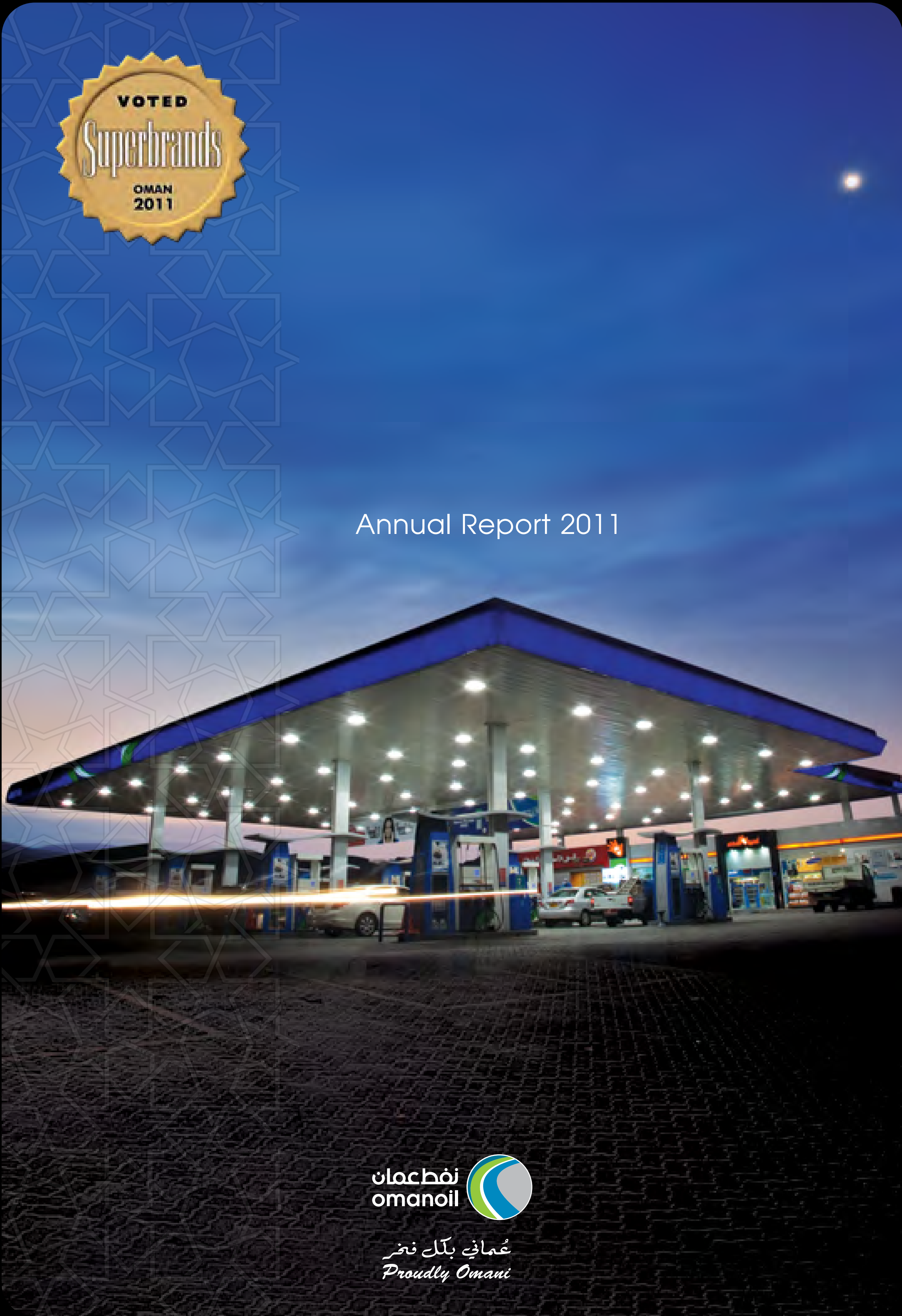


Annual Report 2011

PROUDLY OMANI

The Sultanate has always proudly showcased its rich culture and heritage and we at Oman Oil Marketing Company (omanoil) have harnessed the very definition of "being Omani" by integrating the inherent values that are shared by an endearing nation not only into our corporate culture, but into everyday business practices.

Under the visionary leadership of His Majesty Sultan Qaboos bin Said, Oman has enjoyed a proven track record of strong and steady growth. In parallel, omanoil has cemented its frontrunner position in a vibrant energy sector, fueling the country's economy with innovative products and customer services that complement the company's worth in quality omanoil registered tremendous developments across its various retail businesses, accelerated by deep and detailed knowledge of smart and efficient operational practices. As a fully-pledged Omani company, the benefit of an intimate understanding of local market sensibilities, coupled with best international practice results in trust, confidence and loyalty among stakeholders. New tailored services offered in 2011 showed our substantial efforts centered on augmenting customer experiences, and we will continue this development in 2012.

Financial growth was only a part of our celebrated achievements; most rewarding was the company's corporate stewardship programs that empowered the nation's socio-economic advancement.

omanoil set critical benchmarks throughout the year and remains steadfast to raise the bar of excellence in the industry. We invite you to read along for figures and facts that detail the robust year that was 2011.

HIS MAJESTY SULTAN QABOOS BIN SAID

P R O U D L Y   O M A N I

P R O U D L Y   O M A N I

CONTENTS

VISION

To be the preferred choice that delivers quality services and products.

