نفط عمان
omanoil

ANNUAL REPORT
2008

Winning doesn't come easy.
It requires first, a clear goal,
then a plan to achieve that goal
and finally a lot of hard work

At the close of our fifth year of operations omanoil is pleased to report another winning year. This year our profits have hit an all time high buoyed up by our principles and practices as well as the market dynamics. Our commitment to the nation, our customers and our shareholders is reflected in the results that are laid out in this report, a report that celebrates the wins and promises more of the same in the future.

His Majesty Sultan Qaboos Bin Said

5
Years of
Excellence

CONTENTS

5
Years of
Excellence

MILESTONES

5TH ANNIVERSARY

2003

- Establishment of oman oil marketing company and first ever omanoil filling station
- Founding and hosting of the road safety leadership forum

2004

- Omanoil wins tender to supply fuel for the Royal Air Force Oman (RAFO)
- CSR programs kicked off with attention to youth development, cancer awareness, and the environment

2005

- Launch of the basmarewards program
- Omanization rate reaches 80%

2006

- Implementaion of the international castrol 'Liquid Engineering Program' which increases protection and enhances performance in vehicles
- Introduction of new multigrade diesel engine oil in castrol
- Inauguration of customer service centre
- Establishment of omanoil football school in association with muscat club

2007

- Celebration of 15 months free of Lost Time Injury (LTI)
- Highest omanization rate of 85%
- Retail network crosses the 100 mark covering the sultanate's key regions
- Extensive quick shop growth with a total of thirteen new quick shops in 2007
- Omanoil call centre rebranded as 'Emtiyaz' meaning 'Excellence'

2008

- Launch of omanoil lubricants abroad
- Signs fuel supply agreement with Oman National Transport Company (ONTC)
- Partners with international franchise brands to launch quick service restaurant strategy
- Partners with nawras for e-recharge service
- Receives award for best distributor in the middle east and north africa for its hse standards.

To become the leading Omani company in the sales & marketing of petroleum related products and services, domestically and abroad

We strive to continuously enhance customer and shareholder value through sound growth strategies, innovative and convenient products and services and superior customer experiences which are founded on a strong HSE culture

Board of Directors

Standing from left to right

Nasser bin Saeed bin Mohammed Al Balushi, Director, Khamis bin Mohammed Al Amry, Director, Salim bin Abdullah Al Rawas, Chairman, Abdul Kader bin Darwish Dosambeh Al Balushi, Director, Mulham bin Bashir Al Jarf, Deputy Chairman

Sitting from left to right

Rawan bint Ahmed Al Said, Director, Amal bint Suhail Bahwan, Director, Assilah bint Zaher Al Harthy, Director

Management Team

Standing from left to right

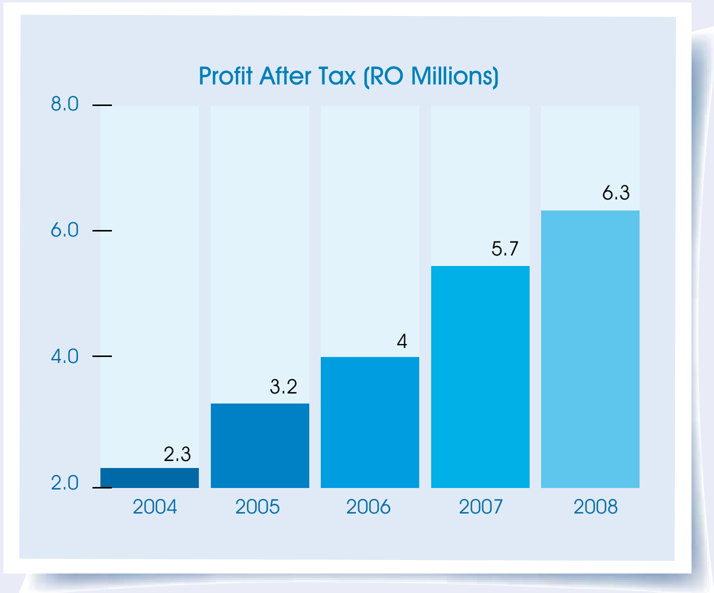
Aminurddin A. Jalil-Senior General Manager - Sales & Marketing, Ahmed Kamel General Manager Aviation & Marine, Nabil Al Ruwaidhi General Manager Corporate Affairs, Business Development & Planning

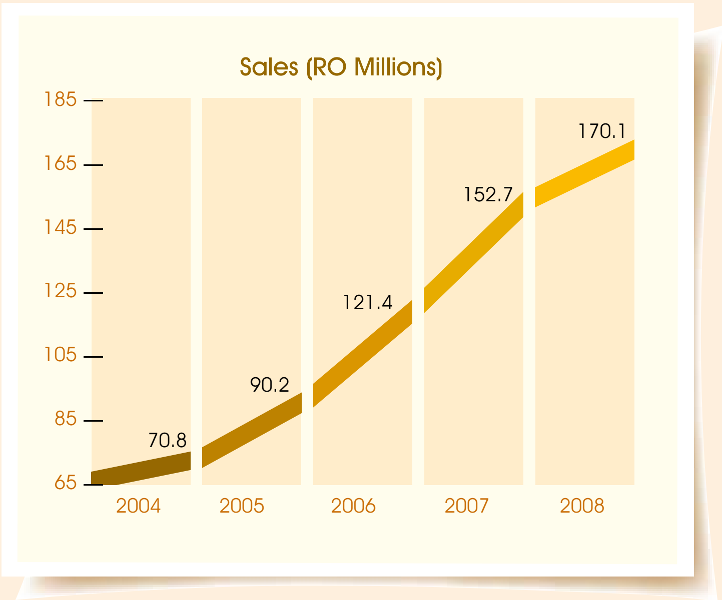
Sitting from left to Right

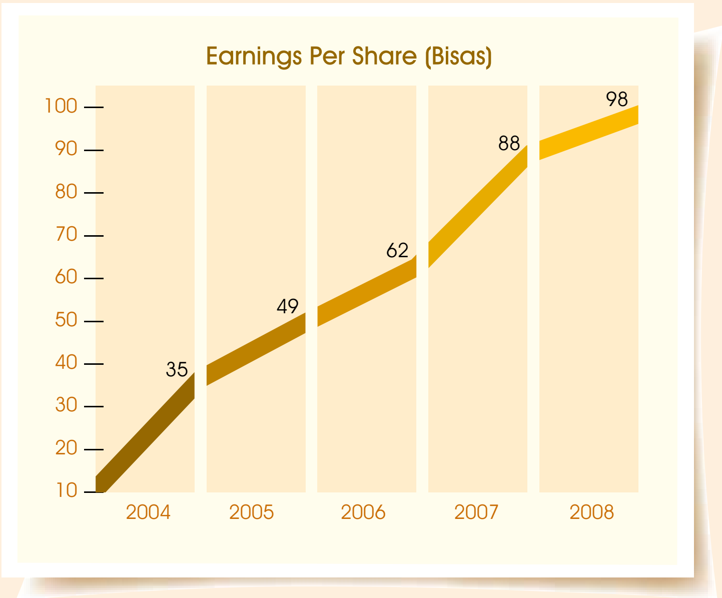
Eng. Omar Ahmed Qatan CEO, Mohammed Al Barwani General Manager HR, Admin, IT & System Optimization, Raja Shahreen General Manager - Finance, Faisal Al Shanfari General Manager Operations, Engineering & HSE

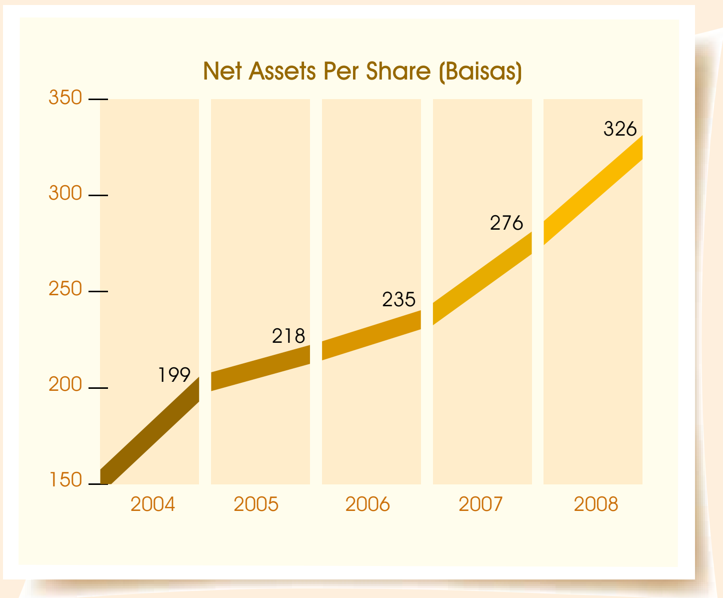
They say that participation
is more important
than winning.
While it is exhilarating
to take part it is that much
more exciting to triumph.

