Annual Report 2016

Shell Oman Marketing Company SAOG

His Majesty Sultan Qaboos bin Said

COMMITTED TO GROWING WITH OMAN

For over half a century, Shell Oman has been committed to meet the Sultanate's growing energy demands, and contribute to its prosperity in an economically, environmentally and socially responsible manner by operating safely and sharing benefits with the local community.

The Company continues its plan to invest for long-term growth across all the classes of businesses while providing an unparalleled range of products and services that support the current and future growth initiatives of the country.

Across the Sultanate, all along the roadways, the scenic coasts and the interior regions, wherever progress and development dots the landscape of our beautiful Oman, Shell Oman too is ever-present playing a vital role in the renaissance of Oman.

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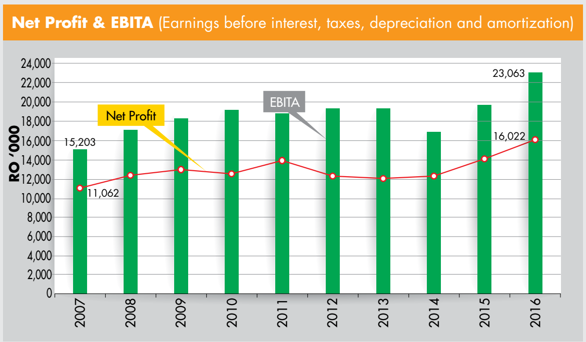
Contents

Contribution to Turnover

Financial Highlights

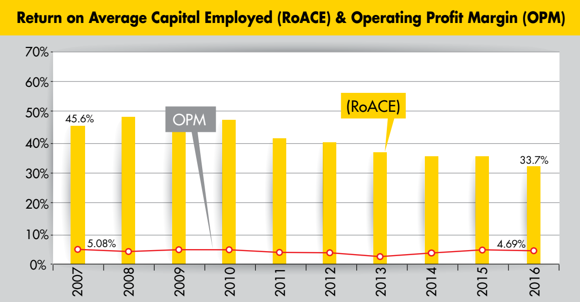
Earnings per share (RO)	0.160*
Dividend per share (RO)	0.106*
Dividend Yield (on offer price of RO 4.900)	21.6%*
Dividend Yield (at 29 Dec 2016 price of RO 2.00)	5.3%

*rebased on an equity share face value of 100 baiza following the stock-split in 2006



Earnings (RO million)

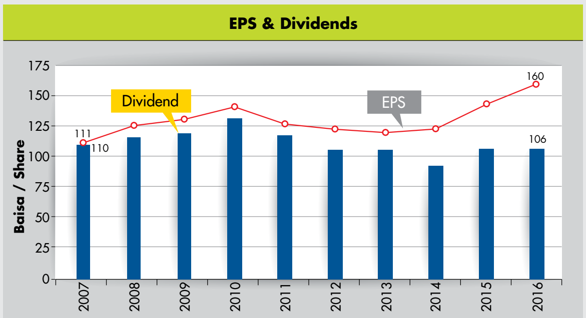
	2016	2015
Turnover	**392.9**	336.0
Gross Profit	**39.4**	38.0
Other Income	**6.8**	5.6
Net Operating Expenses (includes depreciation, interest & amortisation)	**(28.0)**	(27.5)
Profit before tax	**18.2**	16.1
Taxation	**(2.2)**	(1.9)
Profit after tax	**16.0**	14.2
Dividends (RO million)	**10.6**	10.6



Return on Average Capital Employed is net profit divided by the average of opening & closing balances of Capital Employed.

Balance Sheet (RO million)

	2016	2015
Share Capital	**10.0**	10.0
Reserves	**3.6**	3.6
Retained Earnings	**30.7**	25.3
Net Assets	**44.3**	38.9



(All data based on a equity share face value of 100 baiza)

Board of Directors

Sitting from left to right

Mazhar Ud Deen, Director
Amr Adel, Director
Ishaq Zayed Al Mawali, Director
Ornuthai Na Chiangmai, Director
Shabib Mohammed Al Darmaki, Director

Chris Breeze, Chairman
Ghalib Fawzy Al Busaidi, Director
Huda Abdullah Al Habsi, Director
Juma Abdullah Al Khamisi, Director
Faisal Waheed, Director
Lamees Dawood Al Lawati, Board Secretary

Sitting from left to right

Djamel Elmestari, Lubricants Supply Chain Manager
Mohammed Ali Al Farsi, GM-External Affairs & Business Development

Standing from left to right

Ali Yahya Al Amri, Retail Network Manager
Haitham Harib Al Ismaily, Human Resources & Administration Manager
Khalid Hashil Al Awaisi, Country Aviation Manager

Management Team

Mohammed Mahmood Al Balushi, Chief Executive Officer
Scott McDonald, Chief Financial Officer

Hafidh Harib Al Ismaily, Trade & Supply Manager
Mahmoud Abdullah Al Abri, Commercial Lubricants Manager
Mohammed Abdulla Al Kindi, Commercial Fuels & Fleet Manager
Kumayl Ahmed Al Lawati, Bitumen, Marine & Customer Service Manager

Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Directors' Annual Report of Shell Oman Marketing Company SAOG for the year ended December 31, 2016.

Business Environment

As part of the response to oil price reduction, the government restructured the Retail fuel pricing system for the end consumers and introduced a new grade of fuel, Mogas 91, changing the established business environment for all fuel marketing companies.

Despite these market conditions, your Company posted strong financial results by growing the net income by 13.0% compared to the previous year. This was attributable to continued growth from recent years' investments in Retail segment, increased third party usage of our Mina Al Fahal terminal, continued cost control measures and a one-off non-recurring item in Q1 2016.

Financial Performance

In 2016, the Company's retail volumes reduced slightly as a result of the market conditions, with the impact of this reduction mitigated because of continuing investment in new & existing sites to increase financial returns, operational excellence at site level, and on time product delivery. The Commercial fleet cards business grew slightly in 2016 as the Company achieved a greater share of the total market in this segment. Total Lubricant sales volumes (export plus domestic) were around the same levels as 2015.

For the year ended 2016, revenues were RO 392.9 million, 16.9% higher than last year mainly due to the reform in the fuel subsidy which resulted in higher fuel pricing across the country that came into effect in mid January 2016.

2016 net profit was RO 16.02 million compared to RO 14.18 million in 2015, with Basic earnings per share (EPS) 13% higher than 2015 as a result.

Net cash generated from operating activities was RO 24.0 million, 19.0% higher than 2015. This was mainly due to higher net income and positive movements in working capital.

Business Results

In 2016, the **Retail business** environment landscape was presented with changing subsidy policy resulting in reduced fuel demand. Retail business continued to be the leading revenue generating segment for the Company delivering a steady year on

2016 net profit was RO 16.02 million compared to RO 14.18 million in 2015, with Basic earnings per share (EPS) 13% higher than 2015 as a result.

year growth in business profitability. The significant multi-year investment in new and existing sites, continuous improvement in operational excellence and cost optimisation were the main drivers for retail growth. In addition, the commercial cards segment with improved customer value propositions achieved growth in a generally declining market in 2016.

In order to provide its customers with convenient locations on new roads and highways, the Company continued with its long term growth strategy of investing in future heartlands to strengthen its footprint across the country. Significant investment was made during the year with six new service stations being opened, bringing the number of service stations to 180 with further new build and site upgrade projects in progress for 2017 delivery.

The business remains focused on providing customers with world class retail experience delivering high quality products and services through a widespread retail network across the country as reflected in an independent customer survey where Shell maintained its market leadership in "Brand Share of Preference" and "High Quality Fuels" customer perception. The Retail business also expanded its Retail offers by introducing Coffee concept, Customer Interface Screens and Car Care Services.

The **Commercial fuel business** environment remained challenging with the changing market conditions; however, the focus remains primarily on higher margin opportunities through offering high operations excellence and quality. This has resulted in a strategic phasedown in overall business volumes compared to the previous year while achieving an increase in business profitability.

The **Aviation business** managed to retain all its existing customers at Muscat International Airport and was able to win a share of Oman Air volumes as well as winning new international customers. The Company continued operating as the solo operator at Salalah Airport and supporting the PDO remote airfields.

The **Lubricants business** volumes were slightly higher than 2015 due to winning new accounts in various sectors. To help penetrate the market further, the Company managed to retain its key customers and win major accounts including new partnerships in the transportation sector. The new PurePlus Technology of pure base oil developed from natural gas supported the Company's strategies for premium products and helped it position itself strongly in the market.

The lubricants blending plant in Mina Al Fahal (which serves the Company's local demand and Royal Dutch Shell Group's regional customers) continued to be a world class business and successfully started to produce non-Shell branded packs for significant international customers. Overall export volumes were slightly lower than the previous year reflecting instability in demand from the wider regional export market.

The **Marine** business maintained its market position in a competitive market. The team will continue to seek new marine development projects.

The **Bitumen** segment witnessed a drop in its volumes compared to last year due to the timing of a few key projects. However, the business continued to perform profitably despite intense competition.

Proposed Dividend

The Board of Directors has proposed a capital investment programme for 2017 that is higher than 2016 because of continued growth of our retail network and the modernisation of a key supply asset. In order to fund this increased investment programme, the Board is proposing that the dividend remains unchanged at 106 baisa per share (2015: 106 baisa per share) for distribution in April 2017. Whilst coming to this decision the Board has considered the current market conditions, the liquidity in the money market, existing borrowings and the capital investment programme for the year 2017.

Business Outlook

The fuel marketing business normally follows the economic trend of the country and we therefore expect that given the higher fuel prices and the fall in the crude oil prices, it will continue to be a year of changing market circumstances. Major infrastructure projects (including Road construction) which began in earlier years should continue to completion in 2017. In the aviation sector, the final development of the new Muscat International Airport continues. The Company is closely following developments in this sector with a view to realising any opportunities.

> The year also witnessed the rollout of "Zero Fire Incident" project which involved many initiatives and the introduced new technologies in service stations, lubricants plant and bulk fuels depot to proactively manage the risk of fire incidents.

Our Commitment to Sustainable Development

In line with our Statement of General Business Principles, the Company subscribes to the principle of sustainable development – which means helping meet the country's growing energy needs in an economically, environmentally and socially responsible way. In short, it's about helping secure a responsible energy future.

During the Company's almost sixty years of performance in Oman, our belief that success is built on sustainable development principles has governed the way we conduct all our operations. We optimise positive community benefits and undertake broader contributions to society through sharing, delivering and meeting our promises. We are consistently improving how we conduct business by adapting best practices in the areas of health, safety, security and environment and contribute to the development of the economy through hiring Omanis and working with local suppliers and customers and creating In-Country Value initiatives.

