



FINANCIALS

Summary of performance

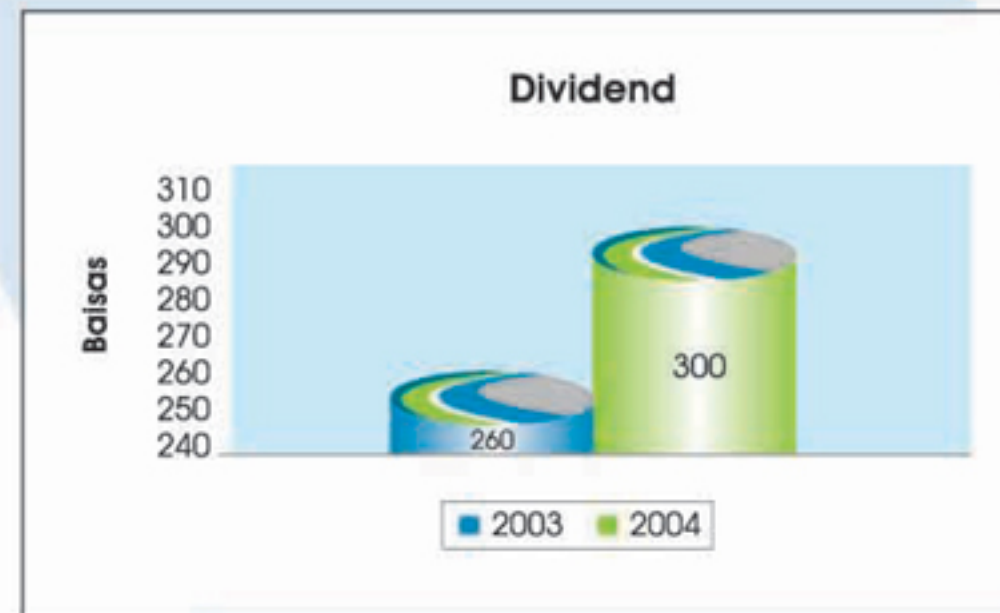
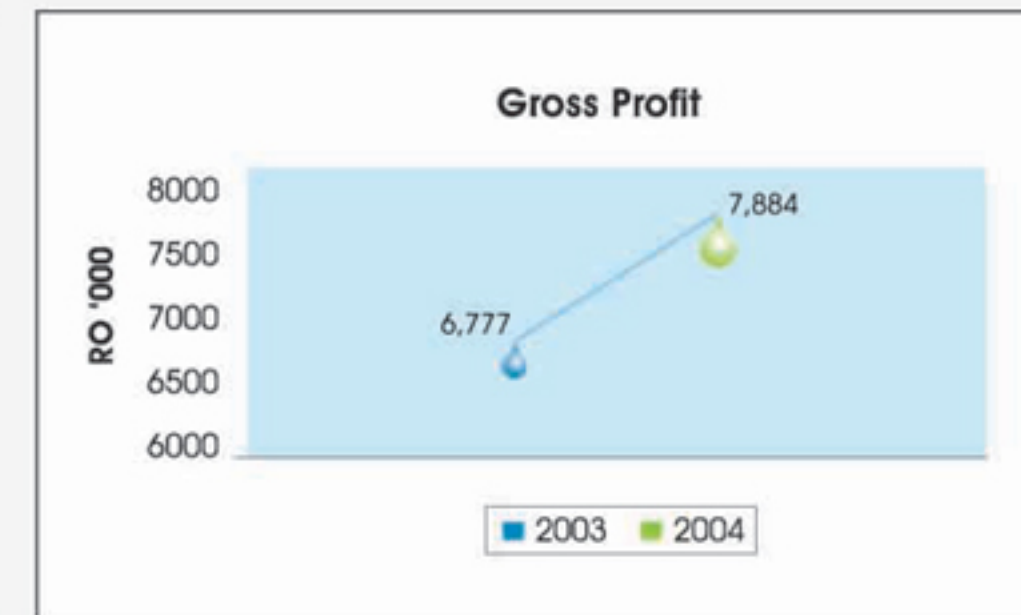
