ABU DHABI NATIONAL OIL COMPANY FOR DISTRIBUTION PJSC

Reports and consolidated financial statements
for the year ended 31 December 2022

Abu Dhabi National Oil Company for Distribution PJSC

Reports and consolidated financial statements for the year ended 31 December 2022

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Abu Dhabi National Oil Company for Distribution PJSC

Directors' report
for the year ended 31 December 2022

The Directors present their report together with the audited consolidated 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 2022.

Board of Directors:

The Directors of the Company are:

Chairman	H. E. Dr. Sultan Ahmed Al Jaber
Members	H.E. Mohamed Hassan Alsuwaidi
	H.E. Ahmed Jasim Al Zaabi
	Khaled Salmeen
	Abdulaziz Abdulla Alhajri
	Mariam Saeed Ghobash
	Ahmed Tamim Al Kuttab

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 32,111,061 thousand (2021: AED 20,921,115 thousand). Profit for the year was AED 2,748,508 thousand (2021: AED 2,252,411 thousand).

The appropriation of the results for the year is follows:

	AED '000
Retained earnings at 1 January 2022	**1,767,632**
Total profit for the year	2,748,508
Dividend paid	(2,571,250)
Retained earnings at 31 December 2022	**1,944,890**

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2021. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 24 March 2022 and paid on 1 April 2022.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2022. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 28 September 2022 and paid on 6 October 2022.

for the Board of Directors

Chairman

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 Consolidated 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 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 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 consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated 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' *International Code of Ethics for Professional Accountants (IESBA Code),* and we have fulfilled our other ethical responsibilities with the requirements of IESBA Code. 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. These 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.

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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	
Revenue from retail sales amounted to AED 21.5 billion for the year ended 31 December 2022. There are complex IT systems in use which comprise multiple IT applications which are used to process large volumes of data pertaining to retail transactions that occur throughout the year. Given the complexity of the IT systems involved there is an inherent risk around accuracy and completeness of revenue recognized 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 20 to the consolidated financial statements.	Our audit approach included the following: • Understanding of the significant revenue processes and identification of the key relevant controls and IT systems; • Understanding of the control environment and testing of the general IT controls over the main IT systems and applications involved in the revenue recording process; • Evaluation of the design and implementation and testing of the operating effectiveness of automated controls residing in the main IT systems and applications involved in the revenue recording process; • Assessment of the Group's accounting policy for revenue recognition against the requirements of IFRSs; • Performance of the test of details on a sample basis to reconcile daily retail sales to cash collections and subsequent bank deposits; • Performance of substantive analytical procedures over retail sales revenue by building an expectation on basis of quantities sold and regulated prices; and • Assessment of the adequacy of disclosures in the consolidated financial statements relating to revenue.

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Independent Auditor's Report
To the Shareholders of Abu Dhabi National Oil Company for Distribution PJSC (continued)

Key Audit Matters (continued)

Decommissioning obligation related to assets constructed on leased land	**How our audit addressed the key audit matter**
The Group has recorded a provision for decommissioning of AED 134.5 million. These provisions relate to an obligation to dismantle service stations constructed on leased land, at a future date. The Group operates a comprehensive network of fuel pumps 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 contractual obligations 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. The Group's accounting policies relating to the dismantling obligations are presented in note 3, the critical accounting estimates made, and judgements applied by management are disclosed in note 4 to the consolidated financial statements and details about the decommissioning obligations are disclosed in note 19 to the consolidated financial statements.	Our audit approach included 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; • 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; • Obtain an understanding of the cost assumptions used that have the most significant impact on the provisions and determining if these assumptions are appropriate and discussing the estimates used by the management; • 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 management'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.

Independent Auditor's Report
To the Shareholders of Abu Dhabi National Oil Company for Distribution PJSC (continued)

Key Audit Matters (continued)

Right-of-use assets	How our audit addressed the key audit matter
As part of the Group's plans to expand its distribution network in the United Arab Emirates and the Kingdom of Saudi Arabia, during the current year, the Group has entered multiple leasing arrangements. During the year, the Group has recorded additional right-of-use assets and related lease liabilities amounting to AED 551.5 million. Due to the significant number of service stations and other assets added every year, management encounters certain delays in the finalization of the agreements on account of certain approvals and communication from the relevant departments which hinders the process of collating a complete set of lease contracts before the finalization of the consolidated financial statements. Additionally, determining the present value of the lease payments requires management to apply significant judgments and estimates to determine the discount rate and lease term, which has been disclosed in note 4 of the consolidated financial statements. The Group's accounting policies are presented in note 3 and details about the Group's right-of-use assets are disclosed in note 9 to the consolidated financial statements.	Our audit approach included the following: • Obtaining an understanding of the Group's process for identifying the agreements for related to the right-of-use assets and lease liabilities; • Obtained an understanding of the system generated lease assessment and recomputed the amount based on the inputs from the contract to ensure accuracy of the results; • Assessing the validity and completeness of the list of service stations and other assets used for the underlying calculation; • Performing test of details by inspecting the lease agreements, on a sample basis to determine the existence of the lease; • Reperforming the calculation of interest on the lease liabilities and depreciation of the right-of-use assets and agreed these to the consolidated financial statements; • Detailed analysis and enquires with management related to the incremental borrowing rates used on the lease assessment; • 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 Decree Law No. (32) of 2021, 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.

