ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Reports and consolidated financial statements for the year ended 31 December 2020

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for the year ended 31 December 2020

ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Directors' report
for the year ended 31 December 2020

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 2020.

Board of Directors:

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Members	Khaled Salmeen
	Abdulaziz Abdulla Alhajri
	Ahmed Jasim Al Zaabi
	Jassim Mohammed Alseddiqi
	Pedro Miró Roig
	David-Emmanuel Beau

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 16,132,060 thousand (2019: AED 21,336,960 thousand). Profit for the year was AED 2,432,364 thousand (2019: AED 2,153,810 thousand (restated)).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2020 (restated)	2,175,581
Total profit for the year	2,432,364
Dividend paid	(2,479,375)
Retained earnings at 31 December 2020	**2,128,570**

The Board of Directors approved a final dividend of 9.55 fils per share to the shareholders in respect of the year ended 31 December 2019. The dividend comprised of AED 1,193,750 thousand, which was approved at the General Assembly Meeting held on 31 March 2020 and paid on 2 April 2020.

The Board of Directors approved an interim dividend of 10.29 fils per share to the shareholders in respect of the first half of 2020. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 29 September 2020 and paid on 1 October 2020.

for the Board of Directors

Chairman

14 February 2021
Abu Dhabi, UAE

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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 2020, 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (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.

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

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognised from retail sales and related IT systems	
The Group reported revenue of AED 11.3 billion from retail sales for the year ended 31 December 2020. There is inherent risk around the accuracy and completeness 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 19 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 recognition against the requirements of IFRSs. • Performing test of details on a sample basis to reconcile the daily sales to the cash collections and the subsequent bank deposits; • Performing substantive analytical procedures over revenue by building expectations of sales on the basis of quantities sold, regulated prices and building an expectation of gross margin based on prior periods comparable information; and • Assessing the adequacy of disclosures in the consolidated financial statements relating to revenue against the requirements of IFRSs.

Key audit matters (continued)

Decommissioning obligation related to assets constructed on leased land	
The Group has recorded a provision for decommissioning of AED 120.2 million. These provisions relate to an obligation to dismantle service stations constructed on leased land, at a future date. The Group operates over 196 service stations in Dubai and other emirates in the United Arab Emirates and the Kingdom of Saudi Arabia on land leased from third parties. The Group has a contractual obligation to restore the land to its original condition at the end of the lease period. The provision is based upon current cost estimates and has been determined on a discounted basis with reference to current legal requirements and available technology. At each reporting date the decommissioning liability is reviewed and re-measured in line with changes in observable assumptions, timing and the latest estimates of the costs to be incurred at reporting date. Management employed a specialist to assist them in determining the provision. We have considered the measurement of decommissioning costs as a key audit matter as it requires significant judgments to be applied and estimates to be made due to the inherent complexity in estimating the amount and timing of future costs including, inter alia, the determination of an appropriate rate to discount these costs to their present value. In addition, the prior period comparative information has been restated as disclosed in note 34. The Group's accounting policies relating to the dismantling obligations are presented in note 3 and the critical accounting estimates made, and judgements applied by management are disclosed in note 4 to the consolidated financial statements	Our audit strategy comprised a combination of test of controls and substantive procedures over both the measurement of the decommissioning obligation and the related restatement of comparative information. These included, but were not limited to, the following: • Obtaining an understanding of the Group's process for identifying the agreements for which a provision needs to be raised and testing the design, implementation and operating effectiveness of the controls over this process; • Evaluating the skills, objectivity, qualifications and competence of the specialist employed by management; • Reviewing the engagement letter between the Group and the specialist to determine if the scope of their engagement was sufficient for audit purposes. • Assessing the validity and completeness of the list of service stations used for the underlying calculation; • Evaluating the approach adopted by management in determining the expected costs of decommissioning and determining if the significant judgements applied and estimates of cost per service station are appropriate by inspecting supporting documentation from independent third parties; • Identifying the cost assumptions used that have the most significant impact on the provisions and determining if these assumptions are appropriate; • Discussing the estimates used by the specialist with management and the specialist; • Performing test of details by reviewing the lease agreements, on a sample basis to determine if the term over which the obligation has been discounted is correct; • Reperforming the calculation of notional interest on the obligation; • Determining if the provision has taken into account the effect of any restoration undertaken during the year; • Reviewing, with the assistance of our internal specialists, the discount and inflation rates used in the estimation to determine if they are appropriate; • Agreeing the results of the specialist's calculation to the amounts reported in the consolidated financial statements; and • Assessing the adequacy of disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

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

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 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Further, as required by the UAE Federal Law No. (2) of 2015, we report for the year ended 31 December 2020 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 2020;
- Note 8 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- As disclosed in note 1 to the consolidated financial statements, the Group made social contributions amounting to AED 251 thousand during the year ended 31 December 2020; and
- Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020.

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 (continued)

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 2020:

- 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.)

