

# Audit Report of Corporate Governance



**KPMG**  
4th Floor, HSBC Bank Building  
MBD  
P.O. Box 641  
P.C. 112  
Sultanate of Oman

Tel 968 24709181  
Fax 968 24700839

**Report to the Shareholders of The Oman Oil Marketing Co. SAOG ("the Company") of Factual Findings in Connection with Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance.**

We have performed the procedures prescribed in Capital Market Authority ("CMA") Circular No. 16/2003, dated 29 December 2003, with respect to the corporate governance report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002, and its amendments. The Report is set out on pages 12 to 17.

Our engagement was undertaken in accordance with the International Standard on Auditing applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Report.

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C.R. No. 6/30936/1



continued .....

We report our findings below:

We found the Report reflects, in all material respects, the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Company's corporate governance report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the first paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2004 and does not extend to the financial statements or any other reports of Oman Oil Marketing Co. SAOG, taken as a whole.

17 January 2005

In accordance with the Capital Market Authority (CMA) circular dated 3 June 2002 and subsequent amendments, we are pleased to present the third Corporate Governance Report of Oman Oil Marketing Company SAOG for the year ended 31st December 2004.

In line with Circular 16/2003 dated 29th October 2003 issued by H.E. Yahya bin Said bin Abdullah Al-Jabri, Executive President of the Capital Markets Authority, KPMG have issued a separate factual findings report on the Company's Corporate Governance Report for the year ended 31st December 2004.

## A. Company's Philosophy on Code of Corporate Governance

In line with CMA guidelines, 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.

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 Market Authority and committing to adopt the best global practices of Corporate Governance.

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

As of the year ended 31 December 2004 the Board of Directors had 10 members comprising of 1 Executive Director (Managing Director) and 9 Non-executive Directors. The Non-executive Directors included 5 members who were Independent Directors. All Directors with the exception of the Managing Director were Omani nationals. The Executive and Non-Executive Directors are accomplished professionals and experts in their respective corporate fields, ensuring proper direction and control of the Company's activities.

The directors of the company can be shareholder directors or non-shareholder directors, provided that a shareholder candidate or the juristic person they represent own at least 1000 shares in the Company.

The Board of Directors had 4 meetings during the last year ended 31 December 2004. The dates were:

- 19th January
- 27th April
- 14th July
- 16th October.

The details of the Directors of the Board, their Directorships and attendance at Board meetings are as follows:

No.	Name of Director	Position-type of Directorship	Board Meetings attended during tenure as director	Directorship in other SAOG Companies
1	Salim Abdullah Al Rawas (from 1st September 2004)	Non Executive Chairman	1/1	Dhofar International Development & Investment Holding Company SAOG  Dhofar Insurance SAOG  Dhofar University SAOG
2	David C Douglas (upto 30 August 2004)	Non Executive Chairman	3/3	None
3	Ahmed Bin Salim Al Wahabi	Non Executive Vice-Chairman	3/4	None
4	Michael G Wilson	Managing Director	4/4	None
5	Salem Ben Nasser Al-Ismaily	Non Executive, Independent Director	3/4	Renaissance Services SAOG  Oman ORIX Leasing Co. SAOG  Bank Muscat

No.	Name of Director	Position-type of Directorship	Board Meetings attended during tenure as director	Directorship in other SAOG Companies
6	Assilah Bint Zaher Al Harthy	Non Executive Director	4/4	None
7	Amal Bint Suhail Bahwan	Non Executive, Independent Director	3/4	National Pharmaceutical Industries Co. SAOG
8	Khamis Bin Mohammed Al Amry	Non Executive, Independent Director	4/4	None
9	Abdul Amir Bin Saied Mohammed	None Executive, Independent Director	3/4	Gulf International Chemicals SAOG Oman Fisheries SAOG
10	Ahmed Bin Abdullah Al Rawas	None Executive Director	0/4	Dhofar International Development & Investment Holding Company SAOG Dhofar Cattle Feed Co. SAOG Salalah Mills Co. SAOG
11	Abdul Kader Darwish Doshambah Al-Balushi (from 10th March 2004)	None Executive, Independent Director	3/3	Oman Ceramics Co. SAOG
12	Abdullah Bin Hamoud Al Riyami (upto 10th March 2004)	Executive Director	1/1	None

All Directors who were Directors of the Company as on 10th March, 2004 except Mr. Abdul Amir Bin Saied Mohammed attended the Annual General Meeting held on the said date.

The Board of Directors manages and supervises the business and affairs of the Company in a stewardship role. The day-to-day management is delegated to the officers of the Company. Any responsibilities that have not been delegated to the officers or to a committee of the Board remain with the Board.

In order to facilitate proper governance the following information amongst others is provided to the Board:

- Review of operating plans of business, capital budgets and updates;
- Quarterly/annual results of the Company and its business segments;
- Quarterly performance on Health, Safety, Security and Environment;
- Reports of fatal, serious accidents or dangerous occurrences;
- Briefing by the Audit Committee chairman
- Issues involving possible public or product liability claims of substantial nature;
- Any significant industrial relations problems;
- Policies / procedures as are deemed important to place before the board

## 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 2004 the Audit Committee comprised of 3 Non-executive Directors of which 2 were independent namely

- Salem Ben Nasser Al Ismaily – Chairman (Non Executive, Independent Director)
- Assilah Bint Zaher Al Harthy (Non Executive Director)
- Abdul Amir Bin Saied Mohammed (Non Executive, Independent Director) with the Managing Director being a permanent invitee and the Company Secretary as the Secretary to the Committee.