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

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 Decree Law No. (32) of 2021, we report that for the year ended 31 December 2022:

- 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 Decree Law No. (32) of 2021;
- 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 2022;
- 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 2,016 thousand during the year ended 31 December 2022; 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 Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

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 ADAA Chairman Resolution No. 88 of 2021 regarding financial statements Audit Standards for the Subject Entities, we report, in connection with our audit of the consolidated financial statements for the year ended 31 December 2022, that 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 consolidated financial statements as at 31 December 2022

- 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.

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GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
8 February 2023

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Audit And Accounting Limited

Consolidated statement of financial position as at 31 December 2022

	Notes	31 December 2022 AED'000	31 December 2021 AED'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**6,385,075**	5,574,167
Right-of-use assets	9	**1,373,338**	952,758
Intangible assets	10	**1,128**	-
Advances to contractors		**47,297**	41,308
Other non-current assets	15	**13,313**	-
Total non-current assets		**7,820,151**	6,568,233
Current assets			
Inventories	6	**1,286,377**	1,046,158
Trade receivables and other current assets	7	**3,295,714**	2,683,275
Due from related parties	8	**868,868**	1,225,600
Term deposits	11	**130,225**	130,225
Cash and bank balances	11	**2,617,099**	2,125,540
Total current assets		**8,198,283**	7,210,798
Total assets		**16,018,434**	13,779,031
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**1,000,000**	1,000,000
Statutory reserve	13	**500,000**	500,000
Hedge reserve		**-**	(65,567)
Retained earnings		**1,944,890**	1,767,632
Total equity		**3,444,890**	3,202,065
Non-current liabilities			
Lease liabilities	14	**1,184,538**	787,383
Borrowings	15	**5,482,124**	-
Provision for decommissioning	19	**134,532**	129,226
Provision for employees' end of service benefit	16	**194,439**	192,583
Total non-current liabilities		**6,995,633**	1,109,192
Current liabilities			
Lease liabilities	14	**129,789**	88,975
Trade and other payables	17	**1,995,664**	1,509,013
Due to related parties	8	**3,452,458**	2,292,510
Borrowings	15	**-**	5,499,641
Derivative financial instruments	18	**-**	77,635
Total current liabilities		**5,577,911**	9,467,774
Total liabilities		**12,573,544**	10,576,966
Total equity and liabilities		**16,018,434**	13,779,031

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 2022, and for the periods presented in the report.

Wayne Beifus	**Bader Saeed Al Lamki**	**Dr. Sultan Ahmed Al Jaber**
Chief Financial Officer	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 other comprehensive income for the year ended 31 December 2022

	Notes	**2022 AED'000**	2021 AED'000
Revenue	20	**32,111,061**	20,921,115
Direct costs	21	**(26,443,179)**	(16,107,072)
Gross profit		**5,667,882**	4,814,043
Distribution and administrative expenses	22	**(2,761,631)**	(2,422,227)
Impairment losses on trade and other receivables	7	**(20,351)**	(30,209)
Other impairment losses and expenses	24	**(15,826)**	(4,626)
Other income	23	**103,342**	72,302
Operating profit		**2,973,416**	2,429,283
Interest income		**54,697**	7,686
Finance costs	26	**(279,605)**	(184,558)
Profit for the year		**2,748,508**	2,252,411
Other comprehensive income			
Items that may be reclassified to profit or loss			
Fair value gain on hedging instruments		**65,567**	85,904
Total comprehensive income for the year		**2,814,075**	2,338,315
Earnings per share:			
Basic and diluted (AED)	**27**	**0.220**	0.180

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

Abu Dhabi National Oil Company for Distribution PJSC

Consolidated statement of changes in equity
for the year ended 31 December 2022

	Share capital AED'000	Statutory reserve AED'000	Hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance as at 1 January 2021	1,000,000	500,000	(151,471)	2,086,471	3,435,000
Profit for the year	-	-	-	2,252,411	2,252,411
Other comprehensive income for the year	-	-	85,904	-	85,904
Total comprehensive income for the year	-	-	85,904	2,252,411	2,338,315
Dividends paid (note 28)	-	-	-	(2,571,250)	(2,571,250)
Balance as at 31 December 2021	**1,000,000**	**500,000**	**(65,567)**	**1,767,632**	**3,202,065**
Profit for the year	-	-	-	2,748,508	2,748,508
Other comprehensive income for the year	-	-	65,567	-	65,567
Total comprehensive income for the year	-	-	65,567	2,748,508	2,814,075
Dividends paid (note 28)	-	-	-	(2,571,250)	(2,571,250)
Balance at 31 December 2022	**1,000,000**	**500,000**	**-**	**1,944,890**	**3,444,890**