Health, Safety, Security & Environment (HSSE)

In 2016, the Company continued to maintain the focus on achieving continuous HSSE improvement with personal safety being the key focus area, especially that which directly impacts road safety and contractors' safety. These sustained efforts were reflected in the significant reduction that was achieved on the number of Loss of Product Containment Incidents, Fire Incidents, Robbery Incidents, Product Quality Incidents and Assaults Incidents when compared to previous years. However, the Company closed the year with three recordable Lost Time Injuries (LTI) cases, all having occurred in the first quarter of the year with significant actions taken since to ensure the following 9 months were LTI-free.

Another HSSE area that the Company focused on was the Safety Behaviour Culture through building up the self-caring, caring for others and intervention culture, which involved number of initiatives that helped in increasing awareness and building up the safety behaviour culture. The year also witnessed the rollout of "Zero Fire Incident" project which involved many initiatives and introduced new technologies in service stations, lubricants plant and bulk fuels depot to proactively manage the risk of fire incidents.

Risks and Concerns

The Company's forward investment and business plan assumes stability in the fixed margin rates in the dominant retail segment, and this is subject to government policy. The Company is testing all investments against various scenarios which may come from lower oil prices and the announced 5-year budget to ensure we continue to take robust investment decisions concerning the shareholders' available funds.

Internal Control Systems

The Board of Directors recognises that good corporate governance has its roots in sound internal controls and a robust risk management programme. The Board affirms its overall responsibility for reviewing the adequacy and the integrity of the Company's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines. There was no material loss reported during the 2016 financial year as a result of weaknesses in internal controls. The management of the Company continues to take measures to strengthen the overall internal control environment.

Corporate Governance

The Company has fully implemented the new Code of Corporate Governance for Public Listed Companies in July 2016. As a result, a new sub-committee of the Board, the Nomination & Remuneration Committee was established during the year. The Committee operates under a Terms of Reference approved by the Board.

The Code also requires that the Company appoint an independent third party to carry out an evaluation of the Board. The Board has therefore carried out a tendering process & provisionally identified an appropriate party to carry out this exercise and shall propose that the shareholders appoint this firm in the AGM to be held in March 2017.

Board Changes

The Company appointed Mohammed Mahmood Al Balushi as Managing Director in February 2016, in place of Adil Ismail Al Raisi who resigned from the Company.

Following, and as a result of, the implementation of the new Code of Corporate Governance (which does not permit the position of executive directors), the two executive directors of the Company, Mohammed Mahmood Al Balushi and Scott Michael McDonald, commenced new positions of Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of the Company respectively in June 2016. Their day-to-day management roles & responsibilities remain unchanged. The Shell Group replaced them on the Board with Ornuthai Na Chiangmai and Faisal Waheed respectively.

In Appreciation

I take this opportunity to commend His Majesty Sultan Qaboos bin Said and his government for the excellent achievements during 2016. The wise direction and leadership of His Majesty has taken Oman to prosperity since the dawn of the blessed Renaissance.

On behalf of the Board of Directors, I would like to express my sincere thanks to our shareholders, the management, our employees, customers, contractors and all our other stakeholders for their loyalty, perseverance, dedication and effort in the face of an ever growing and challenging business environment. The Board of Directors remains committed to pursuing all opportunities with a view to maintaining the Company's expansion while enhancing shareholders' value. We are grateful for your constant support as we secure growth and prosperity for the Company.

Christopher Breeze
Chairman of the Board
Muscat: January 25, 2017

Retail Business

Shell Oman aims to add value to every trip the customers make. With over 180 strategically positioned Shell service stations, Shell Quality Fuels, Customer Interface Screens (CIS), Shell Motorists App, Shell Helix Lubricants with PurePlus Technology, Shell Vehicle Recognition System (VRS), the all-new deli CAFÉ, and much more innovative products and services, Shell Oman gives you more reasons to be part of your journey.

N °23.622429, E °58.552591

Shell Jibroo and Twin Jibroo Service Stations, Muttrah

Auditor's Report on Corporate Governance

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Report to the Shareholders of Shell Oman Marketing Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance issued under Circular No. 11/2002 dated 3 June 2002 and the revised CMA Code of Corporate Governance issued under CMA Circular 4/2015 dated 22 July 2015 (together the "Governance Code"). The Report is set out on pages 16 to 21.

Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist the Shareholders in evaluating the Company's compliance with the Governance Code. The Procedures we performed were as follows:

1. Corroborated, as required, the matters disclosed in the Report by reference to: Audit Committee and Board minutes of meetings held during the year ended 31 December 2016; and relevant supporting Company records.

2. Confirmed that the Report discloses matters discussed in the Board of Director's report on review of the effectiveness of the Company's system of internal controls and that these matters were reported by Company's internal auditor to the Audit Committee during the year ended 31 December 2016.

3. Checked that the Report includes disclosures set out in Annexure 3 of the Code.

4. Checked whether matters, if any, reported in the Auditors' report on the financial statements for the year ended 31 December 2016 relating to: Adequacy and efficacy of the internal control systems in place; going concern considerations; and the adequacy of policies and procedures set up by the Company were also included in the Auditor's presentation to the Audit Committee.

5. Read the Minutes of Board and Audit Committee meetings during the year ended 31 December 2016 to confirm that any matters of non-compliance with the Governance Code mentioned therein are also included in the Report.

As a result of performing the Procedures, we have no exceptions to report.

Because the Procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of the Report in accordance with International Standards on Auditing or International Standards on Review Engagement, other matters might have come to our attention that would have been reported to you. This report is solely for the purpose set forth in the second paragraph of the Company's Corporate Governance Report, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Company's Corporate Governance Report included in the Company's annual report for the year ended 31 December 2016 and does not extend to any financial statements or any other reports of the Company, taken as a whole.

25 January 2017 — *Paul Callaghan*

Corporate Governance Report

In accordance with the Capital Market Authority ("CMA") guidelines, we are pleased to present the Corporate Governance Report of Shell Oman Marketing Company SAOG ("the Company") for the year ended December 31, 2016. The Company's auditors, KPMG has issued a separate Factual Findings Report on the Company's Corporate Governance Report for the year ended December 31, 2016.

Company's Philosophy

Corporate Governance at **Shell Oman Marketing Company SAOG** envisages commitment of the Company towards the attainment of high levels of transparency, accountability and business propriety with the ultimate objective of increasing long term shareholders value, keeping in view the needs and interests of all other stakeholders.

Shell Oman Marketing Company SAOG is committed to adopting the best global practices of Corporate Governance and fully supports the code on Corporate Governance issued by the CMA.

This Report has been prepared under the Code of Corporate Governance for Public Listed Companies, 2015 ("the Code") which the Company fully implemented by July 2016.

Board of Directors

The Board comprises entirely of Non-Executive Directors (there were two executive directors up to June 2016). The present strength of the Board is ten Directors comprising, five Shell Nominated Non-Independent directors and five Independent Directors. The Chairman and Directors are accomplished professionals and experts in their respective corporate fields, ensuring proper direction and control of the Company's activities.

At present all directors are either shareholder or non-shareholder directors. Shareholder directors represent a juristic person owning at least 1,000 shares in the Company. As per the Articles of Association the general meeting has the power to increase the size of the Board by up to two non-shareholder directors.

Adil Ismail Al-Raisi, was the Managing Director of the Company, up to February 1, 2016 when he resigned from the Company. He was replaced by Mohammed Mahmood Al-Balushi on February 2, 2016. However, as the Code prohibits the position of executive director, Mohammed stepped down from the Board on June 1, 2016 and assumed the new position of Chief Executive Officer (CEO). His place on the Board was taken by a Shell nominee, Ornuthai Na Chiangmai.

Scott McDonald, the Finance Director of the Company stepped down from the Board on June 1, 2016 to conform to the Code which requires all directors to be non-executive. As a result he assumed the new role of Chief Financial Officer (CFO). His place on the Board has been taken by a Shell nominee, Faisal Waheed.

Juristic shareholder, Public Authority for Social Insurance (PASI), replaced representative director, Saleh Nasser Al Araimi with Ishaq Zayed Khalifa Al Mawali with effect from January 5, 2016.

Functions of the Board

The Company in general complies with the functions of the Board as per the Code. With respect to the selection of the key executives a selection process applied within the Shell Group is used. The same applies for evaluation of staff where a comprehensive performance and appraisal system of the Shell Group is implemented.

Shell Oman signing MoU for Shell Eco-marathon with Sultan Qaboos University.

Process of Nomination of the Directors

At the ordinary general meeting in March 2015, ten directors have been elected for a period of three years. Juristic persons have nominated eight directors. There are arrangements for the filling of vacancies by the Board itself on a temporary basis and for the appointment of substitutes. The Company has an induction programme for Directors, which covers the business environment and the Company businesses as well as specific corporate governance elements (e.g. Code of Conduct and confidentiality).

Entity Represented by Non-Independent Directors

Non Independent Director	Entity Represented
Christopher Mark Breeze	Shell Petroleum NV, The Netherlands
Ornuthai Na Chiangmai	Shell Gas BV, The Netherlands
Mazhar Ud Deen	BV Petroleum Assurantie Maatschappij, The Netherlands
Faisal Waheed	B.V. Dordtsche Petroleum Maatschappij, The Netherlands
Amr Adel	Shell Overseas Investment BV, The Netherlands

Entity Represented by Independent Directors

Independent Director	Entity Represented
Shabib Mohammed Al-Darmaki	Civil Service Employees Pension Fund, Oman
Ishaq Zayed Khalifa Al-Mawali	Public Authority for Social Insurance (PASI), Oman
Juma Abdullah Khalfan Al-Khamisi	Ministry of Defence – Pension Fund, Oman

Ghalib Fawzy Salim Al Busaidi and Huda Abdullah Saleh Al-Habsi are Independent Directors and represent themselves.

During the year 2016, the Company held five Board meetings. The dates are January 27, April 27, July 27, October 26, and December 7, 2016. The intervals between the meetings are in line with the CMA required interval of a maximum of four months.

Director's Attendance Record and Directorships held during the Financial Year 2016.

