

Registration number: 00130588

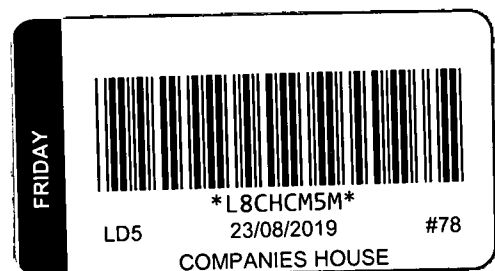
The Shell Company of Thailand Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2018



The Shell Company of Thailand Limited

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The Shell Company of Thailand Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report on The Shell Company of Thailand Limited (also referred to as the "Company") for the year ended 31 December 2018.

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies where Royal Dutch Shell plc, either directly or indirectly, is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

Business review

The principal activities of The Shell Company of Thailand Limited are to buy, sell and otherwise deal in, and to transport, crude oil, chemical and petroleum products. The Company will continue with these activities for the foreseeable future.

The Company's profit for the financial year decreased from Baht 3,108,168 thousands to Baht 1,799,552 thousands and gross profit decreased from Baht 14,039,462 thousands to Baht 13,261,746 thousands for the year ended 31 December 2018 due to higher cost of sales, partially offset by an increase in sales volume and price. Distribution and administrative costs have increased from 9,919,459 thousands to Baht 10,774,698 thousands during 2018 predominantly due to an increase in royalty costs and depreciation.

The Directors consider that the year end financial position of the Company was satisfactory.

Principal risks and uncertainties

The Shell Group has a single risk based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 15 to 20 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2018 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

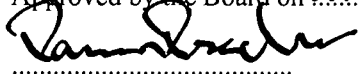
The Shell Company of Thailand Limited

Strategic report for the year ended 31 December 2018 (continued)

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, Oil Sands, and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 29 to 61 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 27 to 28 of the Group Report.

Approved by the Board on 30 July 2019 and signed on its behalf by:



.....
P. Prachuabmoh
Director

The Shell Company of Thailand Limited

Directors' report for the year ended 31 December 2018

The Directors present their report and the financial statements of The Shell Company of Thailand Limited (also referred to as the "Company") for the year ended 31 December 2018.

The Directors' report and audited financial statements of the Company have been prepared in accordance with the Companies Act 2006.

Dividends

An interim dividend of Baht 2,800 million was paid during the year (2017: Nil). The directors recommended that no further dividend be paid for the year ended 31 December 2018 (2017: Baht 2,400 million).

Future Outlook

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

Directors of the Company

The Directors, who held office during the year, and to the date of this report (except as noted) were:

O. Chiangmai

T. Chiengkul (resigned 31 December 2018)

A. Harinsuit

A. Hemvijitrathan (resigned 31 December 2018)

C. Pincharoen

P. Prachuabmoh

T. Rajatapiti (resigned 29 January 2018)

V. Trakulboon

The Shell Company of Thailand Limited

Directors' report for the year ended 31 December 2018 (continued)

Financial risk management

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 103 to 104 and note 19).

Financial risks that are specific to the Company are discussed in note 3 of the Notes to Financial statements.

Branches outside of United Kingdom

The Company operates a branch in Thailand.

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

The Shell Company of Thailand Limited

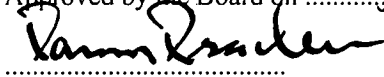
Directors' report for the year ended 31 December 2018 (continued)

Statement of Directors' responsibilities (continued)

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on^{30 July 2019} and signed on its behalf by:



.....
P. Prachuabmoh
Director

Independent Auditor's report to the Member of The Shell Company of Thailand Limited

Opinion

We have audited the financial statements of The Shell Company of Thailand Limited (the "Company") for the year ended 31 December 2018, which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

**Independent Auditor's report to the Member of The Shell Company of Thailand Limited
(continued)**

Other information

The other information comprises the information included in the annual report set out on pages 1 to 5, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

**Independent Auditor's report to the Member of The Shell Company of Thailand Limited
(continued)**

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

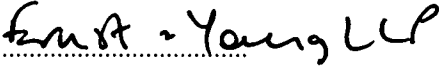
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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


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William Testa (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 14 August 2019

The Shell Company of Thailand Limited

Profit and loss account for the year ended 31 December 2018

Continuing operations

	Note	2018 Baht 000	2017 Baht 000
Turnover	4	145,993,130	136,019,380
Cost of sales		<u>(132,731,384)</u>	<u>(121,979,918)</u>
GROSS PROFIT		13,261,746	14,039,462
Distribution costs		(4,856,452)	(5,906,037)
Administrative expenses		(5,918,247)	(4,013,422)
Other income		<u>90,648</u>	<u>270,780</u>
OPERATING PROFIT	7	2,577,695	4,390,783
Income from participating undertakings		<u>308,723</u>	<u>312,474</u>
PROFIT BEFORE INTEREST AND TAXATION		2,886,418	4,703,257
Interest receivable and similar income	5	61,431	11,433
Interest payable and similar charges	6	<u>(351,141)</u>	<u>(417,001)</u>
PROFIT BEFORE TAXATION		2,596,708	4,297,689
Tax on profit	10	<u>(797,156)</u>	<u>(1,189,521)</u>
PROFIT FOR THE YEAR		<u>1,799,552</u>	<u>3,108,168</u>

The Shell Company of Thailand Limited

Statement of comprehensive income for the year ended 31 December 2018

	Note	2018 Baht 000	2017 Baht 000
Profit for the year		1,799,552	3,108,168
		<u>-</u>	<u>-</u>
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on pension scheme	19	(99,679)	7,592
Changes in the fair value of equity investments at fair value through other comprehensive income	13	(630,000)	472,500
Tax on items relating to components of other comprehensive income that will not be reclassified to profit or loss		126,000	(94,500)
		<u>(603,679)</u>	<u>385,592</u>
Other comprehensive income for the year, net of tax		<u>(603,679)</u>	<u>385,592</u>
Total comprehensive income for the year		<u>1,195,873</u>	<u>3,493,760</u>
Total comprehensive income arises from:			
Continued operations		<u>1,195,873</u>	<u>3,493,760</u>
		<u>1,195,873</u>	<u>3,493,760</u>

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Balance sheet as at 31 December 2018

