ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Review reports and condensed Interim financial information for the six month period ended 30 June 2018

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for the six month period ended 30 June 2018

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ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report
for the six month period ended 30 June 2018

The Directors present their report together with the condensed interim financial information of Abu Dhabi National Oil Company for Distribution PJSC. (the "Company") and its subsidiary (collectively referred to as "the Group") for the six month period ended 30 June 2018.

Principal activities

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

Review of business

During the period, the Group reported a revenue of AED 10,966,556 thousand (30 June 2017: AED 9,417,099 thousand). Profit for the period was AED 1,124,265 thousand (30 June 2017: AED 951,784 thousand).

The appropriation of the results for the period is follows:

	AED '000
Retained earnings at 1 January 2018	1,429,448
Total comprehensive income for the period	1,124,265
Dividend declared and paid	(735,000)
Retained earnings at 30 June 2018	**1,818,713**

for the Board of Directors

Chairman

Abu Dhabi, UAE

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed carve-out interim statement of financial position of Abu Dhabi National Oil Company for Distribution PJSC ("ADNOC Distribution" or the "Company") and its subsidiary (collectively referred to as "the Group"), as at 30 June 2018 and the related condensed carve-out interim statements of profit or loss and comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the basis of preparation set out in note 3 to the carve-out interim financial information. Our responsibility is to express a conclusion on this condensed carve-out interim financial information based on our review .

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of matter

We draw attention to notes 1 and 3 to the condensed carve-out interim financial information which describes the basis of preparation of these carve-out interim financial information. The comparative condensed interim financial information for the period ended 30 June 2017 has been prepared on a carve-out basis from the interim financial information for the period ended 30 June 2017 to carve-out the sales, cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Civil Aviation Division. Our conclusion is not modified in respect of the matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed carve-out interim financial information is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Deloitte & Touche (M.E.)

Signed by:
Rama Padmanabha Acharya
Registration Number 701
12 August 2018
Abu Dhabi
United Arab Emirates

Condensed carve-out interim statement of financial position as at 30 June 2018

	Notes	30 June 2018 (unaudited) AED'000	31 December 2017 (audited) AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**5,374,510**	5,313,897
Advances to contractors		**112,657**	100,558
Other non-current assets	10	**12,074**	13,462
Total non-current assets		**5,499,241**	5,427,917
Current assets			
Inventories	5	**1,532,001**	1,344,014
Trade receivables and other current assets	6	**2,327,427**	2,293,120
Due from related parties	7	**493,665**	361,634
Cash and bank balances	8	**4,959,008**	2,785,452
		9,312,101	6,784,220
Assets classified as held for sale	9	**74,819**	74,819
Total current assets		**9,386,920**	6,859,039
Total assets		**14,886,161**	12,286,956
EQUITY AND LIABILITIES			
Equity			
Share capital		**1,000,000**	1,000,000
Statutory reserve		**500,000**	500,000
Retained earnings		**1,818,713**	1,429,448
Total equity		**3,318,713**	2,929,448
Non-current liabilities			
Long term debt	10	**5,481,828**	5,479,201
Provision for employees' end of service benefit		**220,760**	223,937
Total non-current liabilities		**5,702,588**	5,703,138
Current liabilities			
Trade and other payables	11	**1,493,642**	1,158,821
Due to related parties	7	**4,371,218**	2,495,549
Total current liabilities		**5,864,860**	3,654,370
Total liabilities		**11,567,448**	9,357,508
Total equity and liabilities		**14,886,161**	12,286,956

Petri Pentti	**Saeed Mubarak Al Rashdi**	**Dr. Sultan Ahmed Al Jaber**
Chief Financial Officer	Acting Chief Executive Officer	Chairman of the Board of Directors

The accompanying notes form an integral part of these condensed carve-out interim financial information.

Unaudited condensed carve-out interim statement of profit or loss and comprehensive income for the six month period ended 30 June 2018

		3 months ended 30 June		6 months ended 30 June	
	Note	**2018 AED'000**	2017 AED'000	**2018 AED'000**	2017 AED'000
Revenue		**5,807,871**	4,833,726	**10,966,556**	9,417,099
Direct costs		**(4,383,760)**	(3,763,904)	**(8,357,958)**	(7,310,990)
Gross profit		**1,424,111**	1,069,822	**2,608,598**	2,106,109
Distribution and administrative expenses		**(837,340)**	(636,377)	**(1,493,831)**	(1,225,066)
Other income		**31,931**	60,571	**83,356**	121,754
Impairment losses and other operating expenses		**(5,743)**	(26,264)	**(7,541)**	(52,527)
Operating profit		**612,959**	467,752	**1,190,582**	950,270
Interest income		**12,208**	396	**13,975**	1,514
Finance costs		**(43,056)**	-	**(80,292)**	-
Profit for the period		**582,111**	468,148	**1,124,265**	951,784
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		**582,111**	468,148	**1,124,265**	951,784
Earnings per share:					
Basic and diluted	12	**0.046**	0.037	**0.090**	0.076

The accompanying notes form an integral part of these condensed carve-out interim financial information.

