that either individually or collectively would be required for an additional impairment change.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report, which we obtained prior to the date of this auditor's report, and the Operational and Financial Highlights, Chairman's Message, CEO's Message, Deputy CEO's Message and the other information in the annual report, which are expected to be made available to us after that date. The other information does not include the carve-out financial statements and our auditor's report thereon.

INDEPENDENT AUDITOR'S REPORT (continued)**Other Information (continued)**

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

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

Responsibilities of management and those charged with governance for the carve-out financial statements

Management is responsible for the preparation and fair presentation of the carve-out financial statements in accordance with the accounting policies set out in note 3 to the carve-out financial statements and their preparation in compliance with the applicable provisions of the articles of association of the Group and UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the carve-out financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the carve-out financial statements

Our objectives are to obtain reasonable assurance about whether the carve-out 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 carve-out financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the carve-out financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 internal control.



INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's responsibilities for the audit of the carve-out financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the carve-out financial statements, including the disclosures, and whether the carve-out financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 Group'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 carve-out financial statements or, if such disclosure is 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 Group to cease to continue as a going concern.

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 carve-out 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

- i. We have obtained all the information we considered necessary for the purposes of our audit;
- ii. The carve-out financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii. The Group has maintained proper books of account;
- iv. The financial information included in the Directors' report is consistent with the books of account of the Group;
- v. As disclosed in note 1 to the carve-out financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2017;
- vi. Note 8 to the carve-out financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii. As disclosed in note 1 to the carve-out financial statements, these carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Civil Aviation Division, as well as the related cash flows which are transferred to the Parent Company. Except for the above, based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2017; and
- viii. As disclosed in note 1 to the carve-out financial statements, the Group made social contributions amounting to AED 2,595 thousand during the year ended 31 December 2017.

Further, based on the information made available to us, nothing has come to our attention which causes us to believe that the group has contravened during the financial year ended 31 December 2017 any of the applicable provisions of Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position as at 31 December 2017.

Deloitte & Touche (M.E.)



Signed by:
Rama Padmanabha Acharya
Registration Number 701
25 February 2018
Abu Dhabi
United Arab Emirates



**Carve-out statement of financial position
as at 31 December 2017**


	Notes	2017 AED'000	2016 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	5,313,897	4,373,773
Advances to contractors		100,558	127,021
Other non-current assets	14	13,462	-
Total non-current assets		5,427,917	4,500,794
Current assets			
Inventories	6	1,344,014	1,093,818
Trade receivables and other current assets	7	2,211,541	1,656,831
Due from related parties	8	361,634	353,390
Cash and bank balances	9	2,785,452	3,833,454
Assets classified as held for sale	10	6,702,641 74,819	6,937,493 -
Total current assets		6,777,460	6,937,493
Total assets		12,205,377	11,438,287
EQUITY AND LIABILITIES			
Equity			
Share capital	11	1,000,000	1,000,000
Capital contribution	12	-	6,304,418
Statutory reserve	13	500,000	333,333
Retained earnings		1,347,869	1,845,017
Total equity		2,847,869	9,482,768
Non-current liabilities			
Long term debt	14	5,479,201	-
Provision for employees' end of service benefit	15	223,937	236,926
Total non-current liabilities		5,703,138	236,926
Current liabilities			
Trade and other payables	16	1,158,821	1,115,047
Due to related parties	8	2,495,549	603,546
Total current liabilities		3,654,370	1,718,593
Total liabilities		9,357,508	1,955,519
Total equity and liabilities		12,205,377	11,438,287



Petri Pentti
 Chief Financial Officer



Saeed Mubarak Al Rashdi
 Acting Chief Executive Officer



Dr. Sultan Ahmed Al Jaber
 Chairman of the Board of Directors

The accompanying notes form an integral part of these carve-out financial statements.

**Carve-out statement of profit or loss and comprehensive income
for the year ended 31 December 2017**

	Notes	2017 AED'000	2016 AED'000
Revenue	17	19,756,294	17,670,071
Direct costs	18	(15,330,201)	(13,443,563)
Gross profit		4,426,093	4,226,508
Distribution and administrative expenses	19	(2,723,334)	(2,549,782)
Other income	20	192,984	160,995
Impairment losses and other operating expenses	21	(75,428)	(59,252)
Operating profit		1,820,315	1,778,469
Interest income		2,663	2,491
Finance costs		(18,771)	-
Profit for the year		1,804,207	1,780,960
Other comprehensive income		-	-
Total comprehensive income for the year		1,804,207	1,780,960
Earnings per share:			
Basic and diluted	23	0.144	0.142

The accompanying notes form an integral part of these carve-out financial statements.

**Carve-out statement of changes in equity
for the year ended 31 December 2017**

	Share capital AED'000	Capital contribution AED'000	Statutory reserve AED'000	Retained earnings/ (accumulated losses) AED'000	Total AED'000
Balance at 1 January 2016	1,000,000	-	329,489	(36,147,682)	(34,818,193)
Total comprehensive income for the year	-	-	-	1,780,960	1,780,960
Waiver of amount due to a related party (notes 8 & 12)	-	-	-	36,215,583	36,215,583
Additional capital contribution (note 12)	-	6,304,418	-	-	6,304,418
Transfer to legal reserve (note 13)	-	-	3,844	(3,844)	-
Balance at 1 January 2017	1,000,000	6,304,418	333,333	1,845,017	9,482,768
Total comprehensive income for the year	-	-	-	1,804,207	1,804,207
Transfer to legal reserve (note 13)	-	-	166,667	(166,667)	-
Dividend paid (note 24)	-	-	-	(2,134,688)	(2,134,688)
Capital contribution repayment (note 12)	-	(6,304,418)	-	-	(6,304,418)
Balance at 31 December 2017	1,000,000	-	500,000	1,347,869	2,847,869