	Note	2018 Baht 000	2017 Baht 000
Fixed assets			
Intangible assets	11	1,737	738
Tangible assets	12	6,469,042	5,571,196
Investments	13	<u>1,473,750</u>	<u>2,103,750</u>
		<u>7,944,529</u>	<u>7,675,684</u>
Current assets			
Stock	14	5,269,612	6,239,039
Debtors	15	12,266,381	11,393,231
Cash at bank and in hand		3,122,041	3,104,036
Other current financial assets	3	<u>-</u>	<u>25,048</u>
		20,658,034	20,761,354
Creditors: Amounts falling due within one year	16	<u>(12,800,066)</u>	<u>(11,994,491)</u>
Net current assets		<u>7,857,968</u>	<u>8,766,863</u>
Total assets less current liabilities		15,802,497	16,442,547
Creditors: Amounts falling due after more than one year	17	(4,897,416)	(3,892,528)
Deferred tax	10	(809,028)	(1,021,855)
Provisions	20	<u>(453,392)</u>	<u>(423,203)</u>
Net assets excluding pension deficit		9,642,661	11,104,961
Pension deficit	19	<u>(351,214)</u>	<u>(198,808)</u>
Net assets		<u>9,291,447</u>	<u>10,906,153</u>
Equity			
Called up share capital	21	1,830,934	1,830,934
Fair value reserve		1,159,800	1,663,800
Profit and loss account		<u>6,300,713</u>	<u>7,411,419</u>
Total equity		<u>9,291,447</u>	<u>10,906,153</u>

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Balance sheet as at 31 December 2018 (continued)

The financial statements on pages 9 to 58 were authorised for issue by the Board of Directors on ~~30 July 2019~~ and signed on its behalf by:



.....
P. Prachuabmoh
Director

The Shell Company of Thailand Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital Baht 000	Fair value reserve Baht 000	Profit and loss account Baht 000	Total Baht 000
Balance as at 1 January 2017 (as previously reported)	1,830,934	1,285,800	6,706,552	9,823,286
Profit for the year	-	-	3,108,168	3,108,168
Other comprehensive income for the year	-	378,000	7,592	385,592
Total comprehensive income for the year	-	378,000	3,115,760	3,493,760
Share based payments - notional	-	-	34,993	34,993
Share based payments - charge from parent	-	-	(45,886)	(45,886)
Dividends paid (refer note 22)	-	-	(2,400,000)	(2,400,000)
Balance as at 31 December 2017	1,830,934	1,663,800	7,411,419	10,906,153
Impact of changes in accounting policies (as per note 1)	-	-	(5,414)	(5,414)
Restated balance as at 1 January 2018	1,830,934	1,663,800	7,406,005	10,900,739
Profit for the year	-	-	1,799,552	1,799,552
Other comprehensive loss for the year	-	(504,000)	(99,679)	(603,679)
Total comprehensive income for the year	-	(504,000)	1,699,873	1,195,873
Share based payments - notional	-	-	40,793	40,793
Share based payments - charge from parent	-	-	(45,958)	(45,958)
Dividends paid (refer note 22)	-	-	(2,800,000)	(2,800,000)
Balance as at 31 December 2018	1,830,934	1,159,800	6,300,713	9,291,447

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018

General information

The Company is a private company limited by share capital incorporated in England and Wales. The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom.

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, which involves the application of International Financial Reporting Standards (“IFRS”) with a reduced level of disclosure. The financial statements have been prepared under the historical cost convention, except for certain items measured at fair value, and in accordance with the Companies Act 2006.

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of IFRS 9 and IFRS 15.

New standards applied

The Company applied IFRS 9 and IFRS 15 for the first time. The adoption of IFRS 15 has had no material impact on the Company’s retained earnings or balance sheet as at 1 January 2018. The nature and effect of the changes as a result of adoption of IFRS 9 is described below.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018.

The Company has applied IFRS 9 using the modified retrospective approach with no restatement of comparative information and differences being recorded in opening retained earnings at 1 January 2018.

The effect of adopting IFRS 9 is, as follows:

a) Classification and measurement

Listed equity investments previously classified as available for sale financial assets under IAS 39 are now classified and measured as financial assets at fair value through OCI under IFRS 9.

On the date of initial application, 1 January 2018, the equity investment financial instruments of the Company were reclassified from Available for sale to Fair Value through OCI. There was no change in carrying amount of equity instruments. There were no other changes in measurement classification.

The only impact on the measurement of financial assets under IFRS 9 is the change to 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 recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

Impact of changes in accounting policies on retained earnings

The impact on the Company's retained earnings as at 1 January 2018 is as follows:

	2018
	Baht 000
Closing retained earnings 31 December 2017	7,411,419
Increase in provision for expected credit losses	<u>(5,414)</u>
Opening retained earnings 1 January 2018	<u>7,406,005</u>

Upon the adoption of IFRS 9, the Company was required to recognise ECLs which resulted in a decrease in retained earnings as at 1 January 2018.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

The following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined)
- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows);
 - (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third balance sheet);
 - (vii) 111 (cash flow statement information); and
 - (viii) 134-136 (capital management disclosures)
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers'
 - (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
 - (ii) paragraph 113(a) (revenue recognised from contracts with customers);
 - (iii) paragraphs 114 and 115 (disaggregation of revenue);
 - (iv) paragraph 118 (changes in contract asset and liability);
 - (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
 - (vi) paragraph 129 (practical expedients).
- IAS 7, 'Statement of cash flows'
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective)
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation)

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Consolidation

The immediate parent company is Shell Overseas Holdings Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is incorporated in England and Wales. Royal Dutch Shell plc is the parent undertaking of the smallest and largest group to consolidate these accounts.

The consolidated accounts of Royal Dutch Shell plc are available from:

Royal Dutch Shell plc
Tel: +31 888 800 844
email: order@shell.com
Registered office: Shell Centre, London, SE1 7NA

Income from shares in participating undertakings

Income from shares in participating undertakings represents dividends relating to the current year and prior periods, provided that the dividends have been approved by the Company.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that tax attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income or directly in equity.

Current Tax

The Company records a tax charge or credit in profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity which is calculated at the tax rates and laws that are enacted or substantively enacted by the balance sheet date. The company establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities of Thailand.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of the most recent available evidence, it is regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in 'Baht', which is also the Company's functional currency.

(ii) Transaction and balances

Income and expense items denominated in foreign currencies are translated into Baht at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in Baht at the rates of exchange ruling at the year end. Differences on translation are included in the profit and loss account. Non-monetary assets and liabilities denominated in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred.