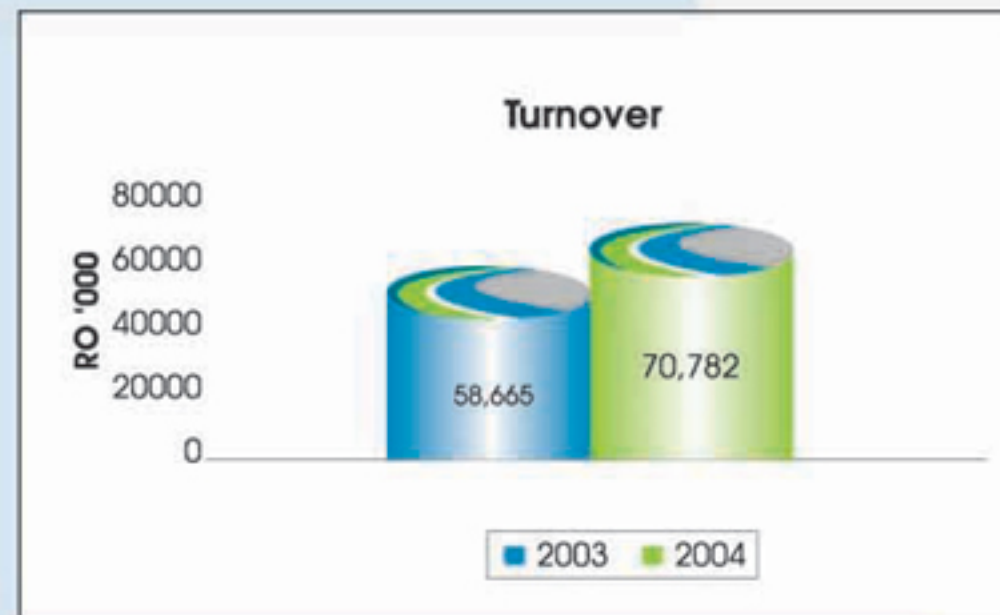
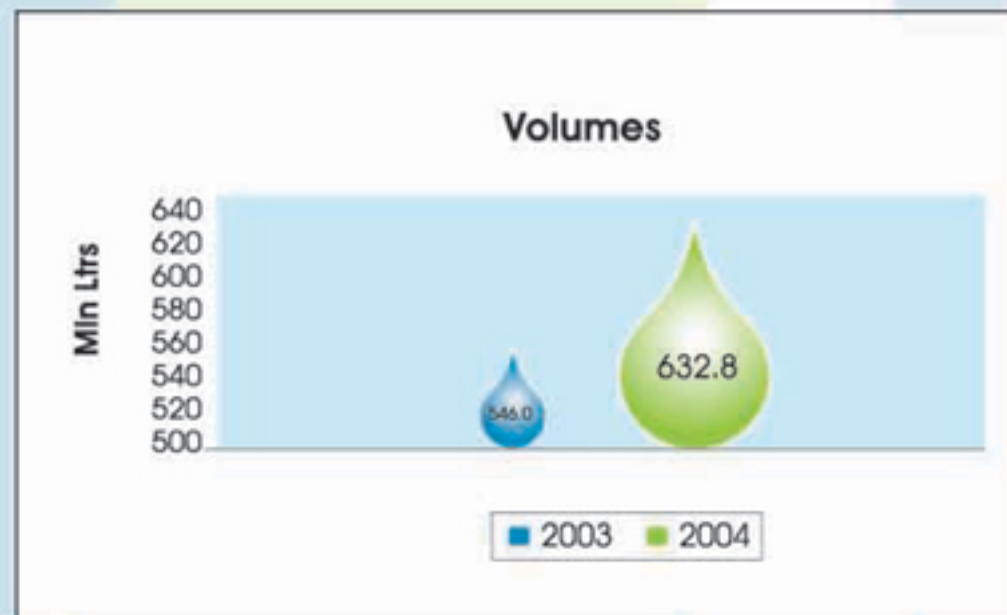
for the year ended 31 December

