

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2023

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 head office of the Company and ADNOC Distribution Global Company L.L.C. ("ADGC LLC") are registered at P.O. Box 4188, Abu Dhabi, United Arab Emirates. The Company, ADGC LLC and its subsidiaries are collectively referred to as the "Group". 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 in the United Arab Emirates (UAE), the Arab Republic of Egypt and the Kingdom of Saudi Arabia.

The Group is a marketer and distributor of fuels and lubricants to corporate and government customers throughout the UAE. In addition, the Group provides refueling and related services at eight airports in the UAE and provides 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 Cooperating Council (GCC), Africa and Asia. 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.

The Group also performs marketing activities and the distribution of petroleum products, motor oils, fuels and specialties in Egypt. In addition, it is also involved in constructing, owning and operating cafeterias through service stations in Egypt.

The Group made social contributions amounting to AED 2,544 thousand during the year ended 31 December 2023 (2022: AED 2,016 thousand).

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance ("MoF") issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law ("CT Law") to implement a new CT regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The UAE Cabinet of Ministers ("Cabinet") Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - Income Taxes. Current taxes will only be payable for financial years beginning on or after 1 June 2023 so the company will be subject to current tax for the first time during the year ending 31 December 2024.

Enactment of the legislation requires the recognition of deferred taxes where relevant, however the Company does not have any deferred tax balances to record for the period. The impact of any future changes in enacted law will be accounted for when such changes are substantively enacted.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been applied in these consolidated financial statements:

- **IFRS 17 insurance contracts and amendments to IFRS 17**
IFRS 17 requires an entity to recognise profit from a group of insurance contracts over the period the entity provides services, and as the entity is released from risk. If a group of contracts is or becomes loss-making, the entity is required to recognise the loss immediately. The Accounting Standard also requires insurance revenue, insurance service expenses, and insurance finance income or expenses to be presented separately.
- **IAS 8 accounting policies, changes in accounting estimates and errors**
Definition of Accounting Estimates amends IAS 8. The amendments introduced the definition of accounting estimates and included other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.
- **IAS 1 presentation of financial statements**
Disclosure of Accounting Policies amends IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements. The amendments replace the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.
- **IAS 12 income taxes**
Deferred Tax related to Assets and Liabilities arising from a Single Transaction amends IAS 12 Income Taxes. The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments apply to transactions such as leases and decommissioning obligations.

The application of these revised IFRSs has no material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and amended IFRS Standards in issue but not yet effective and not early adopted

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current;

- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback; and
- Amendments to IAS 1: Non-current Liabilities with Covenants.
- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information.
- IFRS S2: Climate-related Disclosures.

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB) and comply with the requirements of applicable laws in UAE.

Basis of preparation

The consolidated financial statements are presented in UAE Dirhams (AED), which is the Company's functional currency and the Group's presentation currency. All values are rounded to the nearest thousands (AED'000) except when otherwise indicated.

These consolidated financial statements have been prepared on a historical cost basis except measurement of derivative financial instruments at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- Is exposed, or has rights, to variable returns from its involvement
- 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.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it

the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders.
- Potential voting rights held by the Company, other vote holders or other parties.
- Rights arising from other contractual arrangements.
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that

decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the noncontrolling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Details of the Company's significant subsidiaries and effective ownership interest are given below:

Name of subsidiary	Ownership interest		Country of incorporation	Principal activities
	2023	2022		
ADNOC Distribution Global Company LLC	100%	100%	U.A.E.	Commercial agencies, commercial enterprises, retail and distribution, investment, institution and management
The Group acquired 50% ownership interest in Total Energies Marketing Egypt LLC (note 30) through its indirect subsidiary ADNOC Distribution Egypt Holding RSC Limited, a wholly-owned entity of ADGC LLC, during the year.				
Total Energies Marketing Egypt LLC	50%	-	Egypt	Performing marketing activities and distribution of petroleum products, motor oils, fuels and specialties. Constructing, owning, and operating catering and cafeterias through service stations.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below)
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting year in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured at cost being the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed (as set out above). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from acquisition date,

allocated to each of the Group's cash generating units (or groups of cash-generating units) that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition and are recognised separately from goodwill. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss.

The group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Customer contracts	13-15 years
Computer software	3-5 years

Customer contracts

Customer contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment and mainly represent long term non-cancellable contracts with customers. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives.

Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its intangible 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 to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When 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.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. Recoverable amount is the higher of fair value less costs of disposal 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. In determining fair value less costs of disposal, recent market transactions are taken into account.