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

Abu Dhabi National Oil Company for Distribution PJSC

Consolidated statement of cash flows
for the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Cash flows from operating activities		
Profit for the year	**2,748,508**	2,252,411
Adjustments for:		
Depreciation of property, plant and equipment	**437,960**	582,121
Depreciation of right-of-use assets	**105,971**	55,446
Recoveries on receivables	**(11,631)**	(23,678)
Impairment losses on receivables	**20,351**	30,209
Employees' end of service benefit charge	**29,053**	23,820
(Gain)/loss on disposal of property, plant and equipment	**(2,963)**	(31)
(Reversal)/write down of finished goods to net realisable value	**-**	(1,373)
Impairment of capital work in progress	**8,075**	1,674
Inventories written off	**5,251**	2,952
Finance costs	**279,605**	184,558
Interest income	**(54,697)**	(7,686)
Operating cash flows before movements in working capital	**3,565,483**	3,100,423
Increase in inventories	**(245,470)**	(376,988)
Increase in trade receivables and other current assets	**(621,159)**	(508,468)
Decrease/(increase) in due from related parties	**356,732**	(657,707)
Increase/(decrease) in trade and other payables	**319,107**	(56,969)
Increase in due to related parties	**1,159,948**	1,407,739
Cash generated from operating activities	**4,534,641**	2,908,030
Payment of employees' end of service benefit	**(27,197)**	(30,422)
Net cash generated from operating activities	**4,507,444**	2,877,608
Cash flows from investing activities		
Payments for purchases of property, plant and equipment	**(1,063,481)**	(603,744)
Payments for advances to contractors	**(56,394)**	(13,728)
Proceeds from disposal of property, plant and equipment	**2,963**	401
Decrease in term deposit with maturity more than three months	**-**	513,925
Interest received	**54,697**	6,909
Net cash (used in) from investing activities	**(1,062,215)**	(96,237)
Cash flows from financing activities		
Net proceeds from borrowings	**5,479,742**	-
Finance cost paid	**(206,030)**	(139,935)
Repayment of borrowings	**(5,505,938)**	-
Payment of lease liabilities	**(150,194)**	(89,968)
Dividends paid	**(2,571,250)**	(2,571,250)
Net cash used in financing activities	**(2,953,670)**	(2,801,153)
Net increase/ (decrease) in cash and cash equivalents	**491,559**	(19,782)
Cash and cash equivalents at beginning of the year	**2,125,540**	2,145,322
Cash and cash equivalents at end of the year (note 11)	**2,617,099**	2,125,540

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

Consolidated statement of cash flows (continued)
for the year ended 31 December 2022

	2022 AED'000	2021 AED'000
Non-cash transaction		
Accruals for property, plant and equipment	**451,232**	306,269
Advances to contractors transferred to property, plant and equipment	**50,405**	47,871
Finance cost related to provision for decommissioning	**4,764**	4,491
Additions to right of use assets	**551,482**	467,441

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

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 Articles 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 Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Amended Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and came into effect starting from the 2 January 2021.

Federal Law By Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on September 20, 2021 with an effective date of January 2, 2022, and has entirely replace Amended Federal Law No. 2 of 2015 on Commercial Companies ("Existing Companies Law") including Federal Decree Law No. 26 of 2020 ("Decree Amending the Existing Companies Law") issued on 20 September 2020 pursuant to which fifty one (51) articles of the Existing Companies Law, as amended. The Company has twelve months from the effective date to comply with the provisions of the New Companies Law. The Group has applied the requirements of the New Companies Law during the year ended 31 December 2022.

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 Company'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 10% of the Company held by ADNOC.

In September 2020, ADNOC completed a USD 1 billion institutional placement of 10% of ADNOC Distribution shares. Subsequently in May 2021, ADNOC completed another placement of approximately 375 million shares in ADNOC Distribution shares, representing 3%, approximately, of the registered share capital of the company. The two placements have increased the free float of the Group on the Abu Dhabi Securities Exchange to 23%. The Parent Company currently retains 77% ownership of the Group.

In May 2021, ADNOC also issued approximately USD 1.195 billion of senior unsecured bonds due 2024, exchangeable into existing shares of ADNOC Distribution under certain conditions, constituting approximately 7% of the Company's registered share capital.

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 emirate of Abu Dhabi in which the Group is the sole fuel retailer, and in the emirates of Dubai, Sharjah, Ajman, Fujairah, Ras Al Khaimah, Umm Al Quwain and the Kingdom of Saudi Arabia.

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

1 General information (continued)

The Group is also a marketer and distributor of fuels and lubricants 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 compressed natural gas distribution network in Abu Dhabi.

The Group also exports its proprietary Voyager lubricants to distributors in various countries, across the Gulf Cooperation Council, Africa and Asia.

The Group has not purchased or invested in any shares during the financial year ended 31 December 2022.

The Group made social contributions amounting to AED 2,016 thousand during the year ended 31 December 2022 (2021: AED 139 thousand).

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There are no implications to the financial and reporting period ended 31 December 2022. Management is in the process of evaluating the impact in the consolidated financial statements.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements.

New and revised IFRSs

Reference to the Conceptual Framework (Amendments to IFRS 3)

COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)

Property, Plant and Equipment: Proceeds Before Intended Use (Amendments to IAS 16)

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

Subsidiary as a First-time Adopter (Amendments to IFRS 1)

Fees in the '10 per cent' Test for Derecognition of Liabilities (Amendments to IFRS 9)

Lease Incentives (Amendments to IFRS 16)

Taxation in Fair Value Measurements (Amendments to IAS 41)

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

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

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

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
Amendments to IFRS 17 *Insurance Contracts* (Amendments to IFRS 17 and IFRS 4) 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.	1 January 2023
Classification of Liabilities as Current or Non-current (Amendments to IAS 1) 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.	1 January 2023

Deferred Tax related to Assets and Liabilities from a Single Transaction	1 January 2023
The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.	
The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.	
Disclosure of Accounting Policies (Amendments to IAS 1)	
Definition of Accounting Estimates (Amendments to IAS 8)	

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 2022 have 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 instruments that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principal accounting policies adopted are set out below:

Basis of consolidation

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

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

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

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

Details of the Company's subsidiary are as follows:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2022	2021		
ADNOC Distribution Global Company L.L.C.	**100%**	100%	U.A.E.	Commercial agencies Commercial enterprises Investment, institution and management

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. On 14 February 2021 two further definitive agreements were signed to acquire a total of 20 more stations. Out of these 35 stations, the subsidiary has added seventeen stations into its network as of 31 December 2021. The fair valuation of the businesses acquired is disclosed in note 10.