Obada Alkowatly
Registration Number 1056
14 February 2021
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2020

	Notes	**31 December 2020 AED'000**	31 December 2019 AED'000 (restated)	1 January 2019 AED'000 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	**5**	**5,567,588**	5,359,952	5,457,450
Right-of-use assets	**9**	**547,374**	207,700	132,856
Advances to contractors		**75,451**	113,843	88,832
Other non-current assets	**14**	**5,213**	7,931	10,693
Total non-current assets		**6,195,626**	5,689,426	5,689,831
Current assets				
Inventories	**6**	**670,749**	915,122	1,173,854
Trade receivables and other current assets	**7**	**2,180,563**	3,039,712	2,249,668
Due from related parties	**8**	**567,893**	569,713	996,859
Term deposits	**10**	**644,150**	2,130,000	130,000
Cash and bank balances	**10**	**2,145,322**	2,599,891	5,342,959
Total current assets		**6,208,677**	9,254,438	9,893,340
Total assets		**12,404,303**	14,943,864	15,583,171
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		**(151,471)**	(114,525)	-
Retained earnings		**2,128,570**	2,175,581	1,950,521
Total equity		**3,477,099**	3,561,056	3,450,521
Non-current liabilities				
Lease liabilities	**13**	**447,055**	149,202	84,357
Long term debt	**14**	**5,494,597**	5,489,540	5,484,400
Derivative financial instruments	**17**	**80,149**	80,869	-
Provision for decommissioning	**18**	**120,193**	87,949	73,752
Provision for employees' end of service benefit	**15**	**199,185**	206,057	212,427
Total non-current liabilities		**6,341,179**	6,013,617	5,854,936
Current liabilities				
Lease liabilities	**13**	**28,147**	5,013	7,901
Trade and other payables	**16**	**1,590,189**	1,739,085	1,960,996
Due to related parties	**8**	**884,771**	3,586,539	4,308,817
Derivative financial instruments	**17**	**82,918**	38,554	-
Total current liabilities		**2,586,025**	5,369,191	6,277,714
Total liabilities		**8,927,204**	11,382,808	12,132,650
Total equity and liabilities		**12,404,303**	14,943,864	15,583,171

To the best of our knowledge, the financial information included in the report fairly present in all material respects the financial condition, result of operations and cash flows of the Group as of 31 December 2020, and for the periods presented in the report.

Mohamed Al Hashimi	**Ahmed Al Shamsi**	**Dr. Sultan Ahmed Al Jaber**
Chief Financial Officer	Acting Chief Executive Officer	Chairman of the Board of Directors

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

Consolidated statement of profit or loss and comprehensive income for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000 (restated)
Revenue	**19**	**16,132,060**	21,336,960
Direct costs	**20**	**(10,349,052)**	(16,358,645)
Gross profit		**5,783,008**	4,978,315
Distribution and administrative expenses	**21**	**(3,032,908)**	(2,807,041)
Impairment losses on trade and other receivables	**7**	**(70,352)**	(18,427)
Other impairment losses and expenses	**23**	**(196,889)**	(48,018)
Other income	**22**	**113,704**	155,661
Operating profit		**2,596,563**	2,260,490
Interest income		**47,849**	121,453
Finance costs	**25**	**(212,048)**	(228,133)
Profit for the year		**2,432,364**	2,153,810
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value loss on hedging instruments		**(36,946)**	(114,525)
Total comprehensive income for the year		**2,395,418**	2,039,285
Earnings per share:			
Basic and diluted (AED)	**26**	**0.195**	0.172

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

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2018 (as previously stated)	1,000,000	500,000	-	2,074,641	3,574,641
Impact of restatement (note 34)	-	-	-	(124,120)	(124,120)
Balance as at 1 January 2019 (restated)	1,000,000	500,000	-	1,950,521	3,450,521
Profit for the year (restated)	-	-	-	2,153,810	2,153,810
Other comprehensive income for the year	-	-	(114,525)	-	(114,525)
Total comprehensive income for the year (restated)	-	-	(114,525)	2,153,810	2,039,285
Dividends paid (note 27)	-	-	-	(1,928,750)	(1,928,750)
Balance as at 31 December 2019 (restated)	1,000,000	500,000	(114,525)	2,175,581	3,561,056
Profit for the year	-	-	-	2,432,364	2,432,364
Other comprehensive income for the year	-	-	(36,946)	-	(36,946)
Total comprehensive income for the year	-	-	(36,946)	2,432,364	2,395,418
Dividends paid (note 27)	-	-	-	(2,479,375)	(2,479,375)
Balance at 31 December 2020	**1,000,000**	**500,000**	**(151,471)**	**2,128,570**	**3,477,099**

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

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 AED'000	2019 AED'000 (restated)
Cash flows from operating activities		
Profit for the year	**2,432,364**	2,153,810
Adjustments for:		
Depreciation of property, plant and equipment	**572,968**	570,297
Depreciation of right-of-use assets	**19,193**	6,018
Recoveries on receivables	**(28,744)**	(49,971)
Impairment losses on receivables	**70,352**	18,427
Employees' end of service benefit charge	**25,291**	23,172
loss on disposal of property, plant and equipment	**180**	28
(Reversal)/write down of finished goods to net realisable value		(104,541)
Impairment of capital work in progress	**190,882**	46,853
Provision for slow moving items	**2,975**	-
Inventories written off	**3,032**	746
Finance costs	**212,048**	228,133
Interest income	**(47,849)**	(121,453)
Operating cash flows before movements in working capital	**3,452,692**	2,771,519
Decrease in inventories	**238,367**	362,527
Decrease/(increase) in trade receivables and other current assets	**818,666**	(758,949)
Decrease in due from related parties	**1,820**	427,022
Decrease in trade and other payables	**(83,500)**	(321,676)
Decrease in due to related parties	**(2,701,768)**	(722,278)
Cash generated from operating activities	**1,726,277**	1,758,165
Payment of employees' end of service benefit	**(32,163)**	(29,418)
Net cash generated from operating activities	**1,694,114**	1,728,747
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(927,811)**	(381,265)
Payments for advances to contractors	**(51,232)**	(81,590)
Proceeds from disposal of property, plant and equipment	**1,389**	357
Decrease/(increase) in term deposit with maturity more than three months	**1,485,850**	(2,000,000)
Interest received	**46,719**	121,900
Net cash generated/ (used) in investing activities	**554,915**	(2,340,598)
Cash flows from financing activities		
Finance cost paid	**(194,154)**	(187,507)
Payment of lease liabilities	**(30,069)**	(14,960)
Dividends paid	**(2,479,375)**	(1,928,750)
Net cash used in financing activities	**(2,703,598)**	(2,131,217)
Net decrease in cash and cash equivalents	**(454,569)**	(2,743,068)
Cash and cash equivalents at beginning of the year	**2,599,891**	5,342,959
Cash and cash equivalents at end of the year (note 10)	**2,145,322**	2,599,891