Foreign currency amounts have been translated at GBP 1: Baht 41.47 (2017: GBP 1: Baht 44.04), being the relevant exchange rate prevailing at the balance sheet date.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of a fixed asset increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current year to the extent that it increases the carrying amount of the fixed asset up to the amount it would have been had the original impairment not occurred.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

Land is not depreciated. Depreciation is charged so as to write off the cost of assets on a straight line basis, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	1.5% - 2.5% per annum
Long leasehold land and buildings	over period of lease
Plant and machinery	5% - 20% per annum
Fixtures, fittings, tools and equipment	5% - 33.3% per annum

Decommissioning and restoration costs

The Company follows the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also capitalised within tangible fixed assets. The capitalised cost is amortised on a straight-line basis over the life of asset. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss account. Changes in estimates of assets are depreciated prospectively over the remaining life of the asset.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Environmental expenditure

Environmental expenditure relating to current operations is expensed, or capitalised where such expenditure provides future economic benefits. Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and when the amount can be reasonably estimated. Measurement of liabilities is based on current legal requirements and existing technology. Liabilities are determined independently of expected recoveries from third parties. Such recoveries are recognised and reported as separate events and brought to account when virtually certain of realisation. The carrying amount of liabilities is regularly reviewed and adjusted as appropriate for new facts or changes in law or technology.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development and an appropriate portion of relevant overheads.

Other development expenditures that do not meet the criteria of intangible assets are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Expenditure which enhances or extends the performance computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software.

Amortisation

Amortisation is provided on intangible fixed assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Acquired computer software licenses	straight-line method over their useful life of 5 years
Computer software development costs	straight-line method over their useful life of 5 years

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Financial assets at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI (without recycling to profit and loss) instead of FVTPL. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Investments in securities

Investments in securities (also referred to as “securities”) comprise equity and debt securities. Equity securities are recognised at FVOCI (without recycling). On sale, net gains and losses previously accumulated in other comprehensive income are transferred to retained earnings. Debt securities are recognised at fair value with unrealised holding gains and losses recognised in OCI. On sale, net gains and losses previously accumulated in OCI are recognised in income.

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease receivables under IFRS 15 that give rise to a conditional right to consideration. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

Derivative contracts

Derivative contracts are held at fair value. Gains or losses arising from changes in fair value are recognised in the profit and loss account within interest income or expenses in the period in which they arise.

Investment in participating undertakings

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments in participating undertakings are stated at cost, less provisions for impairment. The Company carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairments are recorded in the profit and loss account.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow moving and defective stocks to write stocks down to their net realisable value, wherever necessary.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Turnover

Recognition

For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices. Turnover is recognised as the performance obligations are fulfilled.

Sale of goods

Turnover from sales of oil, natural gas, chemicals and other products is recognised at the price at which the Company is expected to be entitled to, after deducting sales taxes, excise duties and similar levies, and when the control of the products have been transferred, which is when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits from the products. For turnover from refining operations, it is either when product is placed onboard a vessel or offloaded from the vessel, depending on the contractually agreed terms; and for sales of oil products and chemicals, it is either at the point of delivery or the point of receipt, depending on contractual conditions. Turnover from sales of oil and natural gas generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism. For turnover resulting from arrangements that do not meet the revenue from contract with customer criteria, turnover is classified as from other sources.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value at a rate intended to reflect the time value of money where the effect of time value of money is material.

Employee benefits

The Company participates in a retirement benefit plan for employees in Thailand. The Shell Companies in Thailand Registered Provident Fund("the Provident Fund"). For employees who joined the Company after 13 December 1996, this operates as a defined contribution scheme.

For those who joined before that date, the plan operates as a defined benefit scheme. The defined benefit scheme is partially funded and partially unfunded, the assets of which are held separately from those of the Company in independently administered funds. Pension scheme assets are measured using market value. Pension scheme liabilities are valued by a qualified independent actuary using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability. The increase in the present value of the liabilities of the Company's defined benefit pension scheme expected to arise from employee service in the period is charged to Profit and loss account.

The expected return on the scheme's assets and the increase during the year in the present value of the scheme's liabilities arising from the passage of time are included in finance costs. Actuarial gains and losses are recognised in the other comprehensive income.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

a) Defined benefit plan

This scheme defines an amount of pension benefit that an employee will receive on retirement, usually dependant on one or more factors such as age, years of service and compensation. The Company has legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits scheme relating to employee service in the current and prior periods. For the defined benefit plan, the Company and the employees must contribute to the fund at the rate as stipulated.

b) Defined contribution plan

A defined contribution plan is a pension plan that is not a defined benefit plan. The Company has no legal or constructive obligation to pay further contributions. According to the fund policy, the employees must contribute between 3% and 15% of their basic monthly salary. The Company shall make a contribution into the fund between 3% and 15% depending on the years of accredited service. The Company's contributions are recognised as expenses when incurred.

Obligations under Thai Labour Law

The Company provides for employment termination benefits, payable to employees under the Thai Labour Law. The amounts payable in future depend on the salary and years of service of the respective employees, among other factors.

Netting off policy

Balances with other companies of the Shell Group are stated gross, unless both of the following conditions are met:

- Currently there is a legally enforceable right to set off the recognised amounts; and
- There is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share based payments

The fair value of share-based compensation for performance share plans is estimated using a Monte Carlo pricing model.

The fair value of the performance share plans is recognised in the profit and loss account from the date of grant over the vesting period, with a corresponding increase recognised directly in equity. At each subsequent balance sheet date, the Company revises its estimate of the number of awards that are expected to vest (in relation to non-market based performance conditions) and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The market value of vested schemes is subsequently invoiced to employing entities in the year of delivery. This is treated as a distribution and is deducted from equity.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements 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 Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic life of tangible fixed assets

Depreciation of tangible fixed assets is calculated using management's assessment of the useful economic lives of the underlying assets. Upon purchase or construction of an asset, useful economic life is assessed by reference to a number of underlying assumptions, including the economic lives of other similar assets. As the economic benefit of the assets is consumed over the course of its life, revisions to the useful life of the asset may be made upon assessment of changes in the operating environment or the condition of the asset itself.

Impairment of tangible fixed assets and intangible fixed assets

For the purposes of determining whether impairment of tangible fixed assets and intangible fixed assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating risk-adjusted future cash flows for value-in-use measures are future oil and gas prices where appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of investments

Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. For the purposes of determining whether impairment of investments has occurred, and the extent of any impairment or its reversal, management review a range of measures relating to the underlying entity's performance, including the net present value of future cash flows. In assessing these measures, management make a number of assumptions relating (but not restricted) to future oil and gas prices, expected production volumes and refining margins appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Stock provision

In the course of management's assessment of the recoverability of stock balances, assumptions are made over the expected economic benefit to be derived from stock assets. These include, but are not limited to, future oil and gas prices; exchange rates and other economic indices. Provisions are made where management do not believe that the book value of the stock will be recovered through sale or use, the value of which will change in line with the underlying economic indicators that influence the market for such goods.