On 28 July 2022, the Company entered into a quota purchase agreement with TotalEnergies Marketing Afrique SAS pursuant to which the Company shall acquire a 50% stake in TotalEnergies Marketing Egypt LLC ("the Acquisition"), subject to satisfaction of certain conditions including obtaining regulatory approvals. The Acquisition does not have any impact in the consolidated financial statements of the Group.

3 Summary of significant accounting policies (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expenses as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

The accounting for business combination has been completed and the fair value determination and the purchase price allocation exercise is disclosed in note 10.

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.

The Group has revised the estimated useful lives of its AED 6,883,649 thousands cost of assets, currently classified as property, plant and equipment beginning of 2022. This change in estimate has been applied current and prospectively and resulted in a lower depreciation charge by AED 163.6 million during the year ended 31 December 2022.

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

	2022	2021
Buildings	15 – 30 years	5 – 25 years
Plant and machinery	5 – 30 years	5 – 30 years
Motor vehicles	5 – 20 years	4 – 10 years
Furniture, fixtures and computer equipments	5– 10 years	5– 10 years
Pipelines	10 – 40 years	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.

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.

3 Summary of significant accounting policies (continued)

Impairment of tangible assets

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

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

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

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

Financial 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.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

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.

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.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

(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.

3 Summary of significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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.

<u>Derecognition of financial assets</u>

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.

3 Summary of significant accounting policies (continued)

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 of 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 in statement of 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.

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.

3 Summary of significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Revenue

Application of IFRS 15 Revenue from Contracts with Customers

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

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.

3 Summary of significant accounting policies (continued)

Revenue (continued)

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.

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.

3 Summary of significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

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.

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 Pension 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.

3 Summary of significant accounting policies (continued)

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.

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.

3 Summary of significant accounting policies (continued)

Hedge accounting (continued)

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. The hedge agreement has ended as of November 2022.

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

Provision for decommissioning

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 134,532 has been recognised as at 31 December 2022 (2021: AED 129,226 thousand) using a discount rate of 4.24 % (2021: 4.24%) and assuming all dismantling activities will take place at the current estimate of the end of life of each lease.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). 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)

Changes in Judgements

The Group has revised the estimated useful lives of its AED 6,883,649 thousands cost of assets, currently classified as property, plant and equipment beginning of 2022. This change in estimate has been applied current and prospectively and resulted in a lower depreciation charge by AED 163.6 million during the year ended 31 December 2022.

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

	2022	**2021**
Buildings	15 - 30 years	5 – 25 years
Plant and machinery	5 – 30 years	5 – 30 years
Motor vehicles	5 – 20 years	4 – 10 years
Furniture, fixtures and computer equipments	5 – 10 years	5 – 10 years
Pipelines	10 – 40 years	15 – 20 years

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 2022, the Group's allowance for expected credit losses of trade receivables amounted to AED 66,013 thousand (2021: AED 57,293 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 8,075 thousand (2021: AED 1,674 thousand).

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

Key sources of estimation uncertainty (continued)

Discounting of lease payments

The lease payments are discounted using the interest rate implicit in the lease (IRTL). For 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 (2021: 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

5 Property, plant and equipment

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and computer equipments AED'000	Pipelines AED'000	Capital work-in-progress AED'000	Total AED'000
Cost							
1 January 2021	6,201,155	2,251,881	215,548	1,113,056	79,740	430,624	10,292,004
Additions	-	-	-	-	-	590,744	590,744
Transfers	235,949	210,819	97	234,797	5,326	(686,988)	-
Disposals	(14)	-	(2,942)	(3,411)	-	-	(6,367)
Impairment	-	-	-	-	-	(1,674)	(1,674)
1 January 2022	6,437,090	2,462,700	212,703	1,344,442	85,066	332,706	10,874,707
Additions	-	-	-	-	-	1,258,849	1,258,849
Transfers	446,744	120,962	23,464	130,976	4,247	(726,393)	-
Transfers to other assets	-	-	-	-	-	(1,906)	(1,906)
Impairment	-	-	-	-	-	(8,075)	(8,075)
31 December 2022	**6,883,834**	**2,583,662**	**236,167**	**1,475,418**	**89,313**	**855,181**	**12,123,575**

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 2021	2,352,082	1,432,106	164,564	736,011	39,653	-	4,724,416
Charge for the year	284,619	154,805	12,032	127,216	3,449	-	582,121
Disposals	(14)	-	(2,942)	(3,041)	-	-	(5,997)
Reclassifications	(25,607)	4,369	-	21,238	-	-	-
1 January 2022	2,611,080	1,591,280	173,654	881,424	43,102	-	5,300,540
Charge for the year	208,711	103,731	8,947	114,793	1,778	-	437,960
31 December 2022	**2,819,791**	**1,695,011**	**182,601**	**996,217**	**44,880**	**-**	**5,738,500**
Net carrying amount							
31 December 2022	**4,064,043**	**888,651**	**53,566**	**479,201**	**44,433**	**855,181**	**6,385,075**
31 December 2021	3,826,010	871,420	39,049	463,018	41,964	332,706	5,574,167

The Group's buildings and facilities located in the Emirate of Abu Dhabi are constructed on land given by the Government of Abu Dhabi for no consideration. These lands are accounted for at nominal value of AED 1 per plot of land. Facilities located in other Emirates are constructed on land leased from third parties (note 9).