Financial Highlights

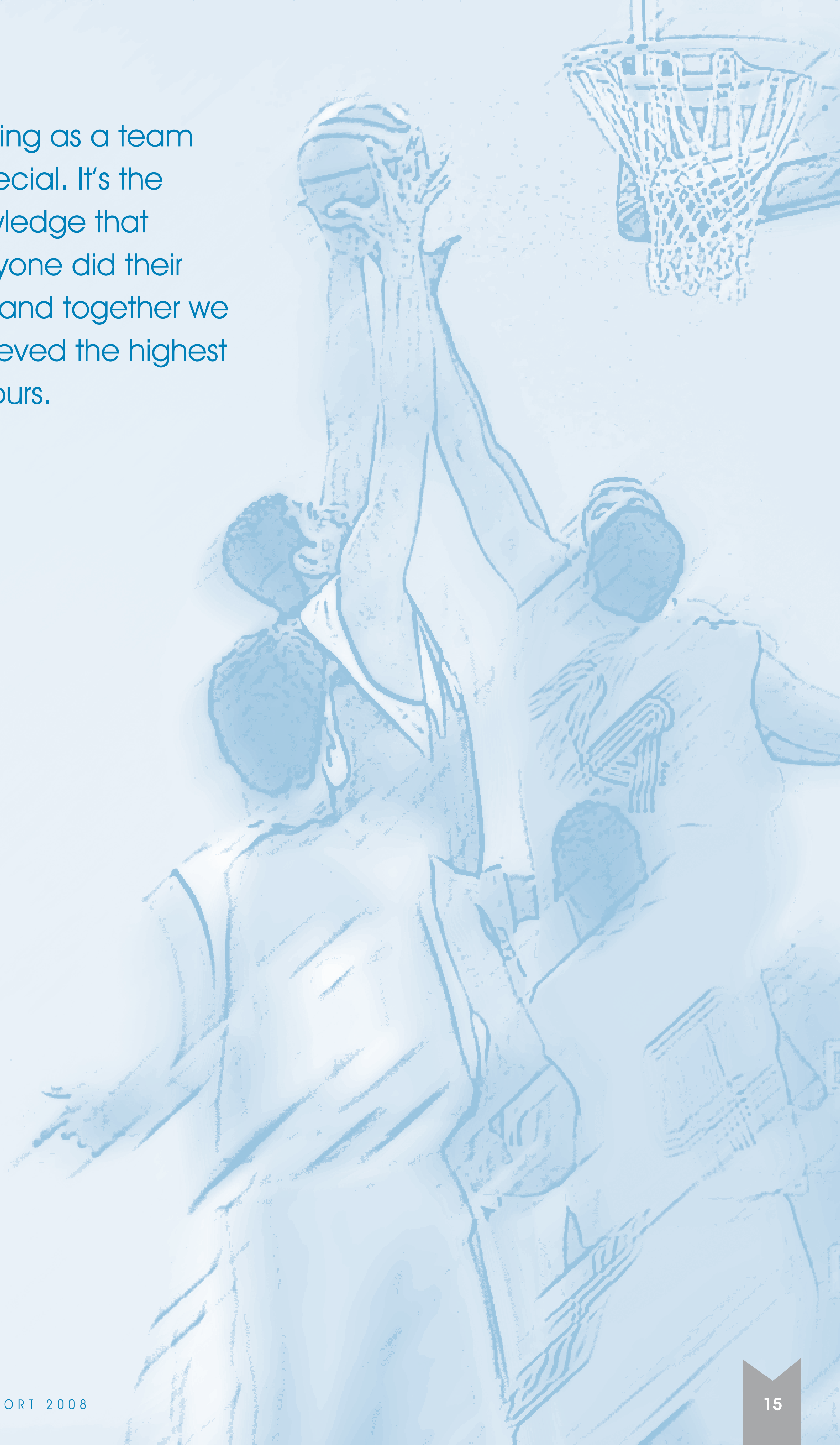








Winning as a team is special. It's the knowledge that everyone did their part and together we achieved the highest honours.



Directors Report

Salim Abdullah Al Rawas
Chairman

Dear Shareholders,

On behalf of your Board of Directors, I am pleased to present the Annual Report of Oman Oil Marketing Company SAOG for the financial year ended 31 December 2008. This report should be read together with the Audited Financial Statements, Corporate Governance Report and Management Discussion and Analysis report, to avoid duplication and overlap, except where considered necessary.

Oman Oil Marketing Company has recently celebrated its fifth anniversary in 2008. The humble beginnings of the Company can be traced from the nationalization of foreign assets and the listing of the Company shares in the Muscat Security Market. The company is now 100% fully owned by Omanis. It has been a joyous occasion filled with pride and we look forward with full confidence to supporting the nation.

Oman Oil Marketing Company has geared its operations to cater and support the nation's growth. With the country progressing to diversify and transform its economy from its dependency on hydrocarbons to services, tourism and manufacturing, the Company is positioning itself to be the preferred service provider in Fuelling the Nation.

Business Performance

The period under review has been another successful year for Oman Oil Marketing Company SAOG. The Company's total revenue increased by 11% to RO 170.0 million from the previous year's RO 152.7 million. The revenue growth is due to improved sales recorded for most products as well as higher product prices in line with the international prices especially in the lubricants and aviation business units. With the drop in crude oil prices in the last quarter of 2008, it is foreseen that these products' prices also will drop.

As a result, the Company's pre-tax profit rose by 12% to RO 7.2 million. After providing for corporate tax, the Company's net profit amounted to RO 6.3 million, a 11% increase from that of the previous year. This is a good performance and positive growth in shareholders value.

During the financial year, the Company further expanded its market share. Overall volumes grew by 10% over last year. Strong growth was recorded in almost all product categories namely, gasoline, diesel, lubricants and aviation fuel.

The Board of Directors is recommending a final dividend of 35 baisa per share for the financial year 31 December 2008, subject to approval by the shareholders at the Annual General Meeting.

The Retail Business continued to be the main thrust of the Company's business growth. The Company's strategies and focus have been geared towards network expansion in increasing the market share, presence and dominance in Oman. As at 31 December 2008, the Company had 111 service stations and this retail network will continue to be expanded and supported. The Company's focus on Total Customers Convenience is gaining ground as the popularity of Convenience Stores is increasing.

As part of the Company's continuous improvement plans, the focus was upon improving, upgrading and enhancing the image of the stations.
On this note, I welcome the birth of "Ahlain" the new corporate brand of the convenience stores of our service stations. Ahlain represents 'Young & Energetic Omani' which mirrors the Company's values and beliefs. The roll out of Ahlain will be done in stages with an emphasis on the capital areas. The repertoire of services offered in the stations will further boost the contribution of Non Fuel Revenue.

The Commercial Business performance had been affected by the temporary fixed supply quota by the supplier which hindered the acquisition of new customers. The fierce competition among the marketers also resulted in the Company forgoing certain customers. Nevertheless the Company is redoubling its effort to support the nation's growth in all major infrastructure projects.

The continuous price increase during the year and the short supply of base oil were the trademarks of Lubricant sector performance in 2008. The unit turnover has grown by 22% while the volume reflects a modest increase by approximately 3%. The Company's local brands which were launched in late 2007, have begun to gain inroads to new markets as well as acceptance in neighbouring countries. Further concentration is being made to other regions notably in North Africa.

The Aviation business unit is continuing its drive and focus on Government and commercial sectors. Efforts are in place to make the Company the leading provider of this service at Muscat International Airport. The Company will continue working with Air BP to provide technical expertise to its customers.

In August 2008 the Company was awarded the contract to fuel the nation's ferries to Musandam. This achievement marks the beginning of a new chapter in the Marine Business for the Company. The contribution of this sector will closely link to domestic tourism and the contribution will be felt in 2009.

Behind all these achievements are the reliable, dedicated and hard working staff of the Company manning the logistics, depot and terminal and distribution system.

The Company will focus on cost and operational efficiencies and effective margin management in all aspects of the business segments.

Health, Security, Safety and Environment

In our continuous pursuit for excellence, we remain committed to ensure that the highest possible standards of health, security, safety and environment (HSSE) management practices are applied throughout the organisation. The Company had also conducted various HSSE exercises, drills and educational activities to support this commitment. The Company is also proud to declare that it has achieved a record of 16 years of No Loss Time Injury at its main terminal – Mina Al Fahal.

People

Oman Oil Marketing Company in line with government Omanisation efforts has further progressed its Omanisation programme to more than 87% by the end of 2008. Human capital development will be one of the thrusts for 2009 as people are the Company's most important asset. The issue of people development continues to feature high on the Company's agenda with particular emphasis on investment in training and development. Continuous programmes and training have been introduced and implemented to ensure that staff at all levels are equipped to enhance their capabilities in executing the vision of the Company.

Outlook

The outlook for the coming year appears to be positive with the demand for petroleum products expected to grow in line with Oman's projected economic growth. The Company has placed itself in a strong position for the future. Nonetheless, competition in all business sectors, particularly the retail business, will continue to persist. The Company has identified the expansion of its Retail Network as the main thrust in 2009. New lucrative sites will be added along with more new Convenience Stores with Ahlain brand and Quick Service Restaurants thus adding to the Company's offerings.

The commercial team is to focus on obtaining new infrastructure contracts as announced by the Government. The aviation and marine sectors are to benefit from the expected strong growth from Muscat and Salalah Airports as well as Sohar Industrial Port. All these developments are in line with the long term commitment of the Company in serving the nation. The overseas contribution from the lubricant market is expected to be strong.

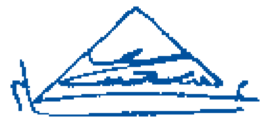
In facing these challenges, it is imperative that the Company continues to be innovative and undertake changes to ensure that it remains relevant and ahead of competitors. Customers' service will be continuously improved and higher quality products meeting the needs of consumers will be regularly introduced. The quest for operational excellence will continue unabated.

With ever increasing competition in the market and aggressive marketing efforts by competitors, the Company will remain focused on expanding its network of facilities, improving the quality of its products and services, optimising costs and developing its human capital even further.

Your Board has set challenging targets for the Management in 2009 and is confident, that they would continue to deliver growth in line with or exceeding market growth.

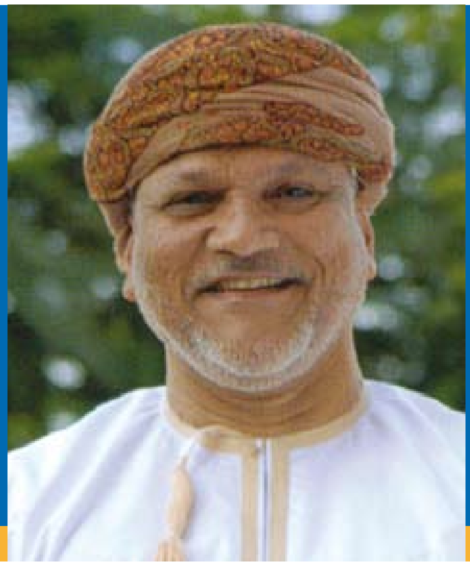
Acknowledgments

I would like to take this opportunity to thank our many customers, suppliers, the Government departments we have had dealings with and our dealers, their staff and our own employees 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.
Thank you very much



Salim Abdullah Al Rawas
Chairman

Management Discussion and Analysis Report



Omar Ahmed Salim Qatan
Chief Executive Officer

This report should be read in conjunction with the Directors Report as overlaps and repetitions have been avoided to the extent possible.

RETAIL

The Retail Business Unit network's expansion and growth continued in 2008. Due to the challenges faced with regards to fixed supply quantity for the year, the Management decided to realign its business focus and strategies with maximum focus on the retail business to achieve the desired growth.

For the year ended December 31st, 2008, the Retail Business Unit contributed to more than 60% of the Company's turnover which is the highest ever in omanoil's history.

The improvements and increase in supply, planning and strategies have also outweighed the challenges the Company faced in the rationing of fuels due to the fixed supply quota faced by the Company.

Rationalisation of the fuel mix sales (diesel, super, regular and kerosene), Dealer Owned Company Operated (DOCO) vs. Dealer Owned Dealer Operated (DODO) model, as well as the aggressive growth of the fuel cards business have also enhanced the growth plan and achievement.

