

Corporate Governance Report

In accordance with the Capital Market Authority (CMA) circular dated 3 June 2002 and subsequent amendments, the Board has adopted a set of governance policies that covers its relationship with the shareholders and the conduct by the Board of its own affairs.

A. Company's Philosophy on Code of Corporate Governance

The Company's purpose is to create and to maximise long-term shareholder value by selling its goods and services to the public. In order to achieve this in an ethical and transparent manner our processes and procedures are directed at ensuring that we comply with the best business practices possible whilst complying with the Code of Corporate Governance as laid down by the Capital Markets Authority.

For Oman Oil Marketing Company, maintaining the highest standards of corporate governance is not a matter of compliance but an inner belief; it is a way of life and an integral part of the Company's core values.

The board is fully aware of its fiduciary responsibilities in the widest sense of the term by respecting minority shareholders' rights and operating in an ethical way in every thing it does, most importantly it acts as trustees for all stakeholders.

Key aspects of the Company's Governance Processes are:

- Clear statements of Board Processes and Board-Executive linkage.
- Disclosure, accountability, transparency, adequate systems and procedures to monitor the state of affairs to enable the Board in effectively discharging its responsibilities to the stakeholders of the Company.
- Identification and management of key risks to delivery of performance of the Company.

B. Board of Directors

a) Composition and Category of Directors

As of the year ended 31 December 2003 the Board of Directors had 10 members comprising of 2 Executive Directors including the Managing Director and 8 Non-executive Directors. The Non-executive Directors included 5 members who were Independent Directors.

b) Attendance of each Director at the Board Meetings and the last Annual General Meeting

Five Board Meetings were held during the calendar year from 1 January 2003 to 31 December 2003.

The attendance of each of the Directors at the said Board Meetings is given below: -

Name of Director	Category Of Director ship	No. of Meetings attended	% of total Meetings attended during the tenure as a Director
David Douglas	NED	5	100
Ahmed Al Wahaibi	NED	4	80
Michael G. Wilson	MD	5	100
Salem Bin Mubarak Al Shanfari (Up to 16 April 2003)	NED & IND	2	100
Abdulla Al Riyami	ED	5	100
Salem Ben Nasser Al Ismaily	NED & IND	5	100
Amal Bint Suhail Bahwan	NED & IND	5	100
Khamis Bin Mohammed Al Amry	NED & IND	5	100
Assilah Bint Zaher Al Harthy	NED	5	100
Timothy Bingham (up to 25 March 2003)	NED	1	100
Abdul Amir Bin Saied Mohammed (from 25 March 2003)	NED & IND	3	75
Ahmed Abdullah Saeed Badr Al Rawas (from 13 August 2003)	NED & IND	0	0

NED – Non-executive Director

MD – Managing Director

ED – Executive Director

IND – Independent Director

All Directors who were Directors of the Company as on 25 March 2003 except Mr. Ahmed Al Wahaibi and Mr. Salem Bin Mubarak Al Shanfari attended the Annual General Meeting held on the said date.

c) Number of other Companies or Committees the Director is a Director/Member/Chairman of

Name of the Director(s)	Number of other SAOG Companies in which Director	Number of Committees (other than OOMCO) In which Member
David Douglas	nil	nil
Ahmed Al Wahaibi	1	nil
Michael G. Wilson	nil	nil
Salem Bin Mubarak Al Shanfari (Up to 16 April 2003)	5	nil
Abdulla Al Riyami	nil	nil
Salem Ben Nasser Al Ismaily	3	nil
Amal Bint Suhail Bahwan	1	nil
Khamis Bin Mohammed Al Amry	nil	nil
Assilah Bint Zaher Al Harthy	nil	nil
Timothy Bingham (up to 25 March 2003)	nil	nil
Abdul Amir Bin Saied Mohammed (from 25 March 2003)	2	3
Ahmed Abdullah Saeed Badr Al Rawas (from 13 August 2003)	3	3

d) Number of Board Meetings held and the dates of the Board Meeting

Five Board Meetings were held during the financial year 1 January 2003 to 31 December 2003. The dates on which the said meetings were held are given below:

- 19 January 2003
- 13 April 2003
- 04 June 2003
- 15 July 2003
- 14 October 2003

C. Audit Committee and Other Committees

Audit Committee

a) Terms of Reference

- To monitor all reporting, accounting, control and the financial aspects of the executive management's activities
- To investigate any activity within the Company
- To seek information from any employee
- To obtain outside legal or other professional advice
- To secure attendance of outsiders with relevant expertise, if it considers necessary
- To provide assurance to the Board of Directors regarding the adequacy of the internal control environment within the Company

It may be clarified that the role of the Audit Committee includes matters specified under Annexure 3 of the Code of Corporate Governance for MSM listed companies issued by Circular No. 11/2002 dated 3 June 2002.

b) Composition, Name of Members and Chairperson

As on 31 December 2003 the Audit Committee comprised of 3 Non-executive Directors namely

- Salem Ben Nasser Al Ismaily – Chairman
- Assilah Bint Zaher Al Harthy
- Abdul Amir Bin Saied Mohammed

with the Managing Director being a permanent invitee to the Committee and the Company Secretary, being the Secretary of the Committee. Salem Ben Nasser Al Ismaily and Abdul Amir Bin Saied Mohammed are Independent Directors on the Committee.

Mr. Timothy Bingham ceased to be a Member of the Committee with effect from 25 March 2003.

Mr. Abdul Amir Bin Saied Mohammed was appointed as a Member of the Committee from 25 March 2003.