Condensed carve-out interim statement of changes in equity for the six month period ended 30 June 2018

	Share capital AED'000	Capital contribution AED'000	Legal reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2017 (audited)	1,000,000	6,304,418	333,333	1,845,017	9,482,768
Total comprehensive income for the period	-	-	-	951,784	951,784
Balance at 30 June 2017 (unaudited)	1,000,000	6,304,418	333,333	2,796,801	10,434,552
Balance at 31 December 2017 (as previously reported)	1,000,000	-	500,000	1,347,869	2,847,869
Effect of changes in accounting policy for IFRS 9 (note 3.2.2)	-	-	-	81,579	81,579
Balance at 1 January 2018 (restated)(unaudited)	1,000,000	-	500,000	1,429,448	2,929,448
Total comprehensive income for the period	-	-	-	1,124,265	1,124,265
Dividend declared and paid	-	-	-	(735,000)	(735,000)
Balance at 30 June 2018 (unaudited)	**1,000,000**	-	**500,000**	**1,818,713**	**3,318,713**

The accompanying notes form an integral part of these condensed carve-out interim financial information.

Unaudited condensed carve-out interim statement of cash flows for the six month period ended 30 June 2018

	6 months ended 30 June	
	2018	2017
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**1,124,265**	951,784
Adjustments for:		
Depreciation of property, plant and equipment	**252,504**	163,108
Impairment losses on receivables – net of recoveries	**1,320**	32,566
Employees' end of service benefit charge	**12,384**	12,677
Gain on disposal of property, plant and equipment	**(2,800)**	(44)
Interest income	**(13,975)**	(1,514)
Finance costs	**80,292**	-
Operating cash flows before movements in working capital	**1,453,990**	1,158,577
Increase in inventories	**(187,987)**	(4,531)
Increase in trade receivables and other current assets	**(34,791)**	(144,291)
(Increase)/decrease in due from related parties	**(132,031)**	137,096
Increase in trade and other payables	**315,483**	21,781
Increase in due to related parties	**1,875,669**	2,194,559
Cash generated from operating activities	**3,290,333**	3,363,191
Payment of employees' end of service benefit	**(15,561)**	(27,105)
Net cash generated from operating activities	**3,274,772**	3,336,086
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(287,199)**	(476,025)
Payments for advances to contractors	**(27,181)**	(8,235)
Proceeds from disposal of property, plant and equipment	**3,335**	50
Increase in term deposit	**-**	(30,000)
Interest received	**13,139**	1,514
Net cash used in investing activities	**(297,906)**	(512,696)
Cash flows from financing activities		
Finance cost paid	**(68,310)**	-
Dividend paid	**(735,000)**	-
Net cash used in financing activities	**(803,310)**	-
Net increase in cash and cash equivalents	**2,173,556**	2,823,390
Cash and cash equivalents at beginning of the period	**2,655,452**	3,733,454
Cash and cash equivalents at end of the period (note 8)	**4,829,008**	6,556,844
Non-cash transactions		
Accruals for property, plant and equipment	**219,349**	252,084
Advances to contractors transferred to property, plant and equipment	**15,082**	29,767

The accompanying notes form an integral part of these condensed carve-out interim financial information.

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 carve-out financial statements. The condensed carve-out interim comparative financial information presented herein reflect financial performance and cash flows of the Group as at 30 June 2017 excluding the sales and cost of sales, distribution and administrative expenses, receivables/payables and inventories of the Division.

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

1 General information (continued)

Statement of compliance

The condensed carve-out interim financial information for the period ended 30 June 2018 and as of 31 December 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The condensed carve-out interim financial information for the period ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting,* except for the carve-out, affecting comparative figures, of certain assets, liabilities, revenues and expenses relating to sale and purchasing activities of the Division, as well as the related cash flows which are to be transferred to the Parent Company as described under the "Basis of preparation" in note 3.