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 to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for

financial reporting purposes and the amounts used for taxation purposes.

Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the year in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.
- Exchange differences on transactions entered into to hedge certain foreign currency risks.
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (allocated proportionately to owners of the company and non-controlling interest).

On the disposal of a foreign operation, all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

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

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

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

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

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.

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.

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.

(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.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

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

Financial liabilities at FVTPL

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

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.

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.

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.

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.

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.

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.

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 149,362 thousand has been recognised as at 31 December 2023 (2022: AED 134,532 thousand) using a discount rate of 5.13-5.92 % (2022: 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.

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 2023, the Group's allowance for expected credit losses of trade receivables amounted to AED 90,264 thousand (2022: AED 66,013 thousand).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 6, Goodwill and intangible assets.

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 5,152 thousand (2022: AED 8,075 thousand).

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 4.60 % was used in the current year to determine the lease obligations for new leases entered into (2022: 4.6%).

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. 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 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.

In preparing these consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies, and the key sources of estimates uncertainty were the same as those applied in the Group consolidated financial statements as at and for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective 1 January 2023.

Income taxes

The Group's current tax provision of AED 18,837 thousand relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the relevant tax authorities.

Deferred taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

5. PROPERTY, PLANT, AND EQUIPMENT

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and computer equipment AED'000	Pipelines AED'000	Capital work-in- progress AED'000	Total AED'000
Cost							
As at 1 January 2023	6,883,834	2,583,662	236,167	1,475,418	89,313	855,181	12,123,575
Additions	20,722	34,797	1,027	1,967	-	1,145,912	1,204,425
Acquisition of subsidiary (note 30)	65,972	174,065	1,963	11,283	-	42,724	296,007
Transfers	533,891	144,526	25,431	101,611	3,134	(808,593)	-
Transfers to other assets	59,341	8,998	-	4,178	5,669	(106,440)	(28,254)
Disposals	(2,933)	(12,057)	(15,955)	(13,712)	-	-	(44,657)
Impairment	-	-	-	-	-	(5,152)	(5,152)
Exchange differences	(3,103)	(7,666)	(365)	(511)	-	(1,951)	(13,596)
As at 31 December 2023	7,557,724	2,926,325	248,268	1,580,234	98,116	1,121,681	13,532,348
Accumulated depreciation							
As at 1 January 2023	2,819,791	1,695,011	182,601	996,217	44,880	-	5,738,500
Charge for the year	235,637	135,327	11,252	122,896	1,995	-	507,107
Acquisition of subsidiary (note 30)	39,939	96,964	1,376	6,968	-	-	145,247
Reclassifications	(68)	78	-	(10)	-	-	-
Disposals	(1,532)	(11,582)	(15,494)	(12,686)	-	-	(41,294)
Impairment reversals	-	-	-	-	-	(172)	(172)
Exchange differences	(1,888)	(4,164)	(333)	(316)	-	-	(6,701)
As at 31 December 2023	3,091,879	1,911,634	179,402	1,113,069	46,875	(172)	6,342,687
Net carrying amount							
31 December 2023	4,465,845	1,014,691	68,866	467,165	51,241	1,121,853	7,189,661

	Buildings AED'000	Plant and machinery AED'000	Motor vehicles AED'000	Furniture, fixtures and computer equipment AED'000	Pipelines AED'000	Capital work-in- progress AED'000	Total AED'000
Cost							
As at 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)
As at 31 December 2022	6,883,834	2,583,662	236,167	1,475,418	89,313	855,181	12,123,575
Accumulated depreciation							
As at 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
As at 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

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 10).

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 5,152 thousand was recognised (31 December 2022: AED 8,075 thousand.)

6. GOODWILL AND INTANGIBLE ASSETS

	Goodwill AED'000	Customer contracts – indefinite life AED'000	Customer contracts – definite life* AED'000	Software AED'000	Total AED'000
Cost					
As at 1 January 2023	1,128	-	-	-	1,128
Acquisition of subsidiary (note 30)	390,782	145,175	621,789	5,389	1,163,135
Transfers	-	-	28,109	144	28,253
Disposals	-	-	(61)	-	(61)
Exchange differences	-	(490)	(5,876)	(383)	(6,749)
As at 31 December 2023	391,910	144,685	643,961	5,150	1,185,706
Accumulated depreciation					
As at 1 January 2023	-	-	-	-	-
Charge for the year	-	-	42,521	525	43,046
Acquisition of subsidiary (note 30)	-	-	87,664	4,574	92,238
Disposals	-	-	(53)	-	(53)
Impairment reversals	-	-	(148)	-	(148)
Exchange differences	-	-	(2,846)	(342)	(3,188)
As at 31 December 2023	-	-	127,138	4,757	131,895
Net carrying amount					
31 December 2023	391,910	144,685	516,823	393	1,053,811
31 December 2022	1,128	-	-	-	1,128

*Customer contracts include signature bonus granted to customers in return for their loyalty to the Group's products.