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

Consolidated statement of cash flows (continued)
for the year ended 31 December 2020

	2020 AED'000	2019 AED'000 (restated)
Non-cash transaction		
Accruals for property, plant and equipment	**367,140**	414,707
Advances to contractors transferred to property, plant and equipment	**89,624**	56,579
Transfer of property, plant and equipment from a related party	**2,905**	-
Finance cost related to provision for decommissioning	**4,214**	3,550
Additions to right of use assets	**330,837**	70,215

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

Notes to the consolidated financial statements
for the year ended 31 December 2020

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.

The head office of the Company and its subsidiary, ADNOC Distribution Global Company L.L.C., (together referred to as the "Group"), is registered at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Group's shares are listed on the Abu Dhabi Securities Exchange

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.

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. The transaction has increased the free float of the Group in Abu Dhabi Securities Exchange to 20%. The Parent Company currently retains 80% ownership of the Group.

The principal activities of 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 has not purchased or invested in any shares during the financial year ended 31 December 2020.

The Group made social contributions amounting to AED 251 thousand during the year ended 31 December 2020 (2019: AED 1,227 thousand).

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

2.1 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 after1 January 2020, have been adopted in these financial statements.

<u>New and revised IFRSs</u>	**Effective for annual periods <u>beginning on or after</u>**
Definition of Material – Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*	1 January 2020
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.'	
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	1 January 2020
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'.	
Amendments to *References to the Conceptual Framework in IFRS Standards*	1 January 2020
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.	
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
Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020
The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.	
Covid-19-Related Rent Concessions – amendments to IFRS 16	1 June 2020
The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	

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.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

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

2.2 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
IFRS 17 *Insurance Contracts*	1 January 2022
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 January 1, 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.
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 – *Reference to the Conceptual Framework*	1 January 2022

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 37 – *Onerous Contracts—Cost of Fulfilling a Contract*	1 January 2022

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated.

Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 16 – *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories.*

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2018–2020	1 January 2022

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a). The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 9 *Financial Instruments* — 1 January 2022

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 *Leases* — 1 January 2022

The amendment removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IAS 41 *Agriculture*	1 January 2022
The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement. The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.	

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 2020 been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

3 Summary of significant accounting policies (continued)

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.

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.

On 30 December 2020, ADNOC Distribution Global Company LLC signed a definitive Business and Asset Purchase Agreement to acquire fifteen (15) service stations in the Kingdom of Saudi Arabia, but the agreement is subject to unconditional approval from General Authority for Competition (GAC) and other regulatory or tax authorities on the transaction in addition to the other closing conditions on the selling and buying parties.

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2020	2019		
ADNOC Distribution Global Company L.L.C.	**100%**	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

3 Summary of significant accounting policies (continued)

Property, plant and equipment

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

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

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

	2020
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 and 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 estate 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 has continued access to the properties, the Group entered into Real Estate 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)

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.

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 from 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.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The assessment of whether lifetime ECL should 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:

(a) the financial instrument has a low risk of default;
(b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
(c) 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.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

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 investment's 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 recognised 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.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

<u>Application of IFRS 15 Revenue from Contracts with Customers</u>

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. 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 revenue 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.

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.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Revenue (continued)

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. Revenue from sale of goods is recognised at a point in time upon delivery of the goods.

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.

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.

Loyalty programme

A deferred liability is recognised based on the portion of the consideration received arising from the Group’s loyalty program. Revenue is recognised when the points are redeemed or the likelihood of the customer redeeming the loyalty points becomes remote. Allocation of the consideration is based on the relative stand-alone selling prices.

The deferred liability is included within trade and other payables.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3 Summary of significant accounting policies (continued)

Leases

The Group as a lessee

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.

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 earlier 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.

The Group as a lessor

The Group enters into lease agreements as a lessor with respect to some of its retail space in the service stations.

Leases for which the group is the lessor are all accounted as operating leases.

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

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.

Asset retirement obligations

This provision relates to the estimate of the cost of dismantling and removing an item of property, plant and equipment and restoring the site on which the item was located to its original condition. The Group provides for the anticipated costs associated with the restoration of leasehold property to its original condition at inception of the lease, including removal of items included in plant and equipment.

3 Summary of significant accounting policies (continued)

Derivative financial instruments

The Group enters into derivative financial instrument contracts to manage its exposure to interest rate.

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 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 interest rate risk in cash flow 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.

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 re cognised 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

<u>Provision for decommissioning</u>

The Group recognises provisions for the future cost associated with the dismantling of leased plots in Dubai and the Northern Emirates. The dismantling events are many years in the future and the exact requirements that will have to be met when a removal event occurs are uncertain. Assumptions are made by management in relation to settlement dates, technology, inflation and discount rates. The timing and amounts of future cash flows are subject to significant uncertainty and estimation is required in determining the amounts of provision to be required. A provision of AED 120,193 has been recognised as at 31 December 2020 (2019: AED 77,302 (restated)) using a discount rate of 3.91 % (2019: 4.6% (restated)) and assuming all dismantling activities will take place at the current estimate of the end of life of each lease.

