

The Speed Oil Company Limited

Report and financial statements for the year ended 31 December 2019



THE SPEED OIL COMPANY LIMITED

Report and financial statements for the year ended 31 December 2019

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THE SPEED OIL COMPANY LIMITED**Company information**

Registered No. 786908

DIRECTORS

Mr O A Yamin
Mr A A Yammine
Mr E A Yamin

INDEPENDENT AUDITORS

Lubbock Fine LLP
Chartered Accountants and Registered Auditors
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

REGISTERED OFFICE

Royds Withy King
69 Carter Lane
London
EC4V 5HF

THE SPEED OIL COMPANY LIMITED

Strategic report for the year ended 31 December 2019

Business review

The developments for the year 2019 that impacted the performance of the Company's business were mainly as follows:

- a) During the year, the Company's parent company decided to transfer some of the Company's business to The Coral Oil Company Limited, a sister company, which lead to a decrease in quantity sold of petroleum products. The directors are assessing the current future plans for the business going forward; and
- b) In addition, an overall decrease in fuel prices (Platts) compared to 2018 had a negative impact on the total revenues.

Moreover, starting the last quarter of 2019, Lebanon began experiencing a severe financial crisis that is impacting the banking sector and the economic and business environment more generally. For more details and for the assessment of the impact of the situation on the Company's business, refer to note 1.2.

Principal risks and uncertainties

The principal risks and uncertainties that might affect the profitability of the company mainly relate to fluctuations of the worldwide fuel prices (Platts) and political and economic instability in the area.

Key performance indicators

Revenue down by 83% to US\$ 9 million (2018: US\$ 53 million).

Operating profit in 2019 amounts to US\$ 197,000 (2018: US\$ 1,524,000).

Net profit before tax in 2019 amounts to US\$ 188,000 (2018: US\$ 1,547,000).

Net profit after tax in 2019 amounts to US\$ 93,000 (2018: US\$ 1,051,000).

Current ratio up by 105% to 3.6 in 2019 (2018: 1.76).

Equity shareholders' funds increased by 7% to US\$ 1.44 million (2018: US\$ 1.35 million).

This report was approved by the board and signed on its behalf.



.....
Mr A A Yammine
Director

THE SPEED OIL COMPANY LIMITED

Directors' report for the year ended 31 December 2019

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2019.

Principal activities

The Company's business is to buy, sell and deal in petroleum products.

The Company's operations are carried out entirely outside the United Kingdom, through its branch in Lebanon. The purchases of the company are undertaken on its behalf by The Coral Oil Company Limited, a fellow subsidiary undertaking.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Director's Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have chosen to prepare the financial statements in accordance with IFRS as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the profit or loss of the Company for the period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and the apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to do presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE SPEED OIL COMPANY LIMITED

Directors' report for the year ended 31 December 2019 (continued)

Disclosure of information to auditors

Each of the persons who are directors at the time when this Director's report is approved as confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Company's auditors are aware of that information.

Matters covered in the strategic report

In accordance with 414C(11) of the Companies Act 2006 the Company has chosen to include information in relation to future developments in the Company's strategic report.

Financial risk management

Information about financial instruments is given in notes 3 and 7 to the financial statements.

Results and dividends

The results of the year ended 31 December 2019 are set out in the statement of comprehensive income. The Company's profit for the year is US\$ 93,000 in as compared to US\$ 1,051,000 in 2018. The company did not declare dividends in 2019 (2018: US\$ 4,500,000).

Directors

The directors who held office during the year and up to the date of signing the accounts are given below:

Mr O A Yamin
Mr A A Yammine
Mr E A Yamin

Auditors

Lubbock Fine LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

By order of the board



.....
Mr A A Yammine
Director

THE SPEED OIL COMPANY LIMITED

Independent auditor's report to the shareholders of The Speed Oil Company Limited

Opinion

We have audited the financial statements of The Speed Oil Company Limited ("the Company") which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

In our opinion, the financial statements:

- (i) Give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- (ii) Have been properly prepared in accordance with IFRS as adopted by the European Union; and
- (iii) Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- (i) The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- (ii) The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

THE SPEED OIL COMPANY LIMITED

Independent auditor's report

to the shareholders of The Speed Oil Company Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- (i) The information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- (ii) The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- (i) Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- (ii) The financial statements are not in agreement with the accounting records and returns; or
- (iii) Certain disclosures of directors' remuneration specified by law are not made; or
- (iv) We have not received all the information and explanations we require for our audit.

