NOTES TO THE FINANCIAL STATEMENTS

FOR THE 9 MONTHS ENDED 30 SEP 2019

1 LEGAL STATUS AND PRINCIPLE 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 Standards (IFRS) and the requirements of the Commercial Companies Law of 1974 of the Sultanate of Oman, as amended and the Capital Market Authority.

(b) Basis of measurement

The financial statements have been prepared on the basis of historical cost. All numbers have been rounded to the nearest thousand unless otherwise stated.

(c) Functional currency

The financial statements are presented in Rial Omani (OMR), 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 recognised in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 4.

2.2 Revenue

Revenue from the sale of goods is based on the consideration specified in a contract with the customer and is recognised when the control over the goods or services 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. Some contracts with the customer provides them with discounts and rebates. Before IFRS 15, the Company recognised revenue from sale of goods measured at fair value of consideration received, net of rebates and discounts. Under IFRS 15, rebates and discounts give rise to variable consideration. After applying the requirements of IFRS 15 for determining the transaction price, the revenue recognised by the Company includes offsets such as rebates or discounts paid by the Company to its customers.

2.3 Directors' remuneration

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.

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 in total exceed OMR 200,000. The sitting fees for each director shall not exceed OMR 10,000 in any 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 those 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 Comprehensive Income as incurred. The Company also operates an employee retention scheme plan besides the defined contribution plan.

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of 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 Comprehensive Income as it accrues taking into account the effective yield on the asset. Interest expense is recognised in the Statement of 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 period comprises current tax and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, 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 periods.

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 amount 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

<u>Recognition and measurement</u>

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.

<u>Subsequent expenditure</u>

The cost of replacing a part of an items of property, plant & equipment is recognised 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 recognised in the Statement of Comprehensive Income, as incurred.

<u>Depreciation</u>

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of the property, plant and equipment as follows:

Buildings	3-30 Years
Plant and equipment	3-30 Years
Motor vehicles	5-15 Years

Work-in-progress is stated at cost less impairment. 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 the depreciation policy of the Company.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

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.

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 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.

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

2.12 Financial assets

<u>Initial recognition and measurement</u>

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

<u>Subsequent measurement</u>

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains & losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

<u>Financial assets at amortised cost (debt instruments)</u>

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Company's financial assets at amortised cost includes trade receivables and cash and cash equivalents.

2.13 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.

2.14 Impairment

(a) Financial assets

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Company has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Company considers a financial asset in default when contractual payment is 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

(b) 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.

2.15 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.

2.16 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 reporting date are dealt with as a non-adjusting event after the reporting date.

2.17 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.

2.18 Interest bearing borrowings

Interest bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Comprehensive Income over the period of borrowings on an effective interest rate basis.

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets is capitalised as part of the costs of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of the interest and other costs that the entity incurs in connection with the borrowing of funds.

2.19 Fair value

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2.20 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 Comprehensive Income on a straight line basis over the lease term.

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.

2.22 New and amended standards and interpretations to IFRS relevant to the Company

The Company has adopted the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2019:

IFRS 16 Leases - The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The standard has been applied using the modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. The most significant impact will be the Company will need to recognise right-of-use assets and lease liabilities for land on which their depots, office and bulk storage facilities are constructed which were treated as operating leases in the past. This will mean that the nature of the expense of the above cost will change from being an operating lease expense to depreciation and interest expense.

3 FINANCIAL RISK MANAGEMENT

3.1 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, interest rate risk and 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.

3.2 Market risk

3.2.1 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. 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 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.

3.2.2 Interest rate risk

The Company's interest rate risk arises from its term loans. The Company manages its exposure to interest rate risk by (a) utilising short-term financing at rates fixed at the time of obtaining the finance and (b) for long term loans, a combination of the lending bank's fixed margin plus the Government of Oman's 28-day T-bill rate.

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

3.2.3 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 counterparty to fail to meet its obligations.

Concentration of credit risk arises when a number of counterparties 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. There are 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 reputed financial institutions in the Sultanate of Oman.

3.3 Liquidity risk

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.

3.4 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 its shareholders and benefits for other stakeholders and to maintain a commercially defensible capital structure to reduce the cost of capital. Capital comprises of share capital, legal reserve and retained earnings.

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.

3.5 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 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.

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.