Management believes it does not have a contractual or constructive obligation to dismantle service stations in Abu Dhabi as the land has been granted by the Government of Abu Dhabi without any specific dismantling obligations. Accordingly, management believe any restoration in the future is not probable

<u>Determining the lease term</u>

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). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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 2020, the Group's allowance for expected credit losses of trade receivables amounted to AED 50,762 thousand (2019: AED 9,154 thousand).

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. Management did not identify any impairment indicators in the current or prior year for property, plant and equipment. However, management identified certain capital work-in-progress for which future development is not expected and, accordingly, recorded an impairment of AED 190,882 thousand (2019: AED 46,583).

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For leases where the Group is unable to determine the IRTL, the Group's incremental borrowing rate is used. Management has applied judgments and estimates to determine the discount rate at the commencement of lease. An incremental borrowing rate of 4.6 % was used in the current year to determine the lease obligations for new leases entered into (2019: 4.6%).

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

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

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

Key sources of estimation uncertainty (continued)

COVID-19

In March 2020, the World Health Organization (WHO) declared a new strain of coronavirus (COVID-19) as a pandemic outbreak after finding the increase in exposure and infections across the world. To contain the outbreak in the United Arab Emirates, the government enforced restriction of movement for both people and goods including the closure of both inbound and outbound flights to and from the country.

The outbreak comes with unpredictable human and economic consequences and its evolution remains unknown at the date of the issuance of the financial statements. As the situation is rapidly evolving, the impact on the Group's activities and operations remains extraordinarily uncertain.

The Group regularly assesses the impact of COVID-19 on its operations, business continuity, liquidity and legal obligations. The Group expects a continued recovery in consumption in the retail and non-retail fuel sector due to the easing of some of the restrictions that had been in place at the beginning of the pandemic.

The impact of this outbreak led to an increase in the expected credit loss of trade receivables to AED 50,762 thousand (31 December 2019: AED 9,154 thousand) and allowance for write-down to net realisable value and slow moving of inventories of AED 18,421 thousand (31 Dec 2019: AED 15,446 thousand). The Group will continue to closely monitor the impact of COVID 19 and a prolonged continuation of the situation and/or another lockdown may lead to further provisions and/or impairment in future periods.

The Group has a documented business continuity plan (BCP) that has been activated to ensure the safe and stable continuation of its business operations as well as the safety of its employees and customers. The Group has also introduced proactive comprehensive measures to address and mitigate key operational and financial issues arising from the current situation and has reasonably managed several areas of operational risks identified and implemented various measures that ensured continuity of the operations.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

5 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and equipment AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2019 (restated)	5,180,597	2,156,894	205,049	818,660	77,798	628,861	9,067,859
Additions	-	-	-	-	-	520,036	520,036
Transfers	149,351	53,868	7,472	232,334	1,102	(444,127)	-
Disposals	-	(347)	(14,741)	(952)	-	-	(16,040)
Impairment	-	-	-	-	-	(46,853)	(46,853)
1 January 2020 (restated)	5,329,948	2,210,415	197,780	1,050,042	78,900	657,917	9,525,002
Additions	-	-	-	-	-	969,868	969,868
Transfers	868,462	41,968	28,905	66,944	-	(1,006,279)	-
Disposals	(303)	(679)	(11,137)	(7,486)	-	-	(19,605)
Transfers from a related party	3,048	177	-	3,556	840	-	7,621
Impairment	-	-	-	-	-	(190,882)	(190,882)
31 December 2020	**6,201,155**	**2,251,881**	**215,548**	**1,113,056**	**79,740**	**430,624**	**10,292,004**

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 2019 (restated)	1,811,883	1,106,335	162,551	497,054	32,587	-	3,610,410
Charge for the year (restated)	280,454	166,629	14,213	105,642	3,357	-	570,295
Disposals	-	(264)	(14,469)	(922)	-	-	(15,655)
Reclassifications	35	(259)	46	165	13	-	-
1 January 2020 (restated)	2,092,372	1,272,441	162,341	601,939	35,957	-	4,165,050
Charge for the year	256,952	160,177	13,080	139,433	3,326	-	572,968
Disposals	(268)	(669)	(10,855)	(6,244)	-	-	(18,036)
Reclassifications	192	19	(2)	(209)	-	-	-
Transfers from a related party	2,834	138	-	1,092	370	-	4,434
31 December 2020	**2,352,082**	**1,432,106**	**164,564**	**736,011**	**39,653**	**-**	**4,724,416**
Carrying amount							
31 December 2020	**3,849,073**	**819,775**	**50,984**	**377,045**	**40,087**	**430,624**	**5,567,588**
31 December 2019 (restated)	3,237,576	937,974	35,439	448,103	42,943	657,917	5,359,952

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 8).

In order to continue to comply with property ownership laws in the UAE, The Group's real estate 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 a Real Estate 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.

During the period, management carried out an assessment of their capital work in progress and identified certain projects, which are unlikely to be further developed. Accordingly, an impairment of AED 190,882 thousand was recognised (31 December 2019: AED 46,853 thousand).