MISSION

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

ACCOLADES & AWARDS

BOARD OF DIRECTORS

Salim Bin Abdullah Al Rawas

Chairman

Mulham Bin Bashir Al Jarf

Deputy Chairman

Abdul Kader Bin Darwish Al Balushi

Director/Audit Committee Chairman

Amal Bint Suhail Bahwan

Director

Al Sayyida Rawan Bint Ahmed Al Said

Director

Assila Bint Zaher Al Harthy

Director

Ahmed Bin Abdullah Al Rawas

Director

Saleem Bin Pir Bakhsh Al Raisi

Director

Khamis Bin Mohammed Al Amry

Director

MANAGEMENT TEAM

Omar Bin Ahmed Salim Qatan

Chief Executive Officer

Nabeel Bin Salim Al Ruwaidhi

General Manager - Corporate Affairs, Business Development & Planning

Raja Shahreen

General Manager - Finance

Mohammed Bin Amer Al Barwani

General Manager- HR, Admin, IT & System Optimisation

Hussain Bin Jama Al Ishaqi

General Manager - Retail

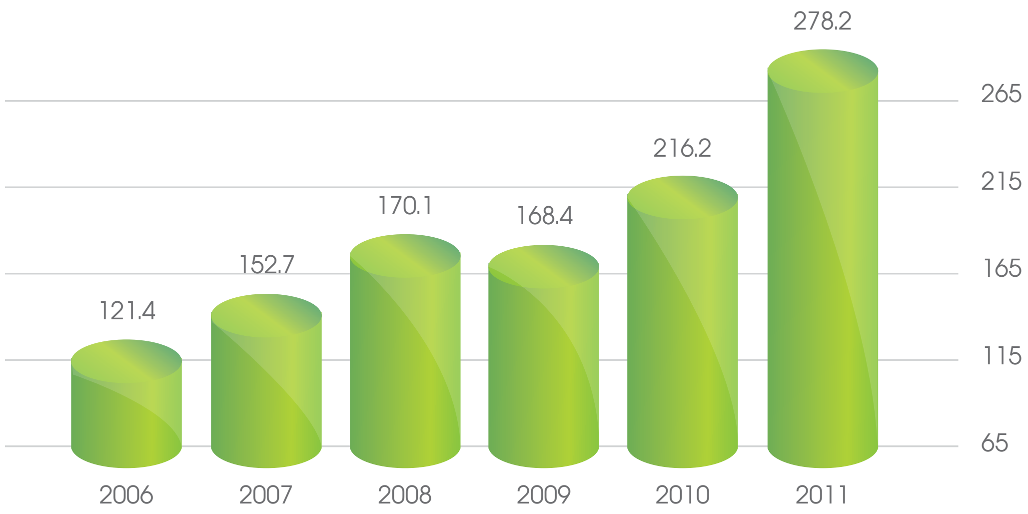
Ahmed Kamel

General Manager - Aviation & Marines

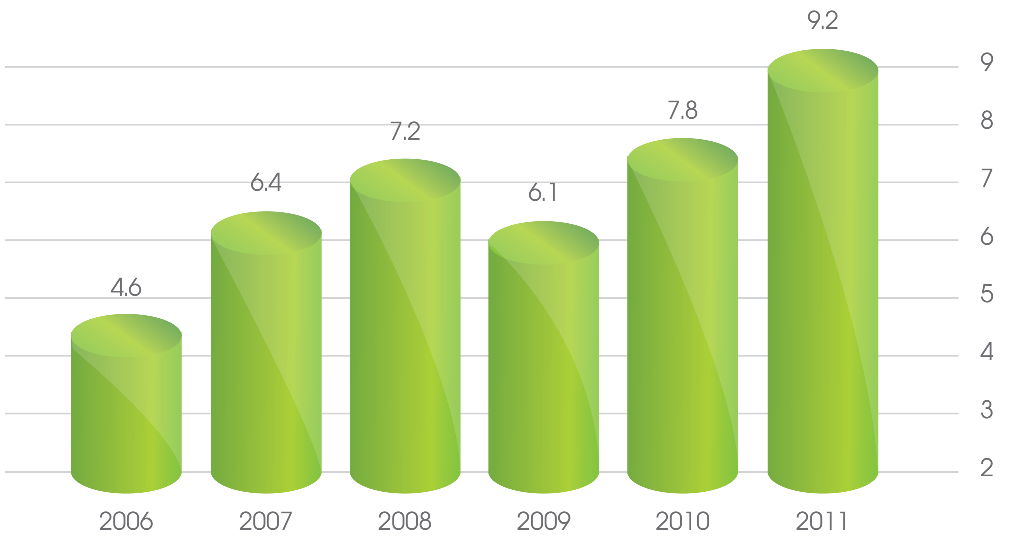
Faisal Bin Abdul Aziz Shanfari

General Manager - Operations, Engineering & HSSE

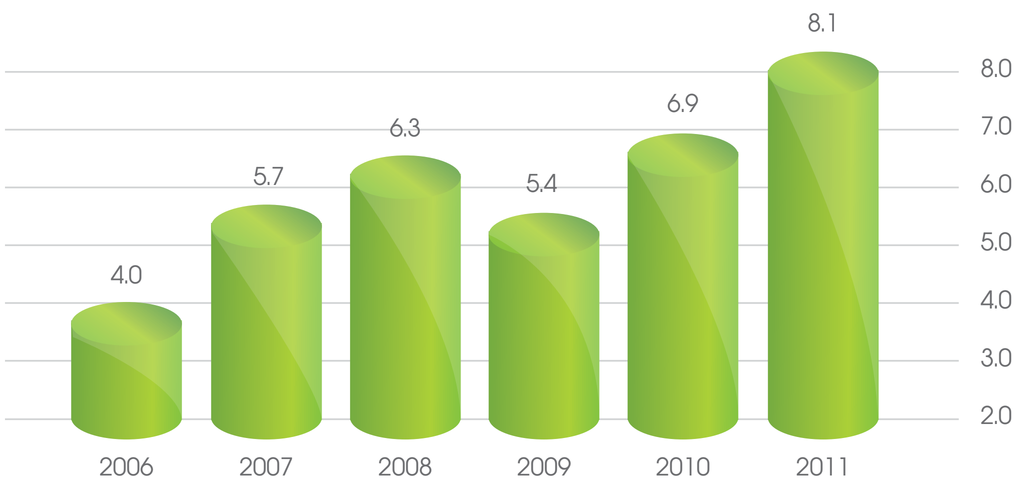
FINANCIAL
HIGHLIGHTS



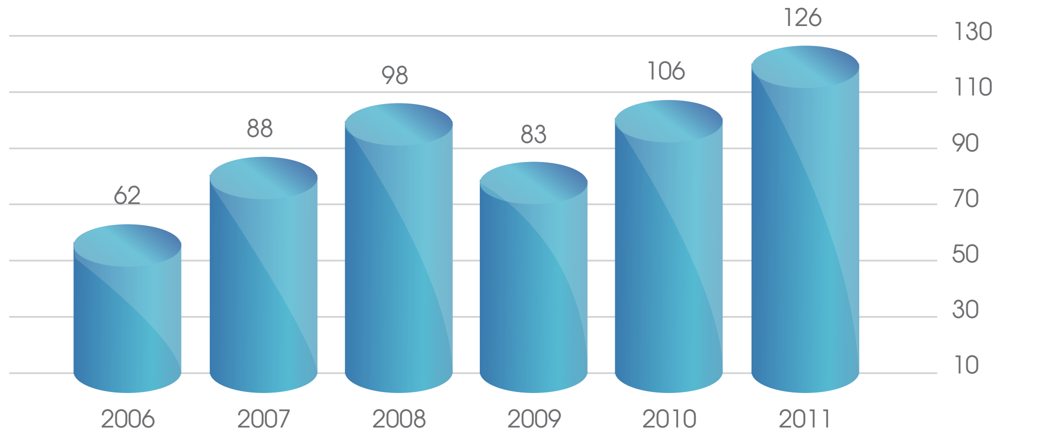
Turnover (OMR Millions)



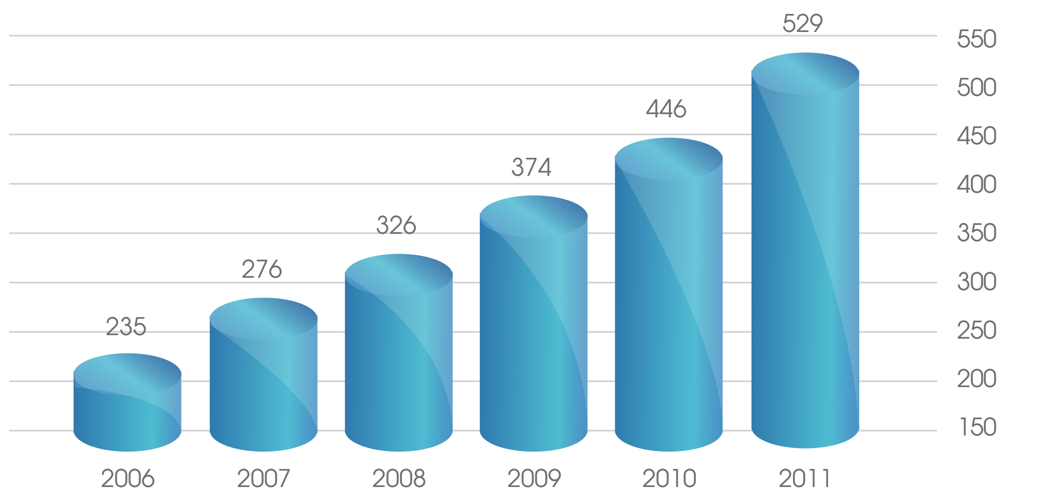
Profit Before Tax (OMR Millions)



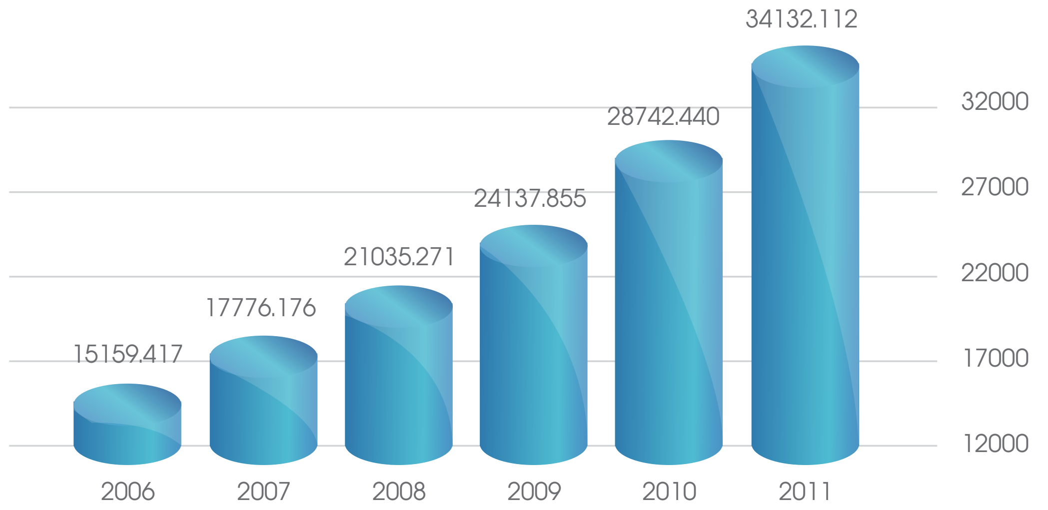
Profit After Tax (OMR Millions)



Earnings Per Share (bz)



Net Assets per Share (bz)



Total Equity ('000)

Directors' Report

Salim Abdullah Al Rawas
Chairman

Dear Shareholder,

On behalf of your Board of Directors, it is my pleasure to present the Annual Report of Oman Oil Marketing Company SAOG for the financial year ended 31 December 2011. 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.

Business Performance

In 2011, the Company committed itself to pursuing an aggressive growth target, with the ultimate intention of leading the domestic market in all its business sectors.