Name of Audit Committee Member	No. meetings	Meetings attended
Salem Ben Nasser Al Ismaily	6	5
Assilah Bint Zaher Al Harthy	6	6
Abdul Amir Bin Saied Mohammed	6	4

### 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 four times during the year to review the internal audit reports, recommendations and management comments thereupon. They have also met the external auditors to review audit findings and the 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 periodic 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's Articles of Association provides for re-election or replacement of Director's at 2 yearly intervals. There are arrangements for the filling of vacancies by the Board itself on a temporary basis. 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 is adhered to.

## 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, RO 300 for every audit committee meeting attended and a fixed annual remuneration of RO 5,000 for the services rendered. Total remuneration paid to the non executive directors for the financial year 2004 was RO 63,000. Executive Directors are not in receipt of directors fees.

### 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 retiral benefits. The variable component is a performance linked bonus & is calculated based on pre-determined parameters of performance.

During the year 2004, the total cost of the top 5 executives of the Company was RO 295,540.

## 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 (MSM)/ Capital Market Authority (CMA) or any other Statutory Authority on any matter related to Capital Markets during the last three years.

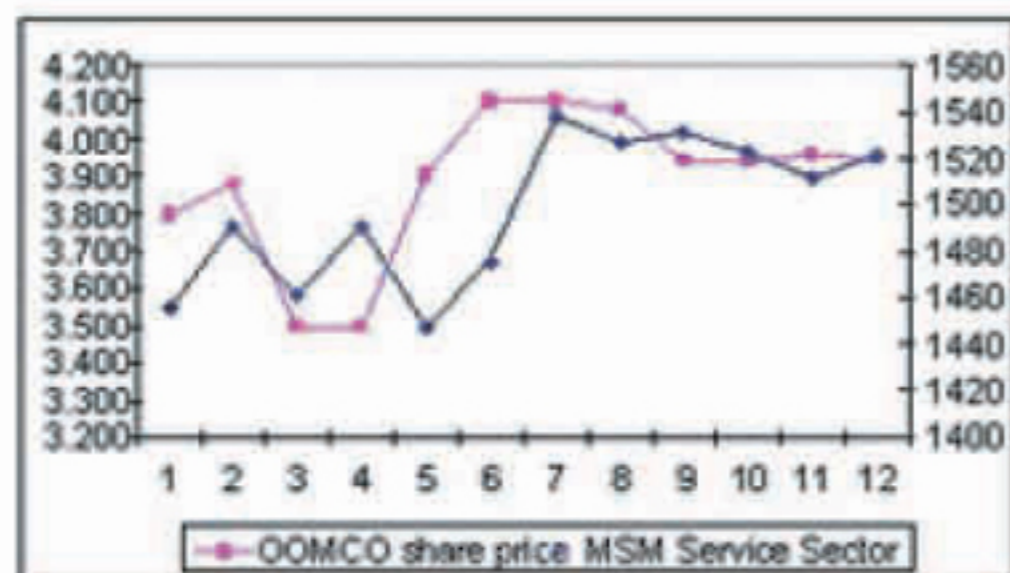
## G. Means of communication with the shareholders and investors

- 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 or through the MSM.
- The Company has a website by the name [www.oomco.com](http://www.oomco.com) and all relevant information relating to the Company and its performance are available for the interested parties.
- The Company organised an investor analysts' meet in August 2004 where a presentation was 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 2004		
Month	Rate (RO)	
	Highest	Lowest
January	3.80	3.35
February	3.88	3.80
March	3.85	3.39
April	3.50	3.50
May	3.90	3.40
June	4.11	3.93
July	4.10	4.10
August	4.10	4.08
September	4.08	3.94
October	4.00	3.88
November	3.96	3.92
December	3.97	3.85

## Performance in comparison to relevant sectoral index of MSM



## Distribution of shareholding

Distribution of Shareholding as on 31 Dec 2004	Number of Shares	Number of Shareholders	% of shareholders
upto 500	160,629	864	2.49
501 - 1,000	110,618	153	1.72
1,001 - 2,000	63,840	42	0.99
2,001 - 3,000	44,923	18	0.70
3,001 - 4,000	65,359	20	1.01
4,001 - 5,000	42,172	9	0.65
5,001 - 10,000	204,318	29	3.17
10,001 - 100,000	1,520,160	50	23.57
100,001 and above	4,237,981	6	65.71
<b>TOTAL</b>	<b>6,450,000</b>	<b>1,191</b>	<b>100.00</b>

### 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 2004 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

KPMG is an international accounting firm operating in more than 150 countries from over 800 offices and having more than 100,000 staff. KPMG in Oman has over 70 employees including 3 partners and 12 managers and trains the largest number of Omanis (including two Managers) in the auditing and accounting profession.

**Salim Abdullah Al Rawas**  
Chairman

**Michael G Wilson**  
Managing Director