As for its network expansion in 2008, eight new stations began operations increasing the total number of Service Stations in operation nationwide

to 111 by December 31st, 2008. Another two new stations are currently in the process of being commissioned and operated.

The Company's aim is to provide the most comprehensive and outstanding retail outlets in the country with more innovative offerings and new customers experiences within its network.

Undeniably, its plan and strategies in the non-fuel business developments through openings of more Convenience Stores, car washes, Quick Service Restaurants (QSRs) and other value-added services have also directly impacted the overall improvements in retail business and omanoil's margin. Ten new stores opened during the year making up a total of 51 stores in operation as of December 31st 2008.

The Convenience Stores have seen more than 7 million customers this year. The Company's smart-approach partnerships with its associates, service providers and suppliers have provided the necessary support for the growth of the business.

The Company has also been working on developing a new brand identity for its Convenience Store chain which has been rolled out by end of 2008. The Brand Name, 'Ahlain' has been carefully selected and crafted to suit the Omani culture and to be compatible with omanoil being a young and energetic Omani Company with a dynamic and global aspiration. 'Ahlain' will be the first Omani retail chain with high international standards and an abundance of possibilities in new product and service offerings and customer experiences. The new vibrant brand will offer a unique and holistic experience to omanoil customers and further enhance the Company's diversification into the non-fuel sector which is becoming more strategic to the current fuel business.

omanoil is working with several of its business partners to enhance the quality of service at its filling stations. The Company is proud to launch and introduce 'Wally's', the first Omani QSR that is found to fit into omanoil's overall strategy. It is in operations at the Baushar Filling Station given its prime location for high impact and visibility.

Co-branding with other international QSRs like Dunkin Donuts, Baskin Robbins… etc. are also undertaken.

The Company has also pioneered the path of partnering with other internationally renowned QSR franchises such as Burger King which will bring in more choices and competition into the market for consumers.

Another milestone in 2008 was the introduction of the 'first of its kind' electronic mobile phone recharge or 'Top-Up' service in Oman for Nawras customers. omanoil in collaboration with Nawras has introduced this pioneering innovation, bringing in new value-added services to the Company's stations. There are also future plans for omanoil to make this service available for all network providers in the Sultanate.

The Company's Car Wash (CW) business has grown stronger with new approaches, facilities and negotiations with third parties undertaken to improve the overall quality. Five more facilities were added to the network in 2008 to make a total of ten CWs across Oman.

Operational efficiency, conveniences and best in class customer service will remain the integral focus of the Company and its growth in the future. Our journey into achieving total customer satisfaction will continue by ensuring all basic services and requirements are met with the utmost care and consideration. Continuous upgrading of retail and forecourt staff training, Health, Safety and Environment and service levels will also be ensured and implemented.

Engineering and maintenance capabilities have also been enhanced to guarantee a prolonged and sustainable return from the assets earned.
Following the successful launch in late 2005, the basmaRewards program has been further leveraged with more merchants joining the program and increasing enhanced member benefits. Sales volume from basmaCard customers has increased significantly to more than 60% compared to the previous year.

The basma logo is now a familiar sight across the Sultanate with card application forms available at all omanoil Filling Stations and select partner outlets. More details can be obtained from the website www.basmaoman.com or by calling the omanoil Customer Service Centre at 24574200.
The company is confident that its retail plans and strategies will hold many opportunities for omanoil in the near future. The retail business continues to form the foundation of the Company and is expected to continue growing tremendously.

COMMERCIAL FUELS

2008 has been a very challenging year for the Commercial Business Unit. The unit started off with the continuance of the economic expansion of the Sultanate's fuel with the price of oil on the climbing trend. This growth has seen continuous pressure on the margins, fierce competition in the pricing rates amongst all marketers as well as managing a fixed supply of products from the refinery. With this backdrop, the commercial business unit only contributes to 23% of the Company's turnover.

The Commercial Business Unit aspires to provide excellent and reliable services in line with its focus to be more customers centric. As one of its prominent strengths, the unit maintains a very close relationship with all customers and always regards them as our business partners. This unique partnership has led to many improvement initiatives with a goal to achieve ultimate customer satisfaction by providing them with a variety of exclusive products and services.

The Commercial Business Unit's journey continues its march towards becoming the trusted partner in Oman's thriving economy. Although faced with stiff competition and the uncertainty of the current economic climate, the Unit continues to maintain its core customers.

One of the immediate areas of improvement is the focus on building more long-term relations with existing customers, growing with them and simultaneously targeting new customers. The Sultanate's healthy economy and announcement of several Government projects around the nation bode well for the business to move forward to 2009.

AVIATION

The Aviation Industry is passing through a moderate turbulence that challenges the growing concern of airlines around the world. The high crude oil prices which hit a peak at USD 147 and then dropped very sharply during the third quarter and followed by the global financial crisis "credit crunch" forced some airlines to restructure and even require bailouts from their respective governments.

With this backdrop, the Company's market share did not grow as planned which was also evident when some major customers stopped refuelling in Oman and decided to refuel from neighboring airports before flying to their destinations.

The effect of Gulf Air exiting Oman has had a major impact on the passenger volumes and thereby affecting fuel volumes in Muscat. Passenger volumes have decreased by 8% until the end of third quarter compared to last year. The slow growth of the newly refurbished Muscat International Airport which is currently attracting more airlines also contributes to lower sales in Oman that lead to price wars amongst marketers.

During the year, omanoil secured a contract with Jet Airways as well as the additional five-year contract with the Ministry of Defense. We are very proud to continue servicing the Diwan of Royal court – Royal Flight Aircrafts, which has been with the Company since its inception in 2003.

The Company has been successful in securing fuel supply for Air Arabia which was operational from January 1st 2009. This success augurs well with the omanoil's vision of becoming the key aircraft refueling supplier.

This sector's fortune is closely linked to the number of flights coming into the Sultanate and refueling their aircrafts; which in turn is closely linked to the development of the tourism industry and increase in the general level of economic activity in the Sultanate. Preliminary discussions with interested parties have taken place to make Oman a competitive location with a flexible pricing structure as it grows into a refueling destination for aircrafts. Success in this area will realize significant revenues for the country and the Company.

omanoil will continue to work together with Air BP, our technical partner, to improve our market share and also obtain a good volume upside from BP contracted global businesses.

LUBRICANTS

The first three quarters of 2008 was turbulent for the lubricant industry with three major price increases and severe shortages of base oil. Despite all of these difficulties, omanoil succeeded in retaining all our existing customers and watched the BP and Castrol business increase by 19% against last year.

The BP Visco 2000 promotion in the last quarter of 2008 was an outstanding success which propelled the growth of BP lubricants further in Oman.

The new major contracts secured during the year include Sohar Aluminium, additional rigs from Schlumberger and Precision Drilling. These major acquisitions had further strengthened the customer base of the company and further increased the lubricant contribution to the total enterprise value of the Company.

The export of omanoil lubricant products was launched in Yemen, Sudan, Iraq and Jordan in 2008. The products enjoy high market acceptance and customer confidence as clearly visible through its rapid sales growth over the year. The growth was achieved through aggressive sales drive, continuous branding efforts and value-added service offerings.

With the crude oil prices going down and corrections made in base oil pricing globally, the Company sees stability in pricing and availability of base oil in 2009. With the aggressive market penetration, omanoil is planning to enter more countries and increase our export business by two folds in 2009.

CUSTOMER SERVICE CENTRE

omanoil customers are the most important assets to the Company, and with this it has embarked on a new journey to 2009 as the year of 'Customer Service'. The Company aims to provide 100% customer service satisfaction levels throughout the omanoil retail and commercial networks. The journey to understand its customers' preferences as well as their requirements are some of the many prerequisites for us to provide a seamless service to all and to share the omanoil experience.

HEALTH, SAFETY & ENVIRONMENT (HSE)

omanoil resolutely promotes a culture of safety in and out of the Company which complies with all government laws relating to HSE. Each individual working for the Company, staff as well as contractors are empowered to think about HSE and feel responsible for their actions at all times to ensure that the Company achieves a common goal of zero accidents to benefit the community at large.

This fundamental belief has helped the Company achieve a record of 16 years of LTI-free in the Mina Al Fahal Terminal which is considered a remarkable achievement given the complex nature of the operations and the use of facilities by third parties. The achievement is a result of effective team work, constant vigilance, supervision and efficient management, which ensures total compliance with the Company's stringent HSE standards and procedures.

CORPORATE SOCIAL RESPONSIBILITY

omanoil maintains a fundamental belief that "charity begins at home". In 2008, the Company has partnered with Dar Al Atta'a Association (House of Giving) in aid of underprivileged local communities by providing donation boxes in its extensive network of filling stations and quickshops across the Sultanate.

Continuing its creative collaboration with Dar Al Atta'a Association, the start of the holy month of Ramadan 2008 marked the launch of omanoil's nation-wide donation drive under the theme, "A Helping Hand in the Month of Giving". Vouchers were sold at select omanoil filling stations across the country where all proceeds were allocated to providing Iftar meals and Eid Al Fitr clothing for underprivileged families.

The Company has also been a long-standing contributor to the Oman Association for the Disabled and continues to donate personalized wheelchairs as part of its commitment to serving the community and fulfilling its duty as a socially responsible corporation. Through its contributions, omanoil aims to encourage the potential of disabled persons and transform lives through the gift of mobility.

To further enhance and nurture the talents of today's generation, Oman Oil Marketing Company continued supporting the omanoil Football School (OFS) in 2008 to unleash the potential and enhance the skill sets of young and passionate football enthusiasts in order to positively channel their energy. In association with Muscat Club and its new partner E-Sports Dubai, the School supports young Omanis in achieving their goals and ambitions to represent the Sultanate as football stars of tomorrow.

In 2008, omanoil took the OFS program to even greater heights by becoming the main sponsor of the Muscat football league. The league offers OFS students a chance to interact with other young football enthusiasts by competing in a league that runs seasonally.

In its support to sports initiatives, omanoil entered in partnership with the ministry of the sports affairs to support its various initiatives and participated in the summer of sports festival and as a main sponsor of the basketball association games.

PEOPLE

The year has begun with an immense challenge of obtaining operational excellence in human capital and acquiring the finest talent for the Company. The recruitment and focus of identifying the right personnel whom are young and energetic Omanis, stems from the belief and pride of being an Omani Company contributing to the economic development of the nation.

omanoil has progressed its Omanisation programme to more than 87% at the end of 2008. The Human Capital restructuring has been completed with notable Omanisation at the Senior Management level.