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

5 Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2020 AED'000	2019 AED'000 (restated)
Distribution and administrative expenses (note 21)	**569,358**	566,783
Direct cost (note 20)	**3,400**	3,267
Work-in-progress inventories (note 6)	**210**	245
	572,968	570,295

6 Inventories

	2020 AED'000	2019 AED'000
Finished goods	**514,058**	802,743
Spare parts and consumables	**62,062**	48,107
Lubricants raw materials, consumables and work in progress	**62,623**	37,026
LPG cylinders	**50,427**	42,692
	689,170	930,568
Less: Allowance for write down of finished goods to net realisable value	**(234)**	(234)
Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(18,187)**	(15,212)
	670,749	915,122

The cost of inventories recognised as expense and included in direct cost amounted to AED 10,334,643 thousand (2019: AED 16,340,065 thousand) (note 20). During the year, a direct write off of inventory was recognised as expense amounting to AED 3,032 thousand (2019: AED 746 thousand) (note 23).

The cost of inventories includes depreciation expense capitalised as work in progress inventories amounted to AED 210 thousand (2019: AED 245 thousand) (note 5).

The Ministry of Energy regulates prevailing Gasoline and Gasoil selling prices for all retail distribution companies.

The Group is carrying finished goods of AED 103,819 thousand (2019: 76,575 thousand) on behalf of a customer as at 31 December 2020.

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:

	2020	2019
	AED'000	AED'000
At 1 January	**15,446**	119,987
Reversal to net realisable value	**-**	(104,541)
Impairment loss for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders (note 23)	**2,975**	-
At 31 December	**18,421**	15,446

7 Trade receivables and other current assets

	2020	2019
	AED'000	AED'000
Trade receivables	**2,014,391**	2,821,346
Less: expected credit loss allowance	**(50,762)**	(9,154)
	1,963,629	2,812,192
Prepaid expenses	**17,625**	17,007
Receivable from employees	**101,537**	109,590
VAT receivables	**1,182**	3,950
Other receivables	**96,590**	96,973
	2,180,563	3,039,712

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

As at 31 December 2020, the Group had significant concentration of credit risk with three customers (2019: two) accounting for 55% (2019: 61%) 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 30-60 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 as on 31 December 2020

	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%**	**2%**	**11%**	
Estimated total gross carrying amount	**933,675**	**107,651**	**691,699**	**281,366**	**2,014,391**
Lifetime Expected credit loss	**(5,161)**	**(724)**	**(14,784)**	**(30,093)**	**(50,762)**

Trade receivables 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)

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

	Collectively Assessed AED'000	**Individually Assessed AED'000**	**Total AED'000**
Balances at 1 January 2019	15,012	25,686	40,698
Recovery made during the year	(24,285)	(25,686)	(49,971)
Charge for the year	18,427	-	18,427
Balances at 1 January 2020	**9,154**	**-**	**9,154**
Recovery made during the year	**(28,744)**	**-**	**(28,744)**
Charge for the year	**39,145**	**31,207**	**70,352**
Balances at 31 December 2020	**19,555**	**31,207**	**50,762**

Amounts charged to 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 2020. 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.

	2020	2019
	AED'000	AED'000
		(restated)
Due from related parties		
ADNOC Drilling	**169,799**	59,782
ADNOC Logistics and Services	**134,093**	70,048
Abu Dhabi National Oil Company (ADNOC)	**110,384**	359,515
ADNOC Offshore	**84,803**	20,077
ADNOC Onshore	**49,027**	22,365
ADNOC Gas Processing	**3,501**	21,134
ADNOC Sour Gas	**3,156**	2,745
Others	**13,130**	14,047
	567,893	569,713
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**872,766**	3,559,438
ADNOC Logistics and Services	**10,178**	10,250
ADNOC Refining	**1,420**	16,851
Others	**407**	-
	884,771	3,586,539

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 2,768,689 thousand (2019: AED 4,722,758 thousand) held with banks owned by the Government of Abu Dhabi.

As at 31 December 2020, the Group has a term loan from banks owned by the Government of Abu Dhabi amounting to AED 5,276,563 thousand (2019: AED 5,276,563 thousand).

8 Related party balances and transactions (continued)

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

	2020 **AED'000**	2019 AED'000
Revenue – ADNOC group entities	**748,543**	1,055,564
Purchases – ADNOC	**9,619,696**	15,322,254
Vessel hire and port charges – ADNOC group	**62,057**	69,970
Transfer of property, plant and equipment (to)/from related party	**7,621**	-
Dividends paid (note 27)	**2,479,375**	1,928,750
Rendering of service (note 19)	**220,226**	273,488
Recovery of expenses incurred related to City Gas	**60,868**	57,456
End of service benefits transferred	**-**	124

Notes to the consolidated financial statements
for the year ended 31 December 2020 (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:

	2020 **AED'000**	2019 AED'000
Short term benefits	**36,279**	33,830
Pension contribution	**1,277**	1,280
	37,556	35,110

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.

Effective July 2020, the agreement related to the pricing mechanism agreement for the LPG products has been discontinued.

The Group is in negotiation with the Parent Company for historical costs relating to a land in Musaffah which has been utilised free of charge. The outcome of the negotiations may lead to retrospective charges for the use of the land. Management do not expect the final charge, if any, to be material.

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 2020, 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 2019, the Group adjusted the purchase price of certain products supplied by ADNOC due to market conditions with effect from 1 January 2019. 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 (2019: 15 – 40 years).

The dismantling cost related to the leasehold properties to return the land to its original condition is also included in the cost.