Acquisition during the year

Customer contracts and software include intangible assets acquired through business combinations. The customer contracts have a useful life of 13 to 15 years. The contracts with indefinite life have been acquired with the option to renew at the end of the period at little or no cost to the Group. Previous contracts acquired have been renewed and have allowed the Group to determine that these assets have indefinite useful lives.

For impairment testing goodwill acquired through business combinations and contracts with indefinite useful lives are allocated to the Retail, Corporate and Aviation CGUs, which are also operating and reportable segments.

Carrying amount of goodwill and intangible assets with indefinite life allocated to each of the CGUs:

	Retail		Corporate		Aviation	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Goodwill	211,750	1,128	162,488	-	17,672	-
Intangibles	-	-	-	-	144,685	-

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The majority of the goodwill recognised by the Group resulted from the acquisition of TEME (note 30).

The recoverable amount of the CGUs were determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. The present value of the expected cash flows of each segment was determined by applying a suitable discount rate reflecting current market assessments of the time value of money and risks specific to the segment. The major assumptions used in the calculations include discount rate in the range of 18.5% to 20.0% and growth rate of up to 7%.

It was concluded that the estimated recoverable amount of the CGUs exceeded their carrying values. As a result of this analysis, no impairment has been charged against the goodwill in the current year.

7. INVENTORIES

	31 December 2023 AED'000	31 December 2022 AED'000
Finished goods	1,099,902	1,160,063
Spare parts and consumables	135,869	97,418
Lubricants raw materials, consumables, and work in progress	36,781	21,214
LPG cylinders	32,263	24,730
	1,304,815	1,303,425
Allowance for slow moving and obsolete inventories	(10,392)	(17,048)
	1,294,423	1,286,377

The cost of inventories recognised as expense and included in direct cost amounted to AED 28,503,924 thousand (2022: AED 26,249,476 thousand) (note 20). During the year, a direct write off of inventory was recognised as expense amounting to AED 4,018 thousand (2022: AED 5,251 thousand) (note 23).

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:

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	17,048	17,048
Acquisition of subsidiary	943	-
Provision during the period	445	-
Reversal	(8,000)	-
Exchange differences	(44)	-
	10,392	17,048

8. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	31 December 2023 AED'000	31 December 2022 AED'000
Trade receivables	3,323,246	3,135,849
Less: Allowance for expected credit losses	(90,264)	(66,013)
	3,232,982	3,069,836
Prepaid expenses	50,631	48,101
Receivable from employees	109,918	109,309
VAT receivables	32,010	13,888
Other receivables	93,872	54,580
	3,519,413	3,295,714

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

As at 31 December 2023, the Group had significant concentration of credit risk with four customers (2022: three) accounting for 49% (2022: 47%) 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 9.

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 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
Balances at 1 January 2023	28,305	37,708	66,013
Acquisition of subsidiary	505	2,020	2,525
Recovery made during the year	(5,833)	(92)	(5,925)
Charge for the year	13,387	14,379	27,766
Exchange differences	(23)	(92)	(115)
Balance at 31 December 2023	36,341	53,923	90,264

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 2023. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Allowance for expected credit losses as at 31 December 2023

	<60 days	61-90 days	91-365 days	>1 year	Total
Expected credit loss rate (%)	0-1%	5%	6%	7%	
Estimated total gross carrying amount (AED'000)	2,179,173	137,440	403,055	603,578	3,323,246
Lifetime Expected credit loss (AED'000)	(20,356)	(6,213)	(23,308)	(40,387)	(90,264)

Allowance for expected credit losses as at 31 December 2022

	<60 days	61-90 days	91-365 days	>1 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)

9. 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.