The financial information as of 31 December 2017 has been extracted from the audited carve-out financial statements for the year ended 31 December 2017.

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

2.1 New and revised IFRSs effective for accounting periods beginning on or after 1 January 2018

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these condensed condensed interim financial information.

The Group applies, for the first time, IFRS 9 *Financial Instruments* that are required to be applied retrospectively with adjustment to made in the opening balance of equity. As required by IAS 34, the nature and effect of these changes are disclosed in note 3 of the condensed carve-out interim financial information.

In the current period, the Group has also applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after January 1, 2018. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- IFRS 15 *Revenue from Contracts with Customers*
- Conceptual Framework for Financial Reporting 2018
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards deleting short-term exemptions for first-time adopters
- Amendments to IFRS 4 Insurance Contracts applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9
- Annual Improvements to IFRSs 2014–2016 Cycle to remove short-term exemptions and clarifying certain fair value measurements

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (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

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

New standards and significant amendments to standards applicable to the Group:	**Effective for annual periods beginning on or after**
IFRS 16 Leases specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3, IFRS 11,. IAS 12 and IAS 23.	1 January 2019
Amendments to IFRS 9 Financial Instruments relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
Amendment to IAS 19 *Employee Benefits*: The Amendments clarify that: - on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and - the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020

The application of IFRS 16 may have a significant impact on amounts reported and disclosures made in the Group's condensed carve-out interim financial statements in respect of Group's financial assets and financial liabilities. With the adoption of IFRS 16, off-balance sheet operating lease commitments 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

3.1 Basis of preparation

The condensed carve-out interim financial information for the period ended 30 June 2018 and as of 31 December 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The condensed carve-out interim financial information for the period ended 30 June 2017 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, except for the carve-out, affecting comparative figures, of certain sales, cost of sales receivables/payables and inventories of the Division.

The condensed carve-out interim financial information 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 condensed carve-out interim financial information is 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 condensed carve-out interim financial information has 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 condensed carve-out interim financial information does not include all information and disclosures required in the annual carve-out carve-out financial statements and should be read in conjunction with the Group's annual carve-out financial statements for the year ended 31 December 2017. In addition, results for the six month period ended 30 June 2018 and 30 June 2017 are not necessarily 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.

3.2 Significant accounting policies

The accounting policies adopted in the preparation of the condensed carve-out interim financial information are consistent with those followed in the preparation of the Group's annual carve-out financial statements for the year ended 31 December 2017, except for the adoption of the new and amended standards.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*. As required by IAS 34, the nature and effect of these changes are disclosed below.

3.2.1 Application of 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:

3 Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.1 Application of IFRS 15 *Revenue from Contracts with Customers* (continued)

- 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 Group adopted IFRS 15 using the modified retrospective method of adoption. There is no material impact on Group's revenue recognition due to application of IFRS 15.

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the condensed carve-out interim financial information. The goods are generally sold on their own in separately identified contracts with customers.

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. The Group has concluded that revenue from sale of goods should be recognised at the point in time when the control of the assets is transferred to the customers, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue to be recognised.

Rendering of services and Delivery income

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

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.

Customers are invoiced on a monthly basis and consideration is payable when invoiced. The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customers and payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

3 Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Application of IFRS 9 *Financial instrument*

The Group has adopted IFRS 9 as issued by IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognised in the condensed carve-out interim financial information. The Group did not early adopt any of IFRS 9 in previous period.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustment to the carrying amount of financial assets and liabilities at the date of transition was recognised in opening retained earnings of the current period. The impact of adoption of IFRS 9 resulted in reversal of credit loss allowance in trade receivables by AED 81,579 thousand and is disclosed in condensed carve-out statement of changes in equity. The impact of impairment requirement of IFRS 9 for cash and bank balances and due from related parties were immaterial.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 *Financial Instruments: Disclosures*.

Classification and measurement – Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction cost.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised costs or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Cash, bank balances, trade and other receivables and due from related parties are measured at amortised costs using effective interest method, less any impairment. Interest income is recognised by applying effective interest rates, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

3 Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Application of IFRS 9 *Financial instrument* (continued)

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model which the Group holds financial assets and therefore no reclassification were made.

Impairment

IFRS 9 replaces the 'incurred losses' model in IAS 29 with an expected credit loss model (ECLs). The Group recognises loss allowance for expected credit losses on the following instruments:

- Cash and bank balances;
- Trade and other receivables; and
- Due from a related party

With the exception of purchased or originated credit impaired financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that results from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected the IFRS 9 simplified approach to measure loss allowance for cash and bank balances, trade and other receivables, and due from related parties at an amount equal to lifetime ECLs.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information.

