ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Reports and consolidated financial statements for the year ended 31 December 2019

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for the year ended 31 December 2019

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ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report
for the year ended 31 December 2019

The Directors present their report together with the audited 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 2019.

Board of Directors:

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Members	Khaled Salmeen (appointed 5 February 2019)
	Abdulaziz Abdulla Alhajri
	Ahmed Jasim Al Zaabi (appointed 30 April 2019)
	Jassim Mohammed Alseddiqi
	Pedro Miró Roig
	David-Emmanuel Beau
	Abdulla Salem Al Dhaheri (resigned 5 February 2019)
	Matar Hamdan Al Ameri (resigned 30 April 2019)

Principal activities

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

Review of business

During the year, the Group reported revenue of AED 21,336,960 thousand (2018: AED 22,893,491 thousand). Profit for the year was AED 2,217,684 thousand (2018: AED 2,125,739 thousand).

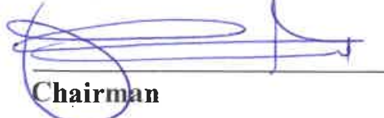
The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2019	2,074,641
Total profit for the year	2,217,684
Dividend	(1,928,750)
Retained earnings at 31 December 2019	**2,363,575**

As authorized by the Shareholders at the General Assembly Meeting held 4 April 2019, the Board of Directors approved on 29 September 2019 a cash dividend of 9.55 fils per share to the shareholders in respect of the first half of 2019. The dividend comprised of AED 1,194 million and was paid on 3 October 2019.

The Board of Directors proposed a final cash dividend of 9.55 fils per share to the shareholders in respect of the second half of 2019.

for the Board of Directors



Chairman

Abu Dhabi, UAE

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated 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 consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated 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 consolidated 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated 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 consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Accuracy and completeness of its revenue recognised from retail sales and related IT systems	
The Group reported revenue of AED 14.2 billion from retail sales as at 31 December 2019. There is inherent risk around the accuracy of revenue recognised given the complexity of the systems and business products and services. Complex IT systems are used in processing large volume of data through a number of different systems and consequently we considered this to be a key audit matter. The Group's accounting policies relating to revenue recognition are presented in note 3 to the consolidated financial statements and details about the Group's revenue are disclosed in note 18 to the consolidated financial statements.	Our audit approach included a combination of test of controls and substantive procedures, in particular, the following: • Understanding the significant revenue processes and identifying the relevant controls, IT systems, interfaces and reports; • Understanding the control environment and testing the general IT controls over the main systems and applications involved in the revenue recording process; • Evaluating the design and testing the operating effectiveness of automated controls in the IT environment in which the core network and related systems reside, covering pervasive IT risks around access security, change management, data center and network operations; • Assessing the Group's accounting policy for revenue against the requirements of IFRSs. Performing substantive analytical procedures over revenue by building expectations of sales on the basis of quantities sold, regulated prices and building expectation of gross margin based on prior periods comparable information; • Assessing the disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.

Key audit matters (continued)

<table>
<tr><th colspan="2">Related party balances and transactions</th></tr>
<tr><td>The Group has large volumes of transactions with related parties in the normal course of business.

Related party balances and transactions are assessed as a key audit matter as the large volume of transactions increases the likelihood of error and the risk of misstatement.

Furthermore, the Group entered into agreements with related parties that involved a degree of complexity affecting the reported balances and transactions with related parties.

Refer to note 8 which contains details about the Group's related party transactions and balances.</td><td>Our audit procedures included the assessment of controls over transactions with related parties. We tested the design and operating effectiveness of relevant controls over the intergroup sales and purchase processes. This included testing controls over the accuracy and completeness of the transactions. We also obtained an understanding of the process for identifying related party transactions, performed a walkthrough and evaluated the design of controls.

In addition, we performed the following substantive audit procedures:

• Determined if the related party balances and transactions existed or occurred, were accurate and complete;
• Evaluated the business rationale of significant transactions including any non-routine transactions;
• Analyzed relevant agreements and determined that transactions were recorded in accordance with the substance of the relevant agreements;
• Obtained direct confirmations on the related party balances and/or performed alternate procedures; and
• Determined that the disclosures in the financial statements relating to related parties were in accordance with IFRSs.</td></tr>
</table>

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC (continued)

Key audit matters (continued)

Re-adoption of IFRS 1 and application of IFRS 16 "*Leases*"	
The Group adopted IFRS 16 Leases with effect from 1 January 2019, which resulted in changes to the accounting policies. The Group has elected not to restate comparative information in accordance with the transitional provisions contained within IFRS 16. The impact of IFRS 16 is a change in the accounting policy for operating leases. The changes in accounting policy results in right-of-use assets and lease liabilities being recognized in the statement of financial position. The incremental borrowing rate ("IBR") method has been applied where the implicit rate in a lease is not readily determinable. The adoption of IFRS 16 has resulted in changes to processes, systems and controls. Because of the number of judgements which have been applied and the estimates made in determining the impact of IFRS 16, this area is considered as a key audit matter. The transitional impact of IFRS 16 has been disclosed in note 2 to the consolidated financial statements.	We obtained an understanding of the Group's adoption of IFRS 16 and identified the internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. We assessed the design and implementation of key controls pertaining to the application of IFRS 16. We assessed the appropriateness of the discount rates applied in determining lease liabilities with input from our internal specialists. We verified the accuracy of the underlying lease data by agreeing a representative sample of leases to original contracts or other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations for each lease sampled through recalculation of the expected IFRS 16 adjustment. We considered the completeness of the lease data by testing the reconciliation of the Group's lease liability to operating lease commitments disclosed in the 2018 financial statements and by considering if we had knowledge of any other contracts which may contain a lease. We determined if the disclosures made in the financial statements pertaining to leases, including disclosures relating to the transition to IFRS 16, were in compliance with IFRSs.