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

	2020	2019
	AED '000	AED '000 (restated)
At 1 January	**207,700**	132,856
Additions related to land lease	**330,837**	70,215
Additions to decommissioning	**4,567**	10,647
Change in estimate of decommissioning (note 18)	**23,463**	-
Depreciation charge during the year	**(19,193)**	(6,018)
31 December 2020	**547,374**	207,700

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

9 Right-of-use assets (continued)

Group as a Lessee (continued)

Amounts recognised in profit and loss

	2020	2019
	AED '000	AED '000
		(As restated)
Depreciation expense on right-of-use assets	**19,193**	6,018
Interest expense on lease liabilities	**20,219**	6,702

The total cash outflow for leases amounted to AED 30,069 thousand (2019: AED 14,960 thousand) (note 13).

Additions in the period relate to the lease of plots of land across the United Arab Emirates and Kingdom of Saudi Arabia for construction of retail service stations.

10 Cash and cash equivalents

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

	2020	2019
	AED'000	AED'000
		(restated)
Cash held by ADNOC	**-**	1,144
Cash on hand and in bank	**2,145,322**	2,598,747
Cash and bank balances	**2,145,322**	2,599,891
Term deposit with maturities above 3 months	**644,150**	2,130,000

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 2,780,697 thousand (2019: AED 2,593 million) carrying rate ranging from 0.05% to 2.80% (2019: 0.02% to 3.20%) 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.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

11 Share capital (continued)

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

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

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

	2020	2019
	AED '000	AED '000
Authorised:		
25,000,000,000 ordinary shares of AED 0.08 each	**2,000,000**	2,000,000
Issued and fully paid up:		
12,500,000,000 ordinary shares of AED 0.08 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% (2019: 50%) of the paid up share capital.

13 Lease liabilities

	2020	2019
	AED '000	AED '000
Balance as at 1 January	**154,215**	92,258
Additions	**330,837**	70,215
Accretion of interest	**20,219**	6,702
Payments	**(30,069)**	(14,960)
Balance as at 31 December	**475,202**	154,215
Current	**28,147**	5,013
Non-current	**447,055**	149,202
	475,202	154,215

13 Lease liabilities (continued)

Maturity analysis	**31 December 2020 AED '000**	31 December 2019 AED'000
Not later than 1 year	**28,147**	5,013
Later than 1 year and not later than 5 years	**110,940**	19,844
Later than 5 years	**336,115**	129,358
	475,202	154,215

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

	2020 AED'000	2019 AED'000
Term loan	**5,494,597**	5,489,540

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 2,250,000 thousand (AED 8,263,130 thousand) unsecured credit facility (the "Facility"). The Facility is bifurcated further into a term facility commitment of USD 1,500,000 thousand (AED 5,508,750 thousand) and a revolving facility commitment of USD 750,000 thousand (AED 2,754,380 thousand). 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 5,213 thousand as at 31 December 2020 (2019: AED 7,931 thousand) is presented as other non-current asset in the financial statements.

On 16 November 2017, the Group made a drawdown from the Facility 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 2020 (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.

	2020 AED'000	2019 AED'000
At 1 January	**5,489,540**	5,484,400
Other charges (i)	**5,057**	5,140
	5,494,597	5,489,540

(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:

	2020 AED'000	2019 AED'000
At 1 January	**206,057**	212,427
Charge for the year (note 24)	**25,291**	23,172
Transfer to a related party (note 8)	**-**	(124)
Payments	**(32,163)**	(29,418)
At 31 December	**199,185**	206,057

16 Trade and other payables

	2020 AED'000	2019 AED'000 (restated)
Trade payables	**544,097**	542,219
Capital accruals	**367,140**	414,707
Operating accruals	**182,587**	208,329
VAT payable	**158,827**	242,615
Coupon and prepaid card sales outstanding	**99,470**	108,090
Contract retentions payable	**60,208**	59,357
Advances from customers	**35,345**	33,016
Other payables	**142,515**	130,752
	1,590,189	1,739,085

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

17 Derivative financial instruments

In the prior year, 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 31 December 2020, the fair value of the derivative financial instrument was as follows:

	2020 AED'000	2019 AED'000
Current liabilities	**82,918**	38,554
Non – current liabilities	**80,149**	80,869
	163,067	119,423

18 Provision for decommissioning

The provision for decommissioning obligation is with respect to dismantling obligation of the service stations built on leased lands in Dubai and Northern Emirates. The discount rate used to determine the obligation at 31 December 2020 is 3.91 % (2019: 4.6%). The change in estimate is due to the reduction of the risk-free rate which was used to determine the discount rate.

	2020 AED'000	2019 AED'000 (As restated)
At 1 January	**87,949**	73,752
Additions during the period	**4,567**	10,647
Change in estimate	**23,463**	-
Amortisation of interest	**4,214**	3,550
At 31 December	**120,193**	87,949

19 Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services 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 29):

	2020	2019
	AED'000	AED'000
Retail (B2C)		
• Fuel	**10,466,470**	13,408,190
• Non-fuel	**879,524**	1,129,058
Commercial (B2B)		
• Corporate	**3,619,825**	4,739,079
• Aviation	**1,166,241**	2,060,633
	16,132,060	21,336,960

Management expects that AED 5,436 thousand (2019: AED 5,345 thousand) is the remaining performance obligations as of the year ended 2020, 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 220,226 thousand (2019: AED 273,488 thousand) was recognised as revenue in the consolidated financial statements (note 8).