Related party balances

	31 December 2023 AED'000	31 December 2022 AED'000
Due from related parties		
ADNOC Drilling	242,981	232,330
ADNOC Logistics and Services	228,480	255,757
Abu Dhabi National Oil Company (ADNOC)	131,972	182,436
ADNOC Onshore	78,157	131,740
ADNOC Offshore	24,205	22,346
ADNOC Gas Processing	15,352	13,119

	31 December 2023 AED'000	31 December 2022 AED'000
ADNOC Sour Gas	5,095	2,306
ADNOC others	33,412	28,834
TotalEnergies & its affiliates	45,904	-
	805,558	868,868
Due to related parties		
Abu Dhabi National Oil Company (ADNOC)	4,611,600	3,435,354
ADNOC Logistics and Services	305	6,455
ADNOC Refining	-	2,808
ADNOC others	-	7,841
TotalEnergies & its affiliates	215,726	-
	4,827,631	3,452,458

The amounts due from related parties are against the provision of petroleum products and services. These balances are unsecured, bear no interest and have an average credit period of 30-60 days.

The amounts due to related parties are outstanding against purchases of petroleum products, vessel hires and port charges and administrative charges. These balances are unsecured, bear no interest and are payable on demand.

The Group has an amount of AED 2,872,237 thousand (31 December 2022: AED 2,717,972 thousand) held with banks in which the Government of Abu Dhabi has a significant or majority stake through different investment vehicles.

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 (31 December 2022: AED 4,131,563 thousand).

Amounts relating to TotalEnergies and its affiliates pertain to the related party balances and transactions of the Group's newly acquired subsidiary, TotalEnergies Marketing Egypt LLC, during the year (note 30).

The Company entered into a sub-lease agreement with the Parent Company for a property located in Industrial City of Abu Dhabi for a term of 42 years commencing 1 January 2023. In this respect, the Company has recognised a right-of-use asset and a lease liability amounting to AED 210.7 million.

In 2023, the Company entered into an amendment agreement to a lease for an office space with the Parent Company.

Related party transactions

	31 December 2023 AED'000	31 December 2022 AED'000
ADNOC Group		
Revenue	1,877,621	1,806,868
Purchases	23,483,366	25,165,119
Vessel hire and port charges	36,769	105,744
Dividends paid (note 33)	2,571,250	2,571,250
Rendering of service (note 19)	174,356	170,915
Recovery of expenses incurred related to City Gas	904	5,008
TotalEnergies and its affiliates		
Revenue	579,742	-
Purchases	154,434	-
Management Fee & services	67,273	-

Compensation of key management personnel

	31 December 2023 AED'000	31 December 2022 AED'000
ADNOC Group		
Short term benefits	51,439	45,106
Pension contribution	688	1,319
	52,127	46,425
TotalEnergies and its affiliates		
Short term benefits	1,443	-
Pension contribution	678	-
	2,121	-

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 (ADNOC Refining) with an effective date of 1 October 2017, for which the SPV will compensate the Group on the basis of an 8% return over and above the operating expenditure incurred by the Group for such operations (the "Owner Consideration") and the Group will compensate the SPV for the use of such assets (the "Operator Consideration"). The Group and the SPV also signed an asset use fee letter confirming that the Owner Consideration will be the same as, and will therefore offset, the Operator Consideration.

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

In November 2017, the Group entered into an agreement with the Parent Company 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 was effective until 31 December 2022.

In 2023, the Company renewed the Refined Products Sales Contract with the Parent Company for the sale by Parent Company and purchase by Company of refined petroleum products, with similar terms, for a term of five years from 1 January 2023 to 31 December 2027.

Also, 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.

In 2022, 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).

10. RIGHT-OF-USE ASSETS

Group as a Lessee

The Group leases leasehold properties. The average lease term is 15 - 40 years (2022: 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.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	1,373,338	952,758
Additions related to land lease	511,560	551,482
Additions to decommissioning	9,394	362
Acquisition of subsidiary (note 30)	98,694	-
Change in estimate of decommissioning	-	180
Change in estimate of land lease	-	(5,585)
Reversal due to terminated contracts	(51,316)	(19,888)
Depreciation charge during the year	(146,412)	(105,971)
Modifications during the year	(9,173)	-
Exchange differences	(7,667)	-
Closing balance	1,778,418	1,373,338

Amounts recognised in profit and loss

	31 December 2023 AED'000	31 December 2022 AED'000
Depreciation expense on right-of-use assets	146,412	105,971
Interest expenses on lease liabilities	95,567	62,800

The total cash outflow for leases amounted to AED 200,322 thousand (2022: AED 150,194 thousand) (note 14).

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

11. CASH AND BANK BALANCES

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

	31 December 2023 AED'000	31 December 2022 AED'000
Cash and bank balances	2,993,937	2,617,099
Term deposits with original maturities greater than three months	200,225	130,225

Cash and bank balances include short-term and call deposits amounting to AED 2,672,013 thousand (2022: AED 2,587,748 thousand) carrying interest rate ranging from 0.30% to 5.40% (31 December 2022: 0.07% to 3.60%) 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.