Capabilities and leadership development continues to be the focus of our human capital investment to ensure the availability of a ready team of highly capable and well-trained professionals within the organisation to help achieve the Company's business targets.

The Company continues to ensure that its staff receives the requisite training to maintain the utmost skills levels.

OUTLOOK FOR 2009

The outlook for the domestic petroleum products market is expected to remain favourable albeit at a slower pace. With a slow paced growth and demand for all major products, the financial year for 2009 promises to be a very challenging year for omanoil.

The retail sector will remain the backbone of the Company's major revenue contributor in the coming year. At the same time, new construction projects and roads and highways upgrades will contribute to higher demand for diesel as well as new business opportunities in the marine sector.

Despite the favorable prospects, there will be numerous challenges that need to be faced. The uncertainty in the global economy may result in lower demand in fuel supply and businesses in the commercial sector and aviation industry. This will result in a slow down in the construction and tourism industries.

Competition will also persist as fellow oil marketing companies continue to widen their retail network, upgrade their existing facilities, introduce new products and embark on aggressive marketing and promotional campaigns. In this regard, the Company will continue to identify and build new stations at strategic locations and expand its current network of facilities.

With the available resources, capabilities and experience within the Company, we are well-poised to grow further and improve our operational efficiency. The focus in the coming year is to strengthen omanoil's market position further whilst achieving operational excellence.

omanoil expects to continue to maintain current sales growth, while delivering added value to its shareholders and customers as well as enhancing the Company's position in market share across all of its business units.

With best wishes for 2009,

Omar Ahmed Qatan
Chief Executive Officer

When you exceed
your previous best efforts
you set a new benchmark
for yourself. And then
its time to start
working at beating that too.

Deloitte.

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TO THE SHAREHOLDERS OF OMAN OIL MARKETING COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. 16/2003 dated 29 December 2003 with respect to the accompanying corporate governance report of **Oman Oil Marketing Company SAOG** and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 11/2002 dated 3 june 2002 and CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely toa ssist you in evaluating the Company's compliance with the code as issued by the CMA.

We report that the Company's corporate governance report fairly reflects 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 or International standards on review Engagements, we do not exrepss any asssurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit of review of the corporate governance report in accordance with International standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report related only to the accompanying corporate governance report of **Oman Oil Marketing SAOG** to be included in its annual report for the year ended 31 December 2008 and does not extend to any financial statements of **Oman oil Marketing Company SAOG,** taken as a whole.

Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman

Corporate Governance Report

We are pleased to present the Corporate Governance Report of the Company for the year ended 31st December 2008.

COMPANY'S PHILOSOPHY

The principles of Corporate Governance are the cornerstones of Oman Oil Marketing Company. We believe these principles distinguish a well managed company from other methods of management. These principles ensure transparency, integrity and accountability which are vital for the long and sustained growth of the Company.

Oman Oil Marketing Company has been practising these principles long before these were made mandatory for listed companies and fully supports the guidelines on Corporate Governance issued in June 2002 by the Capital Market Authority (CMA). The Company has a representation of five independent directors on its Board to complement and supplement the other four directors, the Executive Management and providing optimum mix of professionalism, knowledge and experience.

Our endeavour has always been to engage persons of eminence as directors who can contribute to corporate strategy, provide an external perspective and be a source of challenge and evaluation wherever appropriate. We have the good fortune of having directors whose contributions to the trade and industry are well acknowledged.

BOARD OF DIRECTORS

(a) Composition of the Board

The Board strength is currently nine Directors, and the maximum number permitted by the Articles of Association of the Company is nine directors. All the Directors are Non-Executive, Omani nationals and five are also independent.

Subject to the overall superintendence and control of the Board, the day to day management of the Company now vests in the Executive Management team headed by Eng. Omar Ahmed Salim Qatan, Chief Executive Officer and includes Mr. Raja Shahreen, Mr Aminurddin bin Abdul Jalil, Mr. Saif Al Jasri, Mr. Faisal Abdulaziz Said Al Shanfari, Mr. Nabeel Salim Said Al Ruwaidi, Mr. Mohammed Amor Rashid Al Barwani as members.

The CEO is a permanent invitee to the Board meetings of the Company. The Company Secretary is Mr. Raja Shahreen.

(b) Process of nomination of Directors

Directors are appointed for three years and retire by rotation and, if eligible, can offer themselves for re-election at the Annual General Meeting (AGM). There are arrangements for the filling of vacancies by the Board itself on a temporary basis. Individuals wishing to nominate themselves for election to Directorship to the Company's Board are required to complete and submit a nomination form to the Company at least ten working days before the Annual General Meeting (AGM) of the Company. Notice of the AGM is published in the leading English and Arabic dailies at least two weeks in advance.

The process as laid down in the Commercial Companies Law and by the Capital Market Authority (CMA) in conjunction with the Articles of Association of the Company is adhered to. The Company has an induction program for Directors, which covers the business environment and the Company businesses as well as specific Corporate Governance elements (e.g. Confidentiality, Disclosure of Interest).

(c) Disclosures regarding appointment or re-appointment of Directors

The Chairman, Sheikh Salim Abdullah Al Rawas, and two other directors, Mr. Mulham Bashir Al Jarf and Ms. Rawan Ahmed Al Said, whose tenure expired, were reappointed whilst Mr. Mike Wilson resigned from the board during the year.

(d) Number of Board meetings

The Company held four Board meetings during the year ended December 31st 2008. These were on January 22nd 2008; April 21st 2008; July 15th 2008; October 28th 2008 with the maximum interval between any two meetings not exceeding the CMA required interval of maximum of four months.

(e) Directors' attendance record and directorships held

See Table 1 for details.

Table 1: Details about Oman Oil Marketing's Board of Directors

Name of Director	Position	Board meetings held during the year*	Board meetings attended during the year	Whether attended last AGM	Directorships in other SAOG companies incorporated in Oman
Salim Abdullah Al Rawas[1]	Non Executive Chairman and Director	4	4	Yes	2
Mulham Bashir Al Jarf	Non Executive Deputy Chairman and Director	4	3	Yes	-
Michael G Wilson	Non Executive and Independent Director	1	1	N/A	-
Assilah bint Zaher Al Harthy	Non Executive Director	4	4	Yes	-
Amal bint Suhail Bahwan[2]	Non Executive and Independent Director	4	4	Yes	2
Khamis bin Mohammed Al Amry	Non Executive and Independent Director	4	4	Yes	-
Rawan Ahmed Al Said	Non Executive and Independent Director	4	3	Yes	1
Ahmed Abdullah Al Rawas[3]	Non Executive Director	4	0	No	3
Abdul Kader Darwish Dosambeh Al Balushi	Non Executive and Independent Director	4	4	Yes	1
Nasser Saeed Mohammed Al Balushi	Non Executive and Independent Director	4	3	Yes	-

Notes:
- * During the tenure in which director
- 1 Representing Oman Oil Company SAOC
- 2 Representing Suhail Bahwan group
- 3 Representing Dhofar International Development & Investment Holding Company SAOG

Independent Director is as defined in Article 1 of the Code of Corporate Governance.

(f) Information supplied to the Board

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

- Review of annual operating plans of businesses, capital budgets, updates
- Quarterly results of the Company and its operating divisions or business segments
- Key discussion points at meeting of audit committee
- Materially important show cause, demand, prosecution and penalty notices
- Fatal or serious accidents or dangerous occurrences
- Any materially significant effluent or pollution problems
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company
- Any issue which involves possible public or product liability claims of a substantial nature
- Details of any joint venture or collaboration agreements
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property
- Significant labour problems and their proposed solutions
- Significant development in the human resources and industrial relations fronts
- Sale of material nature of investments, subsidiaries, assets which is not in the normal course of business
- Material details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and
- Non-compliance with any regulatory, statutory or listing requirements or shareholder services such as non-payment of dividend

The Board of Oman Oil Marketing Company (omanoil) is routinely presented with all information under the above heads whenever applicable and materially significant. These are submitted either as a part of the agenda papers well in advance of the Board meetings or are tabled in the course of the Board meetings or are tabled before the appropriate committees of the Board.

The Board has, as required under the Corporate Governance guidelines, adopted internal regulations – these include adoption of principles, policies and procedures and practices for doing business and conducting affairs.

(g) Materially significant related party transactions

There have been no materially significant related party transactions, pecuniary transaction or relationships between Oman Oil Marketing Company (omanoil) and its Directors for the year ended December 31st, 2008 that may have a potential conflict with the interests of the Company at large.

(h) Remuneration of Directors: sitting fees, salary, remuneration and perquisites

The remuneration policy is decided by the Board and approved in the Annual General Meeting 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. Non-executive directors are paid RO 500/- and RO 300/- respectively as sitting fees for every board and audit committee meeting attended. Apart from the sitting fees, non-executive directors are paid as remuneration such that the aggregate of such remuneration for the full Board does not exceed 5% of net adjusted profits for the year before appropriating such remuneration subject to maximum amount of RO 200,000/- . The fixed remuneration is pro-rated for the period directorship is held, if less than one year. The regulations laid down in the Commercial Companies Law and as laid down by the CMA in this respect are also complied with. Executive directors, if any, apart from their contractual benefits and performance linked pay (see section below) are not eligible for any sitting fees or fixed remuneration.

Table 2 gives the details of the remuneration package of Directors.

(i) Directorships in other listed companies and memberships of other committees

Table 2: Remuneration paid/payable to Directors during the year 2008

Omani Riyals

Name of Director	Sitting Fees	Total compensation	Remuneration*	Total
Salim Abdullah Al Rawas	2,000	N/A	8,300	10,300
Mulham Bashir Al Jarf	1,500	N/A	8,300	9,800
Michael G Wilson	500	N/A	1,850	2,350
Assilah bint Zaher Al Harthy[1]	3,200	N/A	8,300	11,500
Amal bint Suhail Bahwan	2,000	N/A	8,300	10,300
Khamis bin Mohammed Al Amry	2,000	N/A	8,300	10,300
Rawan Ahmed Al-Said[1]	2,700	N/A	8,300	11,000
Ahmed Abdullah Al Rawas	0	N/A	8,300	8,300
Abdul Kader Darwish Dosambeh Al Balushi[1]	3,200	N/A	8,300	11,500
Nasser Saeed Mohammed Al Balushi	1,500	N/A	8,300	9,800

Notes:

1 includes sitting fees for Audit committee meetings

* The remuneration for the year ended December 31st 2008 will be paid to the non-executive directors after adoption of accounts by shareholders at the Annual General Meeting to be held on March 31st 2009 at 4 p.m.