The Company recorded its highest total sales in history of approximately RO 278.2 million an increase of 29% compared to RO 216.2 million in 2010. The pre-tax profit increased by 18% to RO 9.2 million from RO 7.8 million. After providing for corporate tax, the Company's net profit amounted to RO 8.1 million, the highest ever net profit in the Company's history, a 17% increase from that of the previous year. Earnings per share stood at 126 baisas.

The Company's financial position remained healthy with total assets at approximately RO 77 million as at 31st December 2011. A total of RO 6.6 million was spent on capital expenditure. This was financed by internally generated funds and financing obtained from Banks.

The Board of Directors is recommending a final dividend of approximately 62 baisas per share which represents 62% of nominal value per share amounting to RO 4.0 million for the financial year 31 December 2011, subject to approval by the shareholders at the Annual General Meeting. This represents 48% increase as compared to last year.

The Company has continued to increase its presence nationwide with a network of 132 stations offering the Company's full array of petroleum products. The Retail Business continues to be the back bone of the company. The Company's strategies and focus have been geared towards widening the network in increasing the market share, presence and dominance in the Sultanate of Oman. The business unit has achieved several milestones in particular commissioning 10 brand new stations to the network as well as surpassing 1 Billion liters of fuel sales in November 2011.

The Company's focus on Total Customer Convenience is bearing fruits. This has translated to more Ahlain Convenience stores with smart partnership with renowned fast food chain specialists namely Burger King, Dunkin Donuts and Subway.

The Company is continuously exploring new and potential business activities to further strengthen the retail network and offerings to further expand its growth momentum. The Retail business will continue to be the growth engine of the Company.

The Commercial Business unit had continued the upward momentum with sales growth of more than 20%. Driven by a dedicated and customer focus sales team, successful strides were made to broaden the customer base. This had been achievable at the back of high government spending on infrastructure projects, construction of highways and new residential townships and areas.

With the projected high Government spending in 2012, it is envisaged that the Commercial business unit will contribute positively to further enhance shareholder value.

The lubricant business unit performance for the current year was mixed. Being the agent of BP & Castrol products, the Company positioned the product at the premium end of the market which created new market challenges.

The company brands, MAXIMO & OPTIMO, are well accepted in GCC and African countries. The acceptance of these products has resulted in higher volume of sales in 2011. Bigger promotion and campaigning are in the pipeline to further strengthen their presence in these markets as well as venturing to Asian regions.

The Aviation business unit is the single largest jet fuel supplier at Muscat International Airport. With the continued expansion of Oman Air fleet as well as the increase in international airlines to Muscat International Airport, the aviation fuel demand has continued with its upward trend. The Company's focus is to continuously improve it service efficiency at Muscat International Airport. The collaboration with Air BP will continue in providing technical expertise to its customers.

The Marine Business unit has shown promising growth in tandem with the acceptance of Port of Sohar as the point of entrance to Oman.

The heighten of economic activities in Oman and the increased in shipping activities have fuelled the demand for bunker fuel. The Government initiatives to redesignate all containers shipping from Port Qaboos to Port of Sohar also augur well with the long term strategies of the Company.

The Company continues to invest in its existing infrastructure and assets to enhance their integrity as part of continuous efforts expended to ensure that our delivery network and operations especially reliable logistics support system are geared towards supporting our aggressive business growth.

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

Health, Security, Safety and Environment

Health, Safety, Security and Environment (HSSE) remains a focus of the Company and practices have been pushed hard across our operations. Demonstrating this commitment, the company conducted various HSSE exercises, drills, audits and educational activities during the year.

The Company is also proud to declare that it has achieved a record of 19 years of No Loss Time Injury at its main terminal – Mina Al Fahal.

People

As a young and dynamic company which believes that people is the most crucial asset to transform it forward, the Company continues to invest in its staff through continuous training and team work building to develop in house capability and a united workforce. This is a prerequisite to transform the company to be one of the best local companies in Oman.

Omanisation rate is one of the highest in the industry at 86% at all levels of employment

Outlook

The outlook for the coming year is positive with the demand for petroleum products expected to grow in line with Oman's projected economic growth of approximately 7% in 2012.

The Company is gearing itself for intense competition particularly in Retail and Commercial businesses. Current market share to be defended while new ones to be created and the margins to be managed.

New lucrative sites will be added on top of more new Convenience Stores bearing the Ahlain brand as well as Fast Food Outlets will be added to the Company's offerings. Competitors are anticipated to continue to invest in new stations to defend their market share. Customers are also expected to be more discerning in their requirements and demands.

The commercial team is focused in obtaining new infrastructure contracts as announced by the Government & Private Sectors. This will contribute positively as the construction of various infrastructure linked projects, upgrading of highways and roads will help keep demand, particularly for diesel at reasonable levels.

The aviation and marine sectors are to benefit from the expected strong growth and extension of the new Muscat and Salalah Airports. The encouraging development in Port of Sohar as well as the shift of activities from Port Qaboos, would only contribute positively to the Company's earnings. All these developments augur well with the long term commitment of the Company in serving the Nation.

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. The Company will continue to focus on operational and service excellence, cost efficiency initiatives and realigning business strategies to cope with the market uncertainties ahead. Numerous challenges need to be addressed.

The Company will continue to focus on human capability development, high systems reliability, and good HSE practices. Strong emphasis will be placed upon cost efficiency to reduce cost of service and delivery but without compromising customer service and products quality to meet the needs of customers. Customer service will be continuously improved.

The Board and the Management are fully geared and committed for the challenges in achieving aggressive growth targets in 2012 and is confident, that the Company will continue to deliver value to all shareholders and stakeholders.

Acknowledgments

I would like to take this opportunity to thank all our customers, the Government departments we have had dealings with and our dealers, their staff and our own dedicated 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 and appreciation to His Majesty Sultan Qaboos bin Said and His Government. Under his wise leadership and guidance, Oman continues to be on the path to further prosperity, growth and development propelling further achievements and quality living for all residents

Thank you.

Salim Abdullah Al Rawas
Chairman

Omar Ahmed Salim Qatan
Chief Executive Officer

Retail

The Retail Business growth continued in the year 2011, achieving new heights and records. The retail business managed to cross 100 million liter sales a month and closed the year with over 1 billion sales volume. This milestone was achieved as a result of dedicated collective efforts and team work.

Retail business implemented an aggressive growth strategy which focused on closing retail network gaps and resulted in introduction of 10 new high volume sites located in strategic locations across the Sultanate. By the end of 2011, the number of retail filling stations reached 132 spread across the country . Additionally, three existing sites were renovated as part of the "Raise and Rebuild" program which aims to renovate retail outlets in order to attract more customers.

In 2011, Fuel card sales contributed significantly to the overall sales of the Retail business due to introduction of new customers in both the Government and private sectors and the increase in sales from both Ejaba and Basma cards. This year also witnessed the launch of a Basma Points Redemption Promotion which successfully resulted in an increase of redemption by 30%. Through this promotion and other marketing efforts, more and more customers are becoming aware of the Basma Rewards Program and its benefits.

With the projected high government spending in 2012, omanoil aims to expand the fuel card business as one of the main growth factors within the Retail business by adding new customers and maintaining existing ones while focusing on the delivery of the highest Customer Service in the Industry.

In 2011, Oman Oil Marketing Company renewed the Convenience Store Agreement with its two strategic partners, Enhance and Khimji Ramdas for a further period as commitment from the company to sustain the Ahlain business.

A total of nine new Ahlain convenience stores and one new Car Wash facility were commissioned in 2011. Additionally, construction has also begun for three new Car Wash facilities. The new outlets are being earmarked to complement the existing Retail network in order to provide convenience to customers. In addition to the other services in Convenience stores, this year the company added 20 Nawras payment machines inside the C- Stores. These new outlets and services aim to create the "one-stop-shop" experience for all customers by focusing on total convenience. By adding all these new outlets and services, more customers are attracted and who contribute to improvise the Retail margin.