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for third party trade debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For intra-group trade debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

Decommissioning and restoration provisions

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves, or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

3 Financial instruments

The Company has the following financial asset and liabilities measured at fair value through profit or loss:

	2018	2017
	Baht 000	Baht 000
Derivative financial liabilities	(68,685)	(10,844)
Derivative financial asset	-	25,048

The Company has an outstanding loan denominated in foreign currency i.e. US Dollar ('USD'). The foreign exchange risk associated with this activity is economically hedged using foreign exchange forward contracts and cross currency interest rate swaps (CCIRS). Such transactions are carried out on commercial terms and conditions and at market rates.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Derivative instruments outstanding at 31 December are included below

Derivative instruments as at 31 December 2018

	Fair value assets and liabilities Baht 000	Notional value Baht 000	No of contracts
Derivative financial assets			
Foreign Exchange Forward			
Asset (29 Mar 2017 to 28 Sept 2018)	-	106,633	18
Total	-	106,633	18
Derivative financial liabilities			
Foreign exchange contracts (20 November 2018 to 30 September 2019)	(16,143)	(12,028,071)	1
CCIRS			
Liability (bank 1- 30 Nov 2017 to 30 Nov 2022)	-	(1,304,400)	1
Liability (bank 2 -30 Nov 2017 to 30 Nov 2022)	(8,524)	(1,304,400)	1
Liability (bank 3 -30 Nov 2017 to 30 Nov 2022)	(27,544)	(1,108,740)	1
Liability(bank 4- 10 Aug 2018 to 30 Nov 2022)	(16,474)	(790,398)	1
Total	(68,685)	(16,536,009)	5

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Derivative instruments as at 31 December 2017

	Fair value assets and liabilities Baht 000	Notional value Baht 000	No of Contracts
Derivative financial assets			
Foreign Exchange Forwards			
Asset (29 Mar 2017 to 28 Sep 2018)	(2,237)	(49,355)	9
Total	<u>(2,237)</u>	<u>(49,355)</u>	<u>9</u>
CCIRS			
Liability (bank 1 - 30 Nov 2017 to 30 Nov 2022)	(3,011)	(1,304,400)	1
Liability (bank 2 - 30th Nov 2017 to 30th Nov 2022)	(3,905)	(1,108,740)	1
Liability (bank 3- 30th Nov 2017 to 30th Nov 2022)	(3,928)	(1,304,400)	1
Total	<u>(10,844)</u>	<u>(3,717,540)</u>	<u>3</u>

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2018 Baht 000	2017 Baht 000
Sale of goods	<u>145,993,130</u>	<u>136,019,380</u>

Class of business	2018 Baht 000	2017 Baht 000
Oil	<u>145,993,130</u>	<u>136,019,380</u>

Geographical markets

Turnover comprises sales of petroleum products within and outside Thailand.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

5 Interest receivable and similar income

	2018	2017
	Baht 000	Baht 000
Interest from banks and similar income	12,716	11,433
Other interest income	48,715	-
	<u>61,431</u>	<u>11,433</u>

6 Interest payable and similar charges

	2018	2017
	Baht 000	Baht 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	151,584	111,807
Interest expense on other financing liabilities	176,689	191,752
Loss on currency translation - financial items	9,901	97,775
Unwinding of discount on long term provisions (note 20)	12,258	15,091
Other interest payable	709	576
	<u>351,141</u>	<u>417,001</u>

7 Operating profit

Arrived at after <charging/(crediting)>:

	2018	2017
	Baht 000	Baht 000
Operating lease rental charged:		
Hire of plant and machinery	19,310	25,350
Other operating lease expense - property	718,684	689,950
Operating lease expense - other	26,936	29,835
Currency translation:		
Trading activities	(164,794)	(278,124)
Depreciation:		
On owned assets	1,349,259	1,089,013
Amortisation expense	301	379
Provision for ECL	457,168	100,411

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Staff costs

The aggregate payroll costs were as follows:

	2018	2017
	Baht 000	Baht 000
Wages and salaries	1,643,605	1,561,953
Social security costs	4,552	4,430
Pension costs (note 19)	32,719	34,901
Share-based payment expenses (note 26)	<u>40,793</u>	<u>34,993</u>
	<u>1,721,669</u>	<u>1,636,277</u>

The average number of persons employed by the company (including the Directors) during the year, analysed by category was as follows:

	2018	2017
	No.	No.
Oil supply and marketing	<u>508</u>	<u>493</u>

9 Auditor's remuneration

The Auditor's remuneration of Baht 63,282 (2017: Baht 45,544) in respect of the statutory audit was borne by the immediate parent company for both the current and preceding years.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit

Tax charge in the profit and loss account

The tax charge for the year of Baht 797 Million (2017: Baht 1,189 Million) is made up as follows:

	2018	2017
	Baht 000	Baht 000
Foreign tax	<u>547,952</u>	<u>896,085</u>
Total current tax charge	547,952	896,085
Deferred taxation		
Arising from origination and reversal of temporary differences	<u>249,204</u>	<u>293,436</u>
Total deferred tax charge	<u>249,204</u>	<u>293,436</u>
Tax charge in the profit and loss account	<u>797,156</u>	<u>1,189,521</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit (continued)

Amounts recognised in other comprehensive income

	2018			2017		
	Before tax Baht 000	Tax expense Baht 000	Net of tax Baht 000	Before tax Baht 000	Tax expense Baht 000	Net of tax Baht 000
Changes in the fair value of equity investments at fair value through other comprehensive income	(630,000)	126,000	(504,000)	472,500	(94,500)	378,000
Remeasurement of post-employment benefit obligations	<u>(124,599)</u>	<u>24,920</u>	<u>(99,679)</u>	<u>9,490</u>	<u>(1,898)</u>	<u>7,592</u>
	<u>(754,599)</u>	<u>150,920</u>	<u>(603,679)</u>	<u>481,990</u>	<u>(96,398)</u>	<u>385,592</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit (continued)

Reconciliation of total tax charge

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are reconciled below:

	2018	2017
	Baht 000	Baht 000
Profit before tax	(2,596,708)	(4,297,689)
Tax on profit calculated at standard rate (2018- 19.00%) (2017- 19.25%)	493,375	827,305
Effects of:		
Income exempt from taxation	(493,375)	(827,305)
Foreign tax rates	<u>797,156</u>	<u>1,189,521</u>
Total tax charge	<u>797,156</u>	<u>1,189,521</u>

With effect from 1 January 2013, the Company has elected for the Foreign Branch Exemption to apply. As a result, its Thai branch profits or losses are exempt from UK corporation tax for 2013 onwards and subject only to Thai corporation tax at the rate of 20%.