Carve-out statement of cash flows for the year ended 31 December 2017

	2017 AED'000	2016 AED'000
Cash flows from operating activities		
Profit for the year	1,804,207	1,780,960
Adjustments for:		
Depreciation of property, plant and equipment	460,653	347,076
Impairment losses on receivables – net of recoveries	22,417	22,238
Employees' end of service benefit charge	26,314	29,485
Gain on disposal of property, plant and equipment	(73)	(3,104)
Impairment loss for slow moving and obsolete inventories	3,488	1,027
Inventories written off	2,774	11,964
Finance costs	18,771	-
Interest income	(2,663)	(2,491)
Operating cash flows before movements in working capital	2,335,888	2,187,155
Increase in inventories	(256,458)	(264,774)
(Increase)/decrease in trade receivables and other current assets	(577,127)	1,078,792
Increase in due from related parties	(8,244)	(32,696)
Increase/(decrease) in trade and other payables	109,552	(24,980)
Increase in due to related parties	1,817,184	1,174,308
Cash generated from operating activities	3,420,795	4,117,805
Payment of employees' end of service benefit	(39,303)	(70,818)
Net cash generated from operating activities	3,381,492	4,046,987
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	(736,983)	(1,040,151)
Payment for transfer of property, plant and equipment from a related party	(696,227)	-
Payments for advances to contractors	(24,955)	(100,199)
Proceeds from disposal of property, plant and equipment	383	3,135
Increase in term deposit with maturity more than three months	(30,000)	-
Interest received	2,663	2,491
Net cash used in investing activities	(1,485,119)	(1,134,724)
Cash flows from financing activities		
Proceed from long term debt	5,478,541	-
Payment of transaction costs – revolving facility	(13,810)	-
Capital contribution repayment	(6,304,418)	-
Dividend paid	(2,134,688)	-
Net cash used in financing activities	(2,974,375)	-
Net (decrease)/increase in cash and cash equivalents	(1,078,002)	2,912,263
Cash and cash equivalents at beginning of the year	3,733,454	821,191
Cash and cash equivalents at end of the year (note 9)	2,655,452	3,733,454
Non-cash transactions		
Accruals for property, plant and equipment	207,978	77,712
Advances to contractors transferred to property, plant and equipment	51,418	120,077
Transfer of property, plant and equipment to assets classified as held for sale	74,819	-
Additional capital contribution (note 12)	-	6,304,418
Transfer of accumulated losses to due to a related party (note 12)	-	36,215,583

The accompanying notes form an integral part of these carve-out financial statements.

Notes to the financial statements for the year ended 31 December 2017

1 General information

Abu Dhabi National Oil Company for Distribution PJSC (“ADNOC Distribution” or the “Company”), formerly Abu Dhabi National Oil Company for Distribution, is a company incorporated by Law No. 13 of 1973 issued by His Highness the Acting Ruler of the Emirate of Abu Dhabi.

On 22 November 2017, Law No. 15 of 2017 (the “New Law of Establishment”) was issued replacing Law No. 13 of 1973 in respect of the incorporation of Abu Dhabi National Oil Company for Distribution PJSC, a public joint stock company registered with the commercial register in Abu Dhabi under commercial licence number CN-1002757 issued by Abu Dhabi Department of Economic Development. The Article of Association of the Company became effective as of 22 November 2017, at the same time that the New Law of Establishment was issued and became effective. The duration of the Company is 100 Gregorian years commencing on the date of issuance of the New Law of Establishment.

Pursuant to the resolution of Abu Dhabi National Oil Company (“ADNOC”, “Shareholder”, or the “Parent Company”), as the sole shareholder of the Company, dated 28 June 2017, ADNOC approved the listing of all the Company’s share in Abu Dhabi Securities Exchange and the sale by way of offer to the public of part of the share capital of the Company held by ADNOC.

The Group’s registered head office is at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company’s shares are listed on the Abu Dhabi Securities Exchange.

The principal activities of the Company and its Subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the “Group”) are the marketing of petroleum products, natural gas and ancillary products.

The Group owns retail fuel stations located in the emirates of Abu Dhabi and Sharjah, in each of which the Group is the sole fuel retailer, and in the emirates of Ajman, Fujairah, Ras Al Khaimah and Umm Al Quwain.

The Group operates “ADNOC Oasis” convenience stores at a majority of its service stations, and lease retail and other space to tenants, such as quick service restaurants.

The Group is also a marketer and distributor of fuels to corporate and government customers throughout the UAE. In addition, the Group provides refuelling and related services at eight airports in the UAE, and owns and operates a natural gas distribution network in Abu Dhabi.

The Group was a wholly owned subsidiary of ADNOC which is wholly owned by the Government of Abu Dhabi (the “Ultimate Shareholder”), and is registered in Abu Dhabi, United Arab Emirates.

On 14 September 2017, the Parent Company approved the transfer of the sales and purchasing activities of the Civil Aviation Division (the “Division”) to itself so that all the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division are accounted for by the Parent Company. According to the transfer plan, the Division’s selling and purchasing activities are carried out by the Parent Company while ADNOC Distribution, acting as an agent of the parent company, handles the operations of the Division, and effective 1 October 2017, charges the Parent Company a percentage of the costs incurred as agreed by both parties.

Historically, the Division’s sales and purchasing activities and transactions were accounted for by the Company and included in its consolidated financial statements. The carve-out financial statements presented herein reflect the financial position of the Group as at 31 December 2017 and 31 December 2016, and its financial performance and its cash flows for the years then ended excluding the sales and cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2017.

The Group made social contributions amounting to AED 2,595 thousand during the year ended 31 December 2017.

Notes to the carve-out financial statements for the year ended 31 December 2017 (continued)

1 General information (continued)

Statement of compliance

The carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), except for the carve-out of sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories relating to sale and purchasing activities of the Division, as well as the related cash flows which are transferred to the Parent Company as described under the “Basis of preparation” in note 3.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the carve-out financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these carve-out financial statements.

Amendments to IAS 7 Disclosure Initiative:

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of carve-out financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group’s liabilities arising from financing activities consist of borrowings (note 14). A reconciliation between the opening and closing balances of these items is provided in note 14. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in note 14, the application of these amendments has had no impact on the Company’s carve-out financial statements.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments:

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ measurement category for certain simple debt instruments.

A finalised version of IFRS 9 contains accounting requirements for financial instruments, replacing IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39. However there are differences in the requirements applying to the measurement of an entity’s own credit risk.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

**2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)**

2.2 New and revised IFRS in issue but not yet effective (continued)

IFRS 9 Financial Instruments (continued):

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

Management anticipates that IFRS 9 (2014) will be adopted in the Group's financial statements for the annual year beginning 1 January 2018. The application of IFRS 9 (2014) may have potential impact on measurement of the impairment of the Group's trade receivables that is based on estimates of losses arising from failure or inability of customers to make the required payments or the time value of money. The Group is continuing to assess the impact of these and other changes on the carve-out financial statements.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. In April 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, and principal versus agent considerations, as well as licensing application guidance.