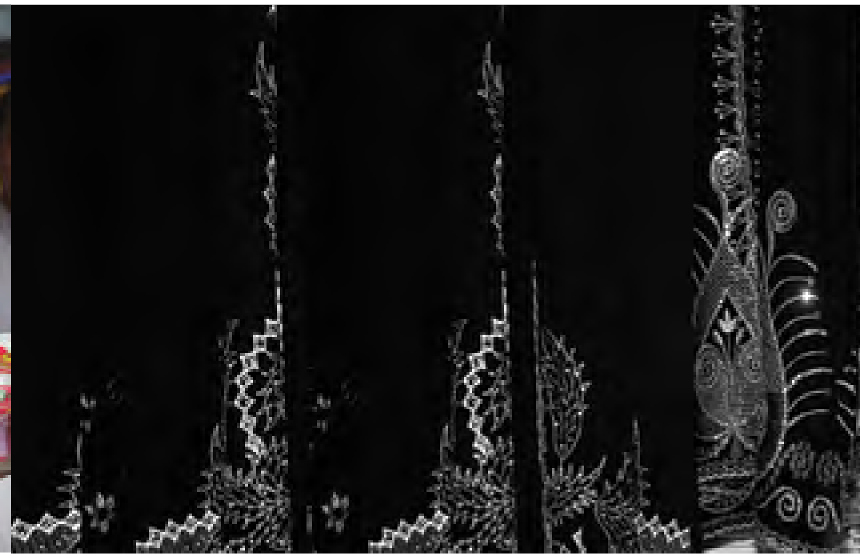
The Retail Business continued its focus on operational excellence in 2011 by attending to all HSSE violations, training all site employees in areas where skill gaps were identified and enhancing current practices. Additionally, in order to ensure that the company maintains its operational and customer service standards, approximately 40% of the retail network sites are managed under direct supervision of Oman Oil Marketing Company and an emphasis on proper HSSE and customer service training continued for all site employees.

Throughout the upcoming year, the Retail Business Unit will continue to add new outlets and upgrade its facilities to align

with customer aspirations. It will seek to obtain the latest and most efficient tools and equipment with support from the omanoil Engineering and Maintenance teams in order to ensure reliable and extended assets' life. The focus to expand the Non- Fuel business will continue in 2012 to add more value to the overall performance of the Retail Unit.

Fuel Cards

With the vast improvement of economic conditions and with the inclusion of new filling stations at strategic locations, the Fuel Cards business has grown by nearly 23% over the past year. The sale of Super grade fuel through fuel cards has also increased by 19% over the previous year . Pre-paid basma cards are achieving record sales which according to industry standards are the highest. 2012 looks very encouraging for the Fuel Cards business with the Government announcing new projects nationwide. The primary focus will be to attract new customers and at the same time maintain the existing ones with a focus on delivering the highest Customer service in the Industry. The aim will be to bring Customer service to the next higher level and induce Customers to utilize their basma cards. Additionally, there are plans to revamp the Basma Card.



Commercial

2011 has been a remarkable year for Oman Oil Marketing Company's Commercial business segment. With the vast improvement of economic conditions and increased spending by the Government into various projects related to infrastructural development, major contracts were announced and awarded for the building of new roads, dam's sites, industrial units and new power plants. Also the mining industry saw a very high growth within the country. With an attractive contract package and aggressive sales approach, the Commercial department successfully secured a major portion of the new projects and managed to retain existing projects. The new additional power houses contracts from Rural Area Electricity Company and the major tender for the fueling of a major oil and gas company are examples of the new projects obtained during 2011.

Throughout the year, the focus was simple, spending more time with customers, developing relationships, delivering the product on time, and most importantly collecting money on time after the sales. These measures helped deliver results and have also strengthened the business relationship with all our commercial business partners.

The Commercial Team's focus will remain on hunting new businesses, effective execution of customer service and improvement of the trust that has built up over the years with all its business partners to reach the long term objectives of the board and the management of Oman Oil Marketing Company.

The Company will continue to work together with all its commercial customers and commercial business partners in order to maintain its international standards and network to improve its sales volume.

Aviation

Continuing its success in 2011, omanoil has successfully maintained its market leadership of more than 50% market share at Muscat International Airport. Oman Air remains a premium customer as it contributes significantly to the business revenue. The Company is proud to be associated with the national carrier and its continuous success in their business.

omanoil has also added new airline customers in 2011, namely – Lutfhansa and Swiss Air to its expanding customer portfolio of major commercial airlines and key government accounts. Thai Airways and Biman Bangladesh will remain with the company for another year as a result of its success in defending the fuel supply contract.

It is envisaged that there will be higher passenger growth at Muscat International Airport in years to come as the tourism sector becomes more important to the national economy. Higher air traffic is also expected, which will result in higher aviation fuel demand at the airport.

The Company will continue to engage Air BP as its technical and commercial consultant to maintain its high international service standards and capitalize on their vast market access and networking to improve its sales volume.

Marine

2011 marked a growth year for the marine business. The joint venture company, Omanoil Matrix Marine Services (MXO) has successfully grown the volume exponentially at the Sohar Port.

MXO is currently the only active bunker fuel supplier at Port Sohar which offers various grades of bunker fuel to shipping companies at the port including lubricants.

With higher demand expected in years to come, the company is confident that the business will contribute positively to the business growth. omanoil looks forward to expand its presence at other emerging ports in the Sultanate of Oman, offering bunker fuels as well as other value added services.

Lubricants

Despite the drop in sales in the high street segment, omanoil was able to achieve its targets due to excellent sales in both the construction and the rig segments. Base oil prices remained stable after April 2011 which helped in improving the company's market share in the commercial lube segment with new accounts.

In 2011, the Company captured new businesses and increased its market share in the rig segment. Castrol Magnetec sales are in upward trend and currently Castrol is capturing the synthetic segment in Oman with new initiatives and promotions

New interesting promotions from Castrol are expected in 2012 such as the Euro 2012 promotion scheduled to kick off in June 2012.

Omanoil lubricants had a great year with additional market obtained, namely Afghanistan and Kuwait. The company has also signed an MOU in Qatar to explore and market omanoil lubrticants.

The future for export lubes looks encouraging with a strong focus in 2012 on countries in the African continent and GCC as well as more investment to strengthen the brand awareness in these new markets.

Customer Service

Quality customer service lies at the core of Oman Oil Marketing Company's business operations and provides a platform for continued growth which in turn helps to build corporate reputation.

In essence, customer service is the ability to effectively understand and efficiently respond to the customer's needs and concerns which ultimately helps to create customer loyalty and drive repeat customers.

Every employee understands the standards and qualities required when interacting with customers as customer must always be made to feel their best interests are being given serious consideration.

To ensure that the company achieves excellent customer service levels, it has assigned a complete team of professionals to;

1. Handle & Respond to Inquiries
2. Solve Problems & Handle Complaints
3. Build Client database
4. Manage customer correspondence and greetings
5. Establish customer relationship management

The Customer Service Department conducts all operations in accordance with the company's values and brand image drivers in a Friendly and Courteous manner with Empathy & Enthusiasm full of Commitment & Optimism supported with high Listen-ability.

Operations and Engineering

The Mina Al Fahal jointly owned terminal managed by Oman Oil Marketing Company has achieved yet another milestone of completing 7,080 days (19 years and 4 months) of safe operation without Lost Time Injury in handling the substantial increase in volumes seen by both omanoil and its partner operating within the terminal both safely and efficiently. This once again is indicative of the world class safe operation we have and one which is pivotal to the success of the business. JV Terminal has managed successfully to pump out a total throughput of 2,460,000M3 safely.

2011 has been a challenging year with the ambitious growth plans for the company moving it to new heights. HSSE has been the key focus for the logistics and terminal operations. The Gantry expansion project is underway and is expected to significantly increase the utilization of the existing storage infrastructure. The company has added four prime movers and five tankers to the fleet to replace existing aged ones.

2011 has been another successful year for the terminal and all efforts are being made to maintain its world class performance. Having 7 days a week, 24 hours terminal operations scheme has substantially enhanced the operating performance of meeting our daily throughput of 7200M^3 / day.

Engineering department support in developments plans both in Retail as well as Commercial areas has resulted in significant expansion of our network of outlets and customer base. In 2011; the department was actively involved in more than 28 Commercial projects and 10 Retail New to Industry (NTI) Sites which will result in substantial increase in volume growth for the Company.

In addition; the department has successfully completed 3 major Rebuild and Rehabilitation for existing sites and re-branding of 4 outlet shops.

The department is also involved in maintaining the whole Company's network (commercial and Outlet Sites) which improves the performance and reliability of the network throughout the year.

Health, Safety, Security and Environment

Overall HSSE performance of the company in 2011 was in line with the set targets. The Lost time Incident frequency in 100,000 man hours was 0.59 which is considered good performance by industry standards. Many HSSE improvement measures were implemented in 2011 which includes the introduction of revised HSSE policy and sub-policies, introduction of revised HSSE management system manual and introduction of OOMCO employee HSSE passport. Oman Oil Marketing Company is committed to preserve and enhance the environment it operates in by promoting a culture of safety.