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

	31 December 2023 AED'000	31 December 2022 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

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	1,314,327	876,358
Additions	511,560	551,482
Acquisition of subsidiary (note 30)	98,694	-
Accretion of interest	95,567	62,800
Reversal due to terminated contracts	(55,515)	(20,534)
Changes in estimates	-	(5,585)
Payments	(200,322)	(150,194)
Modifications	(9,173)	-
Exchange differences	(7,874)	-
Closing balance	1,747,264	1,314,327
Current	183,013	129,789
Non-Current	1,564,251	1,184,538
Closing balance	1,747,264	1,314,327

	31 December 2023 AED'000	31 December 2022 AED'000
Maturity Analysis:		
Not later than 1 year	183,013	129,789
Later than 1 year and not later than 5 years	617,739	510,838
Later than 5 years	946,512	673,700
Closing balance	1,747,264	1,314,327

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 2023 AED'000	31 December 2022 AED'000
Term loan	5,492,280	5,482,124

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 to 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.

On 16 November 2017, the Group made a drawdown amounting to USD 375,000 thousand and AED 4,128,750 thousand. The Facility carries variable interest at USD LIBOR plus a margin of 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 10,558 thousand (31 December 2022: 13,313 thousand) are presented as other non-current assets.

The new term loan facility carries a variable interest at Secured Overnight Financing Rate plus a margin of 0.85% for USD denominated facility portion and EIBOR plus a margin of 0.60% for AED denominated facility portion.

During the year, the Company and its lenders has agreed to amend and convert the term loan facility to a sustainability linked loan. The converted loan facility contains Environment, Social and Governance covenants which is linked to the margin on the loan.

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.

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	5,482,124	5,499,641
Acquisition of subsidiary	3,756	-
Payments made	(1,725)	(5,505,938)
Net proceeds from borrowings	2,788	5,479,742
Other charges ⁽ⁱ⁾	5,337	8,679
As at 31 December	5,492,280	5,482,124

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

16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

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

	31 December 2023 AED'000	31 December 2022 AED'000
As at 1 January	194,439	192,583
Charge for the year (note 24)	30,989	29,053
Payments	(33,157)	(27,197)
As at 31 December	192,271	194,439

17. TRADE AND OTHER PAYABLES

	31 December 2023 AED'000	31 December 2022 AED'000
Trade payables	583,141	452,368
Capital accruals	610,117	451,232
Operating accruals	289,098	210,493
VAT payable	317,956	308,016
Coupon and prepaid card sales outstanding	114,831	113,584
Contract retentions payable	122,535	79,528
Advances from customers	67,539	46,110
Dividend payable	31,622	-
Other payables	404,516	334,333
	2,541,355	1,995,664

18. PROVISION FOR DECOMMISSIONING

The provision for decommissioning obligation is with respect to dismantling obligation of the service stations built on leased lands in Dubai and Northern Emirates in UAE. The discount rate used to determine the obligation at 31 December 2023 is 5.13-5.92% (2022: 4.24%). The change in estimate is due to the change in the cash outflows expected to settle the future liabilities.

	31 December 2023 AED'000	31 December 2022 AED'000
Opening balance	134,532	129,226
Additions during the year	9,394	362
Change in estimate	-	180
Accretion of interest	5,436	4,764
Closing balance	149,362	134,532

19. REVENUE

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time in the following major lines of business. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (note 29):

	31 December 2023 AED'000	31 December 2022 AED'000
Retail (B2C)		
Fuel	21,794,445	20,308,082
Non-fuel	1,422,726	1,149,929
Commercial (B2B)		
Corporate	9,872,507	9,603,265
Aviation	1,539,500	1,049,785
	34,629,178	32,111,061

Management expects that AED 34,010 thousand (2022: AED 50,388 thousand) is the remaining performance obligations as of the year ended 31 December 2023, 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 174,356 thousand (2022: AED 170,915 thousand) was recognised as revenue (note 9).

