

**SHELL OMAN MARKETING
COMPANY SAOG**

**Financial statements
For the year ended 31 December 2016**

Registered address:

P O Box 38
Mina Al Fahal
Postal Code 116
Sultanate of Oman

Principal place of business:

Mina Al Fahal
Muscat
Sultanate of Oman

SHELL OMAN MARKETING COMPANY SAOG

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Contents	Page
Independent auditor's report	1 -3
Statement of profit or loss and other comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8- 28

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 4 to 29, 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 matters 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.

[date]

[Paul Callaghan]

SHELL OMAN MARKETING COMPANY SAOG

4

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2016**

	<i>Note</i>	2016 RO'000	2015 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 8 to 28 form an integral part of these financial statements.

SHELL OMAN MARKETING COMPANY SAOG

5

Statement of financial position at 31 December 2016

	<i>Note</i>	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 8 to 28 were authorised for issue in accordance with a resolution of the board of directors on _____ and signed on their behalf by:

CHRISTOPHER BREEZE
CHAIRMAN

SHABIB MOHAMMED AL-DARMAKI
DIRECTOR

The notes on pages 9 to 30 form an integral part of these financial statements.
The report of the Auditors is set forth on page 1-4.

SHELL OMAN MARKETING COMPANY SAOG

6

Statement of changes in equity for the year ended 31 December 2016

	<i>Note</i>	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)
		<u>10,000</u>	<u>3,587</u>	<u>25,283</u>	<u>38,870</u>
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)
		<u>10,000</u>	<u>3,587</u>	<u>30,705</u>	<u>44,292</u>
At 31 December 2016		10,000	3,587	30,705	44,292

The notes on pages 8 to 28 form an integral part of these financial statements

SHELL OMAN MARKETING COMPANY SAOG

7

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
		<hr/>	<hr/>
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
		<hr/>	<hr/>
		25,775	21,722
Income taxes paid		(1,749)	(1,533)
		<hr/>	<hr/>
Net cash generated from operating activities		24,026	20,189
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	(8,421)	(8,416)
Acquisition of intangible assets	10	-	(223)
Interest received		35	23
		<hr/>	<hr/>
Net cash used in investing activities		(8,386)	(8,616)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Dividends paid	23	(10,600)	(9,200)
Interest paid		(251)	(143)
Repayment of Loan		-	(1,000)
		<hr/>	<hr/>
Net cash used in financing activities		(10,851)	(10,343)
		<hr/>	<hr/>
Net change in cash and cash equivalents		4,789	1,230
Cash and cash equivalents at beginning of the year		6,001	4,771
		<hr/>	<hr/>
Cash and cash equivalents at end of the year (Note 14)		10,790	6,001
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 28 form an integral part of these financial statements.

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.

Notes to the financial statements for the year ended 31 December 2016

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.

Notes to the financial statements for the year ended 31 December 2016

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.

Notes to the financial statements for the year ended 31 December 2016

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.

SHELL OMAN MARKETING COMPANY SAOG

16

Notes to the financial statements for the year ended 31 December 2016

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 RO'000	More than one year RO'000	Total 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 RO'000	More than one year RO'000	Total 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.

SHELL OMAN MARKETING COMPANY SAOG

17

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 RO'000	2015 RO'000
Salaries, wages and bonus	4,951	4,728
Allowances and other benefits	2,572	2,629
	<u>7,523</u>	<u>7,357</u>

SHELL OMAN MARKETING COMPANY SAOG

18

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		
<i>Current taxation charge:</i>		
Current tax expense	2,118	1,773
Prior year	-	-
	<u>2,118</u>	<u>1,773</u>
<i>Deferred taxation:</i>		
Deferred tax for the year (Note 11)	68	165
	<u>2,186</u>	<u>1,938</u>

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	<u>2,186</u>	<u>1,938</u>

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 RO'000	Plant and equipment RO'000	Motor vehicles RO'000	Capital work-in- progress RO'000	Total 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)
	<u>6,957</u>	<u>59,541</u>	<u>637</u>	<u>9,089</u>	<u>76,224</u>
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)
	<u>11,109</u>	<u>63,948</u>	<u>689</u>	<u>8,856</u>	<u>84,602</u>
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)
	<u>1,654</u>	<u>39,201</u>	<u>609</u>	<u>-</u>	<u>41,464</u>
1 January 2016	1,654	39,201	609	-	41,464
Charge for the year	749	2,931	29	-	3,709
	<u>2,403</u>	<u>42,132</u>	<u>638</u>	<u>-</u>	<u>45,173</u>
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
	<u>5,467</u>	<u>5,424</u>
Amortisation		
At 1 January	3,820	2,842
Charge for the year	930	978
	<u>4,750</u>	<u>3,820</u>
Carrying amount At 31 December	<u><u>717</u></u>	<u><u>1,604</u></u>

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
	<u>265</u>	<u>(68)</u>	<u>197</u>
Depreciation	165	(14)	151
Provisions	265	(115)	114
	<u>430</u>	<u>(165)</u>	<u>265</u>

Notes to the financial statements for the year ended 31 December 2016

12 Inventories

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

13 Receivables and prepayments

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

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 RO '000	2015 RO '000
At 1 January	835	913
Provision for the year	(209)	(78)
	<u>626</u>	<u>835</u>

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

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

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.

Notes to the financial statements for the year ended 31 December 2016

13 Receivables and prepayments (*continued*)

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.

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
<i>Multi-vote shares</i>				
Shell Overseas Investments BV	5000,000	5,000,000	5%	5%
<i>Ordinary shares</i>				
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 RO'000	2015 RO'000
At 1 January	729	799
Charge for the year	151	117
Paid during the year	(279)	(187)
	<hr/>	<hr/>
At 31 December	601	729
	<hr/> <hr/>	<hr/> <hr/>

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 RO'000	2015 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
	<hr/>	<hr/>
	42,948	35,120
	<hr/> <hr/>	<hr/> <hr/>

21 Provisions

	2016 RO'000	2015 RO'000
Environmental provision	200	200
Provision for employee retention scheme	222	222
	<hr/>	<hr/>
	422	422
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements
for the year ended 31 December 2016**

21 Provisions (continued)

Environmental provision

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

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)
	<u>222</u>	<u>222</u>
At 31 December	222	222
	<u>222</u>	<u>222</u>

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 RO'000	2015 RO'000
Short-term benefits	597	581
Employees' end of service benefits	42	34
	<hr/> 639 <hr/>	<hr/> 615 <hr/>

(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 RO'000	2015 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
	<hr/> 43,030 <hr/>	<hr/> 34,057 <hr/>

**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
	<hr/> 48,948 <hr/>	<hr/> 41,120 <hr/>

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.