

Director's Report for the year 2005

Dear Shareholder

On behalf of your Board of Directors, I am very pleased to announce yet another fine performance by the Company in 2005.

Oman Oil's seventh year as a public company has been challenging given the positive growth in the economy coupled with our own growth initiatives. All of these placed a strain on the supply situation which resulted in stock outs at some of our sites particularly towards the end of the year. Discussions are being held with the relevant authorities to ensure that supplies are maintained at the required level going forward.

Despite the above, all areas of the business performed well with increased volumes as well as maintaining/ marginally improving margins per litre in most businesses. The financial statements of the Company together with the management review should be read in conjunction with this report.

In general, the Company performed well and has placed itself in a strong position for the future.

Financial Results

Once again I am pleased to announce a particularly pleasing financial performance for the year 2005. Backed by an underlying growth of 12% in volumes, the net profit after tax surged 39% from RO 2.3 million to RO 3.2 million; a significant increase .

The balance sheet remains strong with continued focus on debtors and cash management. Whilst overall trade debtors have increased; it is heartening to note that the average number of debtor days has reduced to 48 from 55 last year; this is backed by several initiatives undertaken by the Company during the year on receivables management.

Your Board remains committed to the objectives of generating consistent profits and maximising the long-term value for our shareholders.

Corporate Governance

Your Board is pleased to report that the Company has conducted all its business dealings ethically and legally and complied fully with the requirements of the laws of Oman together with the CMA regulations.

The Audit committee has performed its duties exemplarily and all reports indicate that we have a sound internal control process in place and that all issues raised have been addressed.

Dividend

Your Board of Directors has recommended a cash dividend to shareholders of 450 Baisas per share that represents a payout of 45% of the ordinary paid up share capital. The recommendation is in line with your Board's policy of maintaining a consistent dividend policy.

Stock split

The Board of Directors has also recommended a Stock split. The Board has recommended that the nominal value of its shares be brought down to 100 baisas

from the present One Rial. Upon approval by the shareholders and the regulatory authorities, each shareholder will, for every share of face value RO 1 held, get 10 shares with a face value of 100 baisas each.

The Board is of the view that this will increase liquidity to the shares of the Company and consequently enhance the shareholder value. This change is consistent with the practice followed in other major capital markets around the world. The approval of the shareholders to give effect to this change will be sought at a forthcoming Extra Ordinary General Meeting that will be held towards the end of March.

People

The fine level of performance for 2005 has been possible due to the commitment and professionalism shown by the management and the staff of the Company to whom the Board would like to express their sincere thanks. The policy of recruiting young energetic talent this year will reap dividends in the future, and I am pleased to announce that our Omanisation process has progressed well and the level is now at 80%.

The Future

The Board of Directors has met to review the strategic direction of the Company in order to maximise growth potential both inside and outside of Oman. A number of promising options have been identified and will be actively pursued going forward. The Board will keep the members and public updated on these developments.

The year has seen progress around regional expansion opportunities being explored by your Company together with its JV partner. I am pleased to say that relationships established in Iraq have resulted in trading opportunities for fuel supply related equipment, executed by the JV. Discussions are at an advanced stage in some countries for the development of mutually beneficial retailing projects, and though progress has been slower than expected we believe that this area of our business has the potential to enhance our performance in the future.

Your Board is confident of yet another good performance in 2006 given the healthy growth of the economy and with the possibility of new investments and growth being realised.

I would like to take this opportunity to thank our many customers, the Government departments we have had dealings with and our dealers and staff for their continued support. I would reiterate our unwavering commitment to the provision of the highest level of service at all times.

On behalf of the Board of Directors, I would like to express our sincere gratitude to His Majesty Sultan Qaboos bin Said. Under his wise leadership and guidance the country continues to be on the path to further prosperity, growth and development.

In conclusion, all that remains for me is to wish all of you a successful and prosperous 2006.

On behalf of the Board of Directors

Salim Abdullah Al Rawas
Chairman