In order to continue to comply with property ownership laws in the UAE, The Group's real 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 8,075 thousand was recognised (31 December 2021: AED 1,674 thousand).

5 Property, plant and equipment (continued)

The depreciation charge has been allocated as follows:

	2022 AED'000	2021 AED'000
Distribution and administrative expenses (note 22)	**437,960**	575,833
Direct cost (note 21)	**-**	6,288
	437,960	582,121

6 Inventories

	2022 AED'000	2021 AED'000
Finished goods	**1,160,063**	900,345
Spare parts and consumables	**97,418**	97,096
Lubricants raw materials, consumables and work in progress	**21,214**	25,477
LPG cylinders	**24,730**	40,288
	1,303,425	1,063,206
Less: Allowance for slow moving and obsolete raw materials, spare parts, consumables and LPG cylinders	**(17,048)**	(17,048)
	1,286,377	1,046,158

The cost of inventories recognised as expense and included in direct cost amounted to AED 26,249,476 thousand (2021: AED 15,864,334 thousand) (note 21). During the year, a direct write off of inventory was recognised as expense amounting to AED 5,251thousand (2021: AED 2,952 thousand) (note 24).

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

The Group is carrying finished goods of AED nil (2021: 153 thousand) on behalf of a customer as at 31 December 2022.

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:

	2022 AED'000	2021 AED'000
At 1 January	17,048	18,421
Reversal to net realisable value	-	(1,373)
At 31 December	**17,048**	17,048

7 Trade receivables and other current assets

	2022 AED'000	2021 AED'000
Trade receivables	**3,135,849**	2,537,422
Less: Allowance for expected credit losses	**(66,013)**	(57,293)
	3,069,836	2,480,129
Prepaid expenses	**48,101**	40,792
Receivable from employees	**109,309**	100,697
VAT receivables	**13,888**	6,347
Other receivables	**54,580**	55,310
	3,295,714	2,683,275

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

As at 31 December 2022, the Group had significant concentration of credit risk with three customers (2021: three) accounting for 47% (2021: 52%) 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 from certain customers are secured by the bank guarantees.

Trade receivables from related parties are disclosed under (note 8)

7 Trade receivables and other current assets (continued)

Trade receivables as on 31 December 2022

	Up to 60 days	**61-90 days**	**90-365 days**	**Over one year**	**Total**
Expected credit loss rate (%)	**0-1%**	**0-1%**	**2%**	**5%**	
Estimated total gross carrying amount (AED'000)	**1,655,595**	**96,227**	**658,799**	**725,228**	**3,135,849**
Lifetime Expected credit loss (AED'000)	**(14,797)**	**(1,337)**	**(12,995)**	**(36,884)**	**(66,013)**

Trade receivables as on 31 December 2021

	Up to 60 days	61-90 days	90-365 days	Over one year	Total
Expected credit loss rate (%)	0-1%	0-1%	4%	4%	
Estimated total gross carrying amount (AED'000)	1,264,092	127,302	601,432	544,596	2,537,422
Lifetime Expected credit loss (AED'000)	(9,400)	(987)	(23,281)	(23,625)	(57,293)

Movement in the allowance for expected credit losses is as follows:

	Collectively Assessed AED'000	**Individually Assessed AED'000**	**Total AED'000**
Balances at 1 January 2021	19,555	31,207	50,762
Recovery made during the year	(23,678)	-	(23,678)
Charge for the year	27,478	2,731	30,209
Balances at 1 January 2022	**23,355**	**33,938**	**57,293**
Recovery made during the year	**(11,631)**	**-**	**(11,631)**
Charge for the year	**16,581**	**3,770**	**20,351**
Balance at 31 December 2022	**28,305**	**37,708**	**66,013**

Amounts charged to expected credit loss allowance 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 2022. 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.

	2022	2021
	AED'000	AED'000
Due from related parties		
ADNOC Logistics and Services	**255,757**	374,793
ADNOC Drilling	**232,330**	296,822
Abu Dhabi National Oil Company (ADNOC)	**182,436**	328,705
ADNOC Onshore	**131,740**	117,502
ADNOC Offshore	**22,346**	72,550
ADNOC Gas Processing	**13,119**	11,888
ADNOC Sour Gas	**2,306**	4,046
Others	**28,834**	19,294
	868,868	1,225,600
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	**3,435,354**	2,258,381
ADNOC Logistics and Services	**6,455**	31,199
ADNOC Refining	**2,808**	2,930
Others	**7,841**	-
	3,452,458	2,292,510

The amounts due from related parties are against the provision of petroleum products and services. These balances are unsecured, earn 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 balances are unsecured, bear no interest and are payable on demand.

The Group has an amount of AED 2,717,972 thousand (2021: AED 2,168,259 thousand) held with banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

As at 31 December 2022, the Group has a term loan from banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles amounting to AED 4,131,563 thousand (2021: AED 5,276,563 thousand).