Information Technology (IT)

Several Key projects highlighted the achievements of the IT department in 2011. With a team of dedicated professionals, the IT department engaged in one of the most challenging projects working to revamp the IT infrastructure and modernizing existing systems to enable the business to achieve its goals and optimize related business processes across the organization.

eTatweer, the project name, has several phases. Phase-1 is aiming towards increasing insight into financial performance through upgrading the financial system, which includes restructuring of chart of accounts, implementing budget controls, generating profit and loss statements for individual business units, flexibility for users to generate their own reports through business intelligence, enhancing the invoicing cycle and debt collection process, and many other major enhancements and features. Additionally, the project is poised to improve the distribution process of fuel and enhancing controls for Purchasing and inventory.

Phase 2 of the e-tatweer project included Core HR module, learning and development, Performance Management, Payroll Management, Internet recruitment, HR Intelligence and employee self-services. The project is expected to make a shift in HR strategic alignment to organizational goals and objectives, whereby transactional and routine activities will be automated.

Towards supporting the front line departments, the IT Department in coordination with the Operations Department evaluated a number of solutions for HSSE, Logistics and Transportation software solutions, and selected Oracle Products for enhancing identified business requirements. This part of the project is expected to start in first quarter of 2012.

People

The success achieved by Oman Oil Marketing Company in the last period is greatly attributed to the successful implementation of sound human resources strategies at all levels, from attraction and retention of leadership to the development of omanoil's staff, as well as the establishment of a productive work environment and effective policies and procedures.

In 2011, Management successfully developed objective staff engagement strategies that helped to aligned organization goals and objectives to staff aspiration, leading to the re-establishment of higher commitment and synergy between the two stakeholders towards addressing common challenges.

The systematic approach of omanoil's Board of Directors and Management towards achieving Corporate Governance Award and positioning the Company to become one of the leading entities in its class, have been adequately complemented by the values and high standards of ethics that are practiced at all levels. The achievement reflect the transformation process which omanoil successfully went through, to attract and retain the right talents and leadership which was capable to create such a profound performance driven culture, that complies to internationally recognized standards.

Management at Oman Oil Marketing Company strongly believes that the key to success is through the proper engagement of related staff in the various affairs and activities of the company. For that, a collective framework for receiving staff feedback was developed and conducted, including annual staff survey, upward feedback, Meet the CEO sessions and Al-Multaqa (an innovative general staff assembly aiming to communicate with staff on key issues). Furthermore, and as per the directions from the Board of Directors and the Board Remuneration Committee, Management started a remuneration benchmark study that is aimed to assess the competitiveness and fairness of omanoil's pay structure compared to the local market.

2011 have also been an active year in introducing new initiatives focused towards managing the work environment, whereby Management developed and introduced a number of new policy initiatives for the staff, including: Whistle blowing policy, Code of ethics and conduct, policy for introducing recreation facilities for staff, introduction of shift allowance for drivers and technicians.

Management initiated a number of projects that are aiming to develop the talent pool to insure continuity of leadership and skilled resources. Such initiatives are: Young graduate Scheme, Higher Education Scheme and conducting a number of key training and development programs for the staff, including: Leadership Development, Job Evaluation, Coaching Program, Financial Management for non-financial professionals, Customer Service training, Recruitment, retention and talent Management program.

Corporate Social Responsibility

As a visionary corporate citizen, Oman Oil marketing Company continues to pioneer various social initiatives throughout the Sultanate through creative collaborations with various local associations and organizations.

In 2011, omanoil joined hands with the national movement to challenge road accidents by carrying out several initiatives to maintain its position as an advocate of best practices both inside and outside the workplace.

2011 marked the debut of the omanoil "Be-Safe" facebook page, aimed at youth. The page utilizes social media as a tool to revolutionize the way the company communicates with the public. The company uses the facebook page a platform to educate the public on road safety.
The company was also an active participant at the second Traffic Safety Expo . Pioneered by the Royal Oman Police, the company continued communication of its "Be-Safe" brand which symbolizes the company's HSSE initiatives including Road Safety.

In 2011, the company continued its support to the Pan-Arab non-profit foundation "REKAAZ" to launch its campaign "From self-appreciation, I declare respect". The campaign aimed to help improve people's lives by promoting behavior in society and nurturing moral values among Omani Youth from ages 14 to 20 through a series of lectures and events.

omanoil continued its long-standing relationship with the Oman Association for the Disabled and Al Noor Association for the blind by contributing personalized wheelchairs and other equipment to those in need. In December 2011, omanoil was honored by the Oman Association for the Disabled on world handicap day for its assiduous social responsibility and inspiring support for the disabled.

The company also joined Earth Hour in 2011, the largest voluntary action ever witnessed which combined billions of people around the world to raise awareness on the importance of environment preservation. All non-essential appliances were switched off for one hour at omanoil head office and Qurum Filling station to set an example to all citizens to reduce their energy consumption.

Giving back to the community is reflected in the commitment and dedication demonstrated by the company's staff. The company established various staff volunteerism opportunities that show omanoil's track record of embodying the philosophy of social integration. In addition, the company provides training opportunities to various small medium enterprises in managing car wash facilities and transportation.

Corporate Social responsibility is an integral component of omanoil's operations. The company has adopted certain values in line with the aspirations of shareholders and Board of Directors towards achieving CSR goals. In 2012, the company will continue its CSR efforts by strengthening its support to various road safety initiatives and continuing to target youth through sports and education.

outlook

The Company is optimistic about 2012. The various plans announced by the Government will further spur the domestic economy to new heights. Such plan will only fuel the demand for petroleum products in 2012.

Our investments in Retail network to support the growing Oman economy are bearing fruits. This will further encourage us to continue and accordingly be more selective in our investments to increase OOMCO's presence throughout Oman.

The bulk fuel sales are expected to increase further with notable Government projects in the pipeline. These projects are envisage to continue throughout the year and will sustain the demand of diesel in the country.

In conclusion we believe the outlook for 2012 is positive with the demand for petroleum products expected to grow in line with Oman's projected economic growth. Nonetheless, competition in all business sectors, particularly the retail business, will continue to persist. Customers' requirements and demands and market conditions will continue to be very challenging. 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.

The focus in the coming year is to deliver its best products and services to the satisfaction of its customers, simultaneously adding value to shareholders and stakeholders.

This concludes my review of the operational performance for the year 2011.

Best wishes for 2012.

Thank you.

Eng. Omar Ahmed Qatan
Chief Executive Officer

Deloitte.

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www.deloitte.com

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 as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decisions no. 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:

We found 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 express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or 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 relates only to the accompanying corporate governance report of **Oman Oil Marketing Company SAOG** to be included in its annual report for the year ended 31 December 2011 and does not extend to any financial statements of **Oman Oil Marketing Company SAOG**, taken as a whole.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
25 January 2012

Corporate Governance Report

We are pleased to present the Corporate Governance Report of the Company for the year ended 31st December 2011.

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 seven independent directors on its Board to complement and supplement the other two 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 seven 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 Othman, Mr. Hussain Jama Al Ishaqi, Mr. Ahmed Kamel Mahmud, Mr. Faisal Abdulaziz Said Al Shanfari, Mr. Nabeel Salim Said Al Ruwaidhi and 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 Othman.

(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 two 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

There were no changes in the Board of Directors during the year.

(d) Number of Board meetings

The Company held four Board meetings during the year ended December 31st 2011. These were on January 27th 2011; April 27th 2011; July 27th 2011 and October 26th 2011 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	1
Mulham Bashir Al Jarf	Non Executive Deputy Chairman and Director	4	3	Yes	-
Assilah Zaher Al Harthy	Non Executive and Independent Director	4	4	Yes	-
Amal Suhail Bahwan 2	Non Executive and Independent Director	4	3	Yes	2
Khamis Mohammed Al Amry	Non Executive and Independent Director	4	4	Yes	-
Al Sayyida Rawan Ahmed Al Said	Non Executive and Independent Director	4	4	Yes	3
Ahmed Abdullah Al Rawas [3]	Non Executive and Independent Director	4	2	No	3
Abdul Kader Darwish Al Balushi	Non Executive and Independent Director	4	3	Yes	1
Saleem Pir Bakhsh Al Raisi	Non Executive and Independent Director	4	4	Yes	2

Notes:

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, 2011 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/- for sitting at Board of directors meeting and RO 400/- for other sub committees as sitting fees for every 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.