THE SPEED OIL COMPANY LIMITED

Independent auditor's report to the shareholders of The Speed Oil Company Limited (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement as set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (i) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- (iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**Independent auditor's report
to the shareholders of The Speed Oil Company Limited (continued)**

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

- (iv) Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Company to cease to continue as a going concern.
- (v) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of this report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Lubbock Fine

Andrew Noton (Senior Statutory Auditor)

For and on behalf of

Lubbock Fine LLP

Chartered Accountants and Statutory Auditors

Paternoster House

65 St Paul's Churchyard

London

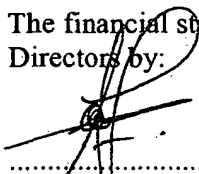
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Date: 29 January 2021

Statement of financial position as at 31 December 2019

	Note	2019 US\$'000	2018 US\$'000
Assets			
Non-current assets			
Property, plant and equipment	6	27	48
Trade and other receivables	8	-	6
Right-of-use assets	21	84	-
		<u>111</u>	<u>54</u>
Current assets			
Trade and other receivables	8	1,901	2,382
Cash and cash equivalents	9	17	600
Inventory		-	18
		<u>1,918</u>	<u>3,000</u>
Total asset		<u>2,029</u>	<u>3,054</u>
Equity			
Share capital	10	10	10
Retained earnings		1,432	1,339
Total equity		<u>1,442</u>	<u>1,349</u>
Liabilities			
Non- Current Liabilities			
Non-current lease liability	21	53	-
Current liabilities			
Trade and other payables	11	410	1,232
Current income tax liability		96	473
Current lease liability	21	28	-
		<u>534</u>	<u>1,705</u>
Total liabilities		<u>587</u>	<u>1,705</u>
Total equity and liabilities		<u>2,029</u>	<u>3,054</u>

The financial statements on pages 9 to 36 were authorised for issue and signed on behalf of the Directors by:



Mr A A Yammine
 Director

Date: January 28th, 2021
 Company registration number: 786908

The notes on pages 13 to 38 are an integral part of these financial statements.

**Statement of comprehensive income
for the year ended 31 December 2019**

	Note	2019 US\$'000	2018 US\$'000
Income			
Sales	5	8,844	53,146
Other income	12	176	238
		<u>9,020</u>	<u>53,384</u>
Expenses			
Raw materials, consumables, and costs of projects		8,520	50,821
Change in inventories		18	(18)
Short-term leases/ operating lease	21	90	124
Management fees		75	799
Transportation expenses		40	16
Professional fees		37	40
Depreciation charge of right-of-use assets	21	29	-
Maintenance expenses		17	20
Depreciation charge for property, plant and equipment	6	13	17
Freight expenses		-	3
Other expenses		20	38
		<u>8,823</u>	<u>51,860</u>
Operating profit		197	1,524
Finance (costs) income – net	13	(9)	23
Profit before income tax		188	1,547
Income tax expense	14	(95)	(496)
Profit for the year		93	1,051
Other comprehensive income		-	-
Total comprehensive income for the year		<u>93</u>	<u>1,051</u>

The notes on pages 13 to 38 are an integral part of these financial statements.

THE SPEED OIL COMPANY LIMITED

Statement of changes in equity for the year ended 31 December 2019

	Share capital US\$'000	Retained earnings US\$'000	Total US\$'000
Balance at 1 January 2018	10	4,788	4,798
Profit for the year	-	1,051	1,051
Total comprehensive income for the year	-	1,051	1,051
Dividends	-	(4,500)	(4,500)
Balance at 31 December 2018	10	1,339	1,349
Balance at 1 January 2019	10	1,339	1,349
Profit for the year	-	93	93
Total comprehensive income for the year	-	93	93
Balance at 31 December 2019	10	1,432	1,442

The notes on pages 13 to 38 are an integral part of these financial statements.

**Statement of cash flows
for the year ended 31 December 2019**

	Note	2019 US\$'000	2018 US\$'000
Cash flows from operating activities			
Profit before income tax		188	1,547
Adjustments for:			
Finance costs (income) - net	13	9	(23)
Depreciation charge	6	13	17
Loss on sale of property, plant, and equipment	6	8	-
Depreciation charge of right-of-use assets	21	29	-
Change in working capital:			
Trade and other receivables	7,8	477	5,246
Trade and other payables	11	(822)	(4,278)
Decrease (increase) in inventory		18	(18)
Cash (used in) generated from operations		(80)	2,491
Interest received		1	23
Interest paid		(10)	-
Income tax paid		(472)	(120)
Net cash (used in) generated from operating activities		(561)	2,394
Cash flows from financing activities			
Principal elements of lease payments	21	(22)	-
Dividends paid		-	(4,500)
Net cash used in financing activities		(22)	(4,500)
Net decrease in cash and cash equivalents		(583)	(2,106)
Cash and cash equivalents at beginning of year	9	600	2,706
Cash and cash equivalents at end of year	9	17	600

The notes on pages 13 to 38 are an integral part of these financial statements.