(a) Impairment of receivables

On 1 January 2018 IFRS 9 "Financial Instruments" replaced the 'incurred loss' impairment model in IAS 39 "Financial Instruments: Recognition and Measurement" with an 'expected credit loss' (ECL) impairment model. The new impairment model requires forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. It also requires management to assign probability of default to various categories of receivables. Probability of default constitutes a key input in measuring an ECL and entails considerable judgement; it is an estimate of the likelihood of default over a given time horizon, the calculation of which involves historical data, assumptions and expectation of future conditions. In the past, the impairment review of trade receivables was performed only for receivables for which management had an indication for impairment. That also entailed significant judgement. It was determined by reference to past default experience of a counterparty and an analysis of the counterparty's financial situation, but the "incurred loss" model disregarded entirely the current and expected future conditions. As a result, it is expected that under the new impairment model credit losses will be recognised earlier.

(b) Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. 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.

(c) Classification of financial assets

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

(d) Impairment of financial assets at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(e) Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

5 SEGMENTAL INFORMATION

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

The Chief Executive Officer identifies operating segments based on a business perspective. The reportable 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 and no other segments are significant.

6 OTHER INCOME

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

7 INCOME TAX EXPENSE

	9 months ended 30 Sep 2019 OMR'000	9 months ended 30 Sep 2018 OMR'000	12 months ended 31 Dec 2018 OMR'000
Current tax expense	1,476	1,654	1,880
Deferred tax expense	55	(79)	222
Total	1,531	1,574	2,102

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted rate of 15% on taxable income (2018: 15%). For the purposes of determining the tax expense for the period, the accounting profit has been adjusted for tax purposes relating to both income and expense items.

After giving effect to these adjustments, the average effective tax rate is estimated to be 15.5% (9 months ended 30 Sep 2018: 14.8%).

Tax provision movement is as follows:

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	1,868	2,238	2,238
Current tax expense for the period	1,476	1,654	1,880
Paid during the period	(1,940)	(2,250)	(2,250)
At end of the period	1,404	1,642	1,868

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

	9 months ended 30 Sep 2019 OMR'000	9 months ended 30 Sep 2018 OMR'000	12 months ended 31 Dec 2018 OMR'000
Accounting profit before tax	9,890	10,640	14,157
Tax on accounting profit before tax at 15% (2018: 15%)	1,484	1,596	2,124
Add tax effect of:			
Non-deductible expenses	48	(21)	(21)
Tax charge for the period	1,531	1,574	2,102

The Company's tax assessments for the years 2013 and 2014 are under assessment, while tax assessments for years 2015 to 2018 have not yet been assessed by the Oman taxation authorities.

8 PROPERTY, PLANT AND EQUIPMENT

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	47,415	43,164	43,164
Depreciation charge for the period	(3,076)	(3,434)	(3,676)
Acquisitions	7,233	4,285	7,928
Disposals	0	(2)	(2)
Transfers	-	-	-
At end of the period	51,571	44,013	47,415

9 INTANGIBLE ASSETS

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	267	444	444
Amortisation charge for the period	(130)	(133)	(177)
Acquisitions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
At end of the period	137	310	267

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.

10 DEFERRED TAX ASSETS /(LIABILITIES)

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2018: 15%). The deferred tax assets/(liabilities) recognised in the Statement of Financial Position is attributable to the following:

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	(12)	210	210
Charge/(credit) for the period from provision and depreciation	(55)	79	(222)
At end of the period	(67)	289	(12)

11 INVENTORIES

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Petroleum products	3,347	5,062	3,276
Raw materials	2,908	5,266	4,131
Total	6,256	10,328	7,407

12 RECEIVABLES AND PREPAYMENTS

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Trade receivables	48,252	40,387	39,581
Less: allowance for impairment losses	(1,260)	(983)	(1,096)
	46,992	39,403	38,485
Receivables from related parties	3,229	5,053	4,371
Trade and related party receivables, net of impairment losses	50,221	44,456	42,856
Prepayments	1,888	1,973	2,705
Other receivables	759	962	557
Total	52,868	47,392	46,118

As at 30 Sep 2019, trade receivables of OMR 1.260 million (30 Sep 2018: OMR 0.983 million) were impaired and provided against. Movements in the allowance for impairment losses were as follows:

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	1,096	840	840
Opening balance adjustment	-	26	26
Provision/(reversal) for the period	163	117	230
At end of the period	1,260	983	1,096

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.

13 CASH AT BANK AND IN HAND

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Bank balances	2,624	2,420	1,883
Deposit accounts	13,469	10,711	21,350
Total	16,093	13,131	23,233

Cash balances are held with local commercial banks and earn interest at commercial rates. For the 9 months ended 30 Sep 2019, the Company earned interest income of OMR 36.748 thousand (9 months ended 30 Sep 2018: OMR 34.758 thousand).

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.