	2004 RO '000	2003 RO '000
Operating Results		
Volumes (ml litres)	632.8	546
Gross Profit	7,884	6,777
Gross Profit Margin	11.10%	11.60%
Profit before Income Tax	2,671	2,204
Profit after Income Tax	2,328	2,652*
<i>* includes exceptional credits for prior years RO 617</i>		
Balance Sheet		
Total Assets	22,371	20,948
Total Liabilities	9,560	8,743
Net Assets	12,811	12,205
Net Assets per share (RO)	1.986	1.892
Current Ratio	1.5	1.7

Summary of performance

for the year ended 31 December

	2004 RO '000	2003 RO '000
Other performance indicators		
Earnings per share (Baisas) <i>* after exceptional credits for taxation (see above)</i>	354	405*
Dividend per share (Baisas) <i>** subject to confirmation by shareholders at AGM</i>	300	260**
Dividend yield (at offer price of RO 2.000)	15.0%	13.0%
Dividend yield (at 31 December market price)	7.6%	7.8%
Market price at 31 December (RO)	3.95	3.35





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REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF OMAN OIL MARKETING COMPANY SAOG

We have audited the balance sheet of Oman Oil Marketing Company SAOG ("the Company") as at 31 December 2004 and the related statements of income, changes in equity and cash flows for the year then ended, as set out on pages 22 to 35.

Respective responsibilities of the Board of Directors and the Independent Auditors

These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

continued

KPMG, a branch office established under the laws of Oman,
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C.R. No. 6/30936/1



continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman Oil Marketing Company SAOG as at 31 December 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Markets Authority and comply, in all material respects, with the Commercial Companies Law of 1974, as amended.

17 January 2005

Balance Sheet

as at 31 December

	Notes	2004 RO	2003 RO
NON-CURRENT ASSETS			
Property, plant and equipment	3&11	9,005,490	6,738,177
Interest in Joint Venture	4	20,000	-
Deferred tax	14	79,759	203,537
TOTAL NON-CURRENT ASSETS		9,105,249	6,941,714
CURRENT ASSETS			
Inventories	5	1,517,894	2,267,261
Accounts receivable and prepayments	6	11,062,922	8,285,065
Bank balances and cash	7	684,572	3,453,588
TOTAL CURRENT ASSETS		13,265,388	14,005,914
TOTAL ASSETS		22,370,637	20,947,628
EQUITY			
Share capital	8	6,450,000	6,450,000
Statutory reserve	9	2,150,000	2,150,000
Retained earnings		4,210,632	3,604,714
TOTAL EQUITY		12,810,632	12,204,714
NON-CURRENT LIABILITIES			
Employees' end of service benefits	10	322,374	326,060
Provision for site restoration and abandonment cost	11	189,854	-
TOTAL NON-CURRENT LIABILITIES		512,228	326,060

Balance Sheet

as at 31 December

	Notes	2004 RO	2003 RO
CURRENT LIABILITIES			
Accounts payable and accruals	12	6,971,752	5,866,710
Short-term loan	13	1,500,000	2,000,000
Income tax	14	336,297	267,278
Environmental provision	15	239,728	282,866
TOTAL CURRENT LIABILITIES		9,047,777	8,416,854
TOTAL EQUITY AND LIABILITIES		22,370,637	20,947,628
NET ASSETS PER SHARE		1.986	1.892

The notes on pages 26 to 35 form an integral part of these financial statements.

These financial statements were approved and authorized for issue by the Board of Directors on 17th January 2005 and signed on their behalf by:



Salim Abdullah Al Rawas
Chairman



Michael G Wilson
Managing Director

The report of the Auditors is set forth on page 21.