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

3 Summary of significant accounting policies (continued)

3.2 Significant accounting policies (continued)

3.2.2 Application of IFRS 9 *Financial instrument* (continued)

Impairment (continued)

For certain categories of financial assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default of receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from related parties are presented separately in the condensed carve-out interim statement of profit or loss and other comprehensive income.

Measurement of ECL

The Group employs statistical models for ECL calculation. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure of default (EAD)

These parameters will be derived from the Group's internally developed statistical models and other historical data. These will be adjusted to reflect forward-looking information.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk 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 risk and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

4 Property, plant and equipment

	AED'000
Cost	
1 January 2018	8,393,117
Additions	313,652
Disposals	(32,964)
30 June 2018	**8,673,805**
Accumulated depreciation	
1 January 2018	3,079,220
Charge for the period	252,504
Disposals	(32,429)
30 June 2018	**3,299,295**
Carrying amount	
30 June 2018	**5,374,510**
31 December 2017	5,313,897

5 Inventories

	30 June 2018 AED'000	31 December 2017 AED'000
Finished goods	**1,382,144**	1,203,968
Spare parts and consumables	**48,818**	52,761
Lubricants raw materials, consumables and work in progress	**76,203**	70,647
LPG cylinders	**43,981**	35,783
	1,551,146	1,363,159
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)**	(18,911)
	(19,145)	(19,145)
	1,532,001	1,344,014

6 Trade receivables and other current assets

	30 June 2018 AED'000	31 December 2017 AED'000
Trade receivables	**2,113,272**	2,163,219
Less: allowance for impairment of trade receivables	**(120,354)**	(119,034)
	1,992,918	2,044,185
Prepaid expenses	**31,312**	36,653
Receivable from employees	**117,118**	116,185
Vat receivables	**77**	-
Other receivables	**186,002**	96,097
	2,327,427	2,293,120

7 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.

	30 June 2018 AED'000	31 December 2017 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))	**259,211**	152,753
ADNOC Drilling (formerly National Drilling Company)	**68,856**	88,720
Abu Dhabi National Oil Company (ADNOC)	**24,150**	16,782
Abu Dhabi Marine Operating Co. (ADMA-OPCO)	**18,927**	9,351
Zakum Development Company (ZADCO)	**10,926**	7,322
ADNOC Onshore (formerly Abu Dhabi Company for Onshore Oil Operations (ADCO))	**69,933**	48,716
ADNOC Gas Processing (formerly Abu Dhabi Gas Industries Ltd. (GASCO))	**16,856**	16,694
ADNOC Sour Gas (formerly Abu Dhabi Gas Development Company (AL HOSN))	**9,283**	12,209
Others	**15,523**	9,087
	493,665	361,634

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

7 Related party balances and transactions (continued)

	30 June 2018 AED'000	31 December 2017 AED'000
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**4,367,510**	2,469,652
ADNOC Refining (formerly Abu Dhabi Oil Refining Company (Takreer))	**43**	12,860
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))	**3,665**	13,031
Others	-	6
	4,371,218	2,495,549

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 expenses, transfer of property, plant and equipment 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 2,534,885 thousand (31 December 2017: AED 1,052,359 thousand) held with banks owned by the Government of Abu Dhabi.

The Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 4,129,688 thousand (31 December 2017: AED 4,359,250 thousand).

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

	6 months ended 30 June	
	2018 AED'000	2017 AED'000
Revenue - ADNOC Group	**689,843**	490,952
Purchases – ADNOC Group	**8,697,541**	6,697,188

Notes to the condensed carve-out interim financial information
for the six month period ended 30 June 2018 (continued)

7 Related party balances and transactions (continued)

During the period, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2018. For the period ended 30 June 2018, these adjustments have been reflected in inventory and direct costs.

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.

8 Cash and cash equivalents

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

	30 June 2018 AED'000	31 December 2017 AED'000
Cash held by ADNOC	**4,977**	1,578,582
Cash on hand and in bank	**4,954,031**	1,206,870
Cash and bank balances	**4,959,008**	2,785,452
Term deposit with maturities above 6 months	**(130,000)**	(130,000)
	4,829,008	2,655,452

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 4,816 million (31 December 2017: AED 1,052 million) carrying rate ranging from .02% to 2% (31 December 2017: 0.01% to 0.05%) per annum.