Notes to the financial statements**for the year ended 31 December 2019****1 General information****1.1 Company information**

The Speed Oil Company Limited ("the Company") is a private company limited by shares registered in England and Wales under number 786908. Its registered office is Royds Withy King, 69 Carter Lane, London, EC4V 5HF. The company's operations are carried out entirely outside the United Kingdom through its branch in Lebanon and its principal place of business is 583 Avenue de Gaulle, Raoucheh, PO Box 11 -0030, Beirut, Lebanon. The principal activity of the Company is to buy, store and sell in petroleum and chemical products.

The immediate and ultimate parent undertaking is Fortuna Holding Company Limited registered in the Isle of Man, which is the parent undertaking of the smallest group to consolidate these financial statements. Its registered office is 69 Athol Street, Douglas, IM1 1JE, Isle of Man.

1.2 General economic and financial situation

Lebanon is experiencing a severe financial crisis that is impacting the banking sector and the economic and business environment more generally. The impact includes a significant public debt burden (above 150% of GDP), high interest rates, a level of country risk that is far above normal and increasing unemployment. This has created liquidity pressures in most businesses. The crisis also led to the resignation of the Council of Ministers of Lebanon on 29 October 2019. A new Government was formed on 21 January 2020 which has begun to focus on urgent measures including the settlement of Eurobonds and requested the technical assistance of the International Monetary Fund.

Lebanon's sovereign debt amounted approximately to US\$ 92 billion at 31 December 2019 and consisted of Lebanese Pounds debt of approximately 63% and foreign currencies of 37% of the total debt. Approximately, 87% of Lebanese Pounds debt is held by Lebanese banks and the Central Bank and only approximately a third of US Dollar debt is held by foreign funds and financial institutions, the remaining foreign currency debt is held by either local lenders (mainly banks) or the Central Bank.

Lebanon's sovereign credit rating was already downgraded by international credit rating agencies to imminent default and the rating of commercial banks to selective default. Banks were further downgraded as a result of actions undertaken by the Central Bank of Lebanon. On 7 March 2020, the government announced that it will withhold payment on the bonds due on 9 March 2020, which was followed by another announcement on 23 March 2020 for the discontinuation of payments on all of its US Dollar denominated Eurobonds.

The ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly reduced. Banks in Lebanon have restricted access to US Dollars and have frozen company credit facilities, which has in turn created significant liquidity pressure. Banks have implemented their own foreign exchange controls that prohibit US Dollar transfers outside Lebanon and limit the amount of US Dollars that may be withdrawn from accounts, all of which added to the disruption of the country's economic activity, as the economic model of Lebanon relies mainly on imports and consumption.

Notes to the financial statements (continued)**1 General information (continued)****1.2 General economic and financial situation (continued)**

On 30 April 2020, the Council of Ministers approved the Lebanese government's Financial Recovery Plan (the "Plan"). According to the Plan, the preliminary estimation of losses will result from the impact of the economic crisis, the restructuring of the government's debt and assets held at the BDL and impairment of these securities as well as the impairment of banks' credit portfolios. The Lebanese Prime Minister and the Lebanese Finance Minister signed a request for aid from the International Monetary Fund (IMF) and commenced discussions on 1 May 2020. There has been no further indications on the outcome of discussions.

Subsequent to a devastating explosion at the Beirut Port, the Lebanese government resigned on 10 August 2020. To date there has been no replacement announced.

All the above have resulted in:

- A general slowdown in economic activity leading to lower revenue and cash flows and an increased risk of asset impairment;
- Increased actual and expected credit losses for all companies;
- Some companies not being able to settle their bank facilities when due;
- Increased unemployment, inflation and poverty to unprecedented levels;
- Emergence of an unofficial exchange rate in the foreign exchange market (note 4);
- Increased cost of obtaining hard currency; and
- Uncertainty about whether some entities can continue as going concerns.

In an effort to ease the shortage in US Dollar on oil and gas importers, the Central Bank of Lebanon issued Intermediary Circular 535 dated 30 September 2019. As per the circular, the Central Bank is committed to make available to gas and oil importers US Dollars at the official US\$/LL exchange rate covering up to 85% of the value of the shipment.

The Company specific areas for consideration arising from the economic situation are set out below:

- Monetary assets denominated in Lebanese pounds were converted at the official rate. Refer to note 4 under critical estimates and judgements.
- An impairment provision of US\$ 75,000 is recognized against trade receivables amounting to US\$ 1.7 million at 31 December 2019 (see note 8).

Management are implementing the following measures to mitigate the effect of the prevailing economic situation:

- Continuing to take the appropriate commercial decisions to optimise the operations and ensure that the business is able to continue and at the right size.
- Continuously monitoring cashflow forecasts to maintain an adequate balance between cash at banks and cash on hand.