Income Statement

for the year ended 31 December

	Notes	2004 RO	2003 RO
Sales	20	70,781,948	58,665,364
Cost of sales		(62,897,860)	(51,888,089)
GROSS PROFIT		7,884,088	6,777,275
Marketing, distribution and administration expenses	3,16 &20	(5,027,388)	(4,579,003)
Advertising expenses		(294,739)	(257,177)
Other operating income		120,027	243,886
PROFIT FROM OPERATIONS		2,681,988	2,184,981
Net finance (charges) income	19 & 20	(10,452)	19,547
PROFIT BEFORE INCOME TAX		2,671,536	2,204,528
Income tax	14	(343,618)	447,290
NET PROFIT FOR THE YEAR		2,327,918	2,651,818
BASIC EARNINGS PER SHARE	22	0.354	0.405

The notes on pages 26 to 35 form an integral part of these financial statements.

The report of the Auditors is set forth on page 21.

Cash flow statement

For the year ended 31 December

	Notes	2004 RO	2003 RO
OPERATING ACTIVITIES			
Profit before income taxes and after Directors' remuneration		2,626,536	2,164,528
Adjustments for:			
Depreciation	3	947,262	765,375
Accrual for employees' end of service benefits		53,031	32,136
Loss on disposal of property, plant and equipment		106,671	13,230
Impairment of property, plant and equipment		-	153,821
Interest income		(4,276)	(29,242)
Interest expense		14,728	9,695
Operating profit before working capital changes:		3,743,952	3,109,543
Inventories	5	749,367	(221,136)
Receivables	6	(2,777,857)	1,019,727
Payables	12	1,061,904	480,536
Cash from operations		2,777,366	4,388,670
Interest paid		(14,728)	(9,695)
Employees' end of service benefits paid	10	(56,717)	(58,703)
Income tax paid	14	(150,821)	(183,480)
Net cash flow from operating activities		2,555,100	4,136,792

Cash flow statement

For the year ended 31 December

	Notes	2004 RO	2003 RO
INVESTING ACTIVITIES			
Investment in joint venture	4	(20,000)	-
Purchase of property, plant and equipment	3	(3,139,770)	(1,712,336)
Proceeds from disposal of property, plant and equipment		8,378	93,843
Interest income		4,276	29,242
Net cash used in investing activities		(3,147,116)	(1,589,251)
FINANCING ACTIVITIES			
Dividends paid		(1,677,000)	(1,612,500)
(Decrease) increase in short term loan		(500,000)	1,650,000
Net cash flow from financing activities		(2,177,000)	37,500
(DECREASE) INCREASE IN CASH		(2,769,016)	2,585,041
Cash at the beginning of the year		3,453,588	868,547
CASH AT THE END OF THE YEAR	7	684,572	3,453,588

The notes on pages 26 to 35 form an integral part of these financial statements.

The report of the Auditors is set forth on page 21.

Statement of changes in equity

for the year ended 31 December

	Share capital RO	Statutory reserve RO	Retained earnings RO	Total RO
1 January 2003	6,450,000	2,150,000	2,605,396	11,205,396
Dividends paid – 2002	-	-	(1,612,500)	(1,612,500)
Net profit for the year	-	-	2,651,818	2,651,818
Directors' remuneration	-	-	(40,000)	(40,000)
31 December 2003	<u>6,450,000</u>	<u>2,150,000</u>	<u>3,604,714</u>	<u>12,204,714</u>
1 January 2004	6,450,000	2,150,000	3,604,714	12,204,714
Dividends paid – 2003	-	-	(1,677,000)	(1,677,000)
Net profit for the year	-	-	2,327,918	2,327,918
Directors' remuneration	-	-	(45,000)	(45,000)
31 December 2004	<u>6,450,000</u>	<u>2,150,000</u>	<u>4,210,632</u>	<u>12,810,632</u>

The notes on pages 26 to 35 form an integral part of these financial statements.

The report of the Auditors is set forth on page 21.