Name of Director	Position	Board meetings attended	Whether attended last AGM	Directorship in other SAOG Companies
Christopher Mark Breeze	Chairman, Board of Directors	4	Yes	None
Shabib Mohammed Al Darmaki	Independent Director	5	Yes	Alizz Islamic Bank SAOG
Ghalib Fawzy Salim Al Busaidi	Independent Director	5	Yes	None
Adil Ismail Al Raisi	Executive Whole-time Managing Director (Resigned on February 1, 2016)	1	N/A	None
Mohammed Mahmood Al-Balushi	Executive Whole-time Managing Director (From February 2 to 1 June 2016)	1	Yes	None
Ornuthai Na Chiangmai	Non-Independent Director, (From June 2, 2016)	2	N/A	None
Mazhar Ud Deen	Non-Independent Director	5	Yes	None
Scott Michael McDonald	Executive Whole-time Director (Finance) up to June 1, 2016	2	Yes	None
Faisal Waheed	Non-Independent Director, (From June 2, 2016)	3	N/A	None
Amr Adel	Non-Independent Director	4	Yes	None
Juma Abdullah Khalfan Al-Khamisi	Independent Director	5	Yes	Muscat Finance Co. Ltd SAOG Oman Flour Mills Co SAOG
Huda Abdullah Saleh Al-Habsi	Independent Director	5	Yes	None
Saleh Nasser Al Araimi	Independent Director (up to January 4, 2016)	Nil	N/A	Oman Fisheries Co SAOG; Bank Dhofar SAOG
Ishaq Zayed Khalifa Al-Mawali	Independent Director (From January 5, 2016)	5	Yes	None

The Board of Directors manages and supervises the business and affairs of the Company in a stewardship role. The day-to-day management is delegated to the officers of the Company. Any responsibilities that have not been delegated to the officers or to a committee of the Board remain with the Board.

In order to facilitate proper governance the following information amongst others is provided to the Board:

- Review of operating plans of business, capital budgets and updates;
- Quarterly/annual results of the Company and its business segments;
- Quarterly performance on Health Safety Security and Environment;
- Reports of fatal, serious accidents or dangerous occurrences;
- Directors fees and remuneration;
- Minutes of the subcommittees of the Board;
- Material default in financial obligations to or by the Company;
- Issues involving possible public or product liability claims of substantial nature;
- Any significant industrial relations problems;
- Senior management changes;
- Policies / procedures as are deemed important to place before the Board;
- Material notices of penalty and causes,
- Non-compliance with any regulatory requirements; and
- Related party transactions.

As required by Code the Board of Directors has adopted Internal Regulations - these include adoption of principles, policies, procedures and practices for doing business and conducting affairs that are commonly used in the Shell Group. As part of this Shell Group Statement of General Business Principles, Health Safety Security, Code of Conduct and Environment Policies are in place. The Board in general is informed of any changes advised by the Shell Group.

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict of interest with the Company at large during the period in question. The Board has adopted a specific Related Party Transaction procedure to ensure compliance with the new Code.

Company Secretary

The Board Secretary is Lamees Al Lawati. She records minutes of every Board meeting whereby decisions are recorded and action items are identified.

Remuneration Matters

Each non-executive director is awarded RO 800 as a sitting fee for every board meeting and Annual General Meeting attended, and RO 400 for every Audit Committee and Nomination & Remuneration Committee meetings attended. Annual remuneration is awarded as long as the sum of sitting fees does not exceed RO 10,000 and the total remuneration does not exceed RO 15,000 per director. The total remuneration paid to Non-Executive Directors for year ended December 31, 2016 was RO 125,000. Executive directors[1] are compensated in their salary for service as a board member; they did not receive any separate remuneration or sitting fees.

Details of Directors' Remuneration

The details of directors remuneration for the year 2016 is as follows:

Sr No	Name / Position		Annual remuneration (Rials)	Sitting Fees (Rials)
1	Christopher Mark Breeze	CB, NRC	8,600	4,400
2	Shabib Mohammed Al-Darmaki	AC	8,600	6,400
3	Adil Ismail Al Raisi *Executive Whole-time Managing Director (up to February 1, 2016)*		Nil*	Nil*
4	Mohammed Mahmood Al-Balushi *Executive Whole-time Managing Director (From February 2, 2016 to June 1, 2016)*		Nil*	Nil*
5	Ornuthai Na Chiangmai	NRC	4,300	2,000
6	Mazhar Ud Deen		8,600	4,800
7	Scott Michael McDonald *Executive – Whole-time Finance Director (up to June 1, 2016)*		Nil*	Nil*
8	Faisal Waheed	AC	4,300	2,800
9	Amr Adel		8,600	4,000
10	Juma Abdullah Khalfan Al-Khamisi	AC	8,600	6,400
11	Ghalib Fawzy Salim Al Busaidi	NRC	8,600	5,200
12	Huda Abdullah Saleh Al-Habsi	AC	8,600	6,400
13	Ishaq Zayed Khalifa Al-Mawali	NRC	8,600	5,200
	*** Total**		**77,400**	**47,600**

Legend: CB = Chairman, Board of Directors, AC = Member, Audit Committee, NRC = Member, Nomination & Remuneration Committee

(A salaried key employee of the Company, covered under the top-five executives remuneration below)*

1 *The position of Executive Director was discontinued by the Company on June 1, 2016 to comply with the Code.*

Shell Oman winning OER Top 20 award

The total remuneration such as salaries, benefits, bonuses, stock options, pension contributions & perquisites paid to the top five officers of the Company was RO 639,090 in 2016.

Audit Committee of the Board

The Audit Committee was reconstituted by the Board in March 2015 in which they appointed three independent directors. Shabib Al-Darmaki who is an independent Director is the Committee's Chairman. The committee held four meetings during 2016, which have been minuted. Faisal Waheed was nominated to the Committee in October 2016. Faisal joined Shell in 2013 and he has over 18 years of leadership roles in various companies. He is currently the Finance Director of Shell Pakistan Limited.

The audit charter approved by the Board includes the main responsibilities of the Audit Committee as follows:

- Reviewing the annual audited financial statements and the Auditors' Report on the statements prior to submission to the Board for approval;
- Reviewing and approving the interim financial statements prior to public release and filing;
- Reviewing the scope of external and internal audits;
- Reviewing and discussing accounting and reporting policies and changes in accounting principles;
- Assessing the effectiveness of the Company's internal control systems and procedures, and the process for identifying principal business risks;
- Reviewing compliance with the Code of Conduct;
- Reviewing legal matters with counsel;
- Reviewing directors and officers expense and related party transactions; and
- Meeting with the internal and external auditors independently of management of the Company.

Attendance record of the Audit Committee Members

Name of Director	No. of meetings	Meetings attended
Shabib Mohammed Al-Darmaki	4	4
Juma Abdullah Khalfan Al-Khamisi	4	4
Huda Abdullah Saleh Al-Habsi	4	4
Faisal Waheed	1	1

Lamees Al Lawati, an executive of the Company is the Internal Audit Manager and she reports to the Chairman of the Board Audit Committee.

Audit and Internal Control

In consultation with the Audit Committee, the Board of Directors recommended the appointment of external auditors to the annual general meeting. The shareholders have, therefore, appointed KPMG as auditors for the financial year 2016.

In accordance with the Corporate Governance Code, the services of KPMG are not used where a conflict of interest might occur.

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

Nomination & Remuneration Committee (NRCO)

The Board of Directors established the Nomination & Remuneration Committee in July 2016.

NRCOs key responsibilities include:

- Establishing a remuneration & incentive policy for Directors and Executive Management;
- Defining bonus policy & scorecard that establishes the basis for bonus payment to Executive Management;
- Monitor the structure and level of remuneration for Executive Management;
- Lead process for appointment of skilled persons to the Board of Directors;
- Succession planning for Directors and Executive Management;
- Assist in selecting highly skilled personnel for the Executive Management;

NRCO operates within its terms of reference issued by the Board of Directors in July 2016.

Attendance record of the Committee Members

Name of Director	No. of meetings	Meetings attended
Ghalib Fawzy Salim Al Busaidi (Committee Chairman)	1	1
Ishaq Zayed Khalifa Al-Mawali	1	1
Ornuthai Na Chiangmai	1	1
Christopher Mark Breeze	1	1

Annual General Meeting

The Company's Annual report contains written clarifications on each item on the agenda of the Annual General Meeting so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation thereat. The Directors encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the General Meeting itself or thereafter. Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and not just at the General Meetings.

Means of Communication with the Shareholders and Investors

The Company has its own web site and all vital information relating to the Company and its performance, including quarterly results, official press releases, annual report and governance related policies and procedures are posted on the web site for all interested parties. The Company's website is www.shelloman.com.om

During the year the Chief Financial Officer has had several meetings with banks, fund managers and investment managers to brief them about the Company's performance and field any questions that they might have.

Financial Reporting

The Company presents quarterly public financial announcements that include details of the Company's business performance and current issues and concerns. As per legal requirements and policy, quarterly and annual results of Company's performance are published in the leading newspapers in both Arabic and English. The Directors review these announcements at their Board Meetings prior to publication to ensure that they are accurate and present a clear assessment of the Company's affairs.

Further the Company entertains specific meetings with analysts and shareholders, upon requests, as appropriate.

Dividend policy

The Company's dividend policy is to remit the optimum amount of profit, in any operating year, to shareholders. Several factors will be considered whilst making this decision viz. future investment plans, working capital requirements, ability to borrow funds, and other constraints. If, in accordance with the business plans, funds and profits were likely to be available the Company would like to pay an interim dividend. In line with this policy the Company, is expected to pay a dividend for the year 2016, in April, 2017.

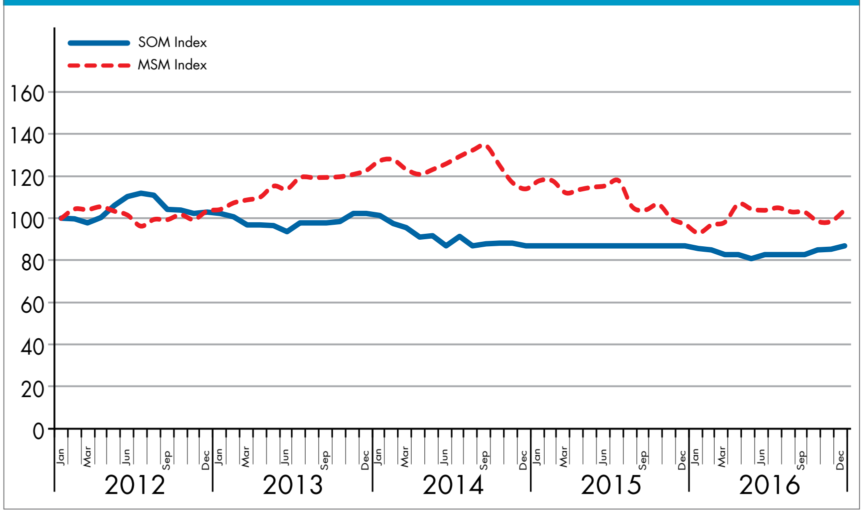
Market Price Data

Monthly High / low share price data for financial year 2016.