Based on the above measures and the readiness of the ultimate shareholders to provide financial support to enable the Company to continue in business for a period of at least 12 months from the date of the issuance of the financial statements, management believe there is no material uncertainty with respect to the Company's ability to continue as a going concern.

Notes to the financial statements (continued)**2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Company has prepared these financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared under the historical cost convention and relate to the activities of the individual entity

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New standards, amendments and interpretations adopted by the Company:

IFRS 16 'Leases': The Company has adopted IFRS 16 and applied the requirements of the new standard for its reporting period ended 31 December 2019 as a lessee. In accordance with the transition provisions in IFRS 16 the Company has adopted the 'simplified approach' on initial application date. Comparatives for the 2018 financial year have not been restated. The impact of the adoption of the new standard is disclosed in note 22 and the new accounting policy is disclosed in note 21.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2019 that would be expected to have a material impact on the Company's financial statements.

(b) New standards, amendments and interpretations not yet adopted by the Company:

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

2.1.2 Going concern

The financial statements have been prepared on the going concern basis on the strength of a confirmation by the ultimate shareholders of their continuing financial support, to enable the Company to continue in business for a period of at least 12 months from the date of the issuance of the financial statements.

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)****2.2 Foreign currency translation***(a) Functional and presentation currency*

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which is the Lebanese pound. The financial statements are presented in US dollars, which is the Company's presentation currency. The Lebanese pound has been pegged to the US dollar at a rate of LBP 1,507.50 for each US dollar during 2018 and 2019. Refer to note 4 for more details.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within "finance costs-net". All other foreign exchange gains and losses are presented in the statement of comprehensive income within "administrative expenses".

2.3 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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 item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Land is not depreciated. Leased land is treated as a capital lease and is depreciated over the period of the lease or the percentage of extraction. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Short leasehold buildings and improvements	2 - 20
Tanks, pipelines and retail outlets	7 - 20
Tools and equipment	10 - 20
Motor vehicles	4 - 8
Office furniture and equipment	7

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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 (note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)****2.4 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.5 Financial assets*(a) Classification*

The Company classifies its financial assets as those to be measured at amortised cost. The Company's financial assets comprise "trade and other receivables", "cash and cash equivalents" in the balance sheet (notes 2.8 and 2.9).

Assets at amortised cost are assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at fair value through profit or loss. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3. Interest income from these financial assets is included in 'Interest income on loans' using the effective interest rate method.

(b) Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables, see note 3.1 (b) for further details.

For due from banks, due from related parties and loans to station, the Company applies the general approach of expected credit loss under IFRS 9, see note 3.1 (b) for further details

Impairment losses are presented as a separate line item in the statement of comprehensive income

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)****2.6 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.7 Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads and it excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.9 Cash and cash equivalents

For the purpose of the presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

2.12 Borrowings

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)****2.13 Current income tax**

The current income tax charge is calculated on the basis of tax laws enacted or substantially enacted at the balance sheet date.

2.14 Provisions

Provisions for environmental restoration and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the Company has delivered products to the customers. Delivery does not occur until products has been shipped to the specified location and either the customer has accepted the product in accordance with the sales contract, the acceptance provision have lapsed or the Company has objective evidence that all criteria for acceptance have been satisfied, and there is no unfulfilled obligation that could affect the client's acceptance of the products.

The goods are often sold with volume discounts based on aggregate sales over a 12 months period. The Company provides retrospective volume rebates to certain customers once the quality of products purchased during the period exceeds a threshold specified in the contract. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Rebates are offset against amounts receivable from the customer. A contract liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with obligations for returns, which is consistent with market practice. The average credit period was in the range of 14 days to 60 days until the last quarter of 2019 when a cash on delivery policy has been implemented by the Company.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered.

Notes to the financial statements (continued)**2 Summary of significant accounting policies (continued)****2.16 Leases**

As explained in note 2.1, the Company has changed its accounting policy for leases. The new policy is described in note 21 and the impact of the change in note 22.

Until the 2018 financial year, leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial risk management**3.1 Financial risk factors**

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk*(i) Foreign exchange risk*

The Company has no major exposure to foreign currencies because the majority of its foreign currency transactions are denominated in US Dollar. There has been no change in the rate of the foreign exchange between the US Dollar and the Lebanese Pound during the year. Refer to note 4 for more details.

The Company is not significantly exposed to foreign exchange risk arising from other currencies.

(ii) Price risk

The Company is not exposed to significant risks with respect to the changes in prices of financial instruments as the Company does not hold listed equity or debt securities.