Notes

(forming part of the financial statements)

1 Legal status and principal activities

Oman Oil Marketing Co. SAOG [formerly known as BP Oman SAOG] ("the Company") is registered as a joint stock company under the Commercial Companies Law of Oman and is engaged in the marketing and distribution of petroleum products. The Company is a subsidiary of Oman Oil Company SAOC, a closed joint stock Company registered in the Sultanate of Oman. The Company has entered into a 'Trademark License Agreement' with Oman Oil Company SAOC dated 22nd September 2003, for the right to use the trademark 'Oman Oil', in exchange for an annual fee of 0.09% of all fuel sales.

2 Principal accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

Basis of preparation

The financial statements are presented in Rials Omani ("RO"). They are prepared on the historical cost basis. The accounting policies have been applied consistently by the Company to all periods presented in these financial statements.

The preparation of financial statements in conformity with IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Notes

(forming part of the financial statements)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

a) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized as an expense in the income statement.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of property, plant and equipment. Assets under construction are not depreciated. The estimated economic lives are as follows:

	Years
Buildings	10 to 20
Plant, equipment and vehicles	2 to 13

Depreciation is provided on a proportionate basis during the year of purchase.

Notes

(forming part of the financial statements)

2 Principal accounting policies (continued)

b) Impairment

The carrying amounts of the assets, other than inventories [refer accounting policy (c) below] and deferred tax asset [refer accounting policy (o) below], are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of the Company's receivables is calculated as the present value of expected future cash flows, discounted at the original interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses in respect of other assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

c) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

- Oil and lubricants: purchase cost on a first-in-first out basis
- Stores: at weighted average cost

Notes

(forming part of the financial statements)

Net realizable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

d) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses, if any. Bad debts are written off as incurred.

e) Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances.

f) Interest-bearing borrowings

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

g) Trade and other payable

Trade and other payables are stated at cost.

Notes

(forming part of the financial statements)

2 Principal accounting policies (continued)

h) Employee benefits

Contributions to a defined contribution retirement plan, for Omani employees in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the income statement as incurred.

Provision for non-Omani employee terminal benefits, an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and is based on the liability that would arise if the employment of all employees were terminated at the balance sheet date.

l) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

jj) Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Environmental provision is recognised when environmental assessments are made and the associated costs can be reasonably estimated. Generally, the timing of the provision coincides with the commitment to a formal plan of action.

Notes

(forming part of the financial statements)

k) Foreign currencies

Transactions in foreign currencies are translated to RO at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to RO at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

l) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

m) Other income

Other income is recognized as it accrues.

n) Net financing costs / income

Net financing costs comprise interest payable on borrowings, calculated using the effective interest rate method, net of interest receivable on funds invested. Interest income is recognized in the income statement as it accrues, using the effective interest rate method.

Notes

(forming part of the financial statements)

2 Principal accounting policies (continued)

a) *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

p) *Directors' remuneration*

In accordance with the Commercial Companies Law of 1974, directors' remuneration is shown as an appropriation of retained earnings.

Notes

(forming part of the financial statements)

q) *Joint venture*

Joint venture: jointly controlled assets

Investment in jointly controlled assets is recognized only to the extent of the Company's share of assets, classified according to the nature of assets, liabilities which it has incurred, income from the sale or use of its share of the output of the joint venture, together with its share of any expenses incurred by the joint venture.

Joint venture: jointly controlled entity

Investment in a jointly controlled entity is recognized using the equity method from the date the Company obtains joint control, at cost plus the Company's share of post acquisition retained results and other changes in net assets.

The Company discontinues the use of the equity method from the date on which it ceases to have joint control over, or have significant influence in, a jointly controlled entity.

r) *Dividends*

Dividends are recognised as a liability in the period in which they are declared.