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 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 consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

When we will read the Operational and Financial Highlights, Chairman's Message and CEO's Message if we conclude that there is a material misstatement therein, we will be required to communicate the matter to those charged with governance and consider whether a reportable irregularity exists in terms of the auditing standards, which must be reported.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 consolidated 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.

- 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 consolidated 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 consolidated 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.

Deloitte.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- The Group has maintained proper books of account;
- The financial information included in the Directors' report is consistent with the books of account of the Group;
- As disclosed in note 1 to the consolidated financial statements, the Group has not purchased or invested in shares during the financial year ended 31 December 2019;
- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and
- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 1,227 thousand during the year ended 31 December 2019.

Further, as required by the Decree of the Chairman of the Abu Dhabi Accountability Authority No. (1) of 2017 pertaining to Auditing the Financial Statements of Subject Entities, we report that based on the procedures performed and information provided to us, nothing has come to our attention that causes us to believe that the Company has not complied, in all material respects, with any of the provisions of the following laws, regulations and circulars as applicable, which would materially affect its activities or the financial statements as at 31 December 2019:

- Law No. 15 of 2017 concerning the Establishment of the Company which would materially affect its activities or its financial position; and
- Relevant provisions of the applicable laws, resolutions and circulars organising the Company's operations.

Deloitte & Touche (M.E.)

Rama Padmanabha Acharya
Registration Number 701
11 February 2020
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2019

	Notes	31 December 2019 AED'000 (audited)	31 December 2018 AED'000 (audited)	1 January 2018 AED'000 (audited)
ASSETS				
Non-current assets				
Property, plant and equipment	5	5,481,252	5,541,653	5,313,897
Right-of-use assets	9	152,751	87,061	88,615
Advances to contractors		113,843	88,832	100,558
Other non-current assets	14	7,931	10,693	13,462
Total non-current assets		5,755,777	5,728,239	5,516,532
Current assets				
Inventories	6	915,122	1,173,854	1,344,014
Trade receivables and other current assets	7	3,039,712	2,249,668	2,283,326
Due from related parties	8	569,713	996,859	361,634
Cash and bank balances	10	4,746,029	5,472,959	2,785,452
		9,270,576	9,893,340	6,774,426
Assets classified as held for sale		-	-	74,819
Total current assets		9,270,576	9,893,340	6,849,245
Total assets		15,026,353	15,621,579	12,365,777
EQUITY AND LIABILITIES				
Equity				
Share capital	11	1,000,000	1,000,000	1,000,000
Statutory reserve	12	500,000	500,000	500,000
Hedge reserve		(114,525)	-	-
Retained earnings		2,363,575	2,074,641	1,418,902
Total equity		3,749,050	3,574,641	2,918,902
Non-current liabilities				
Lease liabilities	13	149,202	84,357	87,672
Long term debt	14	5,489,540	5,484,400	5,479,201
Derivative financial instruments	17	80,869	-	-
Provision for employees' end of service benefit	15	206,057	212,427	223,937
Total non-current liabilities		5,925,668	5,781,184	5,790,810
Current liabilities				
Lease liabilities	13	5,013	7,901	1,695
Trade and other payables	16	1,705,391	1,949,036	1,158,821
Due to related parties	8	3,602,677	4,308,817	2,495,549
Derivative financial instruments	17	38,554	-	-
Total current liabilities		5,351,635	6,265,754	3,656,065
Total liabilities		11,277,303	12,046,938	9,446,875
Total equity and liabilities		15,026,353	15,621,579	12,365,777

Petri Pentti
Chief Financial Officer

Ahmed Al Shamsi
Acting Chief Executive Officer

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

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2019

	Notes	2019 AED'000	2018 AED'000
Revenue	18	**21,336,960**	22,893,491
Direct costs	19	**(16,358,645)**	(17,824,106)
Gross profit		**4,978,315**	5,069,385
Distribution and administrative expenses	20	**(2,766,464)**	(3,025,482)
Other income	21	**155,661**	237,732
Impairment losses and other operating expenses	22	**(66,445)**	(36,695)
Operating profit		**2,301,067**	2,244,940
Interest income		**121,453**	64,451
Finance costs	24	**(204,836)**	(183,652)
Profit for the year		**2,217,684**	2,125,739
Other comprehensive income		**(114,525)**	-
Total comprehensive income for the year		**2,103,159**	2,125,739
Earnings per share:			
Basic and diluted (AED)	25	**0.177**	0.170

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2019

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2018	1,000,000	500,000	-	1,418,902	2,918,902
Total comprehensive income for the period	-	-	-	2,125,739	2,125,739
Dividend declared and paid	-	-	-	(1,470,000)	(1,470,000)
Balance as at 31 December 2018	1,000,000	500,000	-	2,074,641	3,574,641
Net profit for the period	-	-	-	2,217,684	2,217,684
Other comprehensive income for the period	-	-	(114,525)	-	(114,525)
Dividends declared and paid (note 26)	-	-	-	(1,928,750)	(1,928,750)
Balance at 31 December 2019	**1,000,000**	**500,000**	**(114,525)**	**2,363,575**	**3,749,050**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2019