(iii) Cash flow and fair value interest rate risk

The Company's interest rate risk arises from current and non-current borrowings. Borrowings issued at variable rates expose the Company to interest rate risk on cash flows. Borrowings issued at fixed rates expose the Company to interest rate risk at fair value. All loans to stations are issued at fixed interest rates.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the Company calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions. During 2019, these scenarios did not show a significant effect on the Company's statement of comprehensive income.

Notes to the financial statements (continued)

3 Financial risk management**3.1 Financial risk factors (continued)****(b) Credit risk***(i) Risk management*

Credit risk arises from deposits with banks, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. The Company deals with well reputable banks. As customers are not independently rated, risk control assesses the credit quality of the customer, taking into account its financial position, past experience, letter of guarantees and other factors. The utilisation of credit limits is regularly monitored.

The Company's financial assets that are subject to the expected credit loss model are bank balances, trade receivables, loans to stations and due from related parties.

(ii) Impairment of financial assets – Bank balances

	2019 US\$'000	2018 US\$'000
Cash at banks	<u>16</u>	<u>595</u>

While Bank balances are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

(iii) Impairment of financial assets – Trade receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 month before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(iv) Impairment of financial assets – Loans to stations and due from related parties

In measuring credit risk of loans to stations and due from related parties, the estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

Notes to the financial statements (continued)**3 Financial risk management****3.1 Financial risk factors (continued)***(iv) Impairment of financial assets – Loans to stations and due from related parties (cont'd)*

The expected credit loss measurement is based on a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'.
- Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

The Company considers a financial asset to have experienced a significant increase in credit risk when one or more of the following quantitative and qualitative criteria have been met:

Quantitative criteria

If the counterparty experiences a significant increase in probability of default which can be triggered by the following factors: (i) significant financial difficulties of the debtor; (ii) default or late payments (more than 60 days overdue), and (iii) probability that the debtor will enter bankruptcy or financial reorganisation.

Qualitative criteria

Feedback from early warning signal is considered (along with factors such as adverse changes in business, financial or economic conditions).

The Company defines a financial asset as in default, which is fully aligned with the definition of credit impaired, when it meets one or more of the following criteria:

Quantitative criteria

The counterparty is more than 90 days past due on its contractual payments.

Notes to the financial statements (continued)**3 Financial risk management****3.1 Financial risk factors (continued)***(iv) Impairment of financial assets – Loans to stations and due from related parties (cont'd)**Qualitative criteria*

The counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where the counterparty is in long-term forbearance, deceased or insolvent.

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per 'Definition of default and credit-impaired' above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Company expected to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- Loss Given Default (LGD) represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

While loans to stations are subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial at 31 December 2019 and 31 December 2018.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient amounts of cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

Cash flow forecasting is performed by the Company's finance department. The Company's finance monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowings facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Notes to the financial statements (continued)**3 Financial risk management****3.1 Financial risk factors (continued)****(c) Liquidity risk (continued)**

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Amounts due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$'000	Between 1 & 2 years US\$'000	Total US\$'000
At 31 December 2019			
Trade and other payables (excluding statutory liabilities) (note 11)	410	-	410
Lease liabilities (note 21)	28	53	81
At 31 December 2018			
Trade and other payables (excluding statutory liabilities) (note 11)	1,232	-	1,232

(d) Product pricing risk

Cash flows are affected by fluctuations in the global "PLATTS" prices. The risks from the change in prices faced by the Company are mitigated through agreements for the unit purchase price with suppliers, determined based on the average high global "PLATTS" prices during a period of two months for product "JET-A1" and on the basis of average monthly global prices for the products "Diesel", "Octane 98" and "Octane 95".

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3.3 Fair value estimation

The financial assets and financial liabilities recognised in the financial statements approximate their fair value at the balance sheet date. The fair value of financial liabilities is estimated by discounting future cash flows contracted using the current interest rate available to the Company on similar financial instruments.

Notes to the financial statements (continued)**4 Critical accounting estimates and judgements**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) Foreign currency translation

During the latter part of 2019, Lebanon experienced significant shortages in hard currency. As a result, the Banks in Lebanon implemented unofficial foreign exchange controls in the banking sector to manage the shortages. The US Dollar has been in wide use and circulation over the last 2 decades and against which the Lebanese Pound has been pegged throughout that period at US\$ 1 equals LL 1,507.5 ("official exchange rate"). In terms of the banking sector, rates would not vary from the official rate and if the Bank were to sell US\$ it would be at the official quoted rate. Given that shortage of US\$ and in order to support the imports of fuel oil, wheat and medicines, the Central Bank has decided to provide importers with hard currency to finance 85% of their purchases in US\$ of such goods from abroad at the official rate.