The relevant deferred tax balances have been re-measured to 17%, the rate enacted by the balance sheet date.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit (continued)

Deferred tax liabilities as at:

	Asset	Liability	Net deferred
	Baht 000	Baht 000	tax
2018			Baht 000
Share-based payment	8,159	-	8,159
Accelerated tax depreciation	82,368	-	82,368
Pension benefit obligations	70,243	-	70,243
Provision for decommissioning and restoration not yet allowed for tax	69,996	-	69,996
Amortisation	19,881	-	19,881
Fair value movements on financial instruments	-	(289,950)	(289,950)
Other items	87,678	(857,404)	(769,725)
	<u>338,326</u>	<u>(1,147,354)</u>	<u>(809,028)</u>
2017	Asset	Liability	Net deferred
	Baht 000	Baht 000	tax
			Baht 000
Share-based payment	6,999	-	6,999
Accelerated tax depreciation	72,923	-	72,923
Pension benefit obligations	39,762	-	39,762
Provision for decommissioning and restoration not yet allowed for tax	69,237	-	69,237
Amortisation	15,086	-	15,086
Fair value movements on financial instruments	-	(415,950)	(415,950)
Other items	143,872	(953,783)	(809,911)
	<u>347,878</u>	<u>(1,369,733)</u>	<u>(1,021,855)</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit (continued)

Deferred tax movement during the year:

	At 1 January 2018 Baht 000	Recognised in profit and loss account Baht 000	Recognised in other comprehensive income Baht 000	At 31 December 2018 Baht 000
Share-based payments	6,999	1,160	-	8,159
Accelerated tax depreciation	72,923	9,445	-	82,368
Defined benefit obligations	39,762	5,561	24,920	70,243
Provision for decommissioning and restoration not yet allowed for tax	69,237	759	-	69,996
Amortisation	15,086	4,795	-	19,881
Fair value movements on financial instruments	(415,950)	-	126,000	(289,950)
Other items	(809,911)	40,186	-	(769,725)
Net tax assets/(liabilities)	<u>(1,021,855)</u>	<u>61,907</u>	<u>150,920</u>	<u>(809,028)</u>

Deferred tax movement during the prior year:

	At 1 January 2017 Baht 000	Recognised in profit and loss account Baht 000	Recognised in other comprehensive income Baht 000	At 31 December 2017 Baht 000
Share-based payments	10,992	(3,993)	-	6,999
Accelerated tax depreciation	70,157	2,766	-	72,923
Defined benefit obligations	35,794	5,866	(1,898)	39,762
Provision for decommissioning and restoration not yet allowed for tax	68,670	567	-	69,237
Amortisation	14,619	467	-	15,086
Fair value movements on financial instruments	(321,450)	-	(94,500)	(415,950)
Other items	(984,503)	174,592	-	(809,911)
Net tax assets/(liabilities)	<u>(1,105,722)</u>	<u>180,265</u>	<u>(96,398)</u>	<u>(1,021,855)</u>

The provision for deferred tax consists of the following deferred tax (liabilities) / assets:

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Tax on profit (continued)

	2018	2017
	Baht 000	Baht 000
Deferred tax assets due within 12 months	(79,861)	(136,036)
Deferred tax liabilities due within 12 months	<u>(86)</u>	<u>(1,527)</u>
	<u>(79,947)</u>	<u>(137,563)</u>
Deferred tax assets due more than 12 months	(258,465)	(211,843)
Deferred tax liabilities due more than 12 months	<u>1,147,440</u>	<u>1,371,261</u>
	<u>888,975</u>	<u>1,159,418</u>
Total deferred tax	<u><u>809,028</u></u>	<u><u>1,021,855</u></u>

11 Intangible assets

	Computer software Baht 000	Total Baht 000
Cost		
Balance at 1 January 2018	714,717	714,717
Additions	<u>1,300</u>	<u>1,300</u>
Balance at 31 December 2018	<u>716,017</u>	<u>716,017</u>
Accumulated amortisation and impairment		
Balance at 1 January 2018	(713,979)	(713,979)
Charge for the year	<u>(301)</u>	<u>(301)</u>
Balance at 31 December 2018	<u>(714,280)</u>	<u>(714,280)</u>
Net book amount	<u><u>1,737</u></u>	<u><u>1,737</u></u>
At 31 December 2017	<u><u>738</u></u>	<u><u>738</u></u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Tangible assets

	Freehold land and buildings Baht 000	Plant and machinery Baht 000	Assets under construction Baht 000	Other fixed assets Baht 000	Total Baht 000
Cost or valuation					
Balance at 1 January 2018	4,984,779	9,423,612	124,581	1,125,645	15,658,617
Additions	103,388	10,199	2,133,123	4,516	2,251,226
Assets retirement obligation	-	16,099	-	-	16,099
Reversal of decommissioning and restoration cost	-	(6,706)	-	-	(6,706)
Disposals and retirements of assets	(179,174)	(189,896)	-	(22,649)	(391,719)
Transfers	603,849	684,335	(1,292,417)	4,232	(1)
Balance at 31 December 2018	5,512,842	9,937,643	965,287	1,111,744	17,527,516
Accumulated Depreciation					
Balance at 1 January 2018	(2,397,494)	(6,913,781)	-	(776,146)	(10,087,421)
Charge for the year	(453,586)	(886,046)	-	(9,627)	(1,349,259)
Assets retirement obligation	-	6,706	-	-	6,706
Disposals and retirements of assets	163,476	185,285	-	22,739	371,500
Balance at 31 December 2018	(2,687,604)	(7,607,836)	-	(763,034)	(11,058,474)
Net book amount					

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

12 Tangible assets (continued)

	Freehold land and buildings Baht 000	Plant and machinery Baht 000	Assets under construction Baht 000	Other fixed assets Baht 000	Total Baht 000
At 31 December 2018	<u>2,825,238</u>	<u>2,329,807</u>	<u>965,287</u>	<u>348,710</u>	<u>6,469,042</u>
At 31 December 2017	<u>2,587,285</u>	<u>2,509,831</u>	<u>124,581</u>	<u>349,499</u>	<u>5,571,196</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 Investments

Particulars	Participating undertakings Loans Baht 000	Total Baht 000
Cost		
Balance at 1 January 2018	2,103,750	2,103,750
Change in fair value of investments	<u>(630,000)</u>	<u>(630,000)</u>
Balance at 31 December 2018	<u>1,473,750</u>	<u>1,473,750</u>
Carrying amount		
At 31 December 2018	<u><u>1,473,750</u></u>	<u><u>1,473,750</u></u>
At 31 December 2017	<u><u>2,103,750</u></u>	<u><u>2,103,750</u></u>

Included in participating undertakings is an amount of Baht 1,473.75 million (2017: Baht 2,103.75 million) in respect of listed investments with a quoted market value of Baht 1,473.75 million (2017: THB 2,103.75 million).