14 SHARE CAPITAL

The Company's authorised, issued and fully paid-up share capital consists of 100,000,000 shares of 100 baisa each (2018: 100,000,000 shares of 100 baisa each) as follows:

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
5,000,000 multi-vote shares of 100 baisa each	500	500	500
95,000,000 ordinary shares of 100 baisa each	9,500	9,500	9,500
Total	10,000	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 meeting of the Company. A company controlled by the Ultimate Parent Company holds all the multi-vote shares.

15 LEGAL RESERVE

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

16 LONG-TERM LOANS

The Company obtained a long-term loan, denominated in Rial Omani, from an Omani commercial bank. The unsecured facility limit is OMR 10 million and carries interest at a commercial rate based on the weighted average discount rate of the Government of Oman's 28-day T-bills.

17 EMPLOYEE TERMINAL BENEFITS

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	269	428	428
Accrual/(reversal) for the period	43	47	57
Paid during the period	(17)	(172)	(216)
At end of the period	295	303	269

18 SHORT-TERM LOANS

The carrying amount of the Company's short-term loans is denominated in Rial Omani. The short-term loans is unsecured and carries interest at a commercial rate. The Company has adequate facilities with local banks to repay/rollover the loan(s) to meet its ongoing business requirements.

19 PAYABLES AND ACCRUALS

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Trade payables	44,941	45,994	43,278
Accrued expenses	6,045	3,668	5,132
Other payables	786	616	963
Payables to related parties	2,118	1,162	1,521
Total	53,890	51,440	50,894

20 PROVISIONS

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Provision for environmental liabilities (a)	(0)	200	(0)
Provision for employee retention scheme (b)	230	249	278
Total	230	449	278

(a) Provision for environmental liabilities

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	(0)	200	200
Provision/(reversal) for the period	-	-	(200)
Less: utilised during the period	-	-	-
At end of the period	(0)	200	(0)

The Company provides for environmental costs based on environmental contamination assessments made on its delivery and storage sites.

(b) Provision for employee retention scheme

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
At 1 January	278	249	249
Provision/(reversal) for the period	77	102	131
Less: utilised during the period	(125)	(102)	(102)
At end of the period	230	249	278

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 Comprehensive Income and is expected to be utilised after three years of employment in accordance with the scheme.

(c) Decommissioning costs

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

21 DIVIDENDS

During the period, dividends of OMR 0.072 per share (9 months ended 30 Sep 2018: OMR 0.085 per share) totalling to OMR 7.200 million relating to 2018 were declared and paid (9 months ended 30 Sep 2018: OMR 8.500 million relating to 2017 were declared and paid).

22 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on profit for the period attributable to ordinary shareholders of the Company by weighted average number of shares outstanding during the period as follows:

	9 months ended 30 Sep 2019 OMR'000	9 months ended 30 Sep 2018 OMR'000	12 months ended 31 Dec 2018 OMR'000
Profit for the period	8,359	9,065	12,055
Weighted average number of shares outstanding for the period	100,000,000	100,000,000	100,000,000
Basic earnings per share (OMR)	0.084	0.091	0.121

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.

23 NET ASSETS PER SHARE

	At 30 Sep 2019 OMR'000	At 30 Sep 2018 OMR'000	At 31 Dec 2018 OMR'000
Net assets as at end of the period	51,277	47,129	50,118
Number of shares outstanding as at end of the period	100,000,000	100,000,000	100,000,000
Net assets per share as at end of the period (OMR)	0.513	0.471	0.501

24 RELATED PARTY TRANSACTIONS

The Company has entered into transactions with subsidiaries of the Ultimate Parent Company 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.

The transactions with related parties included in the Statement of Comprehensive Income were as follows:

	9 months ended 30 Sep 2019 OMR'000	9 months ended 30 Sep 2018 OMR'000	12 months ended 31 Dec 2018 OMR'000
Sale of goods	24,487	32,513	43,389
Purchase of goods and services	9,588	10,350	12,078
Service and trademark license fees	1,757	1,709	2,348
Total	35,831	44,573	57,815

Revenues from related party sales were to companies controlled by the Shell Group and relate mainly to the sales of lubricants and aviation fuel. Other related party sales relate to sales to entities controlled by the directors of the Company. Related party purchases were from companies controlled by the Shell Group and were primarily for supply of base oils and additives used for lubricants blending.

25 COMMITMENTS

At 30 Sep 2019, the Company has future capital expenditure commitments amounting to OMR 2.466 million (30 Sep 2018: OMR 2.163 million).

26 COMPARATIVE INFORMATION

The corresponding figures for the previous period(s) have been reclassified to conform to the presentation for the current period. Such reclassifications do not affect previously reported profit or shareholders' equity.

27 ROUNDING

Due to rounding, numbers presented throughout this document may not always add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.