	2019 **AED'000**	2018 AED'000
Cash flows from operating activities		
Profit for the year	**2,217,684**	2,125,739
Adjustments for:		
Depreciation of property, plant and equipment	**533,199**	532,060
Depreciation of right-of-use assets	**4,525**	2,722
Recoveries on receivables	**(49,971)**	(85,424)
Impairment losses on receivables	**18,427**	11,150
Employees' end of service benefit charge	**23,172**	24,759
Loss/(gain) on disposal of property, plant and equipment	**28**	(7,488)
(Reversal)/write down of finished goods to net realisable value	**(104,541)**	104,541
Reversal for slow moving and obsolete inventories	**-**	(3,699)
Impairment of property, plant and equipment	**46,853**	-
Inventories written off	**746**	5,583
Finance costs	**204,836**	183,652
Interest income	**(121,453)**	(64,451)
Operating cash flows before movements in working capital	**2,773,505**	2,829,144
Decrease in inventories	**362,527**	63,735
(Increase)/decrease in trade receivables and other current assets	**(758,949)**	117,390
Decrease/(increase) in due from related parties	**427,022**	(520,999)
(Decrease)/increase in trade and other payables	**(323,662)**	646,495
(Decrease)/increase in due to related parties	**(706,140)**	1,813,268
Cash generated from operating activities	**1,774,303**	4,949,033
Payment of employees' end of service benefit	**(29,418)**	(31,978)
Net cash generated from operating activities	**1,744,885**	4,917,055
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(381,265)**	(646,663)
Payments for advances to contractors	**(81,590)**	(28,266)
Proceeds from disposal of property, plant and equipment	**357**	20,487
Increase in term deposit with maturity more than three months	**(2,000,000)**	-
Interest received	**121,900**	49,372
Net cash used in investing activities	**(2,340,598)**	(605,070)
Cash flows from financing activities		
Finance cost paid	**(187,507)**	(151,338)
Payment of lease liabilities	**(14,960)**	(3,140)
Dividend paid	**(1,928,750)**	(1,470,000)
Net cash used in financing activities	**(2,131,217)**	(1,624,478)
Net (decrease)/ increase in cash and cash equivalents	**(2,726,930)**	2,687,507
Cash and cash equivalents at beginning of the year	**5,342,959**	2,655,452
Cash and cash equivalents at end of the year (note 10)	**2,616,029**	5,342,959

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)
for the year ended 31 December 2019

	2019 **AED'000**	2018 AED'000
Non cash transaction		
Accruals for property, plant and equipment	**414,707**	332,515
Advances to contractors transferred to property, plant and equipment	**56,579**	37,282
Transfer of property, plant and equipment (from)/to assets classified as held for sale	**-**	(74,819)
Transfer of property, plant and equipment (to)/from a related party	**-**	(39,992)
Transfer of city gas assets to a related party	**-**	90,830

Notes to the consolidated financial statements for the year ended 31 December 2019

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, Umm Al Quwain, Dubai and Kingdom of Saudi Arabia.

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 for vehicles 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.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2019.

The Group made social contributions amounting to AED 1,227 thousand during the year ended 31 December 2019 (2018: AED 1,955 thousand).

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

2.1 Application of IFRS beginning 1 January 2018

The Group previously applied IFRS through the year ended 31 December 2016. Such financial statements were only provided to its Parent and were not publically available. In connection with its initial public offering ("IPO") in November 2017 as described in Note 1, the Group prepared carve-out financial statements for the years ended 31 December 2016 and 2015. These carve-out financial statements were prepared in accordance with IFRS except for the exclusion of the Group's aviation business, which remained with the Parent after the IPO. Accordingly, the carve-out financial statements for the years ended 31 December 2016 and 2015 did not include an explicit and unreserved statement of compliance with IFRS.

The comparative information included in the financial statements for the year ended 31 December 2017 was extracted from the carve-out financial statements prepared for the IPO and accordingly the financial statements for the year ended 31 December 2017 also did not include an explicit and unreserved statement of compliance with IFRS.

As explained in Note 3, the Group has prepared the consolidated financial statements in accordance with IFRS for the year ended 31 December 2019. These consolidated financial statements includes an explicit and unreserved statement of compliance with IFRS. As such, the Group re-applied IFRS 1 'First time adoption of International Financial Reporting Standards' with a date of transition of 1 January 2018. With the exception of the opening balance sheet adjustments related to lease accounting described in Note 3, there is no impact on the previously reported balances on account of the transition to IFRS, and all other accounting policies remain unchanged from those set out in the Group's annual financial statements for the year ended 31 December 2018.

2.2 New and amended IFRS applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these consolidated financial statements .

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*	1 January 2019

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

2.2 New and amended IFRS applied with no material effect on the financial statements

New and revised IFRSs	Effective for annual periods beginning on or after
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.	1 January 2019
The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.	
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.	1 January 2019
These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	
Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*	1 January 2019
Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs	1 January 2019
The Annual Improvements include amendments to four Standards.	
IAS 12 *Income Taxes*	1 January 2019
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.	
IAS 23 *Borrowing costs*	1 January 2019
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.	

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

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

2.2 New and amended IFRS applied with no material effect on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 3 *Business Combinations*	1 January 2019 1 January 2019
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.	1 January 2019
IFRS 11 *Joint Arrangements*	1 January 2019
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.	
Amendments to IAS 19 *Employee Benefits Plan Amendment*, Curtailment or Settlement	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements

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

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	1 January 2020
Definition of a Business – Amendments to IFRS 3 *Business Combinations* The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1 January 2020
Amendments to *References to the Conceptual Framework in IFRS Standards* Amendments to References to the Conceptual Framework in IFRS Standards related 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
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes *IFRS 4 Insurance Contracts* as at 1 January 2022.	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

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

2.3 New and amended IFRSs in issue but not yet effective and not early adopted

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application

3 Summary of significant accounting policies

Statement of compliance

The consolidated financial statements for the year ended 31 December 2019 been prepared in accordance with International Financial Reporting Standards (IFRS).