Table 3 gives details of Board members' Directorships in other listed companies and memberships of other committees

Table 3: Particulars of Directorships in other SAOG Companies & memberships of other committees

Name of the Director	Other Directorships		Other Committee memberships	
	Name of the company	Position	Committee	Position
Salim Abdullah Al Rawas	Dhofar Insurance Dhofar University	Vice Chairman Director	N/A N/A	N/A N/A
Mulham Bashir Al Jarf	None	N/A	N/A	N/A
Michael G Wilson	None	N/A	N/A	N/A
Assilah bint Zaher Al Harthy	None	N/A	N/A	N/A
Amal bint Suhail Bahwan	Oman Ceramics Co. National Pharmaceutical Industries Co.	Chairperson Vice Chairperson	N/A	N/A
Khamis bin Mohammed Al Amry	None	N/A	N/A	N/A
Rawan Ahmed Al-Said	National Bank of Oman	Vice Chairperson	Audit Risk Management Credit	Chairperson Member Member
Ahmed Abdullah Al Rawas	Dhofar International Development & Investment Holding Company SAOG Dhofar Cattle Feed Co SAOG Salalah Flour Mills Co SAOG	Director Vice Chairman Vice Chairman	N/A N/A Audit	N/A N/A Chairman
Abdul Kader Darwish Dosambeh Al Balushi	Oman Ceramics Co	Director	Audit	Chairman
Nasser Saeed Mohammed Al Balushi	None	N/A	N/A	N/A

(j) Disclosures by the Board members

All details relating to financial and commercial transactions where Directors may have a pecuniary interest are provided to the Board, and the interested Directors neither participate in the discussion, nor do they vote on such matters.

(k) Committees of the Board

Audit Committee

The audit committee of Oman Oil Marketing Company (omanoil) performs the following functions:

- Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are correct, sufficient and credible;
- Recommending the appointment and removal of external auditor, fixation of audit fee and approval for payment of any other services;
- Reviewing with management the annual financial statements before submission to the Board;
- Reviewing with management and external and internal auditors, the adequacy of internal control systems;
- Reviewing the adequacy of the internal audit function;
- Discussing with internal auditors any significant finding and follow-up on such issues;
- Reviewing the findings of any internal investigations by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature and then reporting such matters to the Board;
- Discussing with external auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;
- Reviewing the Company's financial and risk management policies; and
- Examining reasons for substantial default in the payment to depositors, bond holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;
- Looks into the controls and security of the Company's critical IT applications and
- Meeting the internal and external auditors, atleast once a year, in the absence of management

The Company continue to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Directors (two of whom are independent) – Mr. Abdul Kader Darwish Doshambeh Al Balushi (Chairman), Ms. Rawan Ahmed Al Said, Ms. Assilah bint Zaher Al Harthy who are eminent professionals knowledgeable in finance, accounts and company law. The Board secretary also serves as the secretary to the Audit Committee and the CEO is a permanent invitee to the meeting. The chairperson of the audit committee meeting, at the Board meeting, briefs the Board of the outcomes at the audit committee meeting, and these are discussed at the Board meeting.

The audit committee met four times during the year: January 20th 2008; April 20th 2008; July 14th 2008 and October 27th 2008. Table 4 gives the attendance record.

Table 4: Attendance record of audit committee members

Name of Director	No. of meetings*	Meetings attended
Abdul Kader Darwish Dosambeh Al Balushi	4	4
Rawan Ahmed Al-Said	4	4
Assilah bint Zaher Al Harthy	4	4

* During the tenure in which Director was a member of committee

During the year, M/S Ernst & Young were engaged as the internal auditors of the Company. Ernst & Young are a part of the Big 4 Accounting firms and are expected to share global best practices in improving risk management and control within the Company.

During the year audit assignments and follow-ups were carried out on units of operations. These were carried out in accordance with the annual audit plan. The resulting reports of the audits undertaken were presented to the Audit Committee and the parties concerned for their attention and necessary action.

The management is responsible for ensuring that corrective actions on reported weaknesses and suggested improvements as recommended are taken within the required timeframe.

The company has set-up an Internal Audit Department in August 2008, whose principal responsibility is to undertake regular and systematic reviews of the systems of control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the company. The internal audit department reports directly to the Audit Committee.

Deloitte & Touche Middle East were engaged as the statutory auditors to the company during the year. Deloitte & Touche Tohmatsu is an organization of member firms around the world devoted to excellence in providing professional services and advice. Deloitte is focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 165,000 people worldwide, Deloitte delivers services in four professional areas: audit, tax, consulting and financial advisory services.

Deloitte & Touche in the Middle East is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 25 offices in 14 countries with over 1,700 partners, directors and staff. The Oman Practice currently has three Partners and over 60 professionals.

The fees payable to Deloitte for the year 2008 for audit and other services is as follows:

- Audit of Financial Statements RO 5,500/-
- Audit of Corporate Governance Report RO 500/-

The Audit Committee has reviewed, on behalf of the Board, the effectiveness of internal controls by meeting the internal auditor, reviewing the internal audit reports and recommendations and meeting the external auditor, reviewing the audit findings report and the management letter; this includes meeting the auditor in the absence of management. The Audit Committee and the Board are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

MANAGEMENT & REMUNERATION

Recruitment and remuneration of the CEO is finalised by the Board or a sub-committee of the Board.

With respect to the selection of the key executives (other than contractors), a selection process applied within the Company is used. The job of each executive and each other salaried employee of the Company is assigned an internal "job level" designation, based on the person's duties and responsibilities, the degree of special skill and knowledge required and other similar factors. Each job level is assigned a job rate. This job rate is determined with reference to surveys and other conditions. This system is in widespread use within the industry and adjusted from time to time. The same applies for evaluation of staff where a comprehensive performance appraisal system is implemented.

The remuneration package of executives, other than those recruited as contractors, is made up of basic salary, annual bonus, contributions to Provident Fund/PASI and additional allowances and perquisites. The annual bonus is determined with reference to the extent of achievements against challenging performance targets. The targets taken into account include financial, operational, social and environmental objectives. Table 5 lists the names of the current senior management team.

SHAREHOLDERS

Table 5: Senior Management Team

Name	Designation	Age	Qualification	Date of Joining the Company
Omar Ahmed Salim Qatan	Chief Executive Officer	54	Msc (Engineering), MBA	1-Apr-06
Saif Salim Khalef Al Jasri	General Manager - Aviation & Marine	59	Matriculation	28-Jul-87
Aminurddin Bin Abdul Jalil	Senior General Manager - Sales & Marketing	43	MBA (Mktg), BBA (Political Science)	3-Feb-07
Raja R. Shahreen	General Manager - Finance & Accounts	41	B.Com, CA, CPA	1-Nov-07
Faisal Abdulaziz Said Al Shanfari	General Manager - Operations and HSE	37	B.Eng (Mechanical)	11-Feb-08
Nabeel Salim Said Al Ruwaidhi	General Manager - Business Plan Dev & Corporate Affairs	35	B.Eng (Civil), M.Eng (Industrial)	6-Oct-08
Mohammed Amor Rashid Al Barwani	General Manager - HR, Admin, IT & Systems Optimisation	42	B.Eng (Electronics & Computer)	1-Dec-08

During the year 2008 the total cost of the top five executives of the Company was approximately RO 373,808/- (Bonus for 2007 paid in 2008 is included in this figure)

(a) Means of communication with shareholders and investors

The Company has its own website and all vital information relating to the Company, its business and performance, including quarterly results and official press releases which are posted for all interested parties. The Company's website address is www.oomco.com. The detailed and full set of quarterly results are also posted on the Muscat Securities Market (MSM) website www.msm.gov.om as also made available to any shareholder requesting the same to the Company or the MSM.

The summary of quarterly, half-yearly and annual results of the Company's performance together with the Director's report outlining the business performance, current issues and concerns as also other communication to shareholders (notice of general meetings, dividend payment) are published in leading newspapers such as Times of Oman and Al Watan. The Directors scrutinise these announcements at their Board meetings prior to publication to ensure that they are accurate and present a clear assessment of the Company's affairs.

Furthermore, the Company entertains specific meetings with analysts and shareholders, upon request and as appropriate.

(b) Dividend policy

The Company's dividend policy is to remit the optimum amount of profit, in any operating year, to shareholders. If, in accordance with the business plans, funds and profits were likely to be available, the Company would like to pay a dividend. In line with this policy, the Company is expected to pay a dividend for the year 2008 in April 2009. The dividend payout would take into account major investment plans, working capital requirements or other constraints.

(c) Details of non-compliance by the Company

The Company has been fully compliant with all matters relating to the capital market and the listing arrangements and apart from a minor penalty of RO 1,200/- during 2008, no other penalties or strictures have been imposed on the Company by the CMA/MSM or any statutory authority in the past. The Company is also in full compliance with the Corporate Governance Code.

(d) General body meetings

The Company's Annual Report together with the Notice cum Agenda for the Annual General Meeting (AGM) contain sufficient written clarifications on each item on the agenda of the AGM so that shareholders are suitably briefed on matters that are to be discussed to enable their effective participation thereat. The Directors encourage shareholders to attend and participate in the Annual General Meeting. Questions posed are, where possible, answered in detail either at the General Meeting itself or thereafter. Shareholders are welcomed to raise queries by contacting the Company at any time throughout the year and not just at the General Meetings.

Details of the last three Annual General Meetings are given in Table 6.

The Annual General Meeting for the financial year

Table 6: Date, time and venue of the last three AGMs

Financial year (ended)	Date	Time	Venue
31st December 2005	25th March 2006	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District
31st December 2006	24th March 2007	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District
31st December 2007	22nd March 2008	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District

ended December 31st 2008 is scheduled to be held as per details below:

Date : March 31st 2009

Venue : Businessmen Hall, Capital Market Authority, Central Business District,

Time : 4.00 PM

(e) Stock Data

Table 7 gives the monthly high and low prices and volumes of Oman Oil Marketing company (omanoil) shares at the Muscat Securities Market (MSM) for the year ended December 31st 2008.

Performance in comparison to broad based service sector index of Muscat Securities Market

Chart A plots the performance of the Company's shares against the broad based Services sector index of the Muscat Securities Market (MSM) for the year 2008.