Month 2016	High	Low	Volume
January	2.000	1.965	392,825
February	1.965	1.950	302,568
March	1.950	1.900	57,921
April	1.905	1.860	164,603
May	1.905	1.860	185,904
June	1.900	1.860	123,635
July	1.900	1.900	59,295
August	1.900	1.900	5,602
September	1.900	1.900	3,368
October	1.955	1.900	480,801
November	1.960	1.950	176,427
December	2.000	1.960	449,809

Performance in Comparison to Broad Based Index of MSM

Share Price Relative Performance



Distribution of Shareholding

The Shell Group holds, through 5 wholly-owned Shell subsidiaries, 49 % of the shares, whereas 51% of the shares are held by other investors and traded on the Muscat Security Market. In line with the Commercial Companies Law and the Company's Articles of Association, 5,000,000 shares of the Company have a preferential characteristic, in that they are multi vote shares. The Shell Group owning those multi-vote shares thereby is able to cast 54,000,000 votes at the ordinary general meeting. This will not itself enable them to control an Extraordinary General Meeting of the Company.

Major Shareholders (as on December 31, 2016)

Shareholder Name	No of shares held	Shareholding %
B.V. Dordtsche Petroleum Maatschappij	20,000,000	20.0
Shell Overseas Investment BV	20,000,000	20.0
Civil Service Employees Pension Fund	9,720,814	9.7
Shell Petroleum NV	8,800,000	8.8
MOD Pension Fund	8,247,648	8.2

Specific Areas of Non-compliance with the Provisions of Corporate Governance

The Company is pleased to inform the shareholders that it is in full compliance with the Corporate Governance Code.

Details of Non-compliance by the Company

There are no penalties or strictures imposed on the Company by CMA/MSM or any statutory authority during the period of this report.

Professional Profile of the Statutory Auditor

About KPMG

The shareholders of the Company appointed KPMG as the Company's auditors for the year 2016 in place of Deloitte who completed their 4 year maximum term.

KPMG is a leading Audit, Tax and Advisory firm in Oman and is a part of KPMG Lower Gulf that was established in 1973. KPMG in Oman employs more than 180 people, amongst whom are 3 Partners, 5 Directors and 24 Managers, including Omani nationals. KPMG is a global network of professional firms providing Audit, Tax and Advisory services. KPMG operates in 152 countries and has around 189,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOGs).

During the year 2016, KPMG billed an amount of RO 16,140 towards professional services rendered to the Company (RO 8,500 for audit and RO 7,640 for tax and other services).

Acknowledgement by Board of Directors

The Directors are required by the Commercial Companies Law 1974, as amended, and the Capital Market Authority Administrative Decision 5/2007 to prepare financial statements for each financial year which have been made out in accordance with the International Financial Reporting Standards ("IFRS") to fairly reflect the financial position of the company and its financial performance during the relevant financial period.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have responsibility for ensuring that the Company keep accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with Commercial Companies Law of 1974, as amended.

The Board affirms its overall responsibility for the Company's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Aviation Business

With over 100 years' experience in designing and operating fuelling facilities across the globe, Shell Aviation Business knows what it takes to fuel your requirements for reliable, efficient and profitable operations.

N °17.046080, E °54.088608

Shell Aviation at Salalah International Airport, Salalah

Management Discussion and Analysis

Health, Safety, Security & Environment (HSSE):

In 2016, the Company closed the year with three recordable Lost Time Injuries (LTI), all occurring in the first quarter of the year. For the remainder of the year, the focus was on returning the Company to its previous years safety achievements of zero LTI incidents with personal safety behaviors being the key focus area, especially where it directly impacts road safety and contractors' safety. These multi-year efforts were reflected on the significant reduction that was achieved on the number of Loss of Product Containment Incidents, Fire Incidents, Robbery / Assault Incidents, and Product Quality Incidents when compared to recent years.

The Company continued to focus on strengthening Safety Behavior Culture through building up the Self-caring, caring for others and intervention mindset, with a number of initiatives, such as Safety Day 2016, that aimed at increasing awareness in that area. The year also witnessed the rollout of the "Zero Fire Incident" project that introduced new technologies in service stations, lubricants blending plant and fuels depot to proactively mitigate the risk of fire incidents.

Human Resources

People Attraction & Recruitment

In 2016, the Company ended the year with 269 employees compared with 267 in the previous year. The Company sustained its commitment towards Omanisation with 87% of the roles performed by Omanis.

Shell Oman continued to identify and recruit new Omani talent in a competitive market. The annual Career and Training Fair at Sultan Qaboos University saw active participation by the Company, where the Company employees had an opportunity to share their experiences with students and create awareness about careers in Shell Oman.

Learning & Development

The Company continues to demonstrate its commitment to being a role model for successful talent development by investing in a number of human resources and skills developmental strategies to help the next generation of Omani professionals realize their potential through a variety of tools such as scholarships for graduates, individual development plans (IDP) for employees, and supporting staff who are assisted through the His Majesty Sultan Qaboos bin Said scholarship programmes.

Learning and development of our employees is a cornerstone of the Company's business success and in 2016, the focus was on improving the effectiveness of IDPs, and enhance career and training discussions between employees and line managers.

Shell Oman Safety Day 2016

Retail

Business Environment

Retail business remains the largest revenue segment for the Company maintaining its market leadership with the motorists and commercial customers adapting to the increase in fuel price, which has impacted the fuel demand across the country compared to last year. In 2016 the business continued its focus on providing customers with world class retail experience delivering high quality products and services through a wide spread Retail network across all governorates. The Retail business environment remained challenging with evolving customer needs, changing regulations and expanding road infrastructure. Despite the challenges, the business continued with its long term investment program to strengthen its retail footprint across Oman to provide its customer with convenient locations and a world class customer experience, leveraging on the Government continuing investments on roads and strategic infrastructure across the country.

Performance

Retail profitability continued to grow with prior year investments in new sites & upgrades to existing sites together with continuous improvement in customer experience remaining the key drivers for the business. On key performance indicators like Brand Share of Preference and High Quality Fuels perception, Shell Oman Retail emerged as a leader not only in Oman market but also in Shell Group as seen from the Global Customer Tracker, an international market research managed globally by the Shell Group.

In order to provide its customer with convenient locations across the whole of Oman, the business continued with its multi-year investment programme commissioning 6 sites during the year bringing the number of sites to 180, while a number of further sites are currently under construction with planned opening in early 2017. In addition, a number of upgrade projects including 7 "Knock Down and Rebuild" projects were also delivered during the year as part of the business focus to upgrade our sites.

The contribution of our business partners remains the driving force behind consistently delivering operational excellence and world class retail experience. Our commitment towards the People Make the Difference Real (PMTDR) (a Shell Group international programme) has developed our retailers as a key business partner in ensuring the highest standards of service at our sites. During 2016, the top 3 Retailers represented Oman in a 'Shell Retail Smiling Star' event in Tokyo, held in the presence of the best Shell retailers from more than 70 countries across the world.

The business, in order to optimize value from the existing network and to provide its customers an integrated

The inauguration ceremony of deli CAFÉ at Mawaleh Shell Service Station.

Mohammed Mahmood Al Balushi, Shell Oman CEO, interacting with a customer at Shell Service Station.

Retail experience continues its focus on developing its Non-Fuel-Retail (NFR) segment, introducing 1 further deli Café coffee concept, 7 new convenience stores and car care services such as car wash and oil changes across its Retail network. The Company's renewed interest in promoting lubricants within the Retail business has also resulted in an increase in the sale of lubricants at its service stations compared to prior years.

Fleet Cards business continued its penetration in the overall Retail business showing steady year on year volume growth with many new customers signed up during the year. The Company leveraged on its upgraded Cards Management System, allowing significant improvement in its offer to Commercial Fleet customers and consequently allowing the Company to significantly grow its share in this segment.

Bulk Fuel business competitive pricing environment remained challenging with the changing market conditions, however, the focus remains primarily on higher margin opportunities through the operations excellence and quality service in Oman. The business achieved some significant milestones in 2016, retaining key customers with sustainable margins and winning new customers.

The business throughout the year launched a number of marketing activities, with two major promotions during the year including "Shell Super Mileage Challenge" and "#Journey2Remember" aimed at raising the brand awareness and educating motorists on safe and efficient driving, which received an excellent response from the customers.

Outlook

Retail business will continue to be the largest revenue segment and a key value driver for the Company in the long term strategy. With the expected growth in demand co-related with economic development in the country, the business will continue to provide its customers the world class retail experience and will respond to the challenges of evolving market conditions, consumer trends, and a highly competitive environment. Strategic expansion of network footprint, expansion of our NFR offer and continuous improvement in enhancing customer experience at sites will remain key drivers for growth during 2017.

Commercial Lubes

Business Environment

2016 witnessed the end of several key projects in the construction and oil & gas sectors resulting in general demand softening for lubricants. However, Shell's Lubricants business managed to retain its key customers, winning new accounts and focusing on innovative value selling strategies.

Shell Aviation Business supplying fuel to the national carrier.

Performance

Owing to the continuous portfolio improvements and state of the art products manufactured in Oman, the Company managed to retain its positioning as the market leader. The year 2016 witnessed remarkable milestones for Lubricants team in terms of winning major accounts including new partnerships in the transportation sector.

Outlook

Shell Oman's Lubricants business will continue to defend its market share and increase penetration in premium products. Another key focus area for 2017 is to leverage on the strong product portfolio and effective supply chain (with the first and only ISO-certified Lubricants blending facility in Oman located in Mina-Al Fahal) to penetrate the power sector in Oman. Shell Oman continues to focus on customer needs, and provide the best synthetic technology and tools to improve performance and vehicle efficiency.

Lubricants Blending Plant

Business Environment

Volumes exported from Oman to the Shell Group regional markets were lower than forecasted yet this reduction was almost fully offset by new customers gained in Oman and GCC. As a whole, the volume delivered by the Oman Lubricants Oil Blending Plant (LOBP) is consistent with previous years.

Performance

The strong operational performance of the Lubricants Supply Chain was a major factor in the overall profitability of the Company's lubricant business. Customer delivery performance met the ambitious target of 94% "On Time In Full" deliveries. Product quality remains best in class, and a lot of focus has been put into customer satisfaction, achieving well above the target among all markets served in 2016. HSSE performance has been also a primary focus, as the safety of the staff, the contractors and the costumers remains the first priority. Continuous Improvement initiatives have been implemented, and recent audits by Shell Group auditors have positively attested the compliance of our processes and the competence of the staff with regard to HSSE.