Transition to IFRS

When the Group adopted IFRS beginning 1 January 2018, it also adopted IFRS 16 'Leases,' which replaced the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognised in the Group's statement of financial position, unless the term is 12 months or less or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for lessees. For each lease, the lessee recognises a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalised, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortised over the useful life. They are subsequently measured at cost less accumulated depreciation and impairment loss. Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset.

The Group has applied IFRS 16 as of its IFRS transition date, recording an opening balance sheet adjustment. During the first time application of IFRS 16 to operating leases, the right to use the leased assets was generally measured at the amount of lease liability, using the discount rate at the time of first time application. The off-balance sheet lease obligations as at 1 January 2018 are reconciled as follows to the recognised lease liabilities as at 31 December 2018.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Transition to IFRS

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the prior year.

	2018 AED'000
Impact on profit for the year	
Increase in depreciation expenses	2,722
Increase in finance costs	5,162
Decrease in rental expenses	(5,470)
Decrease in profit for the year	2,414

Impact on assets, liabilities and equity as at 1 January 2018	**As previously reported AED '000**	**Opening balance sheet adjustments AED '000**	**Opening IFRS balance AED '000**
Right-of-use assets (1), (2)	-	88,615	88,615
Trade and other receivables	2,293,120	(9,794)	2,283,326
Net impact on total assets	2,293,120	78,821	2,371,941
Lease liabilities (1), (3)	-	89,367	89,367
Net impact on total liabilities	-	89,367	89,367
Retained earnings	1,429,448	(10,546)	1,418,902

Impact on assets, liabilities and equity as at 31 December 2018	**As previously reported AED '000**	**Opening balance sheet adjustments AED '000**	**IFRS balance AED '000**
Right-of-use assets (1), (2)	-	87,061	87,061
Trade and other receivables	2,257,431	(7,763)	2,249,668
Net impact on total assets	2,257,431	79,298	2,336,729
Lease liabilities (1), (3)	-	92,258	92,258
Net impact on total liabilities	-	92,258	92,258
Retained earnings	2,087,601	(12,960)	2,074,641

3 Summary of significant accounting policies (continued)

Group as a lessee

(1) The application of IFRS 16 to leases previously classified as operating leases under IAS 17 resulted in the recognition of right-of-use assets and lease liabilities. It resulted in a decrease in 'rental expenses' and an increase in depreciation and finance cost.

(2) Equipment under finance lease arrangements previously presented within property, plant and equipment is now presented within the line item right-to-use assets. There has been no change in the amount recognised.

(3) Lease liability on leases previously classified as finance leases under IAS 17 and previously presented within obligations under finance leases is now presented in the line "lease liabilities". There has been no change in the liability recognised.

The application of IFRS 16 has an impact on the consolidated statement of cash flows of the Group. Under IFRS 16, lessees must present:

- short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities (the Group has included these payments as part of payments to suppliers and employees);
- cash paid for the interest portion of lease liability as either operating activities or financing activities, as permitted by IAS 17 (the Group has opted to include interest paid as part of financing activities); and
- cash payments for the principal portion for lease liability, as part of financing activities.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities has decreased by AED 3,140 thousand and net cash used in financing activities decreased by the same amount.

Other right-of use assets were measured at the amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The additions during the period for right-of-use assets amount to AED 70,215 thousand (31 December 2018: AED 1,168 thousand).

The Group's leasing activities and how these are accounted for:

The Group leases various leasehold properties. Leasehold contracts are typically made for fixed periods of 15-20 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

3 Summary of significant accounting policies (continued)

Transition to IFRS (continued)

Group as a lessee (continued)

The Group's leasing activities and how these are accounted for: (continued)

Previously, leases of properties were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received; and
- restoration costs.

First time adopter exemptions

In applying IFRS for the first time, the Group used the following exemptions permitted by IFRS 1:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Basis of preparation

The consolidated 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.

3 Summary of significant accounting policies (continued)

Basis of preparation (continued)

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instrument that have been measured at fair value. 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 below:

Basis of consolidation

The consolidated 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
	2019	2018		
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.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

	2019
Buildings	5 – 25 years
Plant and machinery	5 – 30 years
Motor vehicles	4 – 10 years
Furniture, fixtures and equipment	5 years
Pipelines	15 – 20 years

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 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.

3 Summary of significant accounting policies (continued)

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.

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.

3 Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group has the following financial assets as at 31 December 2019: 'cash and cash equivalents', term deposits, trade receivables and other current assets (excluding prepaid expenses) and due from related parties.

Amortised cost

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on Trade receivables and due form related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) 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 that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

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. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component is categorised under stage 2 and lifetime ECL is recognised.

Expected credit losses related to cash and bank balances, trade and other receivables and due from related parties are presented in the statement of profit or loss and other comprehensive income.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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 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 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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in the consolidated statement of profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in the consolidated statement profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch statement of in profit or loss. The remaining amount of change in the fair value of liability is recognised in statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in statement of other comprehensive income are not subsequently reclassified to statement of profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guarantee contracts issued by the Group that are designated by the Group as at FVTPL are recognised in profit or loss.

3 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not designated as FVTPL, are measured subsequently at amortised cost using the effective interest method.

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 (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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue

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:

- 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.

There is no material impact on Group's revenue recognition due to application of IFRS 15.

3 Summary of significant accounting policies (continued)

Revenue (continued)

The Group is in the business of marketing of petroleum products, natural gas and ancillary products as described in note 1 of the consolidated financial statements. 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 control of the products or services are transferred to the customers, 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 on delivery of the goods. Therefore, the adoption of IFRS 15 did not have any significant 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.

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.

Sale of coupons- Flex income

A contract liability for the coupons is recognised at the time of sale of coupons. Revenue is recognised when the coupons are redeemed, management estimates the probability of the redemption or when they expire after 1 month of the sale.

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.