Notes

(forming part of the financial statements)

3 Property, plant and equipment

	Buildings	Plant, equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
Balance at 1 January 2004, net of accumulated depreciation	654,460	4,378,064	1,705,653	6,738,177
Additions	-	189,854	3,139,770	3,329,624
Transfers	701,709	2,801,649	(3,503,358)	-
Disposals	(2,630)	(112,419)	-	(115,049)
Depreciation for the year	(79,327)	(867,935)	-	(947,262)
Balance at 31 December 2004, net of accumulated depreciation	1,274,212	6,389,213	1,342,065	9,005,490
Property, plant and equipment:				
Cost	1,646,092	9,933,786	1,342,065	12,921,943
Accumulated depreciation	(371,880)	(3,544,573)	-	(3,916,453)
Net carrying amount	1,274,212	6,389,213	1,342,065	9,005,490

The plant and equipment and assets under construction at the main storage depot at Mina Al Fahal, with a carrying value of RO 1,116,587 (2003 - RO 1,178,484) and RO 10,786 (2003 - RO 33,108), respectively, are held jointly by the Company with a third party and cannot be sold without the mutual consent of both parties. The land on which the main storage depot and buildings are located, is leased from the Ministry of Oil and Gas jointly with the third party. The lease commenced on 23 November 1998 and expires on 22 November 2008.

Notes

(forming part of the financial statements)

4 Interest in Joint Venture

The Company has entered into a joint venture agreement with Al Sarooj Group LLC dated 10 June 2004 ("the Agreement"). Under the terms of the Agreement the Company has a 50% interest in a jointly controlled entity Oman Oil Marketing & Sarooj Group LLC ("the Joint Venture"), a limited liability company incorporated in the Sultanate of Oman with share capital of RO 40,000. The Joint Venture was registered on 10 August 2004. The Joint Venture's principal activity will be to carry out commercial activities in the oil and gas sector outside the Sultanate of Oman. At 31 December 2004, the Joint Venture had not undertaken any significant activities.

5 Inventories

	2004	2003
	RO	RO
Oil and lubricants	1,494,460	2,239,705
Stores	23,434	27,556
	1,517,894	2,267,261

6 Accounts receivable and prepayments

	2004	2003
	RO	RO
Trade receivables	10,604,774	7,940,800
Less: impairment provision	(300,262)	(248,832)
	10,304,512	7,691,968
Amounts due from related parties (note 20)	124,726	104,761
Other receivables	184,177	85,031
Prepaid expenses	449,507	403,305
	11,062,922	8,285,065

Notes

(forming part of the financial statements)

6 Accounts receivable and prepayments (continued)

Changes to the level of impairment provision for trade accounts receivable during the year are as follows:

	2004	2003
	RO	RO
Balance at 1 January	248,832	240,981
Provided during the year	66,000	16,136
Written off during the year	(14,570)	(8,285)
Balance at 31 December	<u>300,262</u>	<u>248,832</u>

7 Cash and cash equivalents

Included in bank balances and cash at 31 December 2004 is a bank deposit of Nil (2003: RO 2,500,000 with a commercial bank in Oman with an effective annual interest rate of 1.4%).

8 Share capital

The Company's authorized share capital consists of 15,000,000 shares of RO 1 each. The Company's issued and fully paid up share capital comprises 6,450,000 shares of RO 1 each as follows:

	2004	2003
	Number of shares	Number of shares
322,500 Multi-vote shares of RO 1 each	322,500	322,500
6,127,500 Ordinary shares of RO 1 each	6,127,500	6,127,500
	<u>6,450,000</u>	<u>6,450,000</u>

Notes

(forming part of the financial statements)

In accordance with Article 5 of chapter two of the Company's Articles of Association, the holder of each multi-vote share is entitled to two votes at the annual general meeting of the Company.

Shareholders of the Company who own 10% or more of the Company's shares, whether in their name or through a nominee account, are as follows:

	2004	2003
	Number of shares	Number of shares
Oman Oil Company SAOC - Multi-vote shares	322,500	322,500
- Ordinary shares	2,838,000	2,838,000
	<u>3,160,500</u>	<u>3,160,500</u>

9 Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman, 10% of the profit of each year is transferred to a legal reserve until the reserve reaches a minimum one-third of the issued share capital. The Company has resolved to discontinue any further transfers to this reserve, as the reserve equals one-third of the issued share capital. This reserve is not available for distribution.