In terms of IFRS, foreign exchange denominated monetary assets and liabilities should be measured using the spot rate as at 31 December 2019. In addition, the results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as set out in note 2.2. Determination of the spot rate is complex as availability of US\$ at the official rate is not always possible due to the exchange controls implemented. As a result of the above situation, an unofficial rate has emerged in the foreign exchange market that is applied by foreign exchange brokers in their currency trades ("parallel rate"). Management have applied their judgement to determine if the parallel rate should be considered a spot rate. Management do not believe the parallel rate can be considered a spot rate or an official rate for reasons set out below:

- The rates are not quoted daily and may differ significantly from exchange house to exchange house. The rate is considered a hypothetical rate as this rate may also not be available at any given time even between exchange houses.
- Certain exchange houses are not regulated or licensed to trade and may not be considered a legal exchange mechanism.

Accordingly, the official exchange rate of US\$ 1 equals LL 1,507.5 has been used to translate and record the US dollar denominated transactions and balances. In addition, the official rate was used to translate the Company's financial statements into the presentation currency.

Had other exchange rates been used, the amounts might have been significantly different.

Notes to the financial statements (continued)**4 Critical accounting estimates and judgements (continued)***(a) Foreign currency translation (continued)*

The following are the balances denominated in local currency to which the entity is exposed and as a result may be settled at different values than reported under IFRS:

	Original currency	Amount in original currency	Amount in US\$
Monetary assets			
Cash in banks - local banks	LBP'000	7,860	5,000

(b) Going concern

The financial statements have been prepared on the going concern basis on the strength of a confirmation by the ultimate shareholders of their continuing financial support, to enable the Company to continue in business for a period of at least 12 months from the date of the issuance of the financial statements.

The Company had no major estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5 Revenue

	2019 US\$'000	2018 US\$'000
95 Octane	5,683	25,752
Diesel Oil	2,475	11,659
98 Octane	485	3,372
Jet A1	190	9,249
Kerosene	-	116
Gasoil	-	2,996
Others	11	2
	8,844	53,146

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Notes to the financial statements (continued)

6 Property, plant and equipment

	Short leasehold buildings and improvements US\$'000	Tanks, pipelines and retail outlets US\$'000	Tools and equipment US\$'000	Motor vehicles US\$'000	Office furniture and equipment US\$'000	Work in process US\$'000	Total US\$'000
Cost							
At 1 January 2019	96	1,154	13	6	13	8	1,290
Disposals	-	(81)	-	(2)	-	-	(83)
At 31 December 2019	96	1,073	13	4	13	8	1,207
Accumulated depreciation							
At 1 January 2019	96	1,114	13	6	13	-	1,242
Disposals	-	(73)	-	(2)	-	-	(75)
Charge for the year	-	13	-	-	-	-	13
At 31 December 2019	96	1,054	13	4	13	-	1,180
Net Book Value							
At 31 December 2019	-	19	-	-	-	8	27
At 31 December 2018	-	40	-	-	-	8	48

Notes to the financial statements (continued)

7 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	2018 US\$'000	2017 US\$'000
Assets measured at amortised cost as per statement of financial position		
Loans and receivables		
Trade and other receivables excluding prepayments and receivable from tax authorities (notes 8)	1,864	2,212
Cash and cash equivalents (note 9)	17	600
	<u>1,881</u>	<u>2,812</u>
Liabilities measured at amortised cost as per statement of financial position		
Other financial liabilities		
Trade and other payables (note 11)	410	1,232

8 Trade and other receivables (current and non-current)

	2019 US\$'000	2018 US\$'000
Trade receivables	1,697	1,684
Expected credit loss	(75)	(75)
	<u>1,622</u>	<u>1,609</u>
Loans to stations	242	464
Amounts due from tax authorities	37	57
Prepayments	-	119
Advances to suppliers	-	91
Amounts due from related parties (note 18)	-	48
	<u>1,901</u>	<u>2,388</u>
Trade and other receivables	1,901	2,388
Less: Non-current portion	-	(6)
Trade and other receivables (current)	<u>1,901</u>	<u>2,382</u>

Movement of the Company's provision for impairment of trade and other receivables is as follows:

	2019 US\$'000	2018 US\$'000
At 1 January	75	75
At 31 December	<u>75</u>	<u>75</u>

Notes to the financial statements (continued)**8 Trade and other receivables (current)**

The carrying amounts of the Company's trade and other receivables (current and non-current) are denominated in the following currencies:

	2019 US\$'000	2018 US\$'000
US Dollar	1,901	2,388
Lebanese pound	-	-
Total trade and other receivables	<u><u>1,901</u></u>	<u><u>2,388</u></u>

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

9 Cash and cash equivalents

	2019 US\$'000	2018 US\$'000
Cash at banks	16	595
Cash on hand	1	5
	<u><u>17</u></u>	<u><u>600</u></u>

With effect from October 2019, measures were adopted unofficially by banks and financial institutions that limit the amounts that may be withdrawn by clients in cash from their current accounts. In addition, foreign exchange controls were implemented unofficially that effectively prohibit most bank transfers outside the country. Notwithstanding the above, bank current accounts continue to be classified as cash and cash equivalents on the basis that such funds may be utilised without limitations within the country.