Chart A: MSM Service Sector Index vs. Oman Oil Marketing in 2008

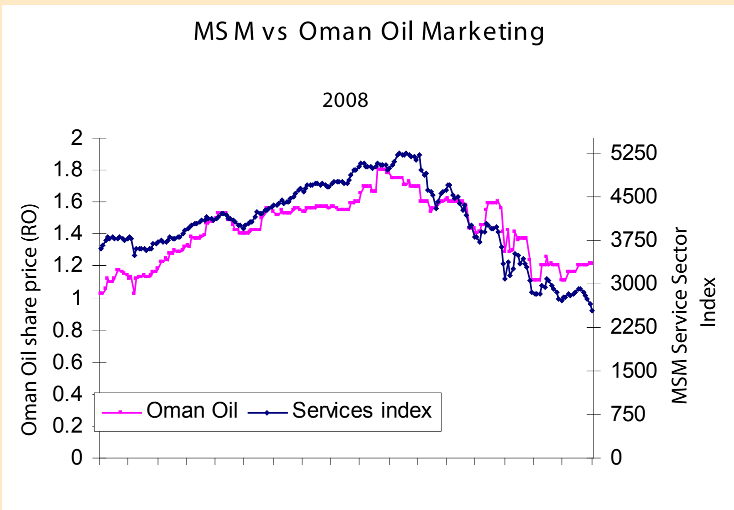

Table 7: Monthly share price data and volumes at the Muscat Securities Market (MSM)

Month 2008	High	Low	Volume
January	1.200	1.020	2,550,775
February	1.400	1.120	2,420,052
March	1.570	1.320	467,463
April	1.600	1.400	584,302
May	1.590	1.520	425,578
June	1.826	1.550	384,744
July	1.780	1.593	349,761
August	1.665	1.500	182,085
September	1.600	1.400	268,771
October	1.610	1.100	433,049
November	1.299	1.100	567,081
December	1.260	1.095	29,917

Note: High and low are in Rial Omani per traded share. Volume is the total monthly volume of trade (in numbers) in Oman Oil Marketing shares on the MSM.

Distribution of shareholding

Oman Oil Company SAOC holds 49% of the shares, whereas 51% of the shares are held by local investors or traded at the Muscat Securities Market. In line with the Commercial Companies Law and the Company's Articles of Association, 3,225,000 shares of the Company have a preferential characteristic, in that they are multi-vote shares. Oman Oil Company owning these multi-vote shares thereby is able to cast 34,830,000 votes (51.4%) at the General Meetings of the Company. However, this will not itself enable them to control an Extraordinary General Meeting of the Company. Table 8 gives the distribution pattern of shareholding of Oman Oil Marketing Company (omanoil) as on December 31st, 2008 whist Table 9 lists the names of the top ten shareholders in the Company on the same date with the number of shares owned and percentage age of holding (the top ten shareholders are determined based on holdings in single account and not multiple accounts).

Table 8: Distribution of shareholding by size class as on December 31st 2008

	Shareholders		Shares	
Holdings	Number	% of Total	Number	% to Total
Up to 5000	874	74.8	1,358,868	2.1
5,001 - 10,000	124	10.6	894,783	1.4
10,001 - 20,000	38	3.3	550,715	0.9
20,001 - 30,000	17	1.5	423,664	0.7
30,001 - 40,000	19	1.6	643,576	1.0
40,001 - 50,000	9	0.8	408,141	0.6
50,001 - 100,000	32	2.7	2,219,542	3.4
100,001 - 200,000	13	1.1	1,749,835	2.7
200,001 - 300,000	24	2.1	6,393,323	9.9
300,001 - 500,000	5	0.4	2,098,591	3.3
500,001 - 1,000,000	6	0.5	3,798,357	5.9
1,000,001 - 2,000,000	4	0.3	5,900,925	9.1
2,000,001 and above	3	0.3	38,059,680	59.0
Total	1,168	100.0	64,500,000	100.0

Table 9: Top 10 shareholders as on 31st December 2007

Holdings	Shares	
	Number	% to Total
Oman Oil Company	31,605,000	49.00
Civil Services Pension Fund	3,229,680	5.01
Dhofar International Development & Investment Holding Co SAOG	3,225,000	5.00
State General Reserve Fund	1,961,172	3.04
Public Authority for Social Insurance	1,406,690	2.18
BankMuscat	1,295,873	2.01
Oman Cement Co SAOG	1,237,190	1.92
National Equity fund	888,487	1.38
Bank Dhofar	676,623	1.05
Dhofar Insurance Co SAOG	636,347	0.99
Total	46,162,062	71.57

Outstanding GDRs/ADRs/Warrants/Convertible instruments and their impact on equity
Not applicable for Oman Oil Marketing Company (omanoil)

Unclaimed Dividends

Under the Commercial Companies Law and CMA guidelines, dividends that are unclaimed for a period of more than six months from the date of payment statutorily get transferred to the Investor Trust Fund administered by the Capital Market Authority. Table 10 gives the details of dividend payment since 1999 and the corresponding months when such unclaimed dividends were transferred to the stated Fund. The Company has no unclaimed dividends. All claims subsequent to the date of transfer for dividends not received need to be referred to the Muscat Depository and Securities Registration Company.

Table 10: Details of unclaimed dividend transferred to the Investor Trust Fund

Rial Omani

Year	Dividend				
	%	Total Amount	Amount Claimed	Unclaimed & transferred Amount	Month of transfer
1999	25.7	1,657,650	1,647,938	9,712	March-04
2000	22	1,419,000	1,412,344	6,656	March-04
2001	25	1,612,500	1,601,071	11,429	March-04
2002	25	1,612,500	1,604,414	8,086	March-04
2003	26	1,677,000	1,662,844	14,156	January-05
2004	30	1,935,000	1,925,685	9,315	October-05
2005	45	2,902,500	2,893,469	9,031	October-06
2006	47.5	3,063,750	3,040,022	23,728	October-07
2007	47.5	3,063,750	3,039,924	23,826	October-08
Total		18,943,650	18,827,711	115,939	

AUDITOR'S REPORT ON FACTUAL FINDINGS ON CORPORATE GOVERNANCE

As required, the Auditors' have issued a separate report on Factual Findings on the Company's Corporate Governance Report and application of corporate governance practices and which is annexed to this report.

ACKNOWLEDGEMENT BY THE BOARD

As required by the code of corporate governance the board of directors hereby confirm the following:

- That it is the responsibility of the Board to ensure that the financial statements are in accordance with applicable standards and rules
- That the internal control systems are adequate and efficient and that it has complied with all internal rules and regulations
- That there is no material items that effect the continuation of the company and its ability to continue its operations during the next financial year

Salim Abdullah Al Rawas
Chairman

Omar Ahmed Salim Qatan
Chief Executive Officer

Deloitte.

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Independent auditor's report to the shareholders of Oman Oil Marketing Company SAOG

Report on the financial statements

We have audited the accompanying financial statements of Oman Oil Marketing Company SAOG (the Company) which comprise of the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 29. The financial statements of the Company for the year ended 31 December 2007 were audited by another auditor whose report dated 22 January 2008 expressed an unqualified opinion thereon.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman Oil Marketing Company SAOG as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007.

Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman
27 January 2009

Audit • Tax • Consulting • Financial Advisory•

Member of
Deloitte Touche Tohmatsu

Balance sheet
at 31 December 2008

	Notes	2008 RO	2007 RO
Assets			
Property, plant and equipment	4	**17,610,698**	12,638,672
Deferred tax	13	**-**	46,048
Total non-current assets		**17,610,698**	12,684,720
Inventories	5	**4,284,406**	3,430,395
Trade and other receivables	6	**16,806,494**	15,319,389
Cash and bank balances	17	**1,848,305**	5,997,240
Total current assets		**22,939,205**	24,747,024
Total assets		**40,549,903**	37,431,744
Equity			
Share capital	7	**6,450,000**	6,450,000
Legal reserve	8	**2,150,000**	2,150,000
Retained earnings		**12,435,271**	9,176,176
Total equity		**21,035,271**	17,776,176
Liabilities			
Employees' end of service benefits	9	**210,839**	329,806
Provision for site restoration and abandonment cost	10	**304,241**	268,056
Total non-current liabilities		**515,080**	597,862
Trade and other payables	11	**17,034,202**	17,596,184
Payable to Joint Venture	12	**-**	36,637
Bank overdrafts	17	**566,295**	-
Current tax	13	**863,245**	834,038
Deferred tax	13	**9,438**	-
Environmental provision	14	**526,372**	590,847
Total current liabilities		**18,999,552**	19,057,706
Total liabilities		**19,514,632**	19,655,568
Total equity and liabilities		**40,549,903**	37,431,744
Net assets per share	23	**0.326**	0.276

Chairman

Chief Executive Officer

The accompanying notes form an integral part of these financial statements.

Income statement
for the year ended 31 December 2008

	Notes	2008 RO	2007 RO
Revenue		**170,048,713**	152,663,594
Cost of sales		**(152,910,943)**	(137,781,096)
Gross Profit		**17,137,770**	14,882,498
Other income		**490,756**	340,121
Administrative expenses		**(7,647,256)**	(6,652,081)
Distribution expenses		**(1,612,846)**	(1,229,476)
Other expenses		**(969,997)**	(722,494)
Result from operating activities		**7,398,427**	6,618,568
Net finance costs	16	**(91,250)**	(123,259)
Share of net loss from Joint Venture	20	**(101,846)**	(53,644)
Profit before income tax		**7,205,331**	6,441,665
Income tax expense	13	**(882,486)**	(761,156)
Profit for the year		**6,322,845**	5,680,509
Basic earnings per share	22	**0.098**	0.088

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2008

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
1 January 2007	6,450,000	2,150,000	6,559,417	15,159,417
Dividends paid for the year 2006	-	-	(3,063,750)	(3,063,750)
Net profit for the year	-	-	5,680,509	5,680,509
1 January 2008	6,450,000	2,150,000	9,176,176	17,776,176
Dividends paid for the year 2007	-	-	(3,063,750)	(3,063,750)
Net profit for the year	-	-	6,322,845	6,322,845
31 December 2008	6,450,000	2,150,000	12,435,271	21,035,271

The accompanying notes form an integral part of these financial statements.