Outlook

The ambition of the Plant is to remain the first choice for Supply of Shell branded Lubricants to Middle East countries in order to grow year on year the export volumes. Therefore, the focus is on increasing the competitiveness of Oman Plant by further reducing the cost of our supplies through investment in our people and our assets. Local talents joined the team in 2016, helping to bring new improvements in operations.

Aviation

Business Environment

The rapid expansion of Oman Air, the national carrier and main operating airline in the Sultanate, has resulted in increased volumes at Muscat International

Airport as it received new aircrafts and opened up new routes. While this development has brought additional business to the fuel marketing companies, it has at the same time added pressure on operations. However, the anticipated opening of the new facilities of Muscat International Airport in 2017 will enable the Company to respond effectively with the new changes in dynamics.

Salalah International Airport recorded continuous growth in the number of airport passengers during 2016. On the other hand, fuel uplift remained at the same level as the previous year.

Performance

Despite the ongoing competition at Muscat International Airport, the Company managed to secure all its existing customers and was able to win 20% of Oman Air volume and win new international airline customers. In addition, following the successful tender of the new fuelling concession at Salalah International Airport, the Company has been working to support Oman Airport Management Company and the project team at the airport with the technical expertise for the commissioning and testing phase of the new fuelling facilities. The Company has also continued operating at PDO Oil Fields airport in Marmul with high standards of safety and operational excellence.

Outlook

The tourism sector in Oman continued to grow in 2016, and is expected to grow further in 2017 and beyond. The opening of the new Muscat International Airport and the new Cargo Facilities at Salalah International Airport towards the end of 2017 is expected to contribute to the growth of airports traffic and increase the airport fuel uplift. Competition pressure remains high and the Company is positioning itself to play a significant role in the growth of the Aviation industry in Oman in the years ahead.

Bitumen & Marine

Bitumen: With the lower oil prices in 2016, the construction segments faced some growth challenges as some projects in 2016 delayed. Despite all the challenges, the Company continued to supply its premier Polymer Modified Bitumen (PMB) grade to their customers.

Shell Oman will continue to seek opportunities to acquire more businesses in different segments like roads, airports and other vital infrastructural projects which will support the Company's vision for growth and the nation's growth plans.

Marine: The Company continued to seek growth opportunities at all ports. In 2016, the Company singed new supply contracts with its major marine customers at different ports. Meanwhile, some of our previous years projects started to yield the projected return on investments in 2016.

The Company is committed to continue growing the Marine business in all the

Supporting the Omani student teams representing Oman at Shell Eco-marathon in Manila, Philippines

Shell Lubricants bulk delivery to commercial customers, Sur

Omani ports. In 2017, the Marine sector is expected to further grow and generate new business opportunities among the various expansion activities being undertaken at the ports across the nation.

Trading & Supply

Business Environment

Volumes in 2016 at the Shell operated Mina Al Fahal fuels terminal (MAF) remained steady compared to 2015, on the back of a sustained performance in the core Retail business. With the introduction of Mogas-91 in 2016, MAF efficiently converted existing storages to the new grade to ensure adequate supply in the market.

The revision of long term road transport contracts aimed at asset optimization and alignment of deliverables with best practices has enabled the Company to be more competitive on the commercial and HSSE front.

Performance

During the year, there were a number of important operational checkpoints at the terminal. Conducted by the Shell Group, these checkpoints included the Aviation Operations Audit, which measured compliance to Shell Global Aviation Quality Assurance standards; followed by Terminal In Control, an extensive review that benchmarked MAF with other terminals in the region, and the Shell Marine Business Audit which audited MAF's marine operations compliance to Shell Global's Maritime Process Model.

On the back of consistently strong performance and focused delivery, MAF was ranked in the top quartile and categorised 'Best In Class' in all audits during the year, with no serious or high findings.

The road transport delivered above par on both costs and HSSE fronts for 2016. 'Goal Zero' was achieved amidst the challenges posed by third party road users in Oman. The team managed to effectively strengthen the HSSE culture across its contractors by enhancing competencies via 'Hearts and Minds' and facilitating the compliance process by adopting technology.

The 'Order to Delivery' managed to keep all sites across the country readily supplied despite the rapid network expansion and reforms in fuel pricing, supported by the market leading in tank monitoring and automatic fuel ordering system in the Company. The change in the fuel pricing system has led to sporadic demand patterns however, the team employed proactive risk management by developing in house software tools to minimize potential stock outs at sites

Khareef was once again managed with zero dry-outs for the fourth consecutive year through effective planning and involving key stakeholders across the organization to address the sharp increase in fuel demands from visiting tourists during that period.

Outlook

The team is dedicated to maximizing the end-customer experience through efficient handling and safe management of the end to end supply chain.

Corporate Social Responsibility

Sustainable development is integral to the way Shell Oman operates. The Company is committed to meet the country's growing energy demands and contribute to its prosperity in an economically, environmentally and socially responsible way, while sharing benefits with the Omani society. The Company plans and executes projects and runs facilities to create lasting social benefits by focusing on local talent development, using local suppliers and contractors and setting a good example through business practices and ethics as well as maintaining high standards of health, safety, security and environment driven by respect for people and the core values of honesty and integrity which are embedded in the Shell General Business Principles for over 30 years.

The Company has put in place an annual social investment budget and has developed a strategy that targets a wide range of initiatives to drive social awareness and contribute to the well-being of the local community focusing on the following strategic themes; Road Safety, Environment and Community Development. Apart from the targeted strategic social investment initiatives planned at the beginning of every year, Shell Oman keeps a window open for a dialogue with the Omani community in terms of social investment through Donations & Sponsorships budget to address the requests received from various organisations, charities and entities in Oman. This approach allows the Company to build on its strategic long-term relationship with its stakeholders in the public and private sector as well as non-government organisations and youth charity groups.

In recognition of Shell Oman's consistent and significant achievements that go beyond the balance sheet, the Company was presented with the 'Excellence in Promoting Innovation' award at the at the Alam Al Iktisad Wal Amaal (AIWA) 2016 Awards ceremony.

Below are the Company's detailed Social Investment activities for the year 2016.

Shell Oman participating in 13th Cancer Awarness Walkathon 2016

SI Theme and initiatives	Expenditure OMR	Impact & Sustainability Assessment
Road Safety • Shell Traffic Park in Nizwa, during GCC Traffic Week. • Shell Road Safety Awards in collaboration with the Ministry of Education and Royal Oman Police as well as Shell Development Oman. • Sponsorship of Traffic Safety Expo. • Road Safety Campaign at Khareef Salalah Festival. • Defensive Driving Training.	20,864	• Raise awareness about importance of safe driving and passenger behaviours across all demographs starting from young school going ages, and including all members of the society. • Highlight the effective road safety practices in Shell Oman and share expertise with other companies and members of the community. • Equip Shell Oman staff and community members with road safety practices, and strengthen their awareness of appropriate skills for safe traffic behaviours.
Environment **1 Support Environment Society of Oman (ESO):** • Corporate membership of Environment Society of Oman • Earth Hour Support • Masirah Beach Clean Up Initiative • ESO 4th Eco Bowl Initiative. • Sponsorship of 5th Intercollege Speaking Competition **2 Improved fuel economy formula at Retail service stations.** **3 Support awareness initiatives that promote natural environment of Oman.** • Wild Life in Oman Book by Al Roya Publication to distribute among students at various schools • Al Wusta Nature and Ecosystem book by an Omani author /SME • Water Day 2016 Sponsorship by Directorate General of Water Resources.	144,372	• Support the Environment Society of Oman and raise funds for their activities. • Increase fuel efficiency and provide the Omani market with extra mileage at no extra cost to the consumer to help fuel economy and for cleaner engines. • Raise awareness about natural diverse bio system and wildlife in various regions of the Sultanate and contribute to the efforts to protect the environment for future generations.

SI Theme and initiatives	Expenditure OMR	Impact & Sustainability Assessment
Community Development **1 Support students in Omani universities and colleges:** • Shell Eco Marathon Sponsorship. • Launch of Shell Ideas360 Global Competition for first time in Oman • Internship and Training Program for students. **2 Ramadan Initiatives:** • Food Packs Donations to families in need around the Sultanate • Qaranqasho celebration at Down Syndrome Association. **3 Support to various charity organizations, such as:** • Dar Al Atta'a Support • Ishraka Fund Raising Event March 2016 • Oman Association of the Disabled Support • Down Syndrome Association Support • Al Noor Association for Blind Support • The Association of Early Intervention for Children with Disability Support • Support to local community teams in different regions of Oman • Blood donations – Department of Blood Services. **4 Promote enterprise development and SMEs support:** • Sponsorship of Calligraphy and Photography Competition by Directorate General of Education Al-Dhahira Governorate • Support to Omani SME and local family businesses that produce traditional Omani handicrafts. • Sponsorship of In the Shade In the Sun Exhibition of Omani and Italian Artists by MuscArt • Sponsorship of the two main national festivals; Muscat Festival and Salalah Tourism Festival.	56,453	• Create business opportunities for Omani entrepreneur by providing them with tools and resources that help make their businesses more sustainable. • Increase awareness about importance of charity work and volunteerism among youth. Students' teams help raise funds for various charity programmes while learning various professional competencies and skills such as project management, marketing, team work and communications. • Spread the message of innovation and fostering Omani talents in the field of energy, water and food as well as sustainable mobility while help equipping the participants with important skills for future development and growth. • Provide financial and non-financial support as well as organising and co-sponsoring various internal and external initiatives that help raise awareness and funds for the cause of charity organisations. • Support major annual national festivities that help contribute to the development of the economy and create opportunities for members of the community. • Providing training and on-job-experience to Omani students that contribute to their career development.

Shell Oman Supply Chain

The Shell Oman lubricants blending plant is the only ISO-certified facility of its kind in the Sultanate. Not only does it meet the local market demand, it also creates value for the country through export of "Made-In-Oman" lubricants to more than 15 countries in the Middle East, South Asia and Africa.

Shell Oman ensures enhanced value for customers – locally and internationally – through an efficient supply chain that delivers the right quality and quantity, at the right time and for the right cost; all while maintaining the highest HSSE standards.