Notes to the financial statements (continued)

10 Called up share capital

	2019 US\$'000	2018 US\$'000
Authorised, issued and fully paid: 5,000 ordinary shares of £ 1 each	<u>10</u>	<u>10</u>

11 Trade and other payables

	2019 US\$'000	2018 US\$'000
Amounts due to related parties (note 18)	221	524
Accrued expenses	153	532
Trade payables	18	89
Other payables	18	87
	<u>410</u>	<u>1,232</u>

12 Other income

	2019 US\$'000	2018 US\$'000
Rent income	158	86
Difference of exchange	9	95
Other income	9	57
	<u>176</u>	<u>238</u>

13 Finance (costs) income – net

	2019 US\$'000	2018 US\$'000
Interest income on bank deposits and loans to stations	1	23
Interest expense on lease liabilities (note 21)	(10)	-
Finance (costs) income - net	<u>(9)</u>	<u>23</u>

Notes to the financial statements (continued)

14 Current income tax liabilities

The income tax expense for the year is determined as follows:

	2019 US\$'000	2018 US\$'000
Tax on profit on ordinary activities		
Current tax:		
Current income tax	70	472
Provision for open tax years	25	-
Deferred tax arising from the write down of deferred tax assets	-	24
Income tax for the year	<u>95</u>	<u>496</u>
Profit before income tax	<u>188</u>	<u>1,547</u>
Income tax expenses at statutory rate of 25.3% (2018 – 25.3%)	48	391
Effect of expenses not deductible for tax purposes	22	81
Provision for open tax years	25	-
Tax on profits for the year	<u>95</u>	<u>472</u>
Write down of deferred tax asset related to Property, plant and equipment	-	11
Write down of deferred tax asset related to provisions for doubtful debts	-	13
Total income tax expense	<u>95</u>	<u>496</u>

The open tax years that remain subject to examination and acceptance by the fiscal authorities are the years 2015 till 2019.

15 Contingencies

	2019 US\$'000	2018 US\$'000
Bank guarantees	<u>-</u>	<u>33</u>

16 Operating Lease Commitments

	2019 US\$'000	2018 US\$'000
Within one year	-	87
Between one and five years	-	123
	<u>-</u>	<u>210</u>

Notes to the financial statements (continued)

17 Future Operating Lease Income

	2019 US\$'000	2018 US\$'000
Within one year	85	150
Between one and two years	35	-
Between two and five years	31	150
	<u>151</u>	<u>300</u>

18 Related-party transactions

The Company maintains balances with these related parties, which arise from transactions as follows:

	2019 US\$'000	2018 US\$'000
(a) Transactions with fellow subsidiaries		
Dividends of US\$ 900 per shares paid to Fortuna Holding Company Limited ("Fortuna") – <i>parent company</i>	-	4,500
Purchases of goods from The Coral Oil Company Limited ("Coral") - fellow subsidiary	6,805	50,040
Sales of goods to Coral	1,253	1,659
Sale of goods to Petro One – an other related party	2	-
Purchases of goods from Petro One SAL – an other related party	-	2
Share of costs charged by Coral	-	499
Management charges from Fortuna Holding Company Limited	75	300
Sales of goods to Liquigas Liban S.A.L. – an other related party	-	124
Purchases of goods from Liquigas Liban S.A.L.	-	5
Purchases of goods from Station Management Services S.A. - an other related party	-	1

Notes to the financial statements (continued)

18 Related-party transactions (continued)

(b) Outstanding balances with related parties

	2019 US\$'000	2018 US\$'000
Amounts due from related parties		
Fortuna Holding Company Limited	-	48
	<u>-</u>	<u>48</u>
Amounts due to related parties		
Fortuna Holding Company Limited	27	-
Coral Oil Company Limited	190	518
Station Management Services S.A.L.	2	3
Petro One S.A.L.	2	2
Liquigas Liban S.A.L.	-	1
	<u>221</u>	<u>524</u>

The payable and receivable balances are interest free and are repayable on demand.