20 Direct costs

	2020	2019
	AED'000	AED'000
Materials (note 6)	**10,334,643**	16,340,065
Staff costs (note 24)	**8,089**	11,172
Depreciation (note 5)	**3,400**	3,267
Overheads	**2,920**	4,141
	10,349,052	16,358,645

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

21 Distribution and administrative expenses

	2020 AED'000	2019 AED'000 (restated)
Staff costs (note 24)	**1,772,353**	1,605,430
Depreciation (note 5)	**588,551**	572,801
Repairs, maintenance and consumables	**193,618**	144,004
Distribution and marketing expenses	**87,516**	88,358
Utilities	**90,313**	82,762
Insurance	**14,252**	11,897
Others	**286,305**	301,789
	3,032,908	2,807,041

22 Other income

	2020 AED'000	2019 AED'000
Gain/(loss) on disposal of property, plant and equipment	**1,113**	(28)
Miscellaneous income	**112,591**	155,689
	113,704	155,661

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

23 Impairment losses and other operating expenses

	2020 AED'000	2019 AED'000
Impairment on capital work in progress (note 5)	**190,882**	46,853
Impairment for slow moving items	**2,975**	-
Inventories written off (note 6)	**3,032**	746
Others	**-**	419
	196,889	48,018

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

24 Staff costs

	2020	2019
	AED'000	AED'000
		(As restated)
Salaries and allowances	**1,447,753**	1,441,435
Other benefits	**327,599**	171,588
Employees' end of service benefit (note 15)	**25,291**	23,172
	1,800,643	1,636,195
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 21)	**1,772,353**	1,605,430
Capital work-in-progress	**20,201**	19,593
Direct costs (note 20)	**8,089**	11,172
	1,800,643	1,636,195

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

25 Finance costs

	2020	2019
	AED	AED
	AED'000	AED'000
		(restated)
Finance charges on bank facilities	**187,615**	217,881
Interest expense on lease liabilities (note 13)	**20,219**	6,702
Interest expense on provision for decommissioning (note 18)	**4,214**	3,550
	212,048	228,133

26 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.

	2020	2019
		(restated)
Profit attributable to owners of the Company (AED '000)	**2,432,364**	2,153,810
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)	**0.195**	0.172

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

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

27 Dividends

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 735,000 thousand, 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 1,193,750 thousand and was paid on 3 October 2019.

The Board of Directors approved a final dividend of 9.55 fils per share to the shareholders in respect of the year ended 31 December 2019. The dividend comprised of AED 1,193,750 thousand, which was approved at the General Assembly Meeting held on 31 March 2020 and paid on 2 April 2020.

The Board of Directors approved an interim dividend of 10.29 fils per share to the shareholders in respect of the first half of 2020. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 29 September 2020 and paid on 1 October 2020.

28 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 638,588 thousand (2019: AED 314,894 thousand.).

29 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.

Effective from 2020, the CODM has approved the use of the new segment reporting structure. The new structure aligns the segmentation of the management's categorisation of the Group's customers into Commercial (B2B) and Retail (B2C) categories.

- Commercial (B2B) segment, which involves sale of petroleum products and ancillary products to commercial and government customers, the provision of aviation fuel and fuelling services to strategic customers, and the provision of fuelling services to the Parent Company civil aviation customers.
- Retail (B2C) segment, which involves sale of gasoline and petroleum products, convenience store sales, car wash and other car care services, oil change services, vehicle inspection services and property leasing and management through the retail sites.

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 to the chief operating decision maker.

Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous period. Operating profit 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 2020 (continued)

29 Segment reporting (continued)

Information regarding the new segment structure are as follows:

31 December 2020	**Commercial (B2B) AED'000**	**Retail (B2C) AED'000**	**Unallocated AED'000**	**Total AED'000**
Revenue	**4,786,066**	**11,345,994**	**-**	**16,132,060**
Direct costs	**(3,371,539)**	**(6,977,522)**	**9**	**(10,349,052)**
Gross profit	**1,414,527**	**4,368,472**	**9**	**5,783,008**
Distribution and administrative expenses	**(649,401)**	**(2,377,582)**	**(5,925)**	**(3,032,908)**
Other income	**24,508**	**74,069**	**15,127**	**113,704**
Impairment losses and other operating expenses	**(41,508)**	**(28,844)**	**(196,889)**	**(267,241)**
Operating Profit	**748,126**	**2,036,115**	**(187,678)**	**2,596,563**
Interest income				**47,849**
Finance costs				**(212,048)**
Profit for the period				**2,432,364**
31 December 2019				
Revenue	6,799,712	14,537,248	-	21,336,960
Direct costs	(5,225,321)	(11,133,324)	-	(16,358,645)
Gross profit	1,574,391	3,403,924	-	4,978,315
Distribution and administrative expenses (restated)	(600,957)	(2,198,733)	(7,351)	(2,807,041)
Other income	47,217	99,612	8,832	155,661
Impairment losses and other operating expenses	(8,096)	(10,332)	(48,017)	(66,445)
Operating Profit (restated)	1,012,555	1,294,471	(46,536)	2,260,490
Interest income				121,453
Finance costs (restated)				(228,133)
Profit for the period (restated)				2,153,810

29 Segment reporting (continued)

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

30 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 2020, the Group's share in the fund held by ADNOC was AED 503 thousand (2019: AED 650 thousand).

31 Contingencies and litigations

As at 31 December 2020, the Group had contingent liabilities amounting to AED 3,402,095 (2019: AED 902,095) 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.

32 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.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

32 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:

	2020 **AED '000**	2019 AED '000 (restated)
Debt	**5,494,597**	5,489,540
Cash and cash equivalent (note 10)	**(2,145,322)**	(2,599,891)
Net debt	**3,349,275**	2,889,649
Net debt	**3,349,275**	2,889,649
Equity	**3,477,099**	3,561,056
Net debt plus equity	**6,826,374**	6,450,705
Leverage ratio	**49.1%**	44.8%

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.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

32 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 2020 would have decreased/increased by AED 27,473 thousand (2019: AED 27,448 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

In 2019, 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.