20. DIRECT COST

	31 December 2023 AED'000	31 December 2022 AED'000
Materials (note 7)	28,503,924	26,249,476
Staff costs (note 24)	288,969	193,703
	28,792,893	26,443,179

21. DISTRIBUTION AND ADMINISTRATIVE EXPENSES

	31 December 2023 AED'000	31 December 2022 AED'000
Staff costs	1,461,227	1,480,421
Depreciation and amortisation	696,565	543,931
Repairs, maintenance and consumables	202,869	187,110
Utilities	210,268	198,478
Distribution and marketing expenses	65,279	54,908
Insurance	9,658	18,780
Others	270,672	278,003
	2,916,538	2,761,631

22. OTHER INCOME

	31 December 2023 AED'000	31 December 2022 AED'000
Gain on disposal of property, plant and equipment	2,608	2,963
Miscellaneous income	143,037	100,379
	145,645	103,342

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

23. OTHER IMPAIRMENT LOSSES AND EXPENSES

	31 December 2023 AED'000	31 December 2022 AED'000
Inventories written off (note 7)	4,018	5,251
Expected credit losses of bank balances	155	-
Impairment of capital work-in-progress	5,152	8,075
Miscellaneous expenses	45,052	2,500
	54,377	15,826

24. STAFF COSTS

	31 December 2023 AED'000	31 December 2022 AED'000
Salaries and allowances	1,471,391	1,399,834
Other benefits	271,765	261,884
Employees' end of service benefit (note 16)	30,989	29,053
	1,774,145	1,690,771
Staff costs are allocated as follows:		
Distribution and administrative expenses (note 21)	1,461,227	1,480,421
Direct costs (note 20)	288,969	193,703
Capital work-in-progress	23,949	16,647
	1,774,145	1,690,771

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

25. FINANCE COSTS

	31 December 2023 AED'000	31 December 2022 AED'000
Finance charges on bank facilities	331,754	212,041
Interest expense on lease liabilities (note 14)	95,567	62,800
Interest expense on provision for decommissioning (note 18)	5,436	4,764
	432,757	279,605

26. TAXATION

Income tax for the year relates to overseas operations of the Group. The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss are:

	31 December 2023 AED'000	31 December 2022 AED'000
Income taxes		
Current income tax expense	27,118	-
Deferred income tax expense	(8,281)	-
Income tax expense recognised in statement of profit or loss	18,837	-

Income tax reconciliation schedule as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
Profits subject to income tax	36,470	-
Income tax using the domestic corporate tax rate @ 22.5%	8,206	-
Non-deductible expenses/income	3,306	-
Differences in amortisation and interest on lease obligations	7,319	-
Other tax adjustments	6	-
Income tax expense	18,837	-

Deferred tax asset and liabilities

The following are the major deferred tax assets and liabilities recognised by the Group. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

	31 December 2023 AED'000	31 December 2022 AED'000
Deferred tax assets		
Provisions	3,626	-
Foreign exchange translation	2,078	-
Property, plant and equipment and Right-of-use assets	(3,538)	-
Deferred tax liabilities		
Right of use assets	(1,209)	-
Fair value adjustments	(133,753)	-
Net deferred tax liability	(132,796)	-

27. FOREIGN EXCHANGE TRANSLATION RESERVE

	31 December 2023 AED'000	31 December 2022 AED'000
Balance at the beginning of the year	-	-
Exchange differences on translating the net assets of foreign operations	(5,990)	-
Relating to non-controlling interests	2,995	-
Balance at the end of the year	(2,995)	-

28. BASIC AND DILUTED EARNINGS PER SHARE (EPS)

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.

	31 December 2023 AED'000	31 December 2022 AED'000
Earnings (AED'000)		
Profit for the year attributable to equity holders of the Company	2,601,421	2,748,508
Weighted average number of shares		
Weighted average number of ordinary shares for basic and diluted EPS	12,500,000	12,500,000
Basic and diluted EPS (AED)	0.208	0.220

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

29. SEGMENT REPORTING

Operating segments

The Group's operating segments are established on the basis of those components that are evaluated regularly by the Board of Directors, considered to be the Chief Operating Decision Maker ("CODM"). The CODM monitors the operating results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenues, gross profit, net profit and a broad range of key performance indicators in addition to segment profitability and is measured consistently with profit or loss in the consolidated financial statements.

Based on the information reported to the Group's senior management for the allocation of resources, marketing strategies, management reporting lines and measurement of performance of business, the reportable segments under IFRS 8 were identified as below:

Commercial (B2B) - 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's civil aviation customers.

Retail (B2C) - 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.

These segments are the basis on which the Group reports its primary segment information. Transactions between segments are conducted at the rates determined by management taking into consideration the cost of funds. Segment revenue reported represents revenue generated from external customers. There were no inter-segment sales in current and previous period. Operating profit is the measure reported to the Board of Directors for the purpose of resource allocation and assessment of segment performance.