N °23.624442, E °58.523501

Shell Oman Marketing Company Head Office, Shell Lubes Oil Blending Plant and Fuel Depot, Mina Al Fahal

Auditor's Report on Financial Statements

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Independent Auditors' Report to the Shareholders of Shell Oman Marketing Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shell Oman Marketing Company SAOG ("the Company") set out on pages 36 to 61, which comprise the statements of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Trade and other receivables RO'000 – 34,285

Refer Note 2.13 and 13 to the financial statements

Risk

The Company has significant trade receivables due from companies operating in the Oil industry. Such businesses are under greater financial stress currently due to low oil prices and, therefore, there is a risk over the recoverability of these balances some of which are overdue as set out in Note 13.

Our response

Our audit procedures included, amongst others, testing the Company's controls over the receivable collection process, checking subsequent collections after the year end; and testing the adequacy of the Company's provisions against trade receivables by assessing the management's assumptions, taking account of externally available data on trade credit exposures and our own knowledge of recent bad debt experience in this industry. We also considered the adequacy of the Company's disclosures.

Other Matter- Previous auditor

The financial statements of the Company for the year ended 31 December 2015, were audited by another auditor who expressed an unmodified opinion on those financial statements dated 26 January 2016.

Other Information

Management is responsible for the other information. The other information comprises the director's report, report on corporate social responsibilities, activities and management discussion and analysis, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, the disclosure requirements of the Capital Market Authority and their preparation in compliance with the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines 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, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2016, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- Commercial Companies Law of 1974, as amended.

25 January 2017

Paul Callaghan

Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2016

	Note	**2016**	2015
		RO'000	RO'000
Revenue		**392,907**	336,015
Cost of sales	28	**(353,522)**	(297,997)
Gross profit		**39,385**	38,018
Other income	5	**6,787**	5,587
Selling and distribution expenses		**(22,195)**	(22,007)
Administrative expenses		**(5,553)**	(5,365)
Operating profit		**18,424**	16,233
Interest expense		**(251)**	(143)
Interest income		**35**	23
Profit before income tax		**18,208**	16,113
Income tax expense	8	**(2,186)**	(1,938)
Profit and total comprehensive income for the year		**16,022**	14,175
Basic and diluted earnings per share	22	**RO 0.160**	RO 0.142
Dividend per share	23	**RO 0.106**	RO 0.106

The notes on pages 41 to 61 form an integral part of these financial statements.

The report of the Auditors is set forth on page 33-35.

Statement of Financial Position

At 31 December 2016

	Note	**2016** **RO'000**	2015 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	**39,429**	34,760
Intangible assets	10	**717**	1,604
Deferred tax asset	11	**197**	265
Total non-current assets		**40,343**	36,629
Current assets			
Inventories	12	**10,963**	10,471
Receivables and prepayments	13	**34,285**	29,789
Cash at bank and in hand	14	**10,790**	6,001
Total current assets		**56,038**	46,261
Total assets		**96,381**	82,890
EQUITY			
Share capital	15	**10,000**	10,000
Legal reserve	17	**3,587**	3,587
Retained earnings		**30,705**	25,283
Total equity		**44,292**	38,870
LIABILITIES			
Non-current liabilities			
Long term loan	19	**-**	6,000
Employee terminal benefits	18	**601**	729
Total Non-current liabilities		**601**	6,729
Current liabilities			
Short term loan	19	**6,000**	-
Payable and accruals	20	**42,948**	35,120
Income tax payable		**2,118**	1,749
Provisions	21	**422**	422
Total current liabilities		**51,488**	37,291
Total liabilities		**52,089**	44,020
Total equity and liabilities		**96,381**	82,890
Net assets per share	25	**RO 0.443**	RO 0.389

The financial statements on pages 36 to 61 were authorized for issue in accordance with a resolution of the board of directors on 25 January 2017 and signed on their behalf by:

Christopher Breeze
Chairman

Shabib Mohammed Al-Darmaki
Director

The notes on pages 41 to 61 form an integral part of these financial statements.

The report of the Auditors is set forth on page 33-35.

Statement of Changes in Equity

for the year ended 31 December 2016

	Note	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2015		10,000	3,587	20,308	33,895
Comprehensive income:					
Profit for the year		-	-	14,175	14,175
Transaction with owners:					
Dividend paid	23	-	-	(9,200)	(9,200)
At 1 January 2016		**10,000**	**3,587**	**25,283**	**38,870**
Comprehensive income:					
Profit for the year		**-**	**-**	**16,022**	**16,022**
Transaction with owners:					
Dividend paid	23	**-**	**-**	**(10,600)**	**(10,600)**
At 31 December 2016		**10,000**	**3,587**	**30,705**	**44,292**

The notes on pages 41 to 61 form an integral part of these financial statements.

The report of the Auditors is set forth on page 33-35.

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RO'000	2015 RO'000
OPERATING ACTIVITIES			
Profit before income tax		**18,208**	16,113
Adjustments for:			
Depreciation	9	**3,709**	2,737
Amortisation	10	**930**	978
Reversal of provision for employee retention scheme - net	21	**-**	(64)
Employee terminal benefits expense	18	**151**	117
Interest income		**(35)**	(23)
Interest expense		**251**	143
Operating cash flows before payments of employee terminal benefits, environmental liability and working capital changes		**23,214**	20,001
Employee terminal benefits paid	18	**(279)**	(187)
Environmental liability paid	21	**-**	(39)
Changes in:			
Inventories		**(492)**	682
Receivables and prepayments		**(4,496)**	1,224
Payables and accruals		**7,828**	41
		25,775	21,722
Income taxes paid		**(1,749)**	(1,533)
Net cash generated from operating activities		**24,026**	20,189
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	**(8,421)**	(8,416)
Acquisition of intangible assets	10	**-**	(223)
Interest received		**35**	23
Net cash used in investing activities		**(8,386)**	(8,616)
FINANCING ACTIVITIES			
Dividends paid	23	**(10,600)**	(9,200)
Interest paid		**(251)**	(143)
Repayment of Loan		**-**	(1,000)
Net cash used in financing activities		**(10,851)**	(10,343)
Net change in cash and cash equivalents		**4,789**	1,230
Cash and cash equivalents at beginning of the year		**6,001**	4,771
Cash and cash equivalents at end of the year (Note 14)		**10,790**	6,001

The notes on pages 41 to 61 form an integral part of these financial statements.

The report of the Auditors is set forth on page 33-35.

Marine Business

Shell Marine Business is your ideal maritime partner for integrated business solutions ranging from lubricants to fuels to help optimize your operations. Shell Oman offers a variety of products and solutions to meet your operating profile backed by decades of experience from dedicated Global Shell marine experts working to offer value for the customer.

N °23.547416, E °58.654319

Shell Marina Jetty at Shangri-La, Barr Al Jissah

Notes to the Financial Statements

For the year ended 31 December 2016

1 Legal status and principal activities

Shell Oman Marketing Company SAOG ("the company") is registered in the Sultanate of Oman as a public joint stock company and is primarily engaged in the marketing and distribution of petroleum products and blending of lubricants. The company has its primary listing on the Muscat Securities Market.

The accounts of the company are consolidated in the financial statements of Royal Dutch Shell plc (the ultimate parent company), a company incorporated in the United Kingdom.

2 Basis of preparation and summary of significant accounting policies

The principal accounting policies are summarised below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance
These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) and the requirements of the Commercial Companies Law of 1974, as amended.

(b) Basis of measurement
The financial statements have been prepared on the historical cost .

(c) Functional currency
These financial statements are presented in Rial Omani (RO), which is the Company's functional currency.

(d) Use of estimates and judgments
The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

2.2 Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable and is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the amount of revenue and associated costs can be measured reliably, and there is no continuing management involvement with the goods. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

2.3 Directors' remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the company, the Commercial Companies Law of 1974, as amended and the regulations issued by the Capital Market Authority.

Notes to The Financial Statements

For the year ended 31 December 2016

2 Basis of preparation and summary of significant accounting policies (continued)

2.3 Directors' remuneration (continued)

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders and provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

2.4 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the company's employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the statement of financial position date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of profit or loss and other comprehensive income as incurred.

2.5 Foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the transaction date. 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 profit or loss and other comprehensive income.

2.6 Finance costs and income

Finance costs comprise interest cost on borrowings. Finance income comprises interest received or receivable on funds invested. Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues taking into account the effective yield on the asset. Interest expense is recognised in the statement of profit or loss and other comprehensive income as it accrues using the effective interest rate method.

2.7 Income tax

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman.

Income tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the statement of financial position date, and any adjustment to income taxes payable in respect of previous years.

2 Basis of preparation and summary of significant accounting policies (continued)

2.7 Income tax (continued)

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.8 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses if any. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised.

Subsequent expenditure

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Company and the cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement profit or loss and other comprehensive income as incurred.

Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

	Years
Buildings	6 - 25
Plant and equipment	3 - 7
Motor vehicles	3

Capital work-in-progress is stated at cost. When the underlying asset is available for use in its intended condition and location, work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policy of the company.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Notes to The Financial Statements

For the year ended 31 December 2016

2 Basis of preparation and summary of significant accounting policies (continued)

2.9 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who manages the company on a day-to-day basis, as per the directives given by the board of directors that makes strategic decisions.

2.10 Intangible assets

Intangible assets are stated at cost, net of amortisation and impairment losses if any. Subsequent expenditure on intangible assets is capitalised only when it is probable that the associated future economic benefits will flow to the company and the cost can be measured reliably. All other expenditure is expensed as incurred.

Intangible assets with finite lives are amortised from the date when they are available for use. Amortisation is charged to the statement of profit or loss and other comprehensive income on a straight-line basis over the useful life of the intangible asset.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and estimated cost necessary to make the sale.

The cost of inventories is determined using the first-in-first-out method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Provision is made where necessary for obsolete, slow moving and defective items, based on management's assessment.

2.12 Financial assets

The company classifies its financial assets into loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (notes 2.13 and 2.14).

2.13 Trade and other receivables

Trade and other receivables are stated at their fair value. Trade receivables are initially recognised at fair value and subsequently are stated at amortised cost using the effective interest rate method less impairment losses if any.

A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables.

2 Basis of preparation and summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and short-term deposits with an original maturity of three months or less.

2.15 Impairment

Financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the counterparty;
- default or delinquency in payments; or
- it becomes probable that the borrower will enter bankruptcy or financial reorganisation.

Certain categories of financial assets, such as trade receivables that are not individually significant, but which are past due, are assessed for impairment on a collective basis.

Objective evidence of impairment for a portfolio of receivables could include the company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of trade receivables, is reduced through the use of a provision account.

When a trade receivable is considered uncollectible, it is directly written off after appropriate approvals and recognised in the statement of profit or loss and other comprehensive income within selling and distribution expenses. Subsequent recoveries of amounts previously written off are credited to the statement of profit or loss and other comprehensive income.