3 Summary of significant accounting policies (continued)

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.

Derivative Financial Instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not

3 Summary of significant accounting policies (continued)

Significant accounting policies (continued)

Derivative Financial Instruments (continued)

expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirement

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

3 Summary of significant accounting policies (continued)

Significant accounting policies (continued)

Derivative Financial Instruments (continued)

Hedge accounting (continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘finance cost’ line item.

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:

Critical accounting judgments

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.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Estimates of future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. As at 31 December 2019, the Group's allowance for expected credit losses of trade receivables amounted to AED 9,154 thousand (2018: AED 40,698 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.

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.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100 per cent of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For the leases where the Group is unable to determine the IRTL, the lease's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease.

Derivative financial instruments

The fair values of derivative financial instruments measured at fair value are generally obtained by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. When independent prices are not available, fair values are determined by using valuation techniques which refer to observable market data. These include comparison with similar instruments where market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participant

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 2018	4,407,508	1,933,136	262,286	683,096	50,368	1,056,723	8,393,117
Additions	-	-	-	-	-	811,190	811,190
Transfers	655,521	237,410	5,046	54,148	27,430	(979,555)	-
Disposals	(10,041)	(13,474)	(62,283)	(8,388)	-	-	(94,186)
Transfer to a related party	(3,048)	(178)	-	(584)	-	(38,453)	(42,263)
1 January 2019	5,049,940	2,156,894	205,049	728,272	77,798	849,905	9,067,858
Additions	-	-	-	-	-	520,036	520,036
Transfers	128,111	53,868	7,472	133,935	1,102	(324,488)	-
Disposals	-	(347)	(14,741)	(952)	-	-	(16,040)
Impairment	-	-	-	-	-	(46,853)	(46,853)
31 December 2019	**5,178,051**	**2,210,415**	**197,780**	**861,255**	**78,900**	**998,600**	**9,525,001**

Notes to the consolidated financial statements for the year ended 31 December 2019 (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 2018	1,522,416	932,640	197,607	396,884	29,673	-	3,079,220
Charge for the year	235,774	176,269	19,802	97,205	3,010	-	532,060
Disposals	(6,274)	(13,446)	(54,833)	(6,635)	-	-	(81,188)
Reclassifications	(6)	(5)	-	11	-	-	-
Transfer to a related party	(2,834)	(147)	(25)	(783)	(98)	-	(3,887)
1 January 2019	1,749,076	1,095,311	162,551	486,682	32,585	-	3,526,205
Charge for the year	243,356	166,629	14,213	105,644	3,357	-	533,199
Disposals	-	(264)	(14,469)	(922)	-	-	(15,655)
Reclassifications	35	(259)	46	165	13	-	-
31 December 2019	**1,992,467**	**1,261,417**	**162,341**	**591,569**	**35,955**	**-**	**4,043,749**
Carrying amount							
31 December 2019	**3,185,584**	**948,998**	**35,439**	**269,686**	**42,945**	**998,600**	**5,481,252**
31 December 2018	3,300,864	1,061,583	42,498	241,590	45,213	849,905	5,541,653

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 9).

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 consolidated financial statements
for the year ended 31 December 2019 (continued)

5 Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2019 AED'000	2018 AED'000
Distribution and administrative expenses (note 20)	**529,687**	501,321
Direct cost (note 19)	**3,267**	3,444
Work-in-progress inventories (note 6)	**245**	27,295
	533,199	532,060

6 Inventories

	2019 AED'000	2018 AED'000
Finished goods	**802,743**	1,182,056
Spare parts and consumables	**48,107**	44,772
Lubricants raw materials, consumables and work in progress	**37,026**	30,649
LPG cylinders	**42,692**	36,364
	930,568	1,293,841
Less: Allowance for write down of finished goods to net realisable value	**(234)**	(104,775)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(15,212)**	(15,212)
	(15,446)	(119,987)
	915,122	1,173,854

The cost of inventories recognised as expense and included in 'direct cost' amounted to AED 16,340,065 thousand (2018: AED 17,796,743 thousand) (note 19). During the year, a direct write off of inventory was recognised as expense amounting to AED 746 thousand (2018: AED 5,583 thousand) (note 22).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 245 thousand (2018: AED 27,295 thousand) (note 5).

The Ministry of Energy regulates prevailing Gasoline and Gasoil selling prices for all retail distribution companies on a monthly basis. The allowance for write down of finished goods to net realisable value established at 31 December 2018 was utilised subsequently.

The Group is carrying finished goods of AED 76.6 million (2018: nil) on behalf of a customer as at 31 December 2019.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (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:

	2019	2018
	AED'000	AED'000
At 1 January	**119,987**	19,145
(Reversal)/write down to net realisable value	**(104,541)**	104,541
(Reversal)/impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 22)	**-**	(3,699)
At 31 December	**15,446**	119,987

7 Trade receivables and other current assets

	2019	2018
	AED'000	AED'000
Trade receivables	**2,821,346**	2,021,689
Less: expected credit loss allowance	**(9,154)**	(40,698)
	2,812,192	1,980,991
Prepaid expenses	**17,007**	19,080
Receivable from employees	**109,590**	111,930
VAT receivables	**3,950**	412
Other receivables	**96,973**	137,255
	3,039,712	2,249,668

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

As at 31 December 2019, the Group had significant concentration of credit risk with two customers (2018: two) accounting for 61% (2018: 65%) 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. The receivables form certain customers are secured by the bank guarantees.