8 Related party balances and transactions (continued)

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

	2022 AED'000	2021 AED'000
Revenue – ADNOC group entities	**1,806,868**	1,154,589
Purchases – ADNOC	**25,165,119**	15,486,637
Vessel hire and port charges – ADNOC group	**105,744**	35,415
Dividends paid (note 28)	**2,571,250**	2,571,250
Rendering of service (note 20)	**170,915**	160,585
Recovery of expenses incurred related to City Gas	**5,008**	55,567

Compensation of key management personnel

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

	2022 AED'000	2021 AED'000
Short term benefits	**45,106**	30,183
Pension contribution	**1,319**	1,272
	46,425	31,455

8 Related party balances and transactions (continued)

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.

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.

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.

The Company entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes (note 15).

9 Right-of-use assets

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15 - 40 years (2021: 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.

	2022 **AED '000**	2021 AED '000
At 1 January	**952,758**	541,669
Additions related to land lease	**551,482**	467,441
Additions to decommissioning	**362**	4,542
Change in estimate of decommissioning	**180**	-
Change in estimate of land lease	**(5,585)**	(5,448)
Reversal due to terminated contracts	**(19,888)**	-
Depreciation charge during the year	**(105,971)**	(55,446)
At 31 December	**1,373,338**	952,758

Amounts recognised in profit and loss

	2022 **AED '000**	2021 AED '000
Depreciation expense on right-of-use assets	**105,971**	55,446
Interest expense on lease liabilities	**62,800**	28,631

The total cash outflow for leases amounted to AED 150,194 thousand (2021: AED 89,968 thousand) (note 14).

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

10 Business Combinations

During the year, the Group completed the fair valuation of identifiable assets acquired and liabilities assumed in respect of the businesses acquired under the business and asset purchase agreements in 2021.

10 Business Combinations (continued)

The below is the summary of the transactions:

	2022 AED'000
Property, plant and equipment	32,384
Inventories	226
Other assets	2,641
Other liabilities	(1,136)
Total identifiable net assets acquired	34,115
Total cash consideration transferred	30,034
Goodwill	1,128
Gain on bargain purchases	5,209

The goodwill is attributable mainly to the synergies expected to be achieved from integrating Service Stations into the Group's existing business.

Goodwill arising on the acquisition of business under the business and asset purchase agreements is measured at cost less accumulated impairment losses.

Gain on bargain purchases is incurred where the value of identifiable net assets acquired is higher than the purchase consideration paid and is recorded in profit and loss.

11 Cash and cash equivalents

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

	2022 AED'000	2021 AED'000
Cash on hand and in bank	**2,617,099**	2,125,540
Term deposit with maturities above 3 months	**130,225**	130,225

Cash and bank balances include short-term and call deposits amounting to AED 2,587,748 thousand (2021: AED 2,168,259 thousand) carrying interest rate ranging from 0.07% to 3.60% (2021: 0.03% to 0.70%) per annum.

12 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.

12 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 divided into 10 million shares, each valued at AED 100.

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:

	2022	2021
	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

13 Statutory reserve

In accordance with the UAE Federal Decree Law No. 32 of 2021 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% of the paid up share capital.

14 Lease liabilities

	2022	2021
	AED '000	AED '000
Balance as at 1 January	**876,358**	475,202
Additions	**551,482**	467,441
Accretion of interest	**62,800**	28,631
Reversal due to terminated contracts	**(20,534)**	-
Changes in estimates	**(5,585)**	(4,948)
Payments	**(150,194)**	(89,968)
Balance as at 31 December	**1,314,327**	876,358
Current	**129,789**	88,975
Non-current	**1,184,538**	787,383
	1,314,327	876,358

14 Lease liabilities (continued)

Maturity analysis	**31 December 2022 AED '000**	31 December 2021 AED'000
Not later than 1 year	**129,789**	88,975
Later than 1 year and not later than 5 years	**510,838**	350,106
Later than 5 years	**673,700**	437,277
	1,314,327	876,358

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

15 Borrowings

	31 December 2022 AED'000	31 December 2021 AED'000
Term loan – non-current	**5,482,124**	-
Term loan – current	**-**	5,499,641

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 2,503 thousand as at 31 December 2021 is presented as trade and other current assets.

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.

On 26 October 2022, the Company refinanced its maturing term loan for another 5 year term with a set of lenders.

The Company also entered into a new corporate revolving credit facilities agreement with the Parent Company for an amount of USD 375,000 thousand and AED 1,377,188 thousand to be used for general corporate purposes. The transaction costs allocated to the revolving facility have been capitalised and will be amortised on a straight-line basis over the term of the agreement. Transaction costs amounting to AED 13,313 thousand as at 31 December 2022 is presented as other non-current assets.

15 Borrowings (continued)

The term loan was classified as current liability as of December 2021 as it was due on November 2022.

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.