9 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 of the business is not complete as at 30th June 2018. Management will complete the transfer of the business by end of the year 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 30 June 2018.

10 Long term debt

	30 June 2018 AED'000	31 December 2017 AED'000
Term loan	**5,481,828**	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 12,074 thousand (31 December 2017: AED 13,462 thousand) as at 30 June 2018 is presented as other non-current asset in the condensed carve-out interim financial information.

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.

11 Trade and other payables

	30 June 2018 AED'000	31 December 2017 AED'000
Trade payables	**399,194**	414,978
Vat payables	**262,974**	-
Capital accruals	**219,349**	207,978
Operating accruals	**248,166**	249,978
Contract retentions payable	**115,140**	67,496
Coupon and prepaid card sales outstanding	**87,836**	82,362
Advances from customers	**19,763**	27,511
Other payables	**141,220**	108,518
	1,493,642	1,158,821

12 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 period.

	6 months ended 30 June	
	2018	2017
Profit attributable to owners of the Company (AED '000)	**1,124,265**	951,784
Weighted average number of shares in issue ('000)	**12,500,000**	12,500,000
Earnings per share	**0.090**	0.076

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 six month period ended 30 June 2017 was restated.

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

13 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 period is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

13 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
30 June 2018						
Revenue	**2,108,857**	**7,650,342**	**1,058,996**	**148,361**	-	**10,966,556**
Direct costs	**(1,719,306)**	**(5,946,180)**	**(683,203)**	**(9,269)**	-	**(8,357,958)**
Gross profit	**389,551**	**1,704,162**	**375,793**	**139,092**	-	**2,608,598**
Distribution and administrative expenses	**(113,347)**	**(1,045,162)**	**(214,735)**	**(120,548)**	**(39)**	**(1,493,831)**
Other income	**3,711**	**45,772**	**1,839**	**27,792**	**4,242**	**83,356**
Impairment losses and other operating expenses	**(1,838)**	**(8)**	**(1,917)**	**(1,074)**	**(2,704)**	**(7,541)**
Interest income	-	-	-	-	**13,975**	**13,975**
Finance costs	-	-	-	-	**(80,292)**	**(80,292)**
Profit/(loss) for the period	**278,077**	**704,764**	**160,980**	**45,262**	**(64,818)**	**1,124,265**
Depreciation – net	**12,876**	**191,873**	**16,720**	**31,035**	-	**252,504**
30 June 2017						
Revenue	1,785,833	6,770,659	738,277	122,330	-	9,417,099
Direct costs	(1,431,443)	(5,338,552)	(532,278)	(8,717)	-	(7,310,990)
Gross Profit	354,390	1,432,107	205,999	113,613	-	2,106,109
Distribution and administrative expenses	(108,159)	(941,649)	(70,935)	(104,323)	-	(1,225,066)
Other income	58,391	38,934	-	2,644	21,785	121,754
Impairment losses and other operating expenses	(27,970)	(102)	(3,430)	(21,025)	-	(52,527)
Interest income	-	-	-	-	1,514	1,514
Profit for the period	276,652	529,290	131,634	(9,091)	23,299	951,784
Depreciation – net	7,750	115,502	5,905	24,528	-	153,685

Notes to the condensed carve-out interim financial information for the six month period ended 30 June 2018 (continued)

13 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. Reconciliation of depreciation net of Civil Aviation Division carve-out is as follows:

	6 months ended 30 June	
	2018	2017
	AED'000	AED'000
Depreciation (note 4)	**252,504**	163,108
Less: amount relating to Civil Aviaton Division carve-out	-	(9,423)
Depreciation – net	**252,504**	153,685

14 Contingencies and litigation

As at 30 June 2018, the Group had contingent liabilities amounting to AED 902.1 thousand (31 December 2017: AED 1,208 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.

15 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 327.6 million (31 December 2017: AED 300.9 million.)

16 Seasonality of results

There is no material impact of the Group's operations on results due to seasonality.

17 Investment in Abraaj Holding

During the period and as at 30 June 2018, the Group was not involved in any transaction or had any business relationships with Abraaj Group or its affiliates

18 Dividends

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the fiscal year ended 31 December 2017. The dividend comprised of AED 735 million, which was approved at the Annual General Meeting, held on 8 April 2018 and paid on 11 April 2018.

19 Approval of condensed interim financial information

The condensed carve-out interim financial information were approved by the Board of Directors and authorised for issue on 12 August 2018.