7 Trade receivables and other current assets (continued)

Trade receivables –days past due as on 31 December 2019

	Up to 60 days AED '000	**61-90 days AED '000**	**90-365 days AED '000**	**Over one year AED '000**	**Total AED '000**
Expected credit loss rate	**0-1%**	**0-1%**	**0-1%**	**0-1%**	
Estimated total gross carrying amount	**1,336,471**	**105,044**	**768,046**	**611,785**	**2,821,346**
Lifetime Expected credit loss	**(5,263)**	**(373)**	**(2,108)**	**(1,410)**	**(9,154)**

Trade receivables –days past due as on 31 December 2018

	Up to 60 days AED '000	61-90 days AED '000	90-365 days AED '000	Over one year AED '000	Total AED '000
Expected credit loss rate	0-1%	0-1%	0-1%	0-1%	
Estimated total gross carrying amount	1,340,613	120,752	391,404	168,920	2,021,689
Lifetime Expected credit loss	(9,920)	(718)	(3,077)	(26,983)	(40,698)

Movement in the allowance for impairment of trade receivables is as follows:

	Collectively Assessed AED'000	**Individually Assessed AED'000**	**Total AED'000**
Adjusted at 1 January 2018	**12,420**	**106,614**	**119,034**
Recovery made during the year	**(8,558)**	**(76,866)**	**(85,424)**
Amounts written off	**-**	**(4,062)**	**(4,062)**
Charge for the year (note 22)	**11,150**	**-**	**11,150**
Balances at 31 December 2018	**15,012**	**25,686**	**40,698**
Recovery made during the year	**(24,285)**	**(25,686)**	**(49,971)**
Amounts written off	**-**	**-**	-
Charge for the year (note 22)	**18,427**	**-**	**18,427**
Balances at 31 December 2019	**9,154**	**-**	**9,154**

Amounts charged to the allowance for expected credit loss 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 2019. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

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.

	2019	2018
	AED'000	AED'000
Due from related parties		
Abu Dhabi National Oil Company (ADNOC)	**359,515**	597,176
ADNOC Logistics and Services	**70,048**	195,365
ADNOC Drilling	**59,782**	70,385
ADNOC Onshore	**22,365**	53,297
ADNOC Gas Processing	**21,134**	19,241
ADNOC Offshore	**20,077**	35,120
ADNOC Sour Gas	**2,745**	10,102
Others	**14,047**	16,173
	569,713	996,859
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**3,575,576**	4,279,215
ADNOC Refining	**16,851**	15,424
ADNOC Logistics and Services	**10,250**	14,178
	3,602,677	4,308,817

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 charge. The above balance is unsecured, bears no interest and is payable on demand.

The Group has an amount of AED 4,722,758 thousand (2018: AED 4,991,992 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2019, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 5,276,563 thousand (2018: 5,276,563 thousand).

8 Related party balances and transactions (continued)

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

	2019 AED'000	2018 AED'000
Revenue - ADNOC group	**1,055,564**	1,341,437
Purchases – ADNOC	**15,322,254**	16,483,092
Administrative expenses – ADNOC	**-**	42,151
Vessel hire and port charges – ADNOC group	**69,970**	83,100
Transfer of property, plant and equipment (to)/from related party	**-**	(38,736)
Dividend paid (note 26)	**(1,928,750)**	(1,323,000)
Rendering of service (note 18)	**273,488**	299,928
Transfer of city gas assets - ADNOC Group	-	(90,830)
Recovery of expenses incurred related to City Gas	**57,456**	30,749

	2019 AED'000	2018 AED'000
End of service benefits transferred	**124**	4,291

Notes to the consolidated financial statements
for the year ended 31 December 2019 (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:

	2019	2018
	AED'000	AED'000
Short term benefits	**33,830**	25,550
Pension contribution	**1,280**	1,240
	35,110	26,790

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 Group 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 Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such operations (the "Owner Consideration") and the Group will compensate the SPV for the use of such assets (the "Operator Consideration"). The Group 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 Group 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 Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such support services and operations.

In November 2017, the Group 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 Group the regulated price with a deduction for Cylinder OPEX as defined in the agreement and an agreed margin whereas historically the Group 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.

8 Related party balances and transactions (continued)

In November 2017, the Group 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. In 2019, the group renegotiated the agreement with the parent company for a further reduction of the retail fuel supply cost. The renegotiated agreement is effective until 31 December 2022.

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 Group 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 quarter, 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 Group for sales at the pump and the price paid by the Group to the Parent Company for the quantities sold, is less than a specified level, then the Parent Company will pay the Group 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.

In 2018, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2018. During the period, the Group has made further adjustments to the pricing of these products effective for the periods from 1 July 2018. These adjustments have been reflected in inventory and direct costs.

9 Right-of-use assets

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15-40 years (2018: 40 years).

The Group's obligations are secured by the lessor's title to the leased assets for such leases.

	2019	2018
	AED '000	AED '000
At 1 January	**87,061**	88,615
Additions	**70,215**	1,168
Depreciation charge during the year	**(4,525)**	(2,722)
31 December 2019	**152,751**	87,061

9 Right-of-use assets (continued)

Group as a Lessee (continued)

Amounts recognised in profit and loss

	2019	2018
	AED '000	AED '000
Depreciation expense on right-of-use assets	**4,525**	2,722
Interest expense on lease liabilities	**6,702**	5,164

The total cash outflow for leases amount to AED 14.96 million (2018: AED 3.14 million).

10 Cash and cash equivalents

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

	2019	2018
	AED'000	AED'000
Cash held by ADNOC	**17,282**	346,730
Cash on hand and in bank	**4,728,747**	5,126,229
Cash and bank balances	**4,746,029**	5,472,959
Term deposit with maturities above 3 months	**(2,130,000)**	(130,000)
	2,616,029	5,342,959

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 are non-interest bearing.

Cash and bank balances include short-term and call deposits amounting to AED 2,593 million (2018: AED 4,991 million) carrying rate ranging from .02% to 3.20% (2018: 0.02% to 3%) per annum.