	2022	2021
	AED'000	AED'000
At 1 January	**5,499,641**	5,494,597
Payments made	**(5,505,938)**	-
Net proceeds from borrowings	**5,479,742**	-
Other charges (i)	**8,679**	5,044
At 31 December	**5,482,124**	5,499,641

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

16 Provision for employees' end of service benefit

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

	2022	2021
	AED'000	AED'000
At 1 January	**192,583**	199,185
Charge for the year (note 25)	**29,053**	23,820
Payments	**(27,197)**	(30,422)
At 31 December	**194,439**	192,583

17 Trade and other payables

	2022	2021
	AED'000	AED'000
Trade payables	**452,368**	383,540
Capital accruals	**451,232**	306,269
Operating accruals	**210,493**	165,315
VAT payable	**308,016**	266,937
Coupon and prepaid card sales outstanding	**113,584**	100,009
Contract retentions payable	**79,528**	44,788
Advances from customers	**46,110**	36,879
Other payables	**334,333**	205,276
	1,995,664	1,509,013

18 Derivative financial instruments

In 2019, 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 hedges under IFRS 9. The arrangement concluded on November 2022.

As at 31 December 2022, the fair value of the derivative financial instrument was as follows:

	2022	2021
	AED'000	AED'000
Current liabilities	**-**	77,635

The Group has categorised the derivative financial instruments into the Level 2 hierarchy for the purpose of determining and disclosing the fair value of financial instruments. There were no transfers between the hierarchy noted for the year ended 31 December 2022.

- Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

19 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 2022 is 4.24% (2021: 4.24%). The change in estimate is due to the change in the cash outflows expected to settle the future liabilities.

	2022	2021
	AED'000	AED'000
At 1 January	**129,226**	120,193
Additions during the year	**362**	4,542
Change in estimate	**180**	-
Accretion of interest	**4,764**	4,491
At 31 December	**134,532**	129,226

20 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 30):

	2022 AED'000	2021 AED'000
Retail (B2C)		
• Fuel	**20,308,082**	13,921,173
• Non-fuel	**1,149,929**	994,325
Commercial (B2B)		
• Corporate	**9,603,265**	4,708,410
• Aviation	**1,049,785**	1,297,207
	32,111,061	20,921,115

Management expects that AED 50,388 thousand (2021: AED 74,164 thousand) is the remaining performance obligations as of the year ended 31 December 2022, which will be recognised as revenue during the next reporting period.

In connection with the transfer of the sales and purchasing activities of the Civil Aviation 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 and providing certain aviation refuelling and other related services to its civil aviation customers.

The cost plus the margin of handling the civil aviation operations amounting to AED 170,915 thousand (2021: AED 160,585 thousand) was recognised as revenue (note 8).

21 Direct costs

	2022 AED'000	2021 AED'000
Materials (note 6)	**26,249,476**	15,939,343
Staff costs (note 25)	**193,703**	161,441
Depreciation (note 5)	**-**	6,288
	26,443,179	16,107,072

22 Distribution and administrative expenses

	2022 AED'000	2021 AED'000
Staff costs (note 25)	**1,480,421**	1,271,972
Depreciation (note 5)	**543,931**	637,567
Utilities	**198,478**	150,018
Repairs, maintenance and consumables	**187,110**	147,686
Distribution and marketing expenses	**54,908**	37,556
Insurance	**18,780**	12,379
Others	**278,003**	165,049
	2,761,631	2,422,227

23 Other income

	2022 AED'000	2021 AED'000
Gain on disposal of property, plant and equipment	**2,963**	31
Miscellaneous income	**100,379**	72,271
	103,342	72,302

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

24 Other impairment losses and expenses

	2022 AED'000	2021 AED'000
Inventories written off (note 6)	**5,251**	2,952
Impairment on capital work in progress (note 5)	**8,075**	1,674
Miscellaneous expenses	**2,500**	-
	15,826	4,626

25 Staff costs

	2022 AED'000	2021 AED'000
Salaries and allowances	**1,399,834**	1,319,585
Other benefits	**261,884**	116,322
Employees' end of service benefit (note 16)	**29,053**	23,820
	1,690,771	1,459,727
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 22)	**1,480,421**	1,271,972
Direct costs (note 21)	**193,703**	161,441
Capital work-in-progress	**16,647**	26,314
	1,690,771	1,459,727

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

26 Finance costs

	2022 AED AED'000	2021 AED AED'000
Finance charges on bank facilities	**212,041**	151,436
Interest expense on lease liabilities (note 14)	**62,800**	28,631
Interest expense on provision for decommissioning (note 19)	**4,764**	4,491
	279,605	184,558

27 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.

	2022	2021
Profit attributable to owners of the Company (AED '000)	**2,748,508**	2,252,411
Weighted average number of shares for the purpose of basic earnings per share('000) (note 12)	**12,500,000**	12,500,000
Earnings per share (AED)	**0.220**	0.180

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

28 Dividends

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2020. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 16 March 2021 and paid on 20 March 2021.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2021. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 30 September 2021 and paid on 4 October 2021.

The Board of Directors approved a final dividend of 10.285 fils per share to the shareholders in respect of the year ended 31 December 2021. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 24 March 2022 and paid on 1 April 2022.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2022. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 28 September 2022 and paid on 6 October 2022.

29 Commitments

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 298,022 thousand (2021: AED 117,838 thousand).