Table 2: Remuneration paid/payable to Directors during the year 2011 Omani Riyals

Name of Director	Sitting Fees	Others	Remuneration*	Total
Salim Abdullah Al Rawas	2,000	1,150	12,000	15,150
Mulham Bashir Al Jarf 2	1,900	1,150	12,000	15,050
Assilah Zaher Al Harthy [1]	4,400	1,400	12,000	18,387
Amal Suhail Bahwan 2	1,500	1,400	12,000	14,900
Khamis Mohammed Al Amry	2,000	1,150	12,000	15,737
Al Sayyida Rawan Ahmed Al-Said [1]	4,400	1,400	12,000	17,800
Ahmed Abdullah Al Rawas	1,000	1,150	12,000	14,278
Abdul Kader Darwish Al Balushi [1]	3,900	1,150	12,000	17,050
Saleem Pir Bakhsh Al Raisi 2	2,400	1,150	12,000	15,550
	23,500	11,100	108,000	142,600

Notes:

1 Includes sitting fees for Audit committee meetings

2 Includes sitting fees for Board Directors Remuneration committee meetings

* The remuneration for the year ended December 31st 2011 will be paid to the non-executive directors after adoption of accounts by shareholders at the Annual General Meeting to be held on March 24th 2012 at 3 p.m.

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

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	Galfar Engineering & Contracting Co SAOG	Member	Executive Committee	Member
Mulham Bashir Al Jarf	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. SAOG	Chairperson	N/A	N/A
	National Pharmaceutical Industries Co. SAOG	Member	N/A	N/A
Khamis bin Mohammed Al Amry	None	N/A	N/A	N/A
Al Sayyida Rawan Ahmed Al-Said	National Bank of Oman	Member	Audit committee	Chairperson
			Excutive committee	Member
	ONICH Holding SAOG	Executive Director	N/A	N/A
	Oman Orix Leasing	Member	N/A	N/A
Ahmed Abdullah Al Rawas	Dhofar International Development & Investment Holding Company SAOG	Director	N/A	N/A
	Dhofar Cattle Feed Co SAOG	Vice Chairman	N/A	N/A
	Salalah Flour Mills Co SAOG	Vice Chairman	Audit	Chairman
Abdul Kader Darwish Al Balushi	Oman Ceramics Co	Director	Audit	Chairman
Saleem Pir Bakhsh Al Raisi	Oman Flour Mill SAOG	Director	Executive & Investment	Member
	Muscat Gas Co. SAOG	Director	Audit	Member

(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

1) Audit Committee

The Audit Committee comprises of three (3) non-executive and independent directors. The members are as follows:

Table 4: Audit committee members:

Name	Position
Abdul Kader Darwish Al Balushi	Chairman
Al Sayyida Rawan Ahmed Al-Said	Member
Assilah Zaher Al Harthy	Member

The Company continue to derive immense benefit from the deliberation of the Audit Committee comprising of three Non-Executive Directors – Mr. Abdul Kader Darwish Al Balushi (Chairman), Al Sayyida Rawan Ahmed Al Said, Ms. Assilah bint Zaher Al Harthy who are eminent professionals knowledgeable in finance, accounts and company law. The Chief Internal Auditor serves as the secretary to the Audit Committee and the CEO and Chief Internal Auditor 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.

Among the principal functions and duties of the Audit Committee are as follows:

- 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 and external and internal auditors, the adequacy of internal control systems;
- 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;

  Further details on the Audit Committee including its activities during the year under review are contained in the Audit Committee report of this Annual Report.

2) Board Investment Committee

The Investment Committee is comprises of four (4) Non Executive Directors (two of whom are independent):

a) Salim Abdullah Al Rawas – Chairman
b) Al Sayidda Rawan Ahmed Al Said
c) Mulham Bashir Al Jarf
d) Abdul Kader Darwish Al Balushi

The Board secretary also serves as the secretary to the Investment Committee and the Chief Executive Officer is a permanent invitee to the meeting.

The principle functions and duties of the Investment Committee are as follows:

- To deliberate, review and recommend for approval of the Board on the merits of any new businesses to be set up or acquired or any investment proposal submitted to the Company.
- To carry out any other functions as may be delegated and authorised by the Board.
- There were no investment committee meeting held during the year.

3) Board Remuneration Committee

During the year, the Company sets up a Remuneration Committee which comprises of three (3) Non-Executive Directors (two of whom are independent):

a) Mulham Bashir Al Jarf – Chairman
b) Amal bint Suhail Bahwan
c) Saleem Pir Bakhsh Al Raisi

The Head of Human Resources, Administration and Information Technology serves as the secretary to the Remuneration Committee and the Chief Executive Officer is the permanent invitee to the meeting.

Among the principle functions and duties of the Investment Committee are as follows:

- In the case of the CEO, recommending to the Board the appointment, remuneration, reward framework, KPI as well as assessment thereof.
- In the case of the Executive Management and based on the recommendation of the CEO, approving the appointment, remuneration, reward framework, and key performance indicators (KPI) as well as assessment thereof
- Ensuring an appropriate succession plan is in place at all times for the CEO and Executive Management.
- Reviewing the qualifications and work experience of any individual being nominated to be appointed to the Executive Management.
- Reviewing and oversee human resource policies and Omanisation plans.
- Reviewing and ensure the existence of a remuneration framework that adequately addresses Company needs in attracting and retaining competent employees taking into account market trends and practices.
- Interviewing any member of the Executive Management upon resignation or termination from the Company.

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.

Table 5: Senior Management Team

Name	Designation	Age	Qualification	Date of Joining the Company
Omar Ahmed Salim Qatan	Chief Executive Officer	57	Msc (Engineering) , MBA	1-Apr-06
Ahmad Kamel Mahmud	General Manager - Aviation & Marine	45	BSc in Mechanical Engineering	16-Dec-08
Raja Shahreen Othman	General Manager - Finance & Accounts	44	B.Com, CA, CPA	1-Nov-07
Faisal Abdulaziz Said Al Shanfari	General Manager – Engineering, Operations and HSSE	40	B.Eng (Mechanical)	11-Feb-08
Nabeel Salim Said Al Ruwaidhi	General Manager -Business Plan Dev & Corporate Affairs	38	B.Eng (Civil), M.Eng (Industrial)	6-Oct-08
Mohammed Amor Rashid Al Barwani	General Manager - HR, Admin, IT & Systems Optimisation	45	B.Eng (Electronics & Computer)	1-Dec-08
Hussain Jama Al Ishaqi	General Manager – Retail	43	MBA & MSc in Geographic Information for Development (GID	1-Oct-07

During the year 2011 the total cost of the top five executives of the Company was approximately RO 474,022/- (Bonus for 2010 paid in 2011 is included in this figure)

SHAREHOLDERS

(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 Oman Daily Observer and Oman Daily Arabic. 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 2011 in April 2012. 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 no penalties or strictures have been imposed on the Company by the CMA/MSM or any statutory authority during the period of this report. 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 there at. 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.

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

Financial year (ended)	Date	Time	Venue
31st December 2008	31st March 2009	4.00 PM	Businessmen Hall, Capital Market Authority Building, Central Business District
31st December 2009	31st March 2010	12.00 PM	Sindbad ballroom at Crowne Plaza Hotel, Qurum
31st December 2010	28th March 2011	3.00 PM	Assifah Meeting Room, Shangri-la Barr Al Jissah Hotel

The Annual General Meeting for the financial year ended December 31st 2011 is scheduled to be held as per details below:

Date : March 24th 2012

Venue : Sindbad Hall, Crowne Plaza Hotel - Muscat.

Time : 3.00 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 2011.

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

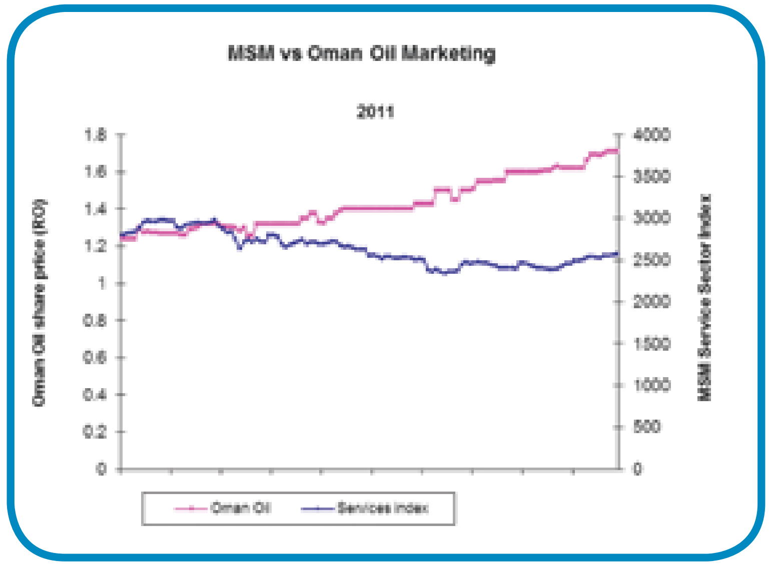
Month 2011	High	Low	Volume
January	1.300	1.200	556,867
February	1.340	1.250	380,259
March	1.350	1.250	300,215
April	1.400	1.320	119,597
May	1.410	1.345	394,032
June	1.405	1.370	106,220
July	1.431	1.401	110,974
August	1.500	1.430	186,306
September	1.575	1.500	402,349
October	1.600	1.551	13,850
November	1.650	1.590	76,251
December	1.715	1.620	663,320

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.