Non-financial assets

The carrying amounts of the company's non-financial assets other than inventories and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or cash generating unit exceeds its value in use and its fair value less costs to sell. In assessing the 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 specified to the asset. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to The Financial Statements

For the year ended 31 December 2016

2 Basis of preparation and summary of significant accounting policies (continued)

2.16 Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provision for environment remediation, resulting from past operations or events, is recognised in the period in which an obligation to a third party arises and the amount can be reliably estimated. Measurement of liabilities is based on current legal requirements and existing technology.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. Where some or all of the economic benefits required to settle a provision are expected to be recovered from third parties, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.17 Dividends

Dividends are recognised as a liability in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are approved after the statement of financial position date are dealt with as a non-adjusting event after the statement of financial position date.

2.18 Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

2.19 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of profit or loss and other comprehensive income on a straight line basis over the lease term.

2.20 Decommissioning

The company has a decommissioning obligation upon termination of the lease of a leased site. The management's estimate of the decommissioning costs is not material to the financial statements.

2.21 Share capital

Ordinary and multi-vote 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.

Other balances representing a residual interest in the net assets of the Company are also classified as equity.

2 Basis of preparation and summary of significant accounting policies (continued)

2.22 Standards, amendments and interpretations issued that are not yet effective (and which have not yet been adopted) that are relevant for the Company's operations

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2016, and have not been applied in preparing these financial statements as follows:

IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 15 Revenue from contracts with customers, published on 28 May 2014. The standard supersedes IAS 18 'Revenue', IAS 11 'Construction Contracts' and a number of revenue-related interpretations. The new standard provides a single, principles based five-step model to be applied to all contracts with customers. The five steps are: identify the contract with the customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contracts and recognise revenue when (or as) the entity satisfies a performance obligation. The standard is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Management is still considering what impact these standards will have on the Company's financial statements.

3 Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks including the effects of changes in market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Risk management is carried out by management under policies approved by the Board of Directors.

Notes to The Financial Statements

For the year ended 31 December 2016

3 Financial risk management (continued)

Financial risk factors (continued)

Market risk

Foreign exchange risk

Foreign exchange risk arises where the value of a financial instrument changes due to changes in foreign exchange rates. The company is exposed to foreign exchange risk on sales, purchases and bank deposits that are denominated in foreign currencies, simplifying all of whilst are denominated in USD. The company's net exposure to the United States Dollar (USD) resulting from USD denominated sales is offset by USD denominated purchases of base oils, additives, sea freight and other items. Since the Rial Omani is currently pegged to the USD, management believe that the exchange rate fluctuation would have an insignificant impact on the profit. The company's practice is to utilise USD forward exchange contracts to hedge its exposure in respect of any significant USD denominated bank deposits.

The company has no forward exchange contracts outstanding at 31 December 2016 (2015 - nil).

Interest rate risk

The company's interest rate risk arises from their term loans and deposits.

The company manages its exposure to interest rate risk by utilising only short-term and long term financing at the rates fixed at the time of taking the finance.

Management has estimated the effect on profit for the year due to increase or decrease in interest rates to be insignificant.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, as well as credit exposures to customers. The company has a credit policy in place and exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The company requires bank guarantees on higher credit risk customers. The company does not require collateral in respect of all other financial assets.

Investments are made in liquid securities and only with commercial banks in Oman. Management does not expect any counter party to fail to meet its obligations.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographical location.

The company has significant concentrations of credit risk with the Government sector. At 31 December 2016, Government organisations in Oman accounted for 17% (2015 - 15%) of the outstanding trade accounts receivable. At 31 December 2016, there were no other significant concentrations of credit risk.

Credit risk on other financial assets, including cash and cash equivalents arises from the risk of default of the counterparty, with a maximum exposure equal to the carrying amount of these balances.

Cash and bank balances are placed on deposit with financial institutions in the Sultanate of Oman, all of whom are considered to be of good credit standing.

3 Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.
The company limits its liquidity risk by ensuring bank facilities are available. The company's terms of sales require amounts to be paid on an average of 30 days from the date of sale. Trade payables are normally settled within 60 days of the date of purchase.

The table below summarises the maturities of the company's undiscounted financial liabilities at 31 December 2016, based on contractual payment dates and current market interest rates.

2016	**Carrying value**	**Up to one year**	**More than one year**	**Total**
		RO'000	**RO'000**	**RO'000**
Short term loan	**6,000**	**6,000**	**-**	**6,000**
Payables and accruals	**42,948**	**42,948**	**-**	**42,948**
Total	**48,948**	**48,948**	**-**	**48,948**

2015	Carrying value	Up to one year	More than one year	Total
		RO'000	RO'000	RO'000
Long term loan	6,000	-	6,000	6,000
Payables and accruals	35,120	35,120	-	35,120
Total	41,120	35,120	6,000	41,120

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 a commercially defensible capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. Financial assets consist of cash and bank balances and trade and other receivables. Financial liabilities consist of payables and accruals.

4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Notes to The Financial Statements

For the year ended 31 December 2016

4 Critical accounting estimates and judgements (continued)

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 areas requiring a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below.

Impairment of trade receivables
An estimate of the collectible amount of trade receivables is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, gross trade accounts receivable were RO 28,837,230 (2015 - RO 25,423,977) and the allowance for doubtful debts was RO 626,417 (2015 - RO 834,507). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss and other comprehensive income.

Depreciation
Depreciation is charged so as to write off the cost of the assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5 Other income

Other income consists of Shell fuel cards income, aviation commission, rental income from filling station dealers, convenience stores franchisee fees, and throughput and product handling fees for use of the Company's assets.

6 Segmental information

Business segments
Management has determined the Company's operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Chief Executive Officer identifies operating segments based on a business perspective. The reportable restated operating segments derive their revenue primarily from the sale of refined petroleum products. Retail sales represent the most significant component of revenue for the company (for 2016 and 2015) and no other segments are significant. All sales are made in Sultanate of Oman.

7 Employee costs

Employee costs included in selling and distribution and administrative expenses comprise:

	2016	2015
	RO'000	RO'000
Salaries, wages and bonus	**4,951**	4,728
Allowances and other benefits	**2,572**	2,629
	7,523	7,357

Notes to The Financial Statements

For the year ended 31 December 2016

8 Income tax

	2016	2015
	RO'000	RO'000
Income tax expense comprises		
Current taxation charge:		
Current tax expense	**2,118**	1,773
Prior year	**-**	-
	2,118	1,773
Deferred taxation:		
Deferred tax for the year (Note 11)	**68**	165
	2,186	1,938

The company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% on taxable income in excess of RO 30,000.

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rate with the income tax expense for the year:

	2016	2015
	RO'000	RO'000
Accounting profit before tax	**18,208**	16,113
Tax on accounting profit before tax at 12%	**2,185**	1,930
Add tax effect of:		
Non-deductible expenses	**1**	8
Tax charge for the year	**2,186**	1,938

The company's tax assessments for the years 2013 to 2015 have not yet been assessed by Oman taxation authorities. The Board of Directors consider that the amount of additional taxes, if any, that may become payable on finalisation of assessment of the open tax years would not be significant to the company's financial position at 31 December 2016.

Notes to The Financial Statements

For the year ended 31 December 2016

9 Property, plant and equipment

	Buildings	Plant and equipment	Motor vehicles	Capital work-in-progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cost					
1 January 2015	3,970	52,514	649	11,296	68,429
Acquisitions	382	1,938	-	6,096	8,416
Disposals	-	(8)	(12)	-	(20)
Transfers	2,605	5,097	-	(8,303)	(601)
1 January 2016	**6,957**	**59,541**	**637**	**9,089**	**76,224**
Acquisitions	**390**	**183**	**52**	**7,800**	**8,425**
Transfers	**3,762**	**4,224**	**-**	**(8,033)**	**(47)**
31 December 2016	**11,109**	**63,948**	**689**	**8,856**	**84,602**
Depreciation					
1 January 2015	1,237	36,917	593	-	38,747
Charge for the year	417	2,292	28	-	2,737
On disposals	-	(8)	(12)	-	(20)
1 January 2016	**1,654**	**39,201**	**609**	**-**	**41,464**
Charge for the year	**749**	**2,931**	**29**	**-**	**3,709**
31 December 2016	**2,403**	**42,132**	**638**	**-**	**45,173**
Net book value					
31 December 2016	**8,706**	**21,816**	**51**	**8,856**	**39,429**
31 December 2015	5,303	20,340	28	9,089	34,760

The Company's depots, buildings and lubricant blending plant are constructed on land leased from the Ministry of Oil and Gas based on a lease agreement dated 1 November 2009.

During the year, transfers in the amount of RO 46,680 were made to intangible assets.

Notes to The Financial Statements

For the year ended 31 December 2016

10 Intangible assets

	2016	2015
	RO'000	RO'000
Cost		
At 1 January	**5,424**	4,600
Write offs	**(4)**	223
Transfer	**47**	601
At 31 December	**5,467**	5,424
Amortisation		
At 1 January	**3,820**	2,842
Charge for the year	**930**	978
At 31 December	**4,750**	3,820
Carrying amount		
At 31 December	**717**	1,604

Intangible assets represent costs incurred in connection with the acquisition, development and implementation of an Enterprise Resources Planning system and other computer software and is amortised over a period of five years.

11 Deferred tax asset

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2015: 12%).

The deferred tax asset recognised in the statement of financial position is attributable to the following:

	At 1 January 2016	**Credit/ (charge) for the year**	**At 31 December 2016**
	RO'000	**RO'000**	**RO'000**
Depreciation	**151**	**6**	**157**
Provisions	**114**	**(74)**	**40**
	265	**(68)**	**197**
Depreciation	165	(14)	151
Provisions	265	(115)	114
	430	(165)	265

Notes to The Financial Statements

For the year ended 31 December 2016

12 Inventories

	2016	2015
	RO'000	RO'000
Petroleum products	6,984	6,936
Additives and packing material	3,979	3,535
	10,963	10,471

13 Receivables and prepayments

	2016	2015
	RO'000	RO'000
Trade receivables	28,837	25,423
Less: allowance for impairment losses	(626)	(835)
	28,211	24,588
Receivables from related parties (note 24)	3,436	2,912
Trade and related party receivables, net of impairment losses	31,647	27,500
Prepayments	2,045	1,733
Other receivables	593	556
	34,285	29,789

As at 31 December 2016, trade receivables of RO 626,417 (2015 - RO 834,507) were impaired and provided against. Movements in the allowance for impairment of receivables were as follows:

	2016	2015
	RO'000	RO'000
At 1 January	835	913
Provision for the year	(209)	(78)
At 31 December	626	835

As at 31 December, the ageing of unimpaired trade receivables (net of provisions) is as follows:

				Past due but not impaired			
	Total RO'000	Unapplied credit RO'000	Neither past due nor impaired RO'000	< 30 days RO'000	31 - 60 days RO'000	61 - 90 days RO'000	>91 days RO'000
2016	28,211	(61)	23,553	557	1,349	404	2,409
2015	24,588	(1,658)	20,618	1,144	1,470	639	2,375

The amounts are considered to be due within 30 to 45 days from the date of invoice for all customers and the vast majority are unsecured. Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

The other classes within receivables and prepayments do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

Notes to The Financial Statements

For the year ended 31 December 2016

14 Cash at bank and in hand

	2016	2015
	RO'000	RO'000
Bank balances	**863**	1,580
Deposit accounts	**9,927**	4,421
	10,790	6,001

Included in deposit accounts are call deposits of RO 7,726,990 (2015 - RO 3,566,672) denominated in Rial Omani and RO 2,199,608 (2015 - RO 854,590) denominated in US Dollars, with commercial banks in Oman. These are short term in nature and carry interest at commercial rates.