Name of Audit Committee Member	Category of Directorship	No. of Meetings attended	% of total Meetings attended during the tenure as a Member
Salem Ben Nasser Al Ismaily	NED & IND	4	80
Assilah Bint Zaher Al Harthy	NED	5	100
Timothy Bingham (up to 25 March 2003)	NED	1	100
Abdul Amir Bin Saied Mohammed (from 25 March 2003)	NED & IND	3	75

NED – Non-executive Director

IND – Independent Director

Internal Control

The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. They have met the internal auditors on a quarterly basis to review the internal audit reports, recommendations and management comments thereupon. They have also met the external auditors to review audit findings and management letter. The Audit Committee has also met the internal and external auditors in absence of management as required under the code of Corporate Governance. The Audit Committee has further briefed the Board on a quarterly basis at the board meeting about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that an adequate and effective internal control system is in place and that there are no significant concerns.

D. Process of nomination of the Directors

The Company adheres to the process as has been laid down in the Commercial Companies Law and by the Capital Market Authority in conjunction with the Articles of Association of the Company.

E. Remuneration Matters

Details of remuneration to the Directors

The remuneration policy is decided by the Board with the intent of attracting and retaining the highest quality of industrialists/professionals to provide the Company with the right kind of strategic directions and improve operational efficiencies. Accordingly each non executive director is awarded RO 500 as a sitting fee for every board meeting attended and a fixed annual remuneration of RO 5000 for the services rendered. Total remuneration paid to the non executive directors for the financial year 2003 was around RO 57,000. Executive Directors are compensated in their salary for service as a Board member hence they do not receive any additional remuneration.

Details of remuneration paid to top 5 officers

The remuneration package of the executives is made up of a fixed and variable component. Fixed component includes salary, valued perquisites and retrial benefits. The variable component is performance linked bonus is calculated based on pre-determined parameters of performance.

During the year 2003, the total cost of the top 5 executives of the Company was RO 268,599.

F. Details of non-compliance by the Company

The Company has not paid any penalty and no strictures have been imposed on the Company by Muscat Securities Market / Capital Market Authority or any other Statutory Authority on any matter related to Capital Markets during the last three years.

G. Means of communication with the shareholders and investors

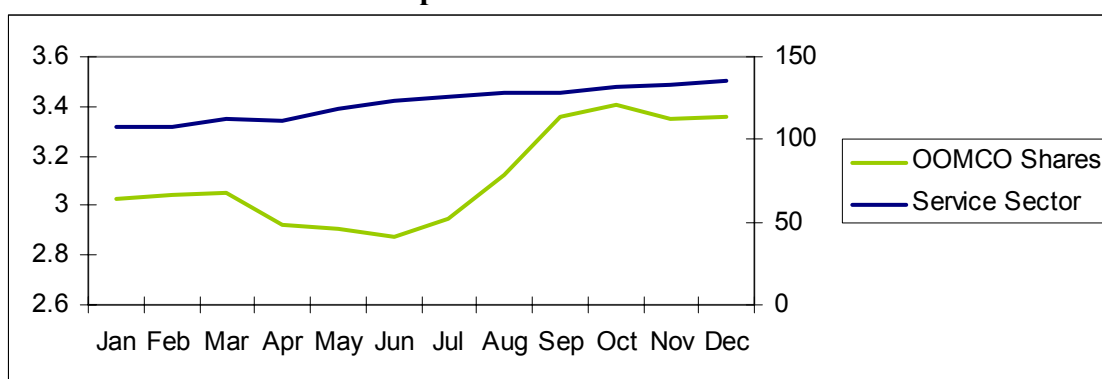
- The quarterly results were published in local newspaper both in Arabic as well as in English. The results were not sent individually to the shareholders in view of the publication in the newspaper. Shareholders wishing to acquire a set of results were advised to contact our offices directly.
- The Company has a website by the name www.bpoman.com and all relevant information relating to the Company and its performance are available for the interested parties
- The Company participated in an investor analysts meet organised by a major local bank in May 2003. Two other separate presentations were made to the analysts to share Company's goals and strategies, financial performance, issues and challenges.
- Management Discussion & Analysis Report forms a part of the Annual Report.

H. Market price data

Market Price Data - High/Low during each month in the Year 2003

Month	Rate (RO)	
	Highest	Lowest
January	3.10	2.95
February	3.05	3.04
March	3.10	3.00
April	2.95	2.90
May	2.92	2.90
June	2.90	2.85
July	3.05	2.84
August	3.25	3.00
September	3.41	3.30
October	3.42	3.40
November	3.35	3.35
December	3.36	3.35

Performance in comparison to broad based index of MSM



Distribution of shareholding

Distribution of shareholding as on 31 Dec 2003	Number of shares	Number of shareholders	% of shareholders
Upto 500	162964	889	2.5
501 – 1000	104285	151	1.6
1001 – 2000	49639	35	0.8
2001 – 3000	23845	10	0.4
3001 – 4000	71249	22	1.1
4001 – 5000	51419	11	0.8
5001 – 100000	1598039	76	24.8
100001 and above	4388560	8	68.0
Total	6450000	1264	100.0

Outstanding GDRs/ADRs/Warrants or any Convertible instruments, conversion date and likely impact on equity

The company does not have any GDRs/ADRs/Warrants or any other convertible warrants as on 31 December 2003 and hence the likely impact on equity is NIL.

I. Specific areas of non-compliance with the provisions of corporate governance

There are no areas in which the Company is still not fully compliant with the code of corporate governance.

J. Professional profile of the statutory auditor

Ernst & Young is one of Oman's longest established accounting firms, having had a permanent office in the country since 1974. The practice comprises some seventy professionals, and is under the direction of three partners. The Oman office forms part of Ernst & Young's Middle East practice, with 93 partners and nearly 1800 other professionals in 16 offices throughout the region. The Middle East practice is a member firm of Ernst & Young Global, operating in more than 130 countries with approximately 110,000 personnel worldwide.