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 2011.

Chart A: MSM Service Sector Index vs. Oman Oil Marketing in 2011



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, 2011 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 2011

	Shareholders		Shares	
Holdings	Number	% of Total	Number	% to Total
Up to 5000	785	74.7	1,203,283	1.9
5,001 - 10,000	113	10.8	823,534	1.3
10,001 - 20,000	33	3.1	481,355	0.7
20,001 - 30,000	18	1.7	472,348	0.7
30,001 - 40,000	11	1.0	375,030	0.6
40,001 - 50,000	13	1.2	614,820	1.0
50,001 - 100,000	33	3.1	2,491,109	3.9
100,001 - 200,000	9	0.9	1,123,209	1.7
200,001 - 300,000	22	2.1	5,908,130	9.2
300,001 - 500,000	5	0.5	2,080,913	3.2
500,001 - 1,000,000	2	0.2	1,341,009	2.1
1,000,001 - 2,000,000	4	0.4	5,692,776	8.8
2,000,001 and above	3	0.3	41,892,484	64.9
Total	1,051	100.0	64,500,000	100.0

Table 9: Top 10 shareholders as on 31st December 2011

	Shares	
Holdings	Number	% to Total
Oman Oil Company SAOC	31,605,000	49.00
Civil Services Pension Fund	7,062,484	10.95
Dhofar International Development & Investment Holding Co SAOG	3,225,000	5.00
HSBC A/C Ministry of Defense Pension Fund	1,846,605	2.86
Public Authority for Social Insurance	1,406,690	2.18
Oman Cement Co SAOG	1,237,190	1.92
BankMuscat SAOG	1,202,291	1.86
National Equity fund	704,662	1.09
Dhofar Insurance Co. SAOG	636,347	0.99
Bank Deposit Insurance Scheme Fund	450,000	0.70
Total	49,376,269	76.55

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 2001 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 Clearing and Depository 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
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
2008	35.0	2,257,500	2,251,143	6,357	October-09
2009	35.0	2,257,500	2,250,813	6,687	October-10
2010	42.0	2,709,000	2,700,964	8,036	October-11
Total		23,091,000	22,970,349	120,651	

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
CEO

AUDIT COMMITTEE

REPORT

The Board of Directors of Oman Oil Marketing Company SOAG (OOMCO) is pleased to present the report on the Audit Committee of the Board for the financial year ended 31st December 2011.

Members and Meetings

The Audit Committee during the year comprised the Directors listed below. The Committee had six (6) meetings during the financial year. Details of the members and the attendance of the meetings are as follows:

Members

a)	Abdul Kader Darwish Al Balushi	Chairman
b)	Rawan Ahmed Al-Said	Member
c)	Assilah Zaher Al Harthy	Member

Attendance of Meetings

The audit committee met six times during the year: January 25th 2011, April 13th 2011, April 25th 2011, July 25th 2011, October 17th 2011 and October 25th 2011. The table below gives the attendance record.

	Members	Total
a)	Abdul Kader Darwish Al Balushi	6 / 6
b)	Rawan Ahmed Al-Said	6 / 6
c)	Assilah Zaher Al Harthy	6 / 6

Activities of the Committee During the Year

During the year, the Audit Committee carried out its duties as set out in the terms of reference. The main issues discussed by the Audit Committee were as follows:-

- review of the audit plans for the financial year 2011 to ensure adequate scope and coverage over the activities of the Company;
- review of the audit reports of the Company prepared by the internal and external auditors and consideration of the major findings by the auditors and management's responses thereto. The review included a meeting with the external auditors without the presence of the management of the Company to deliberate on the audit issues;
- review of the quarterly and annual reports of the Company prior to submission to the Board of Directors for consideration and approval;
- review of the performance of external auditors and made recommendations to the Board on their appointment, scope of work and audit fees;
- review the performance of the head of internal audit,
- review of the risk management policy and risk management registers; enterprise and departmental level; prepared by management;

Terms of reference

The terms of reference of the Committee are as follows:-

Composition of Committee

The Committee shall be appointed by the Board of Directors amongst the Directors of the Company in accordance with the following guidelines:-

- The Committee shall consists of not less than three members; all being non-executive directors and a majority of them being independent,
- The members of the Committee shall elect a Chairman from among themselves who shall be an Independent Director.
- At least one member shall have finance and accounting expertise,
- The Audit Committee shall meet at least 4 times a year with majority of independent directors remaining present,
- In the event of any vacancy in the Committee resulting in the non-compliance of the Code of Corporate Governance pertaining to composition of audit committee, the Board of Directors shall within three months of that event fill the vacancy.

Meetings

Meetings shall be held not less than four (4) times a year and, in addition to members of the Committee, will normally be attended by the Chief Executive Officer, General Manager Financial and Chief Internal Auditor. Other members of the Board, senior management and external auditors' representatives may attend the meetings upon invitation of the Committee.

The auditors, both internal and external, may request a meeting if they consider that one is necessary.

The quorum shall be two (2) members, a majority of whom must be Independent Directors. Minutes of each meeting shall be kept and distributed to each member of the Committee and of the Board. The Chairman of the Committee shall report on each meeting to the Board. The Secretary to the Committee shall be the Chief Internal Auditor.

Rights and Authority

The Committee is authorised by the Board:

- to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group;
- to have full and unrestricted access to information pertaining to the Group and the Company;
- to have direct communication channels with the internal and external auditors;
- to be able to obtain independent professional or other advice; and
- to have resources in order to perform its duties as set out in its terms of reference.

Notwithstanding anything to the contrary, the Committee does not have executive powers and shall report to the Board of Directors on matters considered and its recommendation thereon, pertaining to the Company.

Review of the Committee

The performance of the Committee and each of the members shall be reviewed by the Board of Directors at least once every three (3) years to determine whether the Committee and its members have carried out their duties in accordance with their Terms of Reference in the Corporate Governance Statement.

Duties and Functions

The duties and functions of the Committee are as follows:-

- considering the name of the auditor in the context of their independence (particularly with reference to any other non audit services), fees and terms of engagement and recommending its name to the Board for putting before AGM for appointment;
- reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents;
- checking financial fraud particularly fictitious and fraudulent portions of the financial statements;
- oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents;
- oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors.
- to review the quarterly and annual financial statements of the Company focusing on the matters set out below, and thereafter to submit them to the Board:-

  any changes in accounting policies and practices;

  significant adjustments arising from the audit;

  the going concern assumption;

  compliance with accounting standards and regulatory requirements.
- to consider the appointment, resignation and dismissal of external auditors and the audit fees;
- to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss;
- to review the audit reports prepared by the internal and external auditors, the major findings and management's responses thereto;
- to review the adequacy of the scope; functions and resources of the internal audit department and whether it has the necessary authority to carry out its work;
- to review the evaluation of the systems of internal control with the auditors;
- serving as a channel of communication between external auditors and the board and also the internal auditors and the board;
- reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any;
- to review any appraisal or assessment of the performance of executives in the internal audit department;
- reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board; and
- any such other functions as may agreed to by Committee and the Board.

Risk Management Framework

The Board subscribes to the fact that an effective risk management practices is a critical component of a sound system of internal control. Accordingly, the Audit Committee was given the mandate to ensure that there is a formal and on-going process in place to identify, evaluate and manage significant risks faced by the Company that may impede the achievement of the Company's objectives throughout the year. Among measures taken during the year are as follows:

- Audit Committee meeting to discuss and review the Enterprise Risk register and departmental risk register. The risk register provides a comprehensive view of key details for every risk including Key Risk Indicators and Management Action plans,
- Update the Board on the progress of the Enterprise Risk Management.

Management is responsible for creating a risk-aware culture and for building the necessary knowledge for risk management. They also have the responsibility for managing risks and internal controls associated with the business and operations and ensuring the compliance with the applicable laws and regulations.

Internal Audit Functions and Activities

The Company has an in-house internal audit function. The Internal Audit department reports directly to the Audit Committee and its principal activity is to undertake regular and systematic reviews of the system of controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively in the Company.

Throughout the financial year, audit assignments and follow-ups were carried out on units of operations. These were carried out in accordance with the annual audit plan or as special ad-hoc audits at Audit Committee's request. The resulting reports of the audits undertaken were presented to the Audit Committee and forwarded to 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 following activities were carried out by the Internal Audit department:

- reviewing and appraising the soundness, adequacy and application of controls to ensure effectiveness of internal control system in the Company,
- ascertaining the extent of compliance with established policies, procedures and statutory requirement,
- provides an independent assessment on the adequacy, efficiency and effectiveness of the Company's internal control system and advices management on areas that require improvement.
- identifying opportunities to improve the operations of and processes in the Company,
- facilitate the Risk Management framework for the Company which includes the establishment of the Risk Management policy (approved by the Board on 27 January 2010), facilitation and reviewing the enterprise risk management register and departmental register of the Company.