Bank balances and deposit accounts are placed with reputed financial institutions. Hence management believes that the credit risk with respect to these balances is minimal.

15 Share capital

The company's authorised, issued and fully paid-up share capital consists of 100,000,000 shares of 100 baisa each (2015 - 100,000,000 shares of 100 baisa each) as follows:

	2016	2015
	RO'000	RO'000
5,000,000 Multi-vote shares of 100 baisa each	**500**	500
95,000,000 Ordinary shares of 100 baisa each	**9,500**	9,500
	10,000	10,000

In accordance with Article 6 of the company's Articles of Association, the holder of each multi-vote share is entitled to two votes at the annual general meetings of the company. A company controlled by the ultimate parent holds all the multi-vote shares.

16 Significant shareholders

At 31 December, shareholders owning more than 5% of the company's share capital are as follows:

	Number of shares		**% of holding**	
	2016	2015	**2016**	2015
Multi-vote shares				
Shell Overseas Investments BV	**5000,000**	5,000,000	**5%**	5%
Ordinary shares				
BV Dordtsche Petroleum Maatschappij	**20,000,000**	20,000,000	**20%**	20%
Shell Overseas Investments BV	**15,000,000**	15,000,000	**15%**	15%
Civil Service Employees Pension Fund	**9,720,814**	9,720,814	**9.7%**	9.7%
Shell Petroleum NV	**8,800,000**	8,800,000	**8.8%**	8.8%
MOD Pension Fund	**8,247,648**	8,247,648	**8.2%**	8.2%

Notes to The Financial Statements

For the year ended 31 December 2016

17 Legal reserve

Article 106 of the Commercial Companies Law of 1974, as amended requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital. Since the amount of legal reserve has exceeded one-third of the company's share capital, no further transfers have been made during the year. This reserve is not available for distribution.

18 Employee terminal benefits

	2016	2015
	RO'000	RO'000
At 1 January	**729**	799
Charge for the year	**151**	117
Paid during the year	**(279)**	(187)
At 31 December	**601**	729

19 Bank Borrowings

(a) The company obtained a long-term loan (the facility) from an Omani commercial bank on 28 December 2014. The unsecured facility limit is RO 6 million and carries an annual interest rate of 1.55% + weighted average discount rate of Government of Oman's 28 days T Bills. The loan is repayable in full on 27 December 2017. Interest will be paid monthly in arrears. This loan is classified as Short Term Loan for the financial year 2016 reporting, the comparative for 2015 is part of Long Term Loan.

(b) The carrying amount of the company's short term loan is denominated in Rial Omani. The short term loan is unsecured, carries interest at a commercial rate. Short term loan balance is nil as at 31 December 2016. The company has adequate facilities with local banks to repay / rollover the loan to meet its ongoing business requirements. Interest will be paid based on the maturity date.

20 Payables and accruals

	2016	2015
	RO'000	RO'000
Trade payable	**36,192**	29,458
Accrued expenses	**4,477**	3,084
Other payables	**933**	880
Payable to related parties (note 24)	**1,346**	1,698
	42,948	35,120

21 Provisions

	2016	2015
	RO'000	RO'000
Environmental provision	**200**	200
Provision for employee retention scheme	**222**	222
	422	422

21 Provisions (continued)

Environmental provision

	2016	2015
	RO'000	RO'000
At 1 January	**200**	239
Less: utilised during the year	**-**	(39)
At 31 December	**200**	200

The company provides for environmental costs based on environmental contamination assessments made on its delivery and storage sites, where the amounts reflect management's best estimate of the potential exposure based on expert's appraisal.

Provision for employee retention scheme

	2016	2015
	RO'000	RO'000
At 1 January	**222**	286
Provided during the year	**139**	111
Less: utilised during the year	**(139)**	(175)
At 31 December	**222**	222

The company has an employee retention scheme designed to enhance benefits to certain employees. The associated provision has been created by charging to the statement of profit or loss and other comprehensive income and is expected to be utilised after three years of employment in accordance with the scheme.

22 Basic and diluted earnings per share

The calculation of basic and diluted earnings per share at 31 December 2016 is based on net profit for the year in the amount of RO 16,022,000 (2015 - RO 14,175,000) and 100,000,000 shares (2015 - 100,000,000 shares).

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

Notes to The Financial Statements

For the year ended 31 December 2016

23 Dividends paid and proposed

Dividends paid

During the year, dividends of RO 0.106 (2015 - RO 0.092) per share totalling to RO 10,600,000 relating to 2015 were declared and paid (2015 - RO 9,200,000 relating to 2014 were declared and paid).

Proposed dividend

The Board of Directors at their meeting dated 25 January 2017, have proposed a dividend of RO 10,600,000 for the year ended 31 December 2016 (2015 – RO 10,600,000).

Dividend per share

The calculation of dividend per share is based on proposed final dividend totalling RO 10,600,000 (2015 - RO 10,600,000) and 100,000,000 shares (2015 -100,000,000 shares) and is subject to approval at the Annual General Meeting.

24 Related party transactions

The company has entered into transactions with subsidiaries of the ultimate parent and entities over which certain directors are able to exercise significant influence. Terms of these transactions are approved by the Board of Directors and Shareholders.

(i) The transactions with related parties included in the statement of profit or loss and other comprehensive income were as follows:

	2016	2015
	RO'000	RO'000
Sale of goods	**28,941**	31,900
Purchase of goods and services	**10,920**	13,169
Service and trademark licence fees	**1,778**	1,585

Revenue from related party sales in the amount of approximately RO 29 million (2015 - RO 32 million) were to companies controlled by Shell Group and relate to sales of lubricants and aviation fuel. Other related party sales relate to sales to entities that are controlled by the directors of the company. Related party purchases were from companies controlled by Shell Group and were primarily for supply of base oils and additives used for lubricant blending.

Notes to The Financial Statements

For the year ended 31 December 2016

24 Related party transactions (continued)

During the year, two (2015 - two) of the company's directors were also employees of the company for part of the year. During this period in their capacity as employees of the company, they earned an aggregate of RO 186,809 (2015- RO 310, 961) in salaries and benefits. These two (2015 - two) directors earned no additional remuneration in their separate capacity as directors.

During the year ten (2015 - eight) non-executive directors earned an aggregate amount of RO 125,000 (2015 - RO 103,600) in respect of meeting fees and director's remuneration.

(ii) Compensation of key management personnel

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

	2016	2015
	RO'000	RO'000
Short-term benefits	**597**	581
Employees' end of service benefits	**42**	34
	639	615

(iii) Amounts due from and due to related parties are disclosed in notes 13 and 20 respectively.

(iv) Outstanding balances at the year-end arise in the normal course of business. No provision for impairment has been made for 2016 and 2015 in respect of amounts due from related parties.

25 Net assets per share

The calculation of net assets per share is based on net assets at 31 December 2016 in the amount of RO 44,292,000 (2015 - RO 38,870,000) and 100,000,000 shares (2015 - 100,000,000 shares).

26 Financial instruments

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

	2016	2015
	RO'000	RO'000
Assets as per statement of financial position		
Trade and other receivables (excluding prepayments)	**32,240**	28,056
Cash at bank and in hand	**10,790**	6,001
	43,030	34,057

Notes to The Financial Statements

For the year ended 31 December 2016

26 Financial instruments (continued)

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

	2016	2015
	RO'000	RO'000
Liabilities measured at amortized costs		
Payables and accruals	**42,948**	35,120
Short term loan	**6,000**	-
Long term loan	**-**	6,000
	48,948	41,120

27 Decommissioning Costs

The company has a decommissioning obligation upon termination of the lease of a leased site. The management's estimate of the decommissioning costs is not material to the financial statements.

28 Cost of sales

Cost of sales consists of costs incurred in the purchases of petroleum products, additives, raw materials and packaging products for the business.

29 Contingent liabilities

Guarantees

At 31 December 2016, the company has issued guarantees arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to RO 1,950,186 (2015 - RO 1,061,576) in respect of contract performance.

30 Commitments

(a) The company leases land on which their depots, office and bulk storage facilities are constructed under non-cancellable operating lease agreements. The lease terms are typically between three and ten years. Certain lease agreements are renewable at the end of the lease period at market rate. One land lease is valid for the duration of the company.

Notes to The Financial Statements

For the year ended 31 December 2016

30 Commitments

(a) The company leases land on which their depots, office and bulk storage facilities are constructed under non-cancellable operating lease agreements. The lease terms are typically between three and ten years. Certain lease agreements are renewable at the end of the lease period at market rate. One land lease is valid for the duration of the company.

At 31 December, future minimum lease commitments under non-cancellable operating leases and other rentals are as under:

	2016	2015
	RO'000	RO'000
Not later than one year	**747**	773
Later than one year and not later than five years	**2,439**	2,587
More than five years	**2,054**	2,162
	5,240	5,522

(b) At 31 December 2016, the company has future capital expenditure commitments amounting to RO 587,009 (2015 - RO 5,294,023).

31 Comparative information

The corresponding figures for the previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholders' equity.

Social Investments

Shell Oman puts in place an annual social investment budget and it has developed a strategy that targets a wide range of initiatives to drive social awareness and contribute to the well-being of the local community, focusing on the following themes; Road Safety, Environment and Community Development.

Celebrating the Omani student teams who participated in Shell Eco-marathon under the auspices of H.E. Eng. Salim bin Nasser Al Aufi, Undersecretary of the Ministry of Oil & Gas