Notes

(forming part of the financial statements)

10 Employee's end of service benefits

	2004	2003
	RO	RO
Movements in the liability recognised in the balance sheet are as follows:		
Accrual as at 1 January	326,060	352,627
Accrued during the year	53,031	32,136
End of service benefits paid / adjustment	(56,717)	(58,703)
Accrual as at 31 December	<u>322,374</u>	<u>326,060</u>

11 Provision for site restoration and abandonment cost

A provision of RO 189,854, and an addition to property, plant and equipment in the same amount, was made at the end of the year ended 31 December 2004 in respect of the Company's constructive obligation to remove assets from sites at the end of the dealer contracts. The cost has been estimated by management to be in the amount of RO 340,000 which has been discounted, using a discount factor of 6%, over the remaining useful life of those assets.

12 Accounts payable and accruals

	2004	2003
	RO	RO
Trade accounts payable	6,062,279	4,780,515
Accrued expenses	801,141	999,965
Directors' remuneration	45,000	40,000
Other payables	63,332	46,230
	<u>6,971,752</u>	<u>5,866,710</u>

Other payables include unclaimed dividend in the amount of RO 14,182 (2003: RO 36,933).

Notes

(forming part of the financial statements)

13 Short-term loan

The loan is repayable within one year of the balance sheet date. The loan is unsecured and carries interest at current market rates.

14 Income Tax

	2004	2003
	RO	RO
<i>Current liability:</i>		
Current year	219,840	170,000
Prior years	116,457	97,278
	<u>336,297</u>	<u>267,278</u>
<i>Income statement:</i>		
Current year	219,840	170,000
Reversal of excess tax provision relating to earlier years	-	(413,753)
Deferred tax asset relating to the origination and reversal of temporary differences	123,778	(203,537)
	<u>343,618</u>	<u>(447,290)</u>
<i>Deferred tax asset:</i>		
At 1 January	203,537	-
Movement for the year	(123,778)	203,537
At 31 December	<u>79,759</u>	<u>203,537</u>
The deferred tax asset comprises the following temporary differences:		
Provisions and other charges	329,922	409,895
Net book value of fixed assets	(250,163)	(206,358)
	<u>79,759</u>	<u>203,537</u>

Notes

(forming part of the financial statements)

The Company is subject to income tax in accordance with the income tax law of the Sultanate of Oman at the enacted tax rate of 12% of taxable income in excess of RO 30,000. For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. After giving effect to these adjustments, the average effective tax rate is estimated to be 8.37% (2003 - 7.85%).

The difference between the applicable tax rate 12% (2003 - 12%) and the effective tax rate of 8.37% (2003 - 7.85%) arises due to the tax effect of income not considered to be taxable and expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

The income tax assessment of the Company for the years 2000 to 2003 has not been finalized with the Secretariat General of Taxation Affairs at the Ministry of Finance. The Management considers that additional tax liability, if any, in respect of open tax years would not be material to the financial position of the Company as at 31 December 2004. The deferred tax asset has been computed at the tax rate of 12%.

15 Environmental provision

	2004	2003
	RO	RO
Balance as at 1 January	282,866	312,956
Utilised	(43,138)	(30,090)
Balance as at 31 December	<u>239,728</u>	<u>282,866</u>

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 239,728 is expected to be used during the next financial year.

Notes

(forming part of the financial statements)

16 Employee costs

	2004	2003
	RO	RO
Wages and salaries	744,322	729,747
Other benefits	870,021	911,249
Contributions to a defined contribution retirement plan	34,410	34,208
Increase in liability for unfunded defined benefits retirement plan	53,031	32,136
	<u>1,701,784</u>	<u>1,707,340</u>

The Company operates in the Sultanate of Oman and employed 89 employees as of 31 December 2004 (31 December 2003: 88).