Cash flow statement
for the year ended 31 December 2008

	Notes	2008 RO	2007 RO
Cash flows from operating activities			
Profit before income taxes and after directors remuneration		7,205,331	6,441,665
Add : share of loss from joint venture		101,846	53,644
Adjustments for:			
Depreciation	4	2,007,303	1,734,946
Loss / (profit) on disposal of property, plant and equipment		79,242	(27,142)
Net finance costs	16	91,250	123,259
Operating profit before working capital changes		9,484,972	8,326,372
Changes in working capital:			
Inventories		(854,011)	159,340
Trade and other receivables		(1,487,105)	1,145,758
Trade and other payables		(561,982)	3,707,462
Provisions and end of service benefits		(147,257)	317,550
Cash from operations		6,434,617	13,656,482
Interest paid		(144,103)	(127,990)
Income tax paid		(797,793)	(563,223)
Net cash from operating activities		5,492,721	12,965,269
Cash flows from investing activities			
Interest received		52,853	4,731
Paid to Joint Venture		(138,483)	-
Proceeds from disposal of property, plant and equipment		3,202	55,296
Acquisition of property, plant and equipment	4	(7,061,773)	(3,754,333)
Net cash used in investing activities		(7,144,201)	(3,694,306)
Cash flows from financing activities			
Decrease in short term loan		-	(2,000,000)
Dividends paid		(3,063,750)	(3,063,750)
Net cash used in financing activities		(3,063,750)	(5,063,750)
Net change in cash and cash equivalents		(4,715,230)	4,207,213
Cash and cash equivalents at 1 January		5,997,240	1,790,027
Cash and cash equivalents at 31 December	17	1,282,010	5,997,240

The accompanying notes form an integral part of these financial statements.

1 Legal status and principal activities

Oman Oil Marketing Company 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 Adoption of new and revised International Financial Reporting Standards

For the year ended 31 December 2008, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2008.

The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current period.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

		Effective for annual period beginning on or after
IFRIC 13 :	Customer Loyalty Programmes	1 July 2008
IFRIC 16 :	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 15 :	Agreements for the Construction of Real Estate	1 January 2009
IFRS 1 :	(Revised) First-time adoption of International Financial Reporting Standards	1 January 2009
IFRS 2 :	(Revised) Share-based Payment	1 January 2009
IFRS 8 :	Operating Segments	1 January 2009
IAS 1 :	(Revised) Presentation of Financial Statements	1 January 2009
IAS 16 :	(Revised) Property, Plant and Equipment	1 January 2009
IAS 19 :	(Revised) Employee Benefits	1 January 2009
IAS 20 :	(Revised) Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 23 :	(Revised) Borrowing Costs	1 January 2009
IAS 29 :	(Revised) Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 32 :	(Revised) Financial Instruments : Presentation	1 January 2009
IAS 36 :	(Revised) Impairment of Assets	1 January 2009
IAS 38 :	(Revised) Intangible Assets	1 January 2009
IAS 40 :	(Revised) Investment Property	1 January 2009
IAS 41 :	(Revised) Agriculture	1 January 2009
IFRS 3 :	(Revised) Business Combinations	1 July 2009
IFRS 5 :	(Revised) Non-Current Assets held for Sale and Discontinued Operations	1 July 2009
IFRS 7 :	Reclassification of Financial Assets	1 July 2009
IFRS 17 :	Distribution of Non-cash Assets to Owners	1 July 2009
IAS 27 :	(Revised) Consolidated and Separate Financial Statements	1 July 2009
IAS 28 :	(Revised) Investment in Associates	1 July 2009
IAS 31 :	(Revised) Interests in Joint Ventures	1 July 2009
IAS 39 :	(Revised) Financial Instruments: Recognition and Measurement	1 July 2009

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

3 Basis of preparation and significant accounting policies

Basis of preparation

Statement of compliance

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

Basis of measurement

These financial statements have been prepared on the historical cost basis except for provisions for site restoration and abandonment cost which are measured at amortized cost and certain financial instruments which are measured at fair value.

Functional currency

These financial statements are presented in Rials Omani (RO), which is the Company's functional currency.

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future periods affected. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include: provisions for impairment of receivables (note 25), provision for environmental remediation (note 14) and provision for site abandonment and restoration cost (note 10).

Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and are consistent with those used in the previous year.

Foreign currencies

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in the profit or loss.

3 Basis of preparation and significant accounting policies (continued)

Property, plant and equipment

(i) Recognition and measurement

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

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognized in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. Assets under construction are not depreciated. The estimated useful lives for the current and comparative periods are as follows:

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

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories include expenditures incurred in acquiring the inventories and bringing them to their existing location and condition, as follows:

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

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

3 Basis of preparation and significant accounting policies (continued)

Notes to the Financial Statements
for the year ended 31 December 2008

Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the income statement.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is higher than its estimated recoverable amount which is greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in 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 carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank balances with a maturity of less than three months from the date of placement and bank overdrafts.

3 Basis of preparation and significant accounting policies (continued)

Employee benefits

Defined contribution plan

Obligations for 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 end of service benefits for non-Omani employees has been made in accordance with the terms of the Labour Law of the Sultanate of Oman and is based on current remuneration rates and cumulative years of service at the balance sheet date.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. An environmental provision is recognised when the Company, through environmental assessments, identifies a requirement for environmental remediation as a result of a past event and the associated costs can be reasonably estimated. Provision for site restoration and abandonment cost is made based on average cost per filling station and useful life. 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 the risks specific to the liability.

Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, allowances and trade discounts. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

Leases

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3 Basis of preparation and significant accounting policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognized directly in 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 reporting 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. Deferred tax is measured at the tax rates that are expected to be applied to the temporary difference when they reverse, based on the laws that have been enacted or substantively enacted by the reporting 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 temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Directors' remuneration

The total remuneration paid to non-executive directors comprising sitting fees and remuneration is in accordance with the provisions, and within the limits of, the Commercial Companies Law; the CMA guidance; and the Articles of Association of the Company. Executive directors, if any, apart from their contractual benefits and performance linked pay are not eligible for any sitting fees or fixed remuneration. Director's remuneration is recognised in the income statement.

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.

3 Basis of preparation and significant accounting policies (continued)

Joint venture (continued)

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.

Dividends

Dividends are recommended by the Board after considering the profit available for distribution and the Company's future cash requirements and are subject to approval by the shareholders at Annual General Meeting. Dividends are recognized as a liability in the period in which they are declared.

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

The fair value of trade and other receivables and trade and other payables approximates to their carrying amount due to their short term maturity.

Share capital is recorded at the proceeds received.

Share capital

Ordinary and multi-vote shares are classified as equity.

4 Property, plant and equipment

	Land and buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Cost				
At 1 January 2007	3,266,130	12,914,118	459,743	16,639,991
Additions	-	13,401	3,740,932	3,754,333
Transfers	765,098	1,776,622	(2,541,720)	-
Disposals	**-**	**(124,044)**	**-**	**(124,044)**
At 1 January 2008	4,031,228	14,580,097	1,658,955	20,270,280
Additions	-	20,103	7,041,670	7,061,773
Transfers	1,201,999	4,146,188	(5,348,187)	-
Disposals	(51,177)	(278,186)	-	(329,363)
At 31 December 2008	**5,182,050**	**18,468,202**	**3,352,438**	**27,002,690**
Depreciation				
At 1 January 2007	643,900	5,348,652	-	5,992,552
Charge for the year	203,951	1,530,995	-	1,734,946
Disposals	-	(95,890)	-	(95,890)
At 1 January 2008	847,851	6,783,757	-	7,631,608
Charge for the year	244,836	1,762,467	-	2,007,303
Disposals	(27,815)	(219,104)	-	(246,919)
At 31 December 2008	**1,064,872**	**8,327,120**	**-**	**9,391,992**
Carrying amount				
At 31 December 2008	**4,117,178**	**10,141,082**	**3,352,438**	**17,610,698**
At 31 December 2007	**3,183,377**	**7,796,340**	**1,658,955**	**12,638,672**

The Company's 50% share of plant and equipment and assets under construction at the main storage depot at Mina Al Fahal ("the depot") in the amount of RO 937,308 (2007: RO 987,692) and RO 1,407 (2007: RO 12,953), respectively, are included in property, plant and equipment. Under an agreement dated 6 December 1995 between the Company and Al Maha Petroleum Products Marketing Company SAOG ("Al Maha"):

- such assets are controlled jointly with Al Maha and cannot be sold without the mutual consent of the Company and Al Maha;
- costs of this depot are shared equally with Al Maha; and
- the depot is operated by the Company for agreed management fees.

4 Property, plant and equipment (continued)

The land, on which the main storage depot and buildings are located, is leased from the Ministry of Oil and Gas jointly with Al Maha under a lease which commenced on 23 November 1998 and expired on 22 November 2008. The agreement has been renewed for a period of one year upto 22 November 2009.

5 Inventories

	2008	2007
	RO	RO
Oil and lubricants	4,276,909	3,422,898
Stores	7,497	7,497
	4,284,406	3,430,395

6 Trade and other receivables

Trade receivables	15,586,675	14,135,898
Less: Impairment provision	(822,668)	(954,848)
	14,764,007	13,181,050
Amounts due from related parties (note 20)	532,452	644,944
Other receivables	562,235	306,349
Prepaid expenses	947,800	1,187,046
	16,806,494	15,319,389

7 Share capital

The Company's authorized share capital consists of 150,000,000 (2007: 150,000,000) shares of Baisas 100 each (2007: Baizas 100 each).

The Company's issued and fully paid up share capital comprises 64,500,000 (2007: 64,500,000) shares of Baisas 100 each (2007: Baizas 100 each) as follows:

	Number of shares	
	2008	2007
Multi-vote shares	3,225,000	3,225,000
Ordinary shares	61,275,000	61,275,000
	64,500,000	64,500,000

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.

7 Share capital (continued)

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:

	Number of shares	
	2008	2007
Oman Oil Company SAOC - Multi-vote shares	3,225,000	3,225,000
- Ordinary shares	28,380,000	28,380,000
	31,605,000	31,605,000

8 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.

9 Employees' end of service benefits

Movements in the liability recognised in the balance sheet are as follows:

	2008	2007
	RO	RO
Accrual as at 1 January	329,806	335,326
Accrued during the year (Note 15)	51,780	45,752
End of service benefits paid	(170,747)	(51,272)
Accrual as at 31 December	210,839	329,806

10 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

As at 1 January	268,056	240,241
Additional provision (net)	20,102	13,401
Unwind of discount (included in finance costs)	16,083	14,414
As at 31 December	304,241	268,056

The key assumptions underlying the estimate of this provision are as follows:

- the average cost per filling station of restoration and abandonment is RO 4,000 (2007 : RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% - (2007 : 6%); and\
- the estimated life of filling station is 10 years (2007 : 10 years)

11 Trade and other payables

	2008 RO	2007 RO
Trade accounts payable	**14,306,949**	14,510,619
Due to related parties (Note 20)	**34,552**	-
Accrued expenses	**2,616,151**	3,010,565
Directors' remuneration payable (Note 20)	**76,550**	75,000
	17,034,202	**17,596,184**

The Company in accordance with Capital Markets Authority (CMA) regulations transfers dividends unclaimed for a period of more than 6 months from the date they became due to the CMA's investor fund. Such unclaimed dividends transferred during the year amounted to approximately RO 23,826 (2007: RO 23,728). Eligible shareholders who have not received their dividends are entitled to claim them from the CMA. Trade accounts and other payables are payable within 45 days on average from the balance sheet date.