Details of the participating undertakings as at 31 December 2018 are as follows:

Name of participating undertaking	Registered office and County of incorporation	Class of shares	% of ownership
Bangkok Aviation Fuel Services Public Company Limited	Thailand	Ordinary	8.82%
Thai Petroleum Pipeline Company Limited	Thailand	Ordinary & Preference	14.87%
Fuel Pipeline Transportation Company Limited	Thailand	Ordinary	0%

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Stock

	2018	2017
	Baht 000	Baht 000
Raw materials and consumables	618,276	691,966
Finished goods and goods for resale	4,817,797	5,576,937
Other inventories	29,527	24,428
Provision for stocks	<u>(195,988)</u>	<u>(54,292)</u>
	<u>5,269,612</u>	<u>6,239,039</u>

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

The cost of stocks recognised as an expense in the year amounted to Baht 132,731 million(2017 - Baht 121,973 million)

15 Debtors

Debtors: amounts due within one year

	2018	2017
	Baht 000	Baht 000
Trade debtors	6,372,560	6,842,856
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	632,734	539,458
Prepayments and accrued income	432,430	382,692
Other debtors	902,746	761,352
Tax receivable	<u>471,073</u>	<u>298,565</u>
	<u>8,811,543</u>	<u>8,824,923</u>

Debtors are stated after provisions for impairment of Baht 337,822 thousands (2017: Baht 247,533 thousands).

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

15 Debtors (continued)

Debtors: amounts due after one year

	2018	2017
	Baht 000	Baht 000
Other debtors	295,779	78,980
Prepayment and accrued income	<u>3,159,059</u>	<u>2,489,328</u>
	<u>3,454,838</u>	<u>2,568,308</u>

The impairment provision required under IFRS 9 was calculated using lifetime ECLs.

The Company has recorded all financial assets at amortised cost, except for FVTOCI assets measured at fair value.

16 Creditors: amounts falling due within one year

	2018	2017
	Baht 000	Baht 000
Bank loans and overdrafts	7,434	936,673
Trade creditors	6,227,840	5,967,037
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	3,408,261	2,292,505
Tax liability	168,121	616,339
Social security	8,658	74,499
Accrued expenses	1,315,777	1,024,043
Other creditors	<u>1,663,975</u>	<u>1,083,395</u>
	<u>12,800,066</u>	<u>11,994,491</u>

Bank loans of Baht 7.4 million (2017: 936.7 million) are repayable at various parts of the year.

Loans from related companies are unsecured short-term loans denominated in Thai Baht and US Dollar. The loans were charged interest at rates ranging from 2.64% to 3.41% (2017: 1.6223% to 5.8193%) and are repayable on demand.

The Company has recorded all financial liabilities at amortised cost.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

17 Creditors: amounts falling due after more than one year

	2018	2017
	Baht 000	Baht 000
Amounts due to participating undertakings	4,828,731	3,881,684
Derivative liabilities	68,685	10,844
	<u>4,897,416</u>	<u>3,892,528</u>

Long term loan is unsecured and denominated in US dollars. The loan bears interest at the LIBOR rate plus 0.97%. As at 31 December 2018, the loan amounting to USD 120 million, is due for repayment on 30 November 2022.

The Company has recorded all financial liabilities at amortised cost.

18 Obligations under leases and hire purchase contracts

Operating leases

The total future value of minimum lease payments is as follows:

	2018	2018	2017	2017
	Land and buildings	Others	Land and building	Others
	Baht 000	Baht 000	Baht 000	Baht 000
Lease expiring				
Within one year	316,582	33,868	301,000	7,788
In two to five years	1,063,815	31,473	879,403	8,381
In over five years	2,768,692	-	2,063,164	-
	<u>4,149,089</u>	<u>65,341</u>	<u>3,243,567</u>	<u>16,169</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes

Defined benefit pension schemes

Shell Thailand retirement schemes:

The Company operates a retirement benefit plan for employees in Thailand (“retirement benefit plan”). For employees who joined the company after 13 December 1996, this operates as a defined contribution scheme. For employees who joined before that date, it operates as a defined benefit scheme. The defined benefit scheme element is partially funded (called ‘funded defined benefit scheme’) and partially unfunded (called ‘unfunded defined benefit plan’) based on each employee's selection.

The Company contributed to the Shell Companies in Thailand Registered Provident Fund (“the provident fund”), a retirement benefit fund for both defined contribution scheme and defined benefit scheme. In addition to the benefit provided by the Company, both groups of employees make their own contributions to the fund. These are always used to provide an additional defined contribution benefit.

The scheme was most recently valued on 31 December 2018. For the defined benefit elements of the retirement benefit scheme and the provident fund, a full actuarial valuation was carried out using the projected unit method at 31 December 2018 by a qualified independent actuary.

	2018	2017
	Baht 000	Baht 000
Defined Retirement benefit scheme	175,629	86,456
Statutory Severance pay obligation	175,585	112,352
	<u>351,214</u>	<u>198,808</u>

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2018	2017
	%	%
Mortality rate	.17	.25
Inflation	5.40	4.65
Discount rate	2.25	2.56
Future salary increases minimum range	4.00	3.50
Future salary increases maximum range	<u>20.00</u>	<u>13.50</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the balance sheet are as follows:

	2018	2017
	Baht 000	Baht 000
Fair value of scheme assets	602,922	744,017
Present value of scheme liabilities	<u>(778,551)</u>	<u>(830,473)</u>
Defined benefit pension scheme deficit	<u>(175,629)</u>	<u>(86,456)</u>

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2018	2017
	Baht 000	Baht 000
Present value at start of year	830,473	852,687
Current service cost	30,521	32,427
Actuarial gains and losses arising from changes in demographic assumptions	840	3,484
Actuarial gains and losses arising from changes in financial assumptions	37,367	19,356
Actuarial gains and losses arising from experience adjustments	(23,105)	-
Interest cost	19,475	24,095
Benefits paid	<u>(117,020)</u>	<u>(101,576)</u>
Present value at end of year	<u>778,551</u>	<u>830,473</u>

Analysed as:

Present value of scheme liabilities arising from wholly or partly funded schemes	<u>778,551</u>	<u>830,473</u>
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The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2018	2017
	Baht 000	Baht 000
Fair value at start of year	744,017	768,620
Interest income	17,277	21,621
Actuarial gains and losses arising from changes in financial assumptions	(51,217)	39,917
Employer contributions	21,274	23,715
Benefits paid	<u>(128,429)</u>	<u>(109,856)</u>
Fair value at end of year	<u>602,922</u>	<u>744,017</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2018	2017
	Baht 000	Baht 000
Equity instruments	283,554	387,112
Debt instruments	<u>319,368</u>	<u>356,905</u>
	<u>602,922</u>	<u>744,017</u>