19 Auditors remuneration

	2019 US\$'000	2018 US\$'000
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>7</u>	<u>7</u>
	<u>7</u>	<u>7</u>

20 Financing activities

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2019 US\$'000	2018 US\$'000
Cash and cash equivalents	17	600
Lease liabilities	<u>(81)</u>	<u>-</u>
Net cash (debt)	<u>(64)</u>	<u>600</u>
Cash and cash equivalents	17	600
Gross debt - fixed interest rates	<u>(81)</u>	<u>-</u>
Net cash (debt)	<u>(64)</u>	<u>600</u>

Notes to the financial statements (continued)

20 Financing activities (continued)

	Cash and cash equivalents US\$'000	Lease liabilities US\$'000	Total US\$'000
Net debt at 1 January 2018	2,706	-	2,706
Net movement in cash flows	(2,106)	-	(2,106)
Net cash as at 31 December 2018	600	-	600
^B Recognised on adoption of IFRS 16	-	(103)	(103)
Net movement in cash flows	(583)	22	(561)
Net cash as at 31 December 2019	17	(81)	(64)

21 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2019 US\$'000	2018 US\$'000
Right-of-use assets	84	-

Lease liabilities

	2019 US\$'000	2018 US\$'000
Current	28	-
Non-current	53	-
	81	-

Notes to the financial statements (continued)

21 Leases (continued)

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2019 US\$'000	2018 US\$'000
Operating leases	-	124
Depreciation charge of right-of-use assets	29	-

Interest expense (note 13)	10	-
Expenses relating to short term leases	90	-

Income from subleasing of the right-of-use assets amounts to US\$ 30,000 during the year 2019.

(iii) Amount recognised in the statement of cash flows

The total cash outflow for leases in 2019 was US\$ 129,000

	2019 US\$'000	2018 US\$'000
Cash flows from operating activities		
Operating lease payments	-	124
Payments for short term leases	90	-
Interest paid	10	-
Cash flows from financing activities		
Principal elements of lease payments	22	-

(iv) The Company's leasing activities and how these are accounted for

The Company leases various properties. Rental contracts are typically made for fixed periods of 2 to 10 years but may have extension options as described in (v) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

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 Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Notes to the financial statements (continued)**21 Leases (continued)***(iv) The Company's leasing activities and how these are accounted for (continued)*

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received,
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Company, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between the liability and finance cost. The finance cost is charged to the statement comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

(v) Extension and termination options

Extension and termination options are included in a number of property and equipment leases. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension held are exercisable only by the Company and not by the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to not exercise a termination option. Periods after termination options are only included in the lease term is reasonably certain not to be 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.

Notes to the financial statements (continued)

22 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Company's financial statements.

22(a) Impact on the financial statements

As explained in note 22(b) below, IFRS 16 was adopted without restating comparative information. The adjustment arising from leases is recognised in the opening balance sheet on 1 January 2019. The following table shows the adjustment recognised for each individual line item. Line items that were not affected by the changes have not been included.

	31 December 2018 as originally presented US\$'000	IFRS 16 adjustment US\$'000	1 January 2019 as restated US\$'000
Right-of-use assets	-	113	113
Prepayments	10	(10)	-
Total assets	10	103	113
Lease liabilities	-	103	103
Total liabilities	-	103	103

22(b) IFRS 16 'Leases'

As indicated in note 2.1, the Company has adopted IFRS 16 'Leases' using the simplified approach from 1 January 2019 and has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 10%.

	2019 US\$'000
Operating lease commitments disclosed as at 31 December 2018	210
Discounted using the Company's incremental borrowing rate of 10%	193
(Less): short-term leases recognised on a straight-line basis as expense	(90)
Lease liability recognised as at 1 January 2019	103

Notes to the financial statements (continued)**22 Changes in accounting policies (continued)***22(b) IFRS 16 'Leases' (continued)*

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019.

- Right-of-use assets - increase by US\$ 113,000
- Prepayment - decrease by US\$ 10,000
- Lease liabilities - increase by US\$ 103,000

There was no impact on the Company's opening retained earnings.

In applying IFRS 16 for the first time, the Branch has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

23 Events after the reporting period*(i) Covid-19*

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across Lebanon, causing disruptions to businesses and economic activity. The Company considers this outbreak to be a non-adjusting event after the end of the reporting period. As the situation is fluid and rapidly evolving, management do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company. The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Company's IFRS9 estimates of expected credit loss provisions in 2020.

(ii) Explosion in Beirut port

A devastating explosion occurred in the Port of Beirut on 4 August 2020 caused by a fire in one of the warehouses of the Port that contained highly inflammable materials consisting of ammonium nitrate. The resulting blast wave levelled buildings near the port and caused extensive damage over much of the rest of the capital. There has been material damage to the Company's corporate headquarters. Management is still assessing the damages and do not consider it practicable, at this stage, to provide a quantitative estimate of the potential impact of this event on the Company. This is considered a non-adjusting event after the end of the reporting period.