The potential impact of the revenue standard for the Group is expected to be on the measurement of sales on contracts with customers that provide discounts, rebates, consignment inventories and upfront fees. The Group is continuing to assess the impact of these and other changes on the carve-out financial statements.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****2 Application of new and revised International Financial Reporting Standards (IFRS)
(continued)****2.2 New and revised IFRS in issue but not yet effective (continued)****IFRS 16 Leases:**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

Management anticipates that IFRS 16 will be adopted in the Group's financial statements for the annual year beginning 1 January 2019. The application of IFRS 16 may have a significant impact on amounts reported and disclosures made in the Group's financial statements in respect of Group's financial assets and financial liabilities. With the adoption of IFRS 16, off-balance sheet operating lease commitments as disclosed in note 25 will be recognised as on balance sheet item as follows:

- a. Recognised as a right of use asset and related lease liability; and
- b. Rent expense will be replaced by amortisation charge on right of use of asset and a finance charge on minimum lease payments.

However, it is not practicable to provide a reasonable estimate of the effects of the application of IFRS 16 until the Group performs a detailed review.

3 Summary of significant accounting policies**Basis of preparation**

The carve-out financial statements have been prepared on a carve-out basis from the consolidated financial statements for the year ended 31 December 2017 and 31 December 2016 by carving out the sales, cost of sales receivables/payables and inventories of the Division.

The carve-out financial statements may not be indicative of Group's future performance and they do not necessarily reflect what its carve-out results of operations, financial position and cash flows would have been, had the Division been transferred in prior years.

The carve-out financial statements are presented in United Arab Emirates Dirham (AED) which is the functional currency of the Company and the Group's presentation currency. All amounts have been rounded to the nearest AED thousand ("000"), unless otherwise stated.

The carve-out financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out in the succeeding pages:

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

3 Summary of significant accounting policies (continued)

Basis of consolidation

The carve-out financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved where the Company has power over the investee; is exposed, or has rights, to variable returns from its involvement; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2017	2016		
ADNOC Distribution Global Company L.L.C.	100%	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amounts of replaced parts are derecognised. All other repairs and maintenance costs are charged to the profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	5 – 25 years
Plant and machinery	5 – 15 years
Motor vehicles	4 – 10 years
Furniture, fixtures and equipment	5 years
Pipelines	15 – 20 years

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****3 Summary of significant accounting policies (continued)****Property, plant and equipment (continued)**

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within profit or loss.

Land that was historically provided by the Government of Abu Dhabi for no consideration is accounted for at a nominal value of AED 1 per plot of land. In order to continue to comply with property ownership laws in the UAE, the Group's real properties portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, the Group entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to its operations on the properties.

Capital work-in-progress

Capital work-in-progress is included in property, plant and equipment at cost. Capital work-in-progress is transferred to the appropriate asset category and depreciated in accordance with the Group's policies when construction of the asset is completed and the asset is commissioned and available for use.

Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, consumables, spare parts, direct labour and materials and related overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****3 Summary of significant accounting policies (continued)****Impairment of tangible assets**

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial assets

The Group has the following financial assets as at 31 December 2017: 'cash and cash equivalents', term deposits, trade receivables and other current assets (excluding prepaid expenses) and due from related parties. These financial assets are classified as 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks in current accounts and short-term, high liquid investments with original maturities less than three months that are readily convertible to known amounts of cash and are subject to an insignificant change in value.

Loans and receivables

Trade receivables and other current assets (excluding prepaid expenses) and due from related parties that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****3 Summary of significant accounting policies (continued)****Financial assets (continued)**Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities comprise trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding), long term debt and due to related parties, which are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except, for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

3 Summary of significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivables for products and services provided in the normal course of business. Revenue is recognised, net of rebates and discounts, when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and associated cost can be measured reliably.

Sales of goods

Sale of goods and petroleum products are recognised when the significant risks and rewards of ownership of the goods are transferred to the buyer, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been received by the customer.

Rendering of services

Revenues from rendering of services are recognised when the services have been rendered and the outcome of the transactions can be estimated reliably.

Delivery income

Revenue from petroleum transport are recognised when services are rendered. These revenues are based on the quantities transported and measured according to procedures defined in each service contract.

Rental income

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Other income

Other income is recognised when it is probable that the economic benefit will flow to the Group and the amount of income can be measured reliably.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****3 Summary of significant accounting policies (continued)****Leases**The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the profit or loss in the period in which they arise.

Employees' benefit

Provision is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the reporting date. Provision is made for the full amount of end of service benefits due to employees in accordance with the UAE Labour Law, for their period of service up to the end of the reporting date.

With respect to its UAE national employees, the Group makes contributions to the Abu Dhabi Retirement Pension and Benefits Fund (the "Fund") calculated in accordance with the Fund's regulations. With respect to its GCC national employees, the Group makes contributions to the pension funds or agencies of their respective countries. The Group's obligations are accrued over the period of employment.

The provision relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefit is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty**

While applying the accounting policies as stated in note 3, the management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant estimates made by management are summarised as follows:

Key sources of estimation uncertaintyImpairment of trade receivables

The impairment charges reflect estimates of losses arising from the failure or inability of customers to make the required payments or the time value of money. The charge is based on the ageing of accounts, the customer's credit worthiness and historic loss experience. Changes to the estimated impairment provision may be required if the financial position of the customers was to improve or deteriorate. As at 31 December 2017, the Group's allowance for impairment of trade receivables amounted to AED 200,613 thousand (2016: AED 178,196 thousand).

Estimated useful lives and residual values of property, plant and equipment

Management reviews the estimated useful lives and residual values of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management determined that current year expectations do not differ from previous estimates based on its review.

Dismantling cost of property, plant and equipment

In accordance with IAS 16, the cost of property, plant and equipment shall include an initial estimate of the costs of dismantling and removing the item and restoring the site. Management have considered the requirements and determined that dismantling and removing the item and restoring the site in the future is not probable and estimate of costs is not significant.

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment based on assessment of cash flows on individual cash generating units when there is indication of impairment. Cash flows are determined based on contractual agreements and estimations over the estimated useful life of the assets and discounted using a range of discounting rates representing the rate of return on such cash generating units. The net present values are compared to the carrying amounts to assess any probable impairment.

During the year, the Group undertakes a review of Liquefied Petroleum Gasoline Operations related assets classified under property, plant and equipment with carrying amount of AED 261,715 thousand. The Group applies the value in use methodology using cash flow projections to estimate the recoverable amount of its property, plant and equipment. Growth rate of 2% and discount rate of 9% was taken into consideration in the calculation of the cash flow projection. Management determined that no impairment on its property, plant and equipment is to be recognised based on its review.

Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)

5 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in- progress AED'000	Total AED'000
Cost							
1 January 2016	2,819,029	1,114,130	226,005	337,829	37,134	1,248,649	5,782,776
Additions	-	-	-	-	-	1,237,940	1,237,940
Transfers	696,241	166,341	34,461	227,746	10,549	(1,135,338)	-
Disposals	(2,704)	(2,443)	(8,198)	(1,862)	-	-	(15,207)
1 January 2017	3,512,566	1,278,028	252,268	563,713	47,683	1,351,251	7,005,509
Additions	-	-	-	-	-	779,679	779,679
Transfer from a related party	255,004	441,223	-	-	-	-	696,227
Transfers	638,746	217,633	17,954	124,675	3,525	(1,002,533)	-
Disposals	(47)	(3,473)	(7,936)	(1,357)	-	-	(12,813)
Reclassification	1,239	(275)	-	(964)	-	-	-
Transfer to assets classified as held for sale (note 10)	-	-	-	(2,971)	(840)	(71,674)	(75,485)
31 December 2017	4,407,508	1,933,136	262,286	683,096	50,368	1,056,723	8,393,117

Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)

5 Property, plant and equipment (continued)

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in- progress AED'000	Total AED'000
Accumulated depreciation							
1 January 2016	1,183,754	693,350	167,723	229,161	25,848	-	2,299,836
Charge for the year	147,450	110,981	22,753	64,080	1,812	-	347,076
Reclassifications	749	(2,260)	-	1,408	103	-	-
Disposals	(2,703)	(2,429)	(8,199)	(1,845)	-	-	(15,176)
1 January 2017	1,329,250	799,642	182,277	292,804	27,763	-	2,631,736
Charge for the year	192,925	136,553	23,240	105,738	2,197	-	460,653
Disposals	(47)	(3,200)	(7,910)	(1,346)	-	-	(12,503)
Reclassifications	288	(355)	-	67	-	-	-
Transfer to assets classified as held for sale (note 10)	-	-	-	(379)	(287)	-	(666)
31 December 2017	1,522,416	932,640	197,607	396,884	29,673	-	3,079,220
Carrying amount							
31 December 2017	2,885,092	1,000,496	64,679	286,212	20,695	1,056,723	5,313,897
31 December 2016	2,183,316	478,386	69,991	270,909	19,920	1,351,251	4,373,773

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 25).

In order to continue to comply with property ownership laws in the UAE, The Group's real property portfolio was transferred to ADNOC pursuant to decisions of the Crown Prince of Abu Dhabi and the Rulers of the Northern Emirates. To allocate liabilities associated with the property transfers, and to ensure the Group have continued access to the properties, The Group entered into Transfer Liability and Leaseback Agreements with ADNOC. Under the terms of the Real Estate Transfer Liability and Leaseback Agreements, ADNOC has agreed to lease all real estate transferred to it back to the Group on a cost-pass-through basis. Each lease has a term of four years and will renew automatically unless notice of termination is given by the Group at least one year prior to then-effective expiration date. Under the terms of the agreements, the Group will indemnify ADNOC for any environmental liabilities relating to our operations on the properties.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

5 Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2017 AED'000	2016 AED'000
Distribution and administrative expenses (note 19)	456,950	344,471
Direct cost (note 18)	2,697	2,013
Work-in-progress inventories (note 6)	1,006	592
	<u>460,653</u>	<u>347,076</u>

6 Inventories

	2017 AED'000	2016 AED'000
Finished goods	1,203,968	967,020
Spare parts and consumables	52,761	50,398
Lubricants raw materials, consumables and work in progress	70,647	59,851
LPG cylinders	35,783	32,206
	<u>1,363,159</u>	<u>1,109,475</u>
Less: Allowance for write down of finished goods to net realisable value	(234)	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	(18,911)	(15,423)
	<u>(19,145)</u>	<u>(15,657)</u>
	<u>1,344,014</u>	<u>1,093,818</u>

The cost of inventories recognised as expense and included in 'direct cost' amounted to AED 15,303,357 thousand (2016: AED 13,413,420 thousand) (note 18). During the year, a direct write off of inventory was recognised as expense amounting to AED 2,774 thousand (2016: AED 11,964 thousand).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 1,006 thousand (2016: AED 592 thousand) (note 5).

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

6 Inventories (continued)

Movement of the Group's inventory write down of finished goods to net realisable value and allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders is as follows:

	2017	2016
	AED'000	AED'000
At 1 January	15,657	14,630
Impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 21)	3,488	1,027
	<hr/>	<hr/>
At 31 December	19,145	15,657
	<hr/> <hr/>	<hr/> <hr/>

7 Trade receivables and other current assets

	2017	2016
	AED'000	AED'000
Trade receivables	2,163,219	1,633,665
Less: allowance for impairment of trade receivables	(200,613)	(178,196)
	<hr/>	<hr/>
Prepaid expenses	1,962,606	1,455,469
Receivable from employees	36,653	35,531
Other receivables	116,185	109,503
	96,097	56,328
	<hr/>	<hr/>
	2,211,541	1,656,831
	<hr/> <hr/>	<hr/> <hr/>

Receivables from employees consist of staff car loans, furniture loans, personal loans and staff advances.

As at 31 December 2017, the Group had significant concentration of credit risk with two customers (2016: two) accounting for 46% (2016: 39%) of its trade receivables outstanding as at that date. Management is confident that this concentration will not result in any loss to the Group considering the credit history of these customers.

The average credit period on sales and services is between 30 to 60 days. No interest is charged on trade receivables.

Trade receivable balances past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

7 Trade receivables and other current assets (continued)

As at 31 December 2017, the aging of unimpaired trade receivables is as follows:

Ageing of trade receivables:

	2017 AED'000	2016 AED'000
Not past due	755,241	512,770
Overdue for 30 days	299,671	137,672
Overdue for 31 to 60 days	131,719	99,023
Overdue for 61 to 90 days	81,913	48,577
Overdue for 91 to 180 days	266,027	106,208
Overdue for 181 to 360 days	159,855	247,784
Overdue for more than 360 days	268,180	303,435
	<hr/>	<hr/>
	1,962,606	1,455,469
	<hr/> <hr/>	<hr/> <hr/>

As at 31 December 2017, trade receivables with carrying amount of AED 200,613 thousand (2016: AED 178,196 thousand) were impaired. Movement in the allowance for impairment of trade receivables is as follows:

	2017 AED'000	2016 AED'000
At 1 January	178,196	155,958
Recoveries during the year	(46,749)	(24,023)
Charge for the year (note 21)	69,166	46,261
	<hr/>	<hr/>
	200,613	178,196
	<hr/> <hr/>	<hr/> <hr/>

Amounts charged to the allowance for impairment of trade receivables are generally written off when there is no realistic expectation of recovery.