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.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

11 Share capital (continued)

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:

	2019	2018
	AED '000	AED '000
Authorised:		
25,000,000,000 ordinary shares of AED .08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED .08 each	**1,000,000**	1,000,000

12 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% (2018: 50%) of the paid up share capital.

13 Lease liabilities

	2019	2018
	AED '000	AED '000
Balance as at 1 January	**92,258**	89,367
Additions	**70,215**	867
Accretion of interest	**6,702**	5,164
Payments	**(14,960)**	(3,140)
Balance as at 31 December	**154,215**	92,258
Current	**5,013**	7,901
Non-current	**149,202**	84,357
	154,215	92,258

Notes to the consolidated financial statements for the year ended 31 December 2019 (continued)

13 Lease liabilities (continued)

Maturity analysis	**31 December 2019 AED '000**	31 December 2018 AED'000
Not later than 1 year	**5,013**	7,901
Later than 1 year and not later than 5 years	**19,844**	8,008
Later than 5 years	**129,358**	76,349
	154,215	92,258

The Group does not face a significant liquidity risk with regard to its liabilities. Lease liabilities are monitored within the Group's finance function.

14 Long term debt

	2019 AED'000	2018 AED'000
Term loan	**5,489,540**	5,484,400

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 7,931 thousand as at 31 December 2019 (2018: 10,693) is presented as other non-current asset in the 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.

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

14 Long term debt (continued)

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 financial statements of cash flows as cash flows from financing activities.

	2019	2018
	AED'000	AED'000
At 1 January	**5,484,400**	5,479,201
Other charges (i)	**5,140**	5,199
	5,489,540	5,484,400

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

15 Provision for employees' end of service benefit

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

	2019	2018
	AED'000	AED'000
At 1 January	**212,427**	223,937
Charge for the year (note 23)	**23,172**	24,759
Transfer to a related party (note 8)	**(124)**	(4,291)
Payments	**(29,418)**	(31,978)
At 31 December	**206,057**	212,427

16 Trade and other payables

	2019	2018
	AED'000	AED'000
Trade payables	**542,219**	591,824
Operating accruals	**208,329**	397,447
Capital accruals	**414,707**	332,515
Vat payable	**242,615**	249,600
Coupon and prepaid card sales outstanding	**108,090**	97,578
Contract retentions payable	**59,357**	71,044
Advances from customers	**33,016**	48,895
Other payables	**97,058**	160,133
	1,705,391	1,949,036

17 Derivative financial instruments

During the period, the Group entered into a floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating interest rates payable on the term loans, with all critical terms matching. These derivatives contracts have been designated as cash flow hedge under IFRS 9.

As at 31st December 2019, the fair value of the derivative financial instrument was as follows:

	31 December 2019 AED'000
Current liabilities	**38,554**
Non – current liabilities	**80,869**
	119,423

18 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 28):

	2019 AED'000	2018 AED'000
Corporate	**4,739,079**	4,733,114
Retail	**14,296,554**	15,703,503
Aviation	**2,060,633**	2,193,846
Others	**240,694**	263,028
	21,336,960	22,893,491

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

18 Revenue (continued)

Management expects that AED 5,345 thousand (2018: AED 1,573 thousand) is the remaining performance obligations as of the year ended 2019, which will be recognised as revenue during the next reporting period.

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 273,488 thousand (2018: AED 299,928 thousand) is recognised as revenue in the consolidated financial statements (note 8).

19 Direct costs

	2019 **AED'000**	2018 AED'000
Materials (note 6)	**16,340,065**	17,796,743
Staff costs (note 23)	**11,172**	11,642
Overheads	**4,141**	12,277
Depreciation (note 5)	**3,267**	3,444
	16,358,645	17,824,106

20 Distribution and administrative expenses

	2019 **AED'000**	2018 AED'000
Staff costs (note 23)	**1,603,443**	1,834,171
Depreciation (note 5)	**534,211**	501,321
Repairs, maintenance and consumables	**144,004**	131,701
Distribution and marketing expenses	**88,358**	127,809
Utilities	**82,762**	81,596
Insurance	**11,897**	9,455
Others	**301,789**	339,429
	2,766,464	3,025,482

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

21 Other income

	2019 AED'000	2018 AED'000
(Loss)/gain on disposal of property, plant and equipment	**(28)**	7,488
Miscellaneous income	**155,689**	230,244
	155,661	237,732

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

22 Impairment losses and other operating expenses

	2019 AED'000	2018 AED'000
Impairment of capital work in progress (note 5)	**46,853**	-
Expected credit loss of trade receivables (note 7)	**18,427**	11,150
Inventories written off (note 6)	**746**	5,583
Others	**419**	19,962
	66,445	36,695

23 Staff costs

	2019 AED'000	2018 AED'000
Salaries and allowances	**1,441,435**	1,638,278
Other benefits	**169,601**	233,473
Employees' end of service benefit (note 15)	**23,172**	24,759
	1,634,208	1,896,510
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 20)	**1,603,443**	1,834,171
Capital work-in-progress	**19,593**	50,697
Direct costs (note 19)	**11,172**	11,642
	1,634,208	1,896,510

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

24 Finance costs

	2019	2018
	AED	AED
	AED'000	AED'000
Finance charges on bank facilities	**198,134**	178,490
Interest expense on lease liabilities	**6,702**	5,164
	204,836	183,654

25 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.

	2019	2018
Profit attributable to owners of the Company (AED '000)	**2,217,684**	2,125,739
Weighted average number of shares for the purpose of basic earnings per share('000) (note 11)	**12,500,000**	12,500,000
Earnings per share (AED)	**0.177**	0.170

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

26 Dividend

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.