	Commercial (B2B) AED'000	Retail (B2C) AED'000	Unallocated AED'000	Consolidated AED'000
31 December 2023				
Revenue	11,412,007	23,217,171	-	34,629,178
Direct costs	(10,074,973)	(18,717,920)	-	(28,792,893)
Gross profit	1,337,034	4,499,251	-	5,836,285
Distribution and administrative expenses	(384,156)	(2,530,849)	(1,533)	(2,916,538)
Other income	36,915	82,793	25,937	145,645
Impairment losses and other operating expenses	(25,910)	(17,764)	(38,469)	(82,143)
Operating profit	963,883	2,033,431	(14,065)	2,983,249
Interest income				98,834
Finance costs				(432,757)
Income tax expense				(18,837)
Profit for the year				2,630,489
31 December 2022				
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)
Income tax expense				-
Profit for the year				2,748,508

Geographical segments

The Group operates in the UAE, KSA and Egypt. Segment information about the Group's foreign operations is presented below:

	KSA AED'000	Egypt AED'000
For the year ended 31 December 2023		
Revenue (external customers)	798,583	3,494,012
As at 31 December 2023		
Property, plant and equipment	262,501	192,629
Right of use assets	617,679	101,822
Intangibles	1,128	1,052,683

30. BUSINESS COMBINATION

Acquisitions in 2023

TotalEnergies Marketing Egypt LLC

On 28 July 2022, the Company entered into a quota purchase agreement with TotalEnergies Marketing Afrique SAS to acquire a 50% stake in TotalEnergies Marketing Egypt LLC (TEME), a limited liability company registered in Cairo, Egypt.

On 6 February 2023, pursuant to the quota purchase agreement, all major conditions precedent to completion were completed and the Group acquired control over TEME for a total consideration of AED 720,580 thousand. The TEME equity stake was acquired as part of the growth strategy of the Company to accelerate international expansion in Egypt. The acquisition has been accounted for using the acquisition method of accounting, and accordingly, the identifiable assets acquired, and liabilities assumed, have been recognised at their respective fair values. No financial information was available as of the acquisition date of 6 February 2023 therefore it was impracticable to consolidate the entity as of the acquisition date. There were no significant transactions or events from 1 February 2023 to the acquisition date, therefore management decided to consolidate from 1 February 2023.

The amounts recognised in respect of the fair values at the date of acquisition of the identifiable assets acquired and liabilities assumed are set out in the table below:

	AED'000
Assets	
Property, plant and equipment	150,760
Right-of-use assets	98,694
Intangibles	680,114
Cash and bank balances	169,462
Trade receivables and other current assets	82,706
Advance to contractors	4,223
Inventories	95,590
Due from related parties	44,730
Total assets	1,326,279
Liabilities	
Trade and other payables	280,450
Deferred tax liability	141,028
Due to related parties	135,971
Lease liabilities	98,694
Long term deposits	5,780
Borrowings	3,756
Total liabilities	665,679
Total identifiable net assets at fair value	660,600
Non-controlling interests	(330,802)
Group's share of net assets acquired	329,798
Purchase consideration	720,580
Goodwill	390,782

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favourable terms of the lease relative to market terms.

The deferred tax liability mainly comprises the tax effect of the accelerated depreciation for tax purposes of tangible and intangible assets.

The goodwill of 390,782 thousand comprises the value of expected synergies arising from the acquisition. Goodwill is allocated to the Group's CGUs for Retail, Corporate and Aviation. None of the goodwill recognised is expected to be deductible for income tax purposes.

The non-controlling interests (50% ownership interest in TEME) recognised at the acquisition date was measured by reference to the proportionate share of net assets acquired and amounted to AED 330,802 thousand.

From the date of acquisition until 31 December 2023, TEME contributed revenue of AED 3,494,012 thousand and profit of AED 82,603 thousand. Acquisition related costs amounted to AED 11,456 thousand which were expensed during the year and are included in the consolidated statement of profit and loss. If the acquisition had taken place at the beginning of the year, revenue of the Group would have been higher by AED 283,485 thousand and net profit would have been lower by AED 11,170 thousand.

Purchase consideration

	AED'000
Cash paid	708,562
Contingent consideration liability	12,018
	720,580

Analysis of cashflow on acquisition

	AED'000
Cash paid for the acquisition	(708,562)
Net cash acquired on business combination	169,462
Net cash outflow on acquisition (included in cash flows from investing activities)	(539,100)
Transaction cost of the acquisition (included in cash flows from operating activities)	(11,456)
Net cash outflow on acquisition	(550,556)

Acquisitions in 2022

In 2022, 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.

	31 December 2022 AED'000
Assets	
Property, plant and equipment	32,384
Inventories	226
Other assets	2,641
	35,251
Liabilities	
Other liabilities	(1,136)
Total identifiable net assets acquired	34,115
Purchase consideration	30,034
Goodwill	1,128
Gain on bargain purchase	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 subsidiaries is measured at cost less accumulated impairment losses.