The carrying amounts of the Group's trade receivables are denominated in UAE Dirham and US Dollars and approximate to their fair value as at 31 December 2017.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

8 Related party balances and transactions

Related parties represent the Parent Company and its subsidiaries, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

	2017	2016
	AED'000	AED'000
Due from related parties		
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	152,753	170,032
ADNOC Drilling (formerly National Drilling Company)	88,720	99,678
ADNOC Onshore (formerly Abu Dhabi Company for Onshore Oil Operations (ADCO))	48,716	33,066
ADNOC Gas Processing (formerly Abu Dhabi Gas Industries Ltd. (GASCO))	16,694	9,414
Abu Dhabi National Oil Company (ADNOC)	16,782	1,126
ADNOC Sour Gas (formerly Abu Dhabi Gas Development Company (AL HOSN))	12,209	21,031
Abu Dhabi Marine Operating Co. (ADMA-OPCO)	9,351	6,861
Zakum Development Company (ZADCO)	7,322	5,328
Others	9,087	6,854
	<hr/>	<hr/>
	361,634	353,390
	<hr/>	<hr/>
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	2,469,652	603,522
ADNOC Logistics and Services (formerly Abu Dhabi National Tanker Co. (ADNATCO), National Gas Shipping Company (NGSCO), Abu Dhabi Petroleum Ports Operating Co. (IRSHAD) and Petroleum Services Company (ESNAAD))	13,031	24
ADNOC Refining (formerly Abu Dhabi Oil Refining Company (Takreer))	12,860	-
Others	6	-
	<hr/>	<hr/>
	2,495,549	603,546
	<hr/>	<hr/>

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

8 Related party balances and transactions (continued)

The amounts due from related parties are against the provision of petroleum products and services. These balances are not secured, bear no interest and have an average credit period of 30-60 days.

The amount due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges, administrative charges and amounts related to the transfer of the sales and purchasing activities of the Civil Aviation Division. The above balance is unsecured, bears no interest and is payable on demand.

The Group has an amount of AED 1,052,359 thousand (2016: AED 629,398 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2017, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 4,359,250 thousand.

The following transactions were carried out with related parties during the year:

	2017	2016
	AED'000	AED'000
Revenue - ADNOC group	1,011,976	768,815
Purchases - ADNOC	13,929,609	13,181,779
Administrative expenses - ADNOC	1,940	1,700
Vessel hire and port charges – ADNOC group	96,193	78,038
Transfer of property, plant and equipment	696,226	-
Transfer of accumulated losses (note 12)	-	36,215,583
Additional capital contribution (note 12)	-	6,304,418
Capital contribution repayment (note 12)	(6,304,418)	-
Dividend paid (note 24)	(2,134,688)	-
Rendering of service (note 17)	72,213	-
Recoverable expenses (note 19)	(198,403)	(238,399)

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

8 Related party balances and transactions (continued)

Compensation of key management personnel

The remuneration of directors and other members of key management during the year is as follows:

	2017 AED'000	2016 AED'000
Short term benefits	10,982	13,350
Pension contribution	572	730
	<u>11,554</u>	<u>14,080</u>

The Group has elected to use the exemption under IAS 24 *Related Party Disclosures* for Government related entities on disclosing transactions and related outstanding balances with government related parties owned by the Government of Abu Dhabi other than the Parent Company and entities it owns and control.

The Group provides in the normal course of business petroleum distribution services to entities owned and controlled by the Government of Abu Dhabi.

In September 2017, the Company entered into an agreement with ADNOC Distribution Assets LLC (the "SPV") for the operation and maintenance of certain of the assets transferred to the SPV by Takreer with an effective date of 1 October 2017, for which the SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such operations (the "Owner Consideration") and the Company will compensate the SPV for the use of such assets (the "Operator Consideration"). The Company and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

In September 2017, the Company entered into an agreement with the Parent Company and the SPV to provide support services relating to the Parent Company's civil aviation fuel supply business and to operate and maintain certain assets belonging to the SPV with an effective date of 30 September. The SPV will compensate the Company on the basis of an 8% return over and above the operating expenditure incurred by the Company for such support services and operations.

In November 2017, the Company entered into an agreement with the Parent Company relating to its supply of Butane, Propane and Mixed Liquefied Petroleum Gas ("LPG") which specifies the pricing mechanism for those products effective 1 October 2017. As per the new arrangement for LPG cylinders, the Parent Company will charge the Company the regulated price with a deduction for Cylinder OPEX as defined in the agreement and an agreed margin whereas historically the Company paid the Parent Company's official selling prices. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement. This reimbursement will be recorded as reduction from the purchase price of the LPG cylinders.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

8 Related party balances and transactions (continued)

In November 2017, the Company entered into an agreement with the Parent Company for supply of refined petroleum products. As per this arrangement, the contract price effective 1 October 2017 applicable to gasoline and diesel shall be equal to the sum of (a) the mean of Platt's Average as defined in the agreement, plus (b) a fixed premium. For illuminating kerosene and aviation fuel, the contract price shall be the Parent Company's official selling prices.

Also, during the initial five-year term only, to the extent that during any invoicing period the difference between the contract price payable by the Company to the Parent Company for any litre of a gasoline or diesel and the relevant retail price for the same litre of gasoline or diesel, is less than a specified level, such contract price shall be reduced for that period so that the difference equals such specified level.

In addition, if at the end of any year during the initial five-year term, it is determined that, for any grade of gasoline (ULG 91, 95 or 98) or diesel, the difference between the actual revenue per litre achieved by the Company for sales at the pump and the price paid by the Company to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Company an amount equal to the per-litre difference, multiplied by the total volumes sold of the affected grade. The agreement is effective until 31 December 2022 unless terminated or extended as per the terms of the agreement.

9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows consist of the following amounts:

	2017	2016
	AED'000	AED'000
Cash held by ADNOC	1,578,582	3,038,987
Cash on hand and in bank	1,206,870	794,467
	<hr/>	<hr/>
Cash and bank balances	2,785,452	3,833,454
Term deposit with maturities above 3 months	(130,000)	(100,000)
	<hr/>	<hr/>
	2,655,452	3,733,454
	<hr/> <hr/>	<hr/> <hr/>

Cash held by ADNOC are funds held by ADNOC on behalf of the Group and are available on demand. These funds as approved by both parties carries interest rate ranging from 1.20% to 1.70% per annum effective December 2017.

Cash and bank balances include short-term and call deposits amounting to AED 1,052 million (2016: AED 683 million) carrying rate ranging from 0.01% to 0.05% (2016: 0.02% to 0.08%) per annum.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

10 Assets classified as held for sale

On 2 November 2017, the Company and Abu Dhabi National Oil Company (ADNOC) entered into a business transfer agreement relating to the transfer of the Company's Natural Gas business excluding compressed natural gas operations subject to certain conditions precedent. The transfer the business will be completed by 30 June 2018. The Group expects that the fair value less cost to sell of the business will be higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities held for sale as at 31 December 2017.