The Board of Directors proposed a cash dividend of 5.88 fils per share to the shareholders in respect of the first half of 2018. The dividend comprised of AED 735 million which was approved at the General Assembly Meeting held on 14 October 2018 and paid on 20 October 2018.

The Board of Directors proposed a final dividend of 5.88 fils per share to the shareholders in respect of the year ended 31 December 2018. The dividend comprised of AED 735 million, which was approved at the Annual General Meeting, held on 4 April 2019 and paid on 9 April 2019.

As authorized by the Shareholders at the General Assembly Meeting held 4 April 2019, the Board of Directors approved on 29 September 2019 a cash dividend of 9.55 fils per share to the shareholders in respect of the first half of 2019. The dividend comprised of AED 1,194 million and was paid on 3 October 2019.

26 Dividend (continued)

The Board of Directors proposed a final cash dividend of 9.55 fils per share to the shareholders in respect of the second half of 2019.

27 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 314.9 million (2018: AED 113.9 million.).

28 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 consolidated financial statements
for the year ended 31 December 2019 (continued)

28 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 2019						
Revenue	**4,739,079**	**14,296,554**	**2,060,633**	**240,694**	**-**	**21,336,960**
Direct costs	**(3,869,730)**	**(11,133,324)**	**(1,355,591)**	**-**	**-**	**(16,358,645)**
Gross profit	**869,349**	**3,163,230**	**705,042**	**240,694**	**-**	**4,978,315**
Distribution and administrative expenses	**(228,898)**	**(2,003,123)**	**(371,871)**	**(155,221)**	**(7,351)**	**(2,766,464)**
Other income	**42,824**	**99,181**	**4,393**	**431**	**8,832**	**155,661**
Impairment losses and other operating expenses	**(4,735)**	**(10,236)**	**(3,361)**	**(96)**	**(48,017)**	**(66,445)**
Interest income	**-**	**-**	**-**	**-**	**121,453**	**121,453**
Finance cost	**-**	**-**	**-**	**-**	**(204,836)**	**(204,836)**
Profit/(loss) for the year	**678,540**	**1,249,052**	**334,203**	**85,808**	**(129,919)**	**2,217,684**
31 December 2018						
Revenue	4,733,114	15,703,503	2,193,846	263,028	-	22,893,491
Direct costs	(3,948,285)	(12,396,625)	(1,469,510)	(9,649)	(37)	(17,824,106)
Gross profit	784,829	3,306,878	724,336	253,379	(37)	5,069,385
Distribution and administrative expenses	(248,199)	(2,164,935)	(418,614)	(196,430)	2,696	(3,025,482)
Other income	84,986	96,647	1,839	30,927	23,333	237,732
Impairment losses and other operating expenses	(3,718)	(23,198)	(2,884)	(1,311)	(5,584)	(36,695)
Interest income	-	-	-	-	64,451	64,451
Finance cost	-	-	-	-	(183,652)	(183,652)
Profit/(loss) for the year	617,898	1,215,392	304,677	86,565	(98,793)	2,125,739

28 Segment reporting (continued)

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

29 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 2019, the Group's share in the fund held by ADNOC was AED 650 thousand (2018: AED 630 thousand).

30 Contingencies and litigations

As at 31 December 2019, the Group had contingent liabilities amounting to AED 902.1 thousand (2018: AED 902.1 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 financial statements if concluded unfavourably.

31 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.

31 Financial instruments (continued)

Capital risk management (continued)

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

	2019	2018
	AED '000	AED '000
Debt	**5,489,540**	5,484,400
Cash and cash equivalent (note 10)	**(2,616,029)**	(5,342,959)
Net debt	**2,873,511**	141,441
Net debt	**2,873,511**	141,441
Equity	**3,749,050**	3,587,601
Net debt plus equity	**6,622,561**	3,729,042
Leverage ratio	**43.4%**	3.8%

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.

31 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 10).

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 2019 would have decreased/increased by AED 27,448 thousand (2018: AED 27,422 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

During previous years, the Group entered into floating to fixed interest rate swaps with corresponding banks to hedge the interest rate risk relating to a portion of the floating rate interest payable on unsecured bank borrowings. Hedged portion of the bank borrowings is not included in the sensitivity analysis.

(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 consolidated financial statements
for the year ended 31 December 2019 (continued)

31 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 2019, 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 2019 and 2018 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2019			
Long term debt	**-**	**5,489,540**	**5,489,540**
Due to related parties	**3,602,677**	**-**	**3,602,677**
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,564,285**	**-**	**1,564,285**
Total	**5,166,962**	**5,489,540**	**10,656,502**

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

31 Financial instruments (continued)

Financial risk management (continued)

(d) Liquidity risk (continued)

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2018			
Long term debt	-	5,484,400	5,484,400
Due to related parties	4,308,817	-	4,308,817
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,802,564	-	1,802,564
Total	6,111,381	5,484,400	11,595,781

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.

32 Financial instruments by category

	2019 AED'000	2018 AED'000
Financial assets:		
Cash and bank balances	**4,746,029**	5,472,959
Due from related parties	**569,713**	996,859
Trade and receivables and other current assets (excluding prepaid expenses)	**3,022,705**	2,230,588
	8,338,447	8,700,406

Notes to the consolidated financial statements
for the year ended 31 December 2019 (continued)

32 Financial instruments by category (continued)

	2019	2018
	AED'000	AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,564,285**	1,802,564
Due to related parties	**3,602,677**	4,308,817
Long term debt	**5,489,540**	5,484,400
	10,656,502	11,595,781

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 17,007 thousand (2018: AED 19,080 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 141,106 thousand (2018: AED 146,473 thousand) have been excluded from trade and other payables.

33 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 11 February 2020.