17 Expenditure commitments

Operating leases

The Company has entered into certain long-term non-cancellable operating leases. Under the terms of these leases the future rental payments are as follows:

	2004	2003
	RO	RO
Future minimum lease payments:		
Not later than one year	339,187	224,993
Later than one year and not later than five years	898,951	619,244
More than five years	827,278	715,500
	<u>2,065,416</u>	<u>1,559,737</u>

Capital Commitments

	2004	2003
	RO	RO
Contracted	<u>123,808</u>	<u>233,650</u>

Notes

(forming part of the financial statements)

18 Segmental information

The Company's operating revenues arise primarily from the marketing and distribution of petroleum products in the Sultanate of Oman.

19 Net finance (charges) income

	2004 RO	2003 RO
Interest expense	(14,728)	(9,695)
Interest income	4,276	29,242
Net finance (charges) income	<u>(10,452)</u>	<u>19,547</u>

20 Related party transactions

The Company has entered into transactions with entities over which certain Directors are able to exercise significant influence. In the normal course of business, the Company provides services on commercial terms to related parties and avails services from related parties. The Directors believe that the terms of providing and receiving such services are comparable with those that could be obtained from third parties.

The volume of significant related party transactions during the year with parties with a shareholding of 10% or more in the Company and / or related to Directors, were as follows:

Notes

(forming part of the financial statements)

	2004 RO	2003 RO
<i>Income / Revenue:</i>		
Fuel sales to filling stations owned by Directors	2,750,008	3,122,685
Others	3,372	15,900
<i>Expenditure:</i>		
Brand royalty	36,085	-
IT and other services from companies owned directly or indirectly by Directors	89,360	116,500
Remuneration to Directors	45,000	40,000
Director fees	18,000	21,400

Amounts due from related parties are disclosed in note 6. Bank balances in the amount of RO 399,814 (2003: RO 2,405,418) are with a related party bank

During the year, one (2003 : two) of the Company's directors was also an employee of the Company for the full year. In his capacity as employee of the Company, he earned an aggregate of RO 112,746 (2003 : RO 206,715) in salaries and benefits. This one (2003 : two) director earned no additional remuneration in his separate capacity as director.

21 Dividends paid and proposed

During the year, dividends of RO 0.260 per share totalling RO 1,677,000 relating to 2003 were declared and paid (2003- RO 0.250 per share totalling RO 1,612,500).

The Board of Directors has proposed a cash dividend of RO 0.300 per share for 2004, totalling RO 1,935,000, which is subject to the approval of the shareholders at the Annual General Meeting.

Notes

(forming part of the financial statements)

22 Basic earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2004 RO	2003 RO
Net profit for the year after deducting Directors' remuneration	<u>2,282,918</u>	<u>2,611,818</u>
Weighted average number of shares outstanding during the year	<u>6,450,000</u>	<u>6,450,000</u>
Earnings per share	<u>0.354</u>	<u>0.405</u>

23 Contingencies

At 31 December 2004 the Company had contingent liabilities in respect of guarantees and other matters arising in the ordinary course of business, from which it is anticipated that no material liabilities will arise, amounting to RO 556,505 (2003- RO 1,162,233).

24 Financial instruments

Exposure to credit, interest rate and foreign currency risk arise in the normal course of the Company's business.

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that borrowings are on a contracted fixed rate basis.

Credit risk

The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Notes

(forming part of the financial statements)

The Company sells its products to a large number of customers in Oman. Its 5 largest customers account for 44.4% of trade receivables at 31 December 2004 (2003 – 41%).

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sale require amounts to be paid within 60 days of the date of sale. Trade payables are normally settled within 45 days of the date of purchase.

Foreign currency risk

Foreign currency risk is minimal as most transactions are either denominated in RO, US Dollars or in currencies linked to US Dollars. The rate of exchange between RO and US Dollars has remained unchanged since January 1986.

Fair value

The Directors believe that the fair values of all financial assets and liabilities approximate to their carrying values due to their short-term maturities or demand nature.

25 Comparative figures

Prior year figures have been reclassified to conform to the presentation adopted in these financial statements.