Actual return on scheme's assets

	2018	2017
	Baht 000	Baht 000
Actual return on scheme assets	<u>17,277</u>	<u>21,621</u>

Amounts recognised in the profit or loss account

	2018	2017
	Baht 000	Baht 000
Amounts recognised in operating profit		
Current service cost	30,521	32,427
Amounts recognised in interest income or costs		
Interest cost on Obligation	19,475	24,095
Interest Income on Plan assets	<u>(17,277)</u>	<u>(21,621)</u>
Recognised in other finance cost	<u>2,198</u>	<u>2,474</u>
Total recognised in the profit or loss account	<u>32,719</u>	<u>34,901</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Amounts taken to the statement of comprehensive income

	2018 Baht 000	2017 Baht 000
Actuarial gains and losses arising from changes in demographic assumptions	840	3,484
Actuarial gains and losses arising from changes in financial assumptions	37,367	19,356
Actuarial gains and losses arising from experience adjustments	(23,105)	-
Changes in the effect of the asset ceiling	<u>51,217</u>	<u>(39,917)</u>
Amounts recognised in the Statement of Comprehensive Income	<u><u>66,319</u></u>	<u><u>(17,077)</u></u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	+ 0.1%	2018 0.0%	- 0.1%	+ 0.1%	2017 0.0%	- 0.1%
Adjustment to discount rate	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Present value of total obligation	<u>(756,154)</u>	-	<u>(802,011)</u>	<u>(806,964)</u>	-	<u>(855,078)</u>
	+ 0.1%	2018 0.0%	- 0.1%	+ 0.1%	2017 0.0%	- 0.1%
Adjustment to rate of salary growth	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Present value of total obligation	<u>(803,339)</u>	-	<u>(754,669)</u>	<u>(861,280)</u>	-	<u>(800,857)</u>

The above sensitivity analyses are based on a change in an assumption while holding the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Scheme assets do not include any of the Company's own financial instruments, or any property owned by Company.

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Statutory Severance Pay

All employees who are terminated including those who leave employment of the company through retirement are entitled to statutory severance pay at a level fixed by the Ministry of Labour regulation of Thailand. With the advice of an actuary, provision has been made for the severance pay that has been accrued by those expected to reach retirement whilst still in employment with the company. The provision has been recognised at present value based on actuarial calculations. No unwinding of discount has been disclosed above as the impact is not considered material to the financial statements. The provision is expected to be utilised over the next five years.

Risks

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2018	2017
	Baht 000	Baht 000
Present value of scheme liabilities	<u>(175,585)</u>	<u>(112,352)</u>

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2018	2017
	Baht 000	Baht 000
Present value at start of year	112,352	94,903
Current service cost	7,870	7,043
Actuarial gains and losses arising from changes in demographic assumptions	46,946	2,304
Actuarial gains and losses arising from changes in financial assumptions	8,080	5,283
Actuarial gains and losses arising from experience adjustments	3,254	-
Interest cost	2,819	2,819
Benefits paid	<u>(5,736)</u>	<u>-</u>
Present value at end of year	<u><u>175,585</u></u>	<u><u>112,352</u></u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the statement of financial position date are as follows:

	2018	2017
	%	%
Mortality rate	.17	.25
Discount rate	2.75	2.56
Inflation	5.40	4.65
Future salary increases minimum range	4.00	3.50
Future salary increases maximum range	<u>20.00</u>	<u>13.50</u>

Post retirement mortality assumptions

2018	2017
Years	Years

Amounts recognised in the income statement

	2018	2017
	Baht 000	Baht 000
Amounts recognised in operating profit		
Current service cost	7,870	7,043
Amounts recognised in finance income or costs		
Interest cost on Obligation	<u>2,819</u>	<u>2,819</u>
Total recognised in the income statement	<u>10,689</u>	<u>9,862</u>

Amounts taken to the Statement of Comprehensive Income

	2018	2017
	Baht 000	Baht 000
Actuarial gains and losses arising from changes in demographic assumptions	46,946	2,304
Actuarial gains and losses arising from changes in financial assumptions	8,080	5,283
Actuarial gains and losses arising from experience adjustments	<u>3,254</u>	<u>-</u>
Amounts recognised in the Statement of Comprehensive Income	<u>58,280</u>	<u>7,587</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

19 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	+ 0.1%	2018 0.0%	- 0.1%	+ 0.1%	2017 0.0%	- 0.1%
Adjustment to discount rate	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Present value of total obligation	<u>(89,453)</u>	<u>-</u>	<u>(95,253)</u>	<u>(105,955)</u>	<u>-</u>	<u>(119,291)</u>
	+ 0.1%	2018 0.0%	- 0.1%	+ 0.1%	2017 0.0%	- 0.1%
Adjustment to rate of salary growth	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Present value of total obligation	<u>(95,416)</u>	<u>-</u>	<u>(89,271)</u>	<u>(119,946)</u>	<u>-</u>	<u>(105,305)</u>

The above sensitivity analyses are based on a change in an assumption while holding the other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied as when calculating the pension liability recognised within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

20 Provisions

	Decommissioning and restoration Baht 000	Other provisions Baht 000	Total Baht 000
Balance as at 1 January 2018	376,302	46,901	423,203
Increase in existing provisions	16,099	4,000	20,099
Provisions used	(864)	14,856	13,992
Released to the profit and loss account	(16,012)	(148)	(16,160)
Increase due to change in discount rate	<u>12,258</u>	<u>-</u>	<u>12,258</u>
Balance as at 31 December 2018	<u>387,783</u>	<u>65,609</u>	<u>453,392</u>

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

20 Provisions (continued)

Decommissioning and restoration costs

Decommissioning and restoration costs are estimated on current requirements, technology and price levels and are stated at fair value. The associated asset retirement costs are capitalised as part of the carrying amount of the related property, plant and equipment. The fair value calculation of the liability is based on the shorter of estimated useful lives or lease term and discounted using the credit-adjusted risk-free rate for the Company. The provision is expected to be utilised over the next 10 years.

A review of the estimated provision for decommissioning and restoration costs was performed based on current experience and techniques. The interest rate used to determine the statement of financial position obligation at 31 December 2018 was 4.50% per annum (2017: 4.50% per annum).

Environmental costs

Environmental expenditure relating to current operations is expensed, or capitalised where such expenditure provides future economic benefits. Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and the amount can be reasonably estimated. Measurement of liabilities is based on current legal requirements and existing technology. The carrying amount of liabilities is regularly reviewed and adjusted as appropriate for changes in law or technology.