11 Share capital

The original share capital of the Company as per the Law No. 13 of 1973 was AED 30 million divided into 300,000 shares, each valued at AED 100.

By virtue of the decision of the board of directors of the Parent Company dated 17 October 1984, the share capital of the Company was increased to AED 200 million divided into 2 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 6 October 1998, the share capital of the Company was increased to AED 600 million divided into 6 million shares, each valued at AED 100.

By virtue of the decision of the Supreme Petroleum Council dated 9 July 2006, the share capital of the Company was increased to AED 1,000 million.

In accordance with the Article of Association of the Company which became effective on 22 November 2017, the authorised capital and number of ordinary shares was amended as follows:

	2017 AED'000	2016 AED'000
Authorised:		
25,000,000,000 ordinary shares of AED .08 each (2016:		
10,000,000 ordinary shares of AED 100 each)	2,000,000	1,000,000
	=====	=====
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED .08 each (2016:		
10,000,000 ordinary shares of AED 100 each)	1,000,000	1,000,000
	=====	=====

12 Capital contribution

On 10 October 2016, the Supreme Petroleum Council (Executive Committee) approved to write off the amounts payable to ADNOC amounting to AED 42,520,001 thousand against the accumulated losses of the Company. An amount of AED 6,304,418 thousand has been further recognised as an additional capital contribution from ADNOC to the Company. On 13 November 2017, the Board of Directors approved the repayment of the capital contribution of AED 6,304,418 thousand to ADNOC.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

13 Legal reserve

In accordance with the UAE Federal Law No. 2 of 2015, and the Articles of Association of the Company, 10% of the profit is transferred to a non-distributable statutory reserve. Such transfers are required to be made until the reserve is equal to 50% (2016: 33%) of the paid up share capital.

14 Long term debt

	2017 AED'000	2016 AED'000
Term loan	5,479,201	-

On 16 October 2017, ADNOC Distribution signed a mandate letter (the "Mandate Letter") with a consortium of banks where the consortium agreed to underwrite a 5 year, USD 2,250 million unsecured credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of USD 1,500 million and a revolving facility commitment of USD 750 million. The purpose of the facility is for general corporate and working capital purposes including payment of dividend, repayment of debt and payment of transaction costs associated with the facility. There are no financial covenants included in the facility documents.

The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 13,462 thousand as at 31 December 2017 is presented as other non-current asset in the carve-out financial statements.

On 16 November 2017, the Group made a drawdown amounting to USD 375,000 thousand and AED 4,128,750 thousand. The Facility carries variable interest at USD LIBOR plus a 0.875% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion. The term facility is to be repaid at final maturity which is 5 years from the date of the facility agreement.

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those which cash flows were, or future cash flows will be, classified in the Group's carve-out financial statements of cash flows as cash flows from financing activities.

	2017 AED'000	2016 AED'000
At 1 January	-	-
Financing cash flows (i)	5,478,541	-
Other charges (ii)	660	-
	5,479,201	-

(i) The cash flows from bank loans and repayments of long term debt in the statement of cash flows.

(ii) Other charges include amortisation of transaction costs of the term loan.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

15 Provision for employees' end of service benefit

Movement in the provision recognised in the carve-out statement of financial position is as follows:

	2017 AED'000	2016 AED'000
At 1 January	236,926	278,259
Charge for the year (note 22)	26,314	29,485
Payments	(39,303)	(70,818)
	<hr/>	<hr/>
At 31 December	223,937	236,926
	<hr/> <hr/>	<hr/> <hr/>

Management believes that the calculation performed based on the entitlement due at the reporting date in accordance with the UAE Labour law will not be materially different if an actuarial valuation were performed as the net impact of the discount rate and future salary and benefit levels on the present value of the benefit obligation is not likely to be significant.

16 Trade and other payables

	2017 AED'000	2016 AED'000
Trade payables	414,978	313,875
Operating accruals	249,978	161,524
Capital accruals	207,978	291,519
Coupon and prepaid card sales outstanding	82,362	83,269
Contract retentions payable	67,496	62,676
Advances from customers	27,511	34,396
Other payables	108,518	167,788
	<hr/>	<hr/>
	1,158,821	1,115,047
	<hr/> <hr/>	<hr/> <hr/>

17 Revenue

	2017 AED'000	2016 AED'000
Sale of goods	19,321,539	17,371,932
Rendering of services	278,588	165,474
Rental income	91,376	85,572
Delivery income	64,791	47,093
	<hr/>	<hr/>
	19,756,294	17,670,071
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

17 Revenue (continued)

During the year ended 31 December 2016, sale of goods included an amount of AED 496 million made through stations owned by Emirates General Petroleum Corporation (“Emarat”). The related assets were not recorded in these carve-out financial statements as the proposed acquisition of the Emarat retail fuel service stations were abandoned in 2016. The related direct cost, distribution and administrative expenses, and other income for year ended 31 December 2016 amounted to AED 328 million, AED 89 million and AED 31 million, respectively, are also included in these carve-out financial statements. There was no sale of goods through stations owned by Emarat for the year ended 31 December 2017, and correspondingly no related direct cost, distribution and administrative expenses, and other income.

In connection with the transfer of the sales and purchasing activities of the Division, the Company entered into a service agreement (the “Aviation Service Agreement”), pursuant to which the Parent Company reimburses the Company for and pays an additional margin of 8% of the total distribution and administrative costs of the Division incurred by the Company for handling the operations of the Division and providing certain aviation refuelling and other related services to its civil aviation customers. The cost of the Division’s related handling operations plus the additional margin amounting to AED 72,213 thousand (2016: Nil) is recognised as revenue in the carve-out financial statements (note 8).

18 Direct costs

	2017 AED’000	2016 AED’000
Materials	15,303,357	13,413,420
Staff costs (note 22)	12,684	12,976
Overheads	11,463	15,154
Depreciation (note 5)	2,697	2,013
	<u>15,330,201</u>	<u>13,443,563</u>

19 Distribution and administrative expenses

	2017 AED’000	2016 AED’000
Staff costs (note 22)	1,824,276	1,836,494
Depreciation (note 5)	456,950	344,471
Distribution and marketing expenses	120,176	150,262
Repairs, maintenance and consumables	154,722	180,438
Utilities	96,102	80,299
Insurance	11,246	16,831
Others	258,265	179,386
Recoverable expenses	(198,403)	(238,399)
	<u>2,723,334</u>	<u>2,549,782</u>

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

20 Other income

	2017 AED'000	2016 AED'000
Gain on disposal of property, plant and equipment	73	3,104
Miscellaneous income	192,911	157,891
	<u>192,984</u>	<u>160,995</u>

Miscellaneous income consists mainly of convenient store income for the consigned goods and sales of scrap items, used oil, batteries, tyres.