Statutory Auditor

The Company's external auditors are Deloitte Touche Tohmatsu ("Deloitte & Touche"). Deloitte & Touche is an organization of member firms around the world devoted to excellence in providing professional services and advice. Deloitte & Touche is focused on client service through a global strategy executed locally in over 140 countries. With access to the deep intellectual capital of approximately 168,000 people worldwide, Deloitte & Touche 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 65 professionals.

The fees payable to Deloitte & Touche for the year 2011 for audit and other services is as follows:

• Audit of Financial Statements	RO 5,000/-
• 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.

FINANCIAL
STATEMENTS

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN OIL MARKETING COMPANY SAOG

1

Report on the financial statements

We have audited the accompanying financial statements of Oman Oil Marketing Company SAOG (the "Company") which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 33.

Board of Directors' responsibility for the financial statements

Board of Directors 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 and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Company'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 Company'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 2011, 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.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
25 January 2012

SIGNED BY
ALFRED STROLLA
PARTNER

	Notes	2011 RO	2010 RO
Assets			
Non-current assets			
Property, plant and equipment	5	23,494,740	19,845,728
Deferred tax assets	16	9,730	9,776
Investment in joint venture	6	72,556	72,566
Total non-current assets		23,577,026	19,928,070
Current assets			
Inventories	7	3,322,080	2,944,812
Trade and other receivables	8	28,677,687	21,812,161
Cash and cash equivalents	9	21,002,023	16,757,276
Total current assets		53,001,790	41,514,249
Total assets		76,578,816	61,442,319
Equity and liabilities			
Capital and reserves			
Share capital	10	6,450,000	6,450,000
Legal reserve	11	2,150,000	2,150,000
Retained earnings		25,532,112	20,142,440
Total equity		34,132,112	28,742,440
Non-current liabilities			
Term loan – non-current portion	15	3,164,012	-
Employees' end of service benefits	12	198,190	187,717
Provision for site restoration and abandonment cost	13	420,381	367,085
Total non-current liabilities		3,782,583	554,802
Current liabilities			
Trade and other payables	14	31,732,961	25,615,849
Term loan – current portion	15	5,087,189	5,000,000
Current tax liabilities	16	1,217,206	1,050,221
Environmental provision	17	626,765	479,007
Total current liabilities		38,664,121	32,145,077
Total liabilities		42,446,704	32,699,879
Total equity and liabilities		76,578,816	61,442,319
Net assets per share	24	0.529	0.446

Chairman

Chief Executive Officer

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

	Notes	2011 RO	2010 RO
Revenue		278,215,264	216,174,084
Cost of sales		(254,499,652)	(196,496,732)
Gross profit		23,715,612	19,677,352
Other income		909,730	660,831
Administrative expenses		(12,091,167)	(10,288,632)
Distribution expenses		(2,761,371)	(1,856,444)
Other expenses		(606,265)	(470,709)
Profit from operating activities		9,166,539	7,722,398
Net finance income	18	68,900	98,652
Share of net loss from joint venture	6	(10)	(2,434)
Profit before income tax		9,235,429	7,818,616
Income tax expense	16	(1,136,757)	(956,532)
Profit for the year		8,098,672	6,862,084
Basic and diluted earnings per share	23	0.126	0.106

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital	Legal reserve	Retained earnings	Total
	RO	RO	RO	RO
Balance at 1 January 2010	6,450,000	2,150,000	15,537,856	24,137,856
Dividends paid for the year 2009	-	-	(2,257,500)	(2,257,500)
Profit for the year	-	-	6,862,084	6,862,084
Balance at 1 January 2011	6,450,000	2,150,000	20,142,440	28,742,440
Dividends paid for the year 2010	-	-	(2,709,000)	(2,709,000)
Profit for the year	-	-	8,098,672	8,098,672
Balance at 31 December 2011	6,450,000	2,150,000	25,532,112	34,132,112

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 RO	2010 RO
Cash flows from operating activities			
Profit before income tax		9,235,429	7,818,616
Adjustments for:			
Share of loss in joint venture	6	10	2,434
Depreciation	5	2,922,793	2,477,096
Loss on sale of property, plant and equipment		2,305	133,972
Provision for end of service benefits	12	35,870	42,005
Reversal of allowance for slow moving and obsolete inventory		(30,000)	(110,000)
Net finance income	18	(68,900)	(98,652)
Operating profit before working capital changes		12,097,507	10,265,471
Changes in working capital:			
Inventories		(347,268)	2,446,611
Trade and other receivables		(6,528,313)	(3,812,449)
Allowance for impaired debts	26	(337,213)	(88,763)
Trade and other payables		6,117,112	7,259,216
Provisions		201,054	31,621
Cash generated from operations		11,202,879	16,101,707
Interest paid	18	(108,362)	(69,918)
End of service benefits paid	12	(25,397)	(32,553)
Income tax paid		(969,726)	(741,916)
Net cash from operating activities		10,099,394	15,257,320
Cash flows from investing activities			
Interest received	18	177,262	168,570
Investment in joint venture		-	(75,000)
Proceeds from sale of property, plant and equipment		1,800	21,974
Acquisition of property, plant and equipment	5	(6,575,910)	(4,351,414)
Net cash used in investing activities		(6,396,848)	(4,235,870)
Cash flows from financing activities			
Proceeds from bank borrowings		3,251,201	-
Dividends paid		(2,709,000)	(2,257,500)
Net cash from / (used in) financing activities		542,201	(2,257,500)
Net increase in cash and cash equivalents		4,244,747	8,763,950
Cash and cash equivalents at the beginning of the year		16,757,276	7,993,326
Cash and cash equivalents at the end of the year	9	21,002,023	16,757,276

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 publicly listed 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 22 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 (IFRSs)

2.1 Standards and Interpretations adopted with no effect on the financial statements

For the year ended 31 December 2011, the Company has adopted all 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 the year beginning on 1 January 2011.

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendment to IAS 1 - Annual Improvement to IFRSs	The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.
Amendments to IAS 24 - Related Party Disclosure	The amendments simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarify the definition of related party.
Amendments to IAS 32 - Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.
Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirements	The amendments addresses when refund or reductions in future contributions should be regarded as available in accordance with IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for extinguishment of financial liability by the issue of equity instruments.

2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods
beginning on or after	
IFRS 7: Financial Instruments: Disclosures, amendments enhancing disclosures about transfers of financial assets	July 2011
IAS 12: Income Taxes, limited scope amendment (recovery of underlying assets)	January 2012
IAS 1: Presentation of Financial Statements, amendments to revise the way other comprehensive income is presented	July 2012
IAS 19: Employee Benefits, amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects	January 2013
IAS 27: Consolidated and Separate Financial Statements, reissued as IAS 27 Separate Financial Statements (as amended in 2011)	January 2013
IAS 28: Investments in Associates, reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)	January 2013
IFRS 7: Financial Instruments: Disclosures, amendments enhancing disclosures about offsetting of financial assets and financial liabilities	January 2013 and interim periods within those periods
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: Joint Arrangements	January 2013
IFRS 12: Disclosure of Interests in Other Entities	January 2013
IFRS 13: Fair Value Measurement	January 2013
IFRS 7: Financial Instruments: Disclosures, amendments requiring disclosures about the initial application of IFRS 9	January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9: Financial Instruments: Classification and Measurement of financial assets (intended as complete replacement for IAS 39)	January 2015 (mandatory application date amended December 2011)

New Interpretations and amendments to Interpretations:	
IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and 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.

Basis of preparation

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. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional currency

These financial statements are presented in Rials Omani (RO), which is the currency of the primary economic environment in which the Company operates.

The principal accounting policies are set out below.

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.

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, 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 profit or loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the property, plant and equipment. Assets under construction are not depreciated. The estimated useful lives 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.

Freehold land is not depreciated.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired.

Trade and other payables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

3 Summary of significant accounting policies (continued)

Inventories

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

- Oil and lubricants: purchase cost on a first-in-first out basis
- Stores and spares: 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.

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 profit or loss.

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 profit or loss.

(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.

(ii) Non-financial assets (continued)

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

For the purpose of statement of cash flows, cash and cash equivalents include cash on hand and at bank with a maturity of less than three months from the date of placement, net of bank overdrafts, if any.

Employee benefits

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 profit or loss 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 end of the reporting period