(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 2020 (continued)

32 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 2020, 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 2020 and 2019 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2020			
Long term debt	-	5,494,597	5,494,597
Due to related parties	884,771	-	884,771
Lease liabilities	28,147	447,055	475,202
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,455,374	-	1,455,374
Total	2,368,292	5,941,652	8,309,944

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

32 Financial instruments (continued)

Financial risk management (continued)

(c) Liquidity risk (continued)

	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	3,586,539	-	3,586,539
Lease liabilities	5,013	149,202	154,215
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,597,979	-	1,597,979
Total	5,189,531	5,638,742	10,828,273

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.

33 Financial instruments by category

	2020 AED'000	2019 AED'000 (restated)
Financial assets:		
Cash and bank balances (including term deposits)	**2,789,472**	4,729,891
Due from related parties	**567,893**	569,713
Trade and receivables and other current assets (excluding prepaid expenses)	**2,162,938**	3,022,705
	5,520,303	8,322,309

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

33 Financial instruments by category (continued)

	2020 AED'000	2019 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	**1,455,374**	1,597,979
Due to related parties	**884,771**	3,586,539
Lease liabilities	**475,202**	154,215
Long term debt	**5,494,597**	5,489,540
	8,309,944	10,828,273

For the purpose of the financial statement disclosure, non-financial assets amounting to AED 17,625 thousand (2019: AED 17,007 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 134,815 thousand (2019: AED 141,106 thousand) have been excluded from trade and other payables.

34 Prior period errors

During the year, certain restatements were made by management to amend prior errors as required by IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors". The amendment of prior period errors resulted in restatement of the comparative amounts for the consolidated statement of financial position as at 1 January 2019 and 31 December 2019. The impact is tabulated below:

Impact consolidated statement of financial position as at 1 January 2019	**As previously reported AED '000**	**Restatement AED '000**	**Reclassification AED '000**	**As restated AED '000**
Property, plant and equipment (1)	5,541,653	(84,203)	-	5,457,450
Right of use assets (2)	87,061	45,795	-	132,856
Term deposits (3)	-	-	130,000	130,000
Cash and bank balances (3)	5,472,959	-	(130,000)	5,342,959
Trade and other payables	1,949,036	11,960	-	1,960,996
Provision for decommissioning (2)	-	73,752	-	73,752
Retained earnings	2,074,641	(124,120)	-	1,950,521

Impact consolidated statement of financial position as at 31 December 2019	**As previously reported AED '000**	**Restatement AED '000**	**Reclassification AED '000**	**As restated AED '000**
Property, plant and equipment (1)	5,481,252	(121,300)	-	5,359,952
Right of use assets (2)	152,751	54,949	-	207,700
Term deposits (3)	-	-	2,130,000	2,130,000
Cash and bank balances (3)	4,746,029	(16,138)	(2,130,000)	2,599,891
Trade and other payables	1,705,391	33,694	-	1,739,085
Provision for decommissioning (2)	-	87,949	-	87,949
Due to related parties	3,602,677	(16,138)	-	3,586,539
Retained earnings	2,363,575	(187,994)	-	2,175,581

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

34 Prior period errors (continued)

Impact on consolidated statement of profit or loss for the year ended 31 December 2019	**As previously reported AED '000**	**Restatement AED '000**	**Reclassification AED '000**	**As restated AED '000**
Distribution and administrative expenses [1], [2]	2,766,464	40,577	-	2,807,041
Impairment losses and other expenses	(66,445)	-	18,427	(48,018)
Impairment losses on trade and other receivables	-	-	(18,427)	(18,427)
Finance costs [2]	204,836	23,297	-	228,133
Profit for the year	2,217,684	(63,874)	-	2,153,810
Total comprehensive income for the year	2,103,159	(63,874)	-	2,039,285

Impact on earnings per share for the year ended 31 December 2019	**As previously Reported AED**	**Restatement AED**	**Reclassification AED**	**As restated AED**
Basic and diluted	0.177	(0.005)	-	0.172

Impact on consolidated statement of cash flows as at 31 December 2019	**As previously reported AED '000**	**Restatement AED '000**	**Reclassification AED '000**	**As restated AED '000**
Net cash generated from operating activities	1,744,885	(16,138)	-	1,728,747
Cash and cash equivalents at the end of the year	2,616,029	(16,138)	-	2,599,891

[1] Certain assets that were being used by the Group were not being depreciated on a timely basis. The comparative periods have been adjusted to record the cumulative impact of depreciation against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to depreciation within distribution and administrative expense of AED 37,097 thousand.

[2] Management obtained in the current year, for the first time, an external valuation of its decommissioning obligations relating to land leased in Dubai and Northern Emirates. Provision for decommissioning obligations were not previously recognised. The decommissioning asset has been recorded within right of use asset and the cumulative impact of unwinding of the provision and depreciation of the asset has been adjusted against the opening retained earnings as at 1 January 2019. The impact on the consolidated statement of profit or loss for the year ended 31 December 2019 was an adjustment to finance costs of AED 3,263 thousand and an adjustment to depreciation within distribution and administrative expense of AED 1,493 thousand.

[3] Term deposits which were previously presented as part of cash and bank balances have been disclosed separately to conform to current period presentation.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

35 Subsequent events

The Board of Directors proposed a final cash dividend of 10.285 fils per share to the shareholders in respect of second half of 2020.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Group shall apply and adjust their status in accordance with the provisions thereof (to the extent applicable) by no later than one year from the date on which this Decree-Law takes effect.

35 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 February 2021.