21 Impairment losses and other operating expenses

	2017 AED'000	2016 AED'000
Impairment loss of trade receivables (note 7)	69,166	46,261
Inventories written off	2,774	11,964
Impairment loss for obsolete inventories (note 6)	3,488	1,027
	<u>75,428</u>	<u>59,252</u>

22 Staff costs

	2017 AED'000	2016 AED'000
Salaries and allowances	1,679,268	1,672,740
Other benefits	177,025	192,331
Employees' end of service benefit (note 15)	26,314	29,485
	<u>1,882,607</u>	<u>1,894,556</u>
<i>Staff costs are allocated as follows:</i>		
Distribution and administrative expenses (note 19)	1,824,276	1,836,494
Capital work-in-progress	45,647	45,086
Direct costs (note 18)	12,684	12,976
	<u>1,882,607</u>	<u>1,894,556</u>

Other benefits consist mainly of medical expenses, trainings, leave and travel expenses and uniforms.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

23 Basic and diluted earnings per share

Earnings per share amounts are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of share outstanding during the year.

	2017	2016 (Restated)
Profit attributable to owners of the Company (AED '000)	<u>1,804,207</u>	<u>1,780,960</u>
Weighted average number of shares for the purpose of basic earnings per share('000)	<u>12,500,000</u>	<u>12,500,000</u>
Earnings per share	<u>0.144</u>	<u>0.142</u>

On 22 November 2017, the authorised number of ordinary shares was amended to AED 25,000,000 thousand shares of AED .8 each. Accordingly, the weighted average number of shares for the purpose of the basic earnings per share for the year ended 31 December 2016 was restated.

There are no dilutive securities, therefore diluted EPS is the same as basic EPS.

24 Dividend

The Board of Directors, in their meeting held on 13 November 2017 and based on the authority provided by the Parent Company, has approved an interim dividend of AED 2,134,688 thousand.

On 25 February 2018, the Board of Directors resolved to recommend the distribution to shareholders of dividend of AED 0.0588 per share in respect of the fiscal year ended 31 December 2017.

25 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 300.9 million (2016: AED 534.5 million.)

The Group has entered into numerous operating lease agreements relating to land on which certain petrol stations have been constructed. The minimum lease payments under these lease agreements are shown below.

	2017 AED'000	2016 AED'000
Not later than one year	3,200	3,200
Later than one and not later than five years	23,310	23,030
Later than five years	16,950	15,850
	<u>43,460</u>	<u>42,080</u>

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

26 Segment Reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 *Operating Segments*. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors, as the chief operating decision maker, in order to allocate resources to the segment and to assess its performance. Information reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance focuses on the financial performance of each business segments only. No information that includes the segments' assets and liabilities are reported to the Board of Directors.

For operating purposes, The Group is organised into four major business segments:

- (i.) Corporate segment, which involves sale of petroleum products and ancillary products.
- (ii.) Retail segments, which involves sale of petroleum products through service stations services and convenience stores catering the consumers.
- (iii.) Government aviation segment, engages in the provision of fuel and fuelling services to strategic customers as well as fuelling services to the Parent Company's aviation customers.
- (iv.) Operating segments Allied Services and Natural Gas have been aggregated as 'Other' reportable segment of the Group. Allied services involves property management and vehicle inspection services.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds.

The Group operates primarily in United Arab Emirates and accordingly no further geographical analysis of revenues, profit, assets and liabilities is given.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous year. Profit for the year is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)

26 Segment Reporting (continued)

Information regarding these segments are as follows:

	Corporate AED'000	Retail AED'000	Aviation AED'000	Others AED'000	Unallocated AED'000	Total AED'000
31 December 2017						
Revenue	4,049,801	13,746,259	1,696,871	263,363	-	19,756,294
Direct costs	(3,278,108)	(10,876,911)	(1,157,874)	(17,308)	-	(15,330,201)
Gross profit	771,693	2,869,348	538,997	246,055	-	4,426,093
Distribution and administrative expenses	(219,458)	(2,054,410)	(201,702)	(236,340)	(11,424)	(2,723,334)
Other income	64,876	86,490	8,056	30,819	2,743	192,984
Impairment losses and other operating expenses	(36,511)	(100)	(10,314)	(22,241)	(6,262)	(75,428)
Interest income	-	-	-	-	2,663	2,663
Finance costs	-	-	-	-	(18,771)	(18,771)
Profit/(loss) for the year	580,600	901,328	335,037	18,293	(31,051)	1,804,207
Depreciation - net	18,783	352,302	14,491	55,598	-	441,174
31 December 2016						
Revenue	3,819,446	12,299,777	1,328,539	222,309	-	17,670,071
Direct costs	(2,958,198)	(9,564,415)	(907,193)	(13,757)	-	(13,443,563)
Gross profit	861,248	2,735,362	421,346	208,552	-	4,226,508
Distribution and administrative expenses	(181,907)	(2,027,003)	(119,637)	(221,235)	-	(2,549,782)
Other income	4,632	102,087	-	5,132	49,144	160,995
Impairment losses and other operating expenses	(25,909)	(40)	(7,612)	(12,699)	(12,992)	(59,252)
Interest income	-	-	-	-	2,491	2,491
Profit/(loss) for the year	658,064	810,406	294,097	(20,250)	38,643	1,780,960
Depreciation - net	15,703	253,648	9,277	50,809	-	329,437

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

26 Segment Reporting (continued)

Unallocated income consists mainly of gain on sale of fixed assets, insurance recovery and other miscellaneous income.

Depreciation has been allocated in distribution and administrative expenses, direct costs and work-in-progress inventories (note 5). Reconciliation of depreciation net of Civil Aviation Division carve-out is as follows:

	2017	2016
Depreciation (note 5)	460,653	347,076
Less: amount relating to Civil Aviation Division carve-out	(19,479)	(17,639)
	<hr/>	<hr/>
Depreciation - net	441,174	329,437
	<hr/> <hr/>	<hr/> <hr/>

27 ADNOC Group central fund for risk financing

The Group is a participant in a centralised fund, administered by ADNOC, to finance certain self-insured risks. The fund is made up of premium discounts, investment income and contributions from participants, as agreed upon from time to time. Under the scheme, the Group is obliged to provide additional funding, if required. As at 31 December 2017, the Group's share in the fund held by ADNOC was AED 668 thousand (2016: AED 662 thousand).