31. CONTINGENCIES AND LITIGATION

As at 31 December 2023, the Group has contingent liabilities amounting to AED 230,052 thousand (31 December 2022: AED 287,823 thousand) in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The Group is involved in various legal proceedings 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 consolidated financial statements if concluded unfavorably.

32. COMMITMENTS

The capital expenditure contracted for at the reporting date but not yet incurred amounted to AED 368,216 thousand (31 December 2022: AED 298,022 thousand).

33. 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 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.

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 2022. The dividend comprised of AED 1,285,625 thousand, which was approved at the General Assembly Meeting held on 15 March 2023 and paid on 29 March 2023.

The Board of Directors approved an interim dividend of 10.285 fils per share to the shareholders in respect of the first half of 2023. The dividend comprised of AED 1,285,625 thousand, which was approved during the Board of Directors Meeting held on 25 September 2023 and paid on 3 October 2023.

The General Assembly of TotalEnergies Marketing Egypt LLC approved a dividend of AED 64,788 thousand to the shareholders in respect of the year ended 31 December 2022. The dividend payable of 50% or AED 32,394 thousand is attributable to ADNOC Distribution Egypt Holding RSC Limited and the other 50% to the non-controlling interest, which was approved at the General Assembly Meeting held on 4 April 2023.

34. FINANCIAL INSTRUMENTS

Capital risk management

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

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

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

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

	31 December 2023 AED'000	31 December 2022 AED'000
Debt	5,492,280	5,482,124
Cash and cash equivalent (note 11)	(2,993,937)	(2,617,099)
Net debt	2,498,343	2,865,025
Net debt	2,498,343	2,865,025
Equity	3,472,072	3,444,890
Net debt plus equity	5,970,415	6,309,915
Leverage ratio	41.8%	45.4%

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

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rate. The Group may be exposed to currency and translation related risks on its borrowings denominated in US Dollars and its investments in a foreign subsidiary. In respect of the Group's transactions and balances denominated in US Dollars and Saudi Riyal, the Group is not exposed to the currency risk as the UAE Dirham and Saudi Riyal are currently pegged to the US Dollar.

The table below summarises the sensitivity of the Group's monetary assets and liabilities to changes in foreign exchange movements at year end. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by 5% with all other variables held constant:

	Assets AED'000	Liabilities AED'000	Net exposure AED'000	Effect on net equity for +/- 5% sensitivity AED'000
2023				
Egyptian pound	395,992	(734,999)	(339,007)	16,950
Swiss Franc	-	(2,225)	(2,225)	111
Euro	-	(15,305)	(15,305)	765
	395,992	(752,529)	(356,537)	17,827

(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 2023 would have decreased/increased by AED 27,461 thousand (2022: AED 27,410 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Price risk

The Group is exposed to commodity price risk arising from retail prices of the 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 9).

(iv) 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 8.

b. 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 2023, the Group had access to a USD 375,000 thousand 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 2023 and 2022 based on the contractual undiscounted payments.

	< 1 year AED'000	> 1 year AED'000	Total AED'000
At 31 December 2023			
Borrowings	-	5,492,280	5,492,280
Due to related parties	4,827,631	-	4,827,631
Lease liabilities	183,013	1,564,251	1,747,264
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	2,041,029	-	2,041,029
	7,051,673	7,056,531	14,108,204
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
	5,110,201	6,666,662	11,776,863

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 9).

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.

Financial instruments by category

	31 December 2023 AED'000	31 December 2022 AED'000
Financial assets		
Cash and bank balances (including term deposits)	3,194,162	2,747,324
Due from related parties	805,558	868,868
Trade and receivables and other current assets (excluding prepaid expenses and VAT receivable)	3,436,772	3,233,725
	7,436,492	6,849,917
Financial liabilities		
Trade and other payables (excluding advances from customers, VAT payable and coupon and prepaid card sales outstanding)	2,041,029	1,527,954
Due to related parties	4,827,631	3,452,458
Lease liabilities	1,747,264	1,314,327
Borrowings	5,492,280	5,482,124
	14,108,204	11,776,863

For the purpose of the disclosure, non-financial assets amounting to AED 82,641 thousand (2022: AED 61,990 thousand) have been excluded from trade receivables and other current assets and financial liabilities amounting to AED 500,326 thousand (2022: AED 467,710 thousand) have been excluded from trade and other payables.

35. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 6 February 2024.