12 Interest in Joint Venture

The Company had entered into a joint venture agreement with Al Sarooj Group LLC on 10 June 2004 ("the Agreement"). Under the terms of the Agreement the Company had 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 was to carry out commercial activities in the oil and gas sector outside the Sultanate of Oman.

During the year the management decided to withdraw from the joint venture agreement, and the net amount payable to the Joint Venture has been settled between the Joint Venture Partners.

The Company's share of assets and liabilities of the Joint Venture was as follows:

	2008 RO	2007 RO
Current assets	-	190,774
Non-current assets	-	4,626
Current liabilities	-	(236,690)
Non-current liabilities	-	(2,265)
	-	**(43,555)**

13 Income tax

	2008 RO	2007 RO
Current liability:		
Current year	**827,000**	778,000
Prior years	**36,245**	56,038
	863,245	**834,038**
Income statement:		
Current year	**827,000**	778,000
Reversal of excess tax provision relating to earlier years	**-**	(33,777)
Deferred tax relating to the origination and reversal of temporary differences	**55,486**	16,933
	882,486	**761,156**
Deferred tax (liability) / asset:		
At 1 January	**46,048**	62,981
Movement for the year	**(55,486)**	(16,933)
At 31 December	**(9,438)**	**46,048**

The deferred tax comprises the following temporary differences:

	2008	2007
Provisions and other charges	**155,397**	237,778
Property, plant and equipment	**(164,835)**	(191,730)
	(9,438)	**46,048**

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. The reconciliation of tax as per accounting profit to effective tax is set out below:

Reconciliation of effective tax rate:

	2008		2007	
	Rate %	RO	Rate %	RO
Profit before tax		**7,205,331**		**6,441,665**
Income tax	**12%**	**861,040**	11.94	769,400
Effect of tax specific allowances	**(1.14)**	**(82,381)**	(1.82)	(117,212)
Effect of tax specific disallowances	**1.44**	**103,827**	1.69	108,968
Effective tax	**12.25**	**882,486**	11.82	**761,156**

The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

13 Income tax (continued)

The income tax assessments of the Company for the years 2006 and 2007 have 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 2008. The deferred tax asset has been computed at the tax rate of 12%.

14 Environmental provision

	2008 RO	2007 RO
Balance as at 1 January	**590,847**	295,592
Provided during the year	**-**	360,010
Utilised	**(64,475)**	(64,755)
Balance as at 31 December	**526,372**	**590,847**

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 526,372 is expected to be used as per site specific remediation plans drawn up by the Company with their environmental consultants.

15 Employee costs

	2008 RO	2007 RO
Wages and salaries	**1,168,931**	907,382
Other benefits	**1,267,694**	1,028,606
Contributions to a defined contribution retirement plan	**87,088**	60,276
Unfunded defined benefits retirement plan (Note 9)	**51,780**	45,751
	2,575,493	**2,042,015**

16 Net finance costs

	2008	2007
Interest expenses	**144,103**	127,990
Interest income	**(52,853)**	(4,731)
	91,250	**123,259**

17 Cash and cash equivalents

	2008 RO	2007 RO
Cash on hand	**7,237**	6,484
Cash at bank	**1,841,068**	**5,990,756**
Cash and bank balances	**1,848,305**	5,997,240
Bank overdraft	**(566,295)**	-
	1,282,010	**5,997,240**

The overdraft is payable on demand, unsecured and carries interest at market rates.

18 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:

	2008 RO	2007 RO
Future minimum lease payments:		
Not later than one year	**678,827**	472,542
Later than one year and not later than five years	**936,947**	727,114
More than five years	**410,789**	454,911
	2,026,563	**1,654,567**
Capital Commitments		
Contracted	**721,815**	**505,156**

19 Segmental information

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

20 Related party transactions

Related parties comprise the shareholders, directors and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

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.

20 Related party transactions (continued)

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

	2008 RO	2007 RO
Revenue		
Fuel sales to filling stations owned by directors	4,550,204	3,832,531
Fuel sales to commercial customers related to directors	2,608,057	555,299
Costs		
Brand royalty	148,523	133,699
IT and other services from companies owned directly or indirectly by directors	198,111	47,002
Remuneration to directors	76,550	75,000
Directors' sitting fees	18,600	20,300
Net interest paid	59,242	31,436
Fee for accounting services	2,000	6,000
Share of losses of joint venture	101,846	53,644
Balances		
Bank balances	353,506	419,002
Due from related parties (Note 6)	532,452	644,944
Due to related parties (Note 11)	34,552	-

21 Dividends paid and proposed

During the year, dividends of RO 0.0475 per share totaling RO 3,063,750 relating to 2007 were declared and paid (2007: RO 0.0475 per share totaling RO 3,063,750 relating to 2006).

The Board of Directors has proposed a cash dividend of RO 0.035 per share for 2008, totaling RO 2,257,500, which is subject to the approval of the shareholders at the Annual General Meeting.

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:

	2008	2007
Net profit for the year after deducting Directors' remuneration (RO)	6,322,845	5,680,509
Weighted average number of shares outstanding during the year (Note 7)	64,500,000	64,500,000
Basic earnings per share (RO)	0.098	0.088

The par value of each share is RO 0.100. The basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding.

23 Net assets per share

Net assets per share is calculated by dividing the shareholders' equity at the year end by the number of shares issued and paid up, as follows:

	2008	2007
Net assets (RO)	21,035,271	17,776,176
Number of shares outstanding at the year end (Note 7)	64,500,000	64,500,000
Net assets per share (RO)	0.326	0.276

24 Contingencies

At 31 December 2008 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 424,372 (2007 : RO 534,887).

The Company is currently in discussion with a supplier on a disagreement of certain product sold. The outcome of this discussion is still in progress.

25 Financial instruments

The following note presents information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the audit committee with the responsibility of development and monitoring the Company's risk management policies and procedures and its compliance with them.

Risk management policies and systems are reviewed regularly to ensure that they reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

25 Financial instruments (continued)

Trade and other receivables

Credit is extended to corporate customers only with an objective of optimizing the Company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the Company's credit risk and its working capital. It is therefore Oman Oil Marketing Company's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information.

Generally credits are not allowed in excess of agreed credit periods except for government customers and debts are collected within agreed credit terms and grace days. A stop supply mechanism is in place which will automatically inactivate customer accounts and stop further supplies in the event of a delay of payment beyond the credit period and the grace days. All exceptions and overrides are approved in line with the policy guidelines. Debtor positions are regularly monitored and reviewed to assess the overall risk and exposure. Though losses on account of default are infrequent, adequate provisions for impairment based on the ageing of the debts are made to reflect the debtors position as accurately as possible in the financial statements.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

The maximum exposure to credit risk for trade receivables (considered as being the gross carrying value before impairment provisions) at the reporting date by type of customer was:

	Carrying amount	
	2008	2007
	RO	RO
Aviation	**2,659,223**	2,192,879
Commercial	**7,861,291**	5,653,749
Fuel Card	**2,090,724**	3,661,111
Lubes	**930,908**	620,673
Retail	**2,060,626**	2,186,427
Others	**628,416**	535,323
	16,231,188	14,850,162
Less:		
Related party receivables	**(532,452)**	(644,944)
Others	**(112,061)**	(103,119)
Add:		
Receivable from Joint venture	**-**	33,799
Trade receivables (Note 6)	**15,586,675**	**14,135,898**

Whilst the Company sells its products to a large number of customers in Oman, its five largest customers account for 31% of trade receivables at 31 December 2008 (2007: 33%).

Notes to the Financial Statements
for the year ended 31 December 2008

25 Financial instruments (continued)

Trade and other receivables (continued)

Changes in the impairment provision for trade receivables during the year are as follows:

	2008	2007
	RO	RO
Balance at 1 January	**954,848**	1,028,329
Released during the year	**(20,162)**	(73,367)
Written off during the year	**(112,018)**	(114)
Balance at 31 December (Note 6)	**822,668**	**954,848**

The Company has accepted guarantees / collateral valued at RO 576,480 (2007: RO 469,215) from customers to secure fully / partly their dues to the Company.

The aging of trade receivables at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	2008	**2008**	2007	2007
	RO	**RO**	RO	RO
Not past due	**12,991,754**	**116,322**	10,599,389	91,807
Past due 1-90 days	**2,308,276**	**40,477**	3,337,693	40,301
Past due 91-360 days	**363,643**	**327,070**	289,319	244,031
More than one year	**567,515**	**338,799**	623,761	578,709
	16,231,188	**822,668**	14,850,162	954,848

Investments

The Company does not hold any investments other then its interest in a joint venture.

Guarantee

The Company only provides financial guarantees to government bodies in the form of tender and performance bond (Note 24).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

25 Financial instruments (continued)

Liquidity risk (continued)

The Company uses local and international banks operating in the Sultanate to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk. The Company has a credit facilities totaling of RO 57 million (2007:34 million) from 7 (2007: 6) banks which are unsecured and unutilized at the balance sheet date. Short term loans and overdraft ranging are, on average, utilized for period of 7 to 14 days to bridge the gap between collections of receivables and settlement of product purchase bills during the middle of every month.

The following are the maturities of the financial liabilities.

31 December 2008

	Carrying amount RO	6 months or less RO	6 - 12 months RO	1 - 2 years RO	More than 2 years RO
Trade payables	**14,306,949**	**14,306,949**	**-**	**-**	**-**
Due to related parties	**111,102**	**111,102**	**-**	**-**	**-**
Other payables	**2,616,151**	**2,616,151**	**-**	**-**	**-**
	17,034,202	**17,034,202**	**-**	**-**	**-**

31 December 2007

Trade payables	14,510,619	14,510,619	-	-	-
Due to related parties	75,000	75,000	-	-	-
Other payables	3,010,565	3,010,565	-	-	-
	17,596,184	**17,596,184**	**-**	**-**	**-**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company's foreign exchange transactions are very minimal and, as a consequence, the Management do not believe that Company has significant exposure to currency risk.

25 Financial instruments (continued)

Interest rate risk

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

Other Market risk

The Company is not exposed to other significant market risk.

26 Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the Company defines as net profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

27 Fair value of financial instruments

The Board of Directors believes that the fair values of financial assets and liabilities are not significantly different from their carrying amounts at the balance sheet date.

28 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 27 January 2009.

29 Comparative amounts

Certain amounts for the prior year have been reclassified to conform to current year presentation.