28 Contingencies and litigations

As at 31 December 2017, the Group had contingent liabilities amounting to AED 1,208 thousand (2016: AED 2,201 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's carve-out financial statements if concluded unfavourably.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

29 Financial instruments

Capital risk management

The primary objective of the Group's capital risk management activities is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure, and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using a leverage ratio, which is net debt divided by total capital defined as equity plus net debt. The capital structure of the Group consists of debt, which includes long term debts, cash and cash equivalents and equity comprising share capital, statutory reserve and retained earnings.

The leverage ratio, determined as net debt to net debt plus equity, at the year-end was as follows:

	2017 AED '000	2016 AED '000
Debt	5,479,201	-
Cash and cash equivalent (note 9)	(2,655,452)	(3,733,454)
	<hr/>	<hr/>
Net debt	2,823,749	(3,733,454)
	<hr/>	<hr/>
Net debt	2,823,749	(3,733,454)
Equity	2,847,869	9,482,768
	<hr/>	<hr/>
Net debt plus equity	5,671,618	5,749,314
	<hr/>	<hr/>
Leverage ratio	49.8%	(64.9%)
	<hr/>	<hr/>

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), commercial and credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has no significant currency risk exposure from its operations as a majority of the Group's transactions are in UAE Dirham or US Dollars. The UAE Dirham is pegged to the US Dollar, hence, balances in US Dollars are not considered to present a significant foreign exchange risk.

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

29 Financial instruments (continued)

Financial risk management (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and Group's debt obligations with floating interest rates. Consequently, the Group's income and operating cash flows are dependent on changes in market interest rates. Deposits/placements issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage these risks based on management's assessment of available options and placing any surplus funds with ADNOC for treasury management or with creditworthy banks (note 9).

The deposits and placements are on rollover basis for three months or less, as such the carrying amounts have not been discounted as the impact of discounting is not deemed to be significant.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the financial position date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would have decreased/increased by AED 27,396 thousand (2016: Nil). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Price risk

The Group is exposed to commodity price risk arising from retail prices of the liquid fuels. Liquid fuel prices are set by the UAE Ministry of Energy, which limits and may result in reductions in the profit margins on these products. There can be no assurance that the UAE Ministry of Energy will continue to set retail prices at a level that provides the same or a similar profit margin, and any reduction in the profit margin on these products would have a material adverse impact on our results of operations and financial position. Under the new supply agreements, ADNOC will provide the Group protection against reduction in per-litre gross profits below certain specified levels (note 8).

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

29 Financial instruments (continued)

Financial risk management (continued)

(b) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables, due from group companies and committed transactions. Management assesses the credit quality of its customers, taking into account financial position, past experience and others factors. Individual risk limits are based on management's assessment on a case-by-case basis.

The Group's policy is to place cash and cash equivalents and term deposits with reputable banks and financial institutions and the Group's management does not expect any losses from non-performance of its counterparties as it believes that adequate allowance has been created against the impaired receivables.

The Group's trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure is the carrying amount of the trade receivables as disclosed in note 7.

(c) Liquidity risk

The Group limits its liquidity risk by ensuring adequate cash from operations is available to meet its funding requirements. The Group monitors its risk of shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g., bank deposits, trade receivables and other financial assets), and projected cash flows from operations. The Group's objective is to maintain liquidity through credit lines available from banks. As at 31 December 2017, the Group had access to a USD 750 million credit facility which was fully unutilised (note 14).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2017 and 2016 based on the contractual undiscounted payments.

	Less than 1 year	More than 1 year	Total
		AED '000	AED '000
At 31 December 2017			
Long term debt	-	5,479,201	5,479,201
Due to related parties	2,495,549	-	2,495,549
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,048,948	-	1,048,948
Total	3,544,497	5,479,201	9,023,698

29 Financial instruments (continued)

Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 1 year	More than 1 year AED '000	Total AED '000
At 31 December 2016			
Due to related parties	603,546	-	603,546
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	997,382	-	997,382
	<hr/>	<hr/>	<hr/>
Total	1,600,928	-	1,600,928
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Whilst the Parent Company account is payable on demand or within agreed payment terms, the Parent Company considers the ability of the Group to pay, and its cash position prior to any payment request or transfer. The Parent Company account includes the cost of supplying the Group with its inventories as the Parent Company is the principal supplier of petroleum products to the Group (note 8).

Fair value estimation

The carrying value less any impairment provision of trade receivables and payables, approximate to their fair values as they are mainly short-term in nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for financial instruments.

30 Financial instruments by category

	2017 AED'000	2016 AED'000
Financial assets:		
Cash and bank balances	2,785,452	3,833,454
Due from related parties	361,634	353,390
Trade and receivables and other current assets (excluding prepaid expenses)	2,174,888	1,621,300
	<hr/>	<hr/>
	5,321,974	5,808,144
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the carve-out financial statements
for the year ended 31 December 2017 (continued)**

30 Financial instruments by category (continued)

	2017 AED'000	2016 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,048,948	997,382
Due to related parties	2,495,549	603,546
Long term debt	5,479,201	-
	<hr/>	<hr/>
	9,023,698	1,600,928
	<hr/>	<hr/>

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 36,653 thousand (2016: AED 35,531 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 109,873 thousand (2016: AED 117,665 thousand) have been excluded from trade and other payables.

31 Approval of carve-out financial statements

The carve-out financial statements were approved by the Board of Directors and authorised for issue on 25 February 2018.

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report

for the year ended 31 December 2017

The Directors present their report together with the audited carve-out financial statements of Abu Dhabi National Oil Company for Distribution PJSC, (the "Company") and its subsidiary (collectively referred to as "the Group") for the year ended 31 December 2017.

Principal activities

The principal activities of the Group are marketing of petroleum products, natural gas and ancillary products.

Review of business

During the year, the Group reported a revenue of AED 19,756,294 thousand (2016: AED 17,670,071 thousand). Profit for the year was AED 1,804,207 thousand (2016: AED 1,780,960 thousand).

The appropriation of the results for the year is follows:

AED '000	
Retained earnings at 1 January 2017	1,845,017
Total comprehensive income for the year	1,804,207
Transfer to statutory reserve	(166,667)
Dividend	(2,134,688)
Retained earnings at 31 December 2017	1,347,869

On 25 February 2018, the Board of Directors resolved to recommend the distribution to shareholders of dividend of AED 0.0588 per share in respect of the fiscal year ended 31 December 2017.

for the Board of Directors

Chairman

Abu Dhabi, UAE