30 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 (CODM), 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 year. Operating profit is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

30 Segment reporting (continued)

Information regarding the new segment structure are as follows:

31 December 2022	**Commercial (B2B) AED'000**	**Retail (B2C) AED'000**	**Unallocated AED'000**	**Total AED'000**
Revenue	**10,653,050**	**21,458,011**	**-**	**32,111,061**
Direct costs	**(9,217,178)**	**(17,226,001)**	**-**	**(26,443,179)**
Gross profit	**1,435,872**	**4,232,010**	**-**	**5,667,882**
Distribution and administrative expenses	**(373,241)**	**(2,388,390)**	**-**	**(2,761,631)**
Other income	**20,588**	**79,986**	**2,768**	**103,342**
Impairment losses and other operating expenses	**(14,369)**	**(21,808)**	**-**	**(36,177)**
Operating Profit	**1,068,850**	**1,901,798**	**2,768**	**2,973,416**
Interest income				**54,697**
Finance costs				**(279,605)**
Profit for the year				**2,748,508**
31 December 2021				
Revenue	6,005,617	14,915,498	-	20,921,115
Direct costs	(4,662,561)	(11,444,513)	2	(16,107,072)
Gross profit	1,343,056	3,470,985	2	4,814,043
Distribution and administrative expenses	(370,833)	(2,051,394)	-	(2,422,227)
Other income	25,793	45,769	740	72,302
Impairment losses and other operating expenses	(10,589)	(19,618)	(4,628)	(34,835)
Operating Profit	987,427	1,445,742	(3,886)	2,429,283
Interest income				7,686
Finance costs				(184,558)
Profit for the year				2,252,411

30 Segment reporting (continued)

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

31 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 2022, the central fund has been discontinued and moved to another entity wherein Group's has no more share (2021: AED nil).

32 Contingencies and litigations

As at 31 December 2022, the Group had contingent liabilities amounting to AED 287,823 thousand (2021: AED 3,402,095) 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.

33 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.

33 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:

	2022 AED '000	2021 AED '000
Debt	**5,482,124**	5,499,641
Cash and cash equivalent (note 11)	**(2,617,099)**	(2,125,540)
Net debt	**2,865,025**	3,374,101
Net debt	**2,865,025**	3,374,101
Equity	**3,444,890**	3,202,065
Net debt plus equity	**6,309,915**	6,576,166
Leverage ratio	**45.4%**	51.3%

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.

33 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 or 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 11).

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 2022 would have decreased/increased by AED 27,410 thousand (2021: AED 27,496 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. The arrangement concluded on November 2022.

(iii) Price risk

The Group is exposed to commodity price risk arising from retail prices of the refined petroleum products. Gasoline and diesel 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).

33 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 or with the Parent. As at 31 December 2022, the Group had access to a USD 375 million and AED 1,377,188 thousand credit facility which was fully unutilised (note 15).

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on the contractual undiscounted payments.

	Less than 1 year AED '000	More than 1 year AED '000	Total AED '000
At 31 December 2022			
Borrowings	-	5,482,124	5,482,124
Due to related parties	3,452,458	-	3,452,458
Lease liabilities	129,789	1,184,538	1,314,327
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	1,527,954	-	1,527,954
Total	5,110,201	6,666,662	11,776,863

33 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 2021			
Borrowings	5,499,641	-	5,499,641
Due to related parties	2,292,510	-	2,292,510
Lease liabilities	88,975	787,383	876,358
Derivative financial instruments	77,635	-	77,635
Trade and other payables (excluding advances from customers and coupon and prepaid card sales outstanding)	1,105,188	-	1,105,188
Total	9,063,949	787,383	9,851,332

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.

34 Financial instruments by category

	2022 AED'000	2021 AED'000
Financial assets:		
Cash and bank balances (including term deposits)	**2,747,324**	2,255,765
Due from related parties	**868,868**	1,225,600
Trade and receivables and other current assets (excluding prepaid expenses and VAT receivable)	**3,233,725**	2,636,136
	6,849,917	6,117,501

34 Financial instruments by category (continued)

	2022 AED'000	2021 AED'000
Financial liabilities:		
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	**1,527,954**	1,105,188
Due to related parties	**3,452,458**	2,292,510
Derivative financial instruments	**-**	77,635
Lease liabilities	**1,314,327**	876,358
Borrowings	**5,482,124**	5,499,641
	11,776,863	9,851,332

For the purpose of the disclosure, non-financial assets amounting to AED 61,990 thousand (2021: AED 47,139 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 467,710 thousand (2021: AED 403,825 thousand) have been excluded from trade and other payables.

35 Comparative Figures

Certain comparative figures have been reclassified from prior year, wherever necessary, to conform to the presentation adopted in the current year of the consolidated financial statements. These reclassifications, except as they relate to the impact of aviation service agreements, maintenance and transport costs, were not significant and have no impact on the total assets, total liabilities, total equity and profit of the Group.

Impact on consolidated statement of profit or loss for the year ended 31 December 2021	**As previously reported** AED '000	**Reclassification** AED '000	**After reclassification** AED '000
Direct cost	(15,880,704)	(226,368)	(16,107,072)
Gross profit	5,040,411	(226,368)	4,814,043
Distribution and administrative expenses	(2,648,595)	226,368	(2,422,227)

36 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 2022.

In January 2023, the Company has agreed with Abu Dhabi National Energy Company (TAQA), one of the largest listed integrated utility companies in the EMEA region, to work together to establish a mobility joint venture, E2GO, to build and operate electric vehicle infrastructure in Abu Dhabi and the wider UAE. The transaction does not have any impact in the consolidated financial statements of the Group.

The Company entered into a Refined Products Sales Contract with the Parent Company for the sale by Parent Company and purchase by Company of refined petroleum products, for a term of five years from 1 January 2023 to 31 December 2027, replacing the previous refined product sales contract that expired on 31 December 2022.

36 Subsequent events (continued)

There have been no other events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2022.

37 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 February 2023.