Other Provisions

Other provisions are comprised of the provision for redundancy and customs duties due to potential discrepancy between the final value of the imported products and their initially declared value. The assessment of the final value of imported products is expected to be finalised and settled with the Thailand Custom Department within the next year.

21 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 Baht 000	No.	2017 Baht 000
Allotted and fully paid of £10 each	<u>3,754,524</u>	<u>1,830,934</u>	<u>3,754,524</u>	<u>1,830,934</u>

22 Dividends

Interim dividends of Baht 2,800 million were paid in the year (2017: Nil) The Directors recommend no further dividend be paid for the year ended 31 December 2018 (2017: Baht 2,400 million).

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

23 Directors' emoluments

The Directors' emoluments for the year were as follows:

	2018 Baht 000	2017 Baht 000
Emoluments	90,615	119,028
Contributions paid to money purchase pension schemes	-	5,264
	<u>90,615</u>	<u>124,292</u>

The number of Directors who were receiving benefits as at 31 December 2018 are as follows:

	2018 No.	2017 No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>2</u>

In respect of the highest paid Director:

	2018 Baht 000	2017 Baht 000
Emoluments	28,766	35,659
Defined benefit accrued pension entitlement at the end of the period	1,714	1,698

During the year the highest paid director received or was entitled to receive shares under a long term incentive scheme.

These emoluments and pensions were borne by the Company and charged in the profit and loss account.

24 Contingent liabilities

As at 31 December 2018, the Company had contingent liabilities in respect of letters of guarantee issued by banks relating to import duties and others totalling Baht 57 million (2017: Baht 103 million).

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

25 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was - Baht 562 million (2017 - Baht 245 million).

26 Share-based payments

Conditional awards of Royal Dutch Shell plc shares are made under a long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Royal Dutch Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. For awards granted in 2016 and 2017, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. The other half of the award is linked to the Shell scorecard results.

For awards granted in 2018, 37.5% of the award is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed and 12.5% to a free cash flow factor relative to internal operating plans over the remeasurement period. The other half of the award is linked to the Shell scorecard results.

The weighted average market price for exercises in 2018 was £22.60 (2017: £21.49) for Royal Dutch Shell plc Class A shares, £22.80 (2017: £22.42) for Royal Dutch plc Shell Class B shares, and £45.78 (2017: £42.95) for Royal Dutch Shell plc Class A ADRs. For the performance shares which were outstanding as at 31 December 2018, the weighted average exercise price is £ nil (2017:£ nil) and the weighted average remaining contractual life is 1.00 years (2017: 1.00 years).

The profit and loss charge for 2018 is Baht 40.79 million (2017: Baht 34.99 million).

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

27 Related party transactions

The details of related party transactions happened during the year and the year end balance outstanding are as follows:

Related party name	Receivable / (payable) balance as at		Sales/(purchase) during the year		Loan balance	
	2018	2017	2018	2017	2018	2017
	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Hankook Shell Oil Company	2,011	429	2,148	(17,154)	-	-
Pilipinas Shell Petroleum Corporation	32,129	18,717	693,604	442,454	-	-
Sahapanichkijphun Company Limited	(1,964)	1,763	-	(45,424)	-	-
Shell Pakistan Limited	6,036	2,013	14,470	12,544	-	-
Unitas Company Limited	(151)	42,899	-	(50,005)	-	-
Shell Global Solutions Holdings (Thailand) Limited	-	-	-	-	3,289	4,082
Shell Global Solutions (Thailand) Limited	-	-	-	-	180,277	177,628
Shell Timur SDN BHD	-	-	5,115	1,055	-	-
Shell Turcas Petrol AS	-	-	-	(6,066)	-	-
Shell Oman Marketing Company	153	3,388	(389)	(3,388)	-	-
Shell Markets (Middle East) Limited	48,251	-	-	-	-	-
Shell (China) Limited	3,776	-	-	-	-	-

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

27 Related party transactions (continued)

Related party name	Receivable / (payable) balance as at		Sales/(purchase) during the year		Loan balance	
	2018	2017	2018	2017	2018	2017
	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Shell Global Solutions Deutschland Gmbh	652	-	-	-	-	-
Shell International Petroleum Company Limited - Op	(7,798)	-	-	-	-	-
Shell Aviation Limited	266,367	-	-	-	-	-
Shell Hong Kong Limited - Op	(2,739)	-	-	-	-	-
Pt Shell Indonesia	6,384	-	-	-	-	-
Shell India Markets Private Limited - Op	1,861	-	-	-	-	-
Shell Vietnam Ltd	3,752	-	-	-	-	-
Shell Malaysia Trading Sendirian Berhad	15,891	-	-	-	-	-
Shell Gas Nigeria B.V.	239	-	-	-	-	-
Shell Eastern Petroleum (Pte) Ltd - Op	152	-	-	-	-	-
Shell Eastern Trading (Pte) Ltd - Op	(249,312)	-	-	-	-	-
Shell Eastern Trading (Pte) Ltd - Stn Ds	(348,697)	-	-	-	-	-
Shell Eastern Trading (Pte) Ltd - Op Setl	882	-	-	-	-	-
Shell Deutschland Oil Gmbh	788	-	-	-	-	-
Ste Des Petroles Shell Sas	(3,792)	-	-	-	-	-

The Shell Company of Thailand Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

27 Related party transactions (continued)

Related party name	Receivable / (payable) balance as at		Sales/(purchase) during the year		Loan balance	
	2018	2017	2018	2017	2018	2017
	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000	Baht 000
Shell International Limited	(427)	-	-	-	-	-
Shell India Markets Private Limited - Serp Simpl	(948)	-	-	-	-	-
Shell India Markets Private Limited	(107)	-	-	-	-	-
Shell Business Service Centre Sdn. Bhd.	(15,803)	-	-	-	-	-
Shell Global Solutions International B.V.	(1,296)	-	-	-	-	-
Shell Lubricants Supply Company B.V	(87,392)	-	-	-	-	-
Euroshell Cards B.V.	(8,207)	-	-	-	-	-
Shell International B.V.	(3,023)	-	-	-	-	-
Shell Information Technology International B.V.	1,012	-	-	-	-	-
Shell Shared Services (Asia) B.V.	2,995	-	-	-	-	-
Shell Polska Sp. Zo.O. Oddzial W Zabierzowie	(201)	-	-	-	-	-
Shell Expatriate Employment Us Inc.	1,081	-	-	-	-	-
Shell Treasury Centre East (PTE) Limited	-	-	-	-	6,307,112	3,946,107
Shell Downstream South Africa (Pty) Ltd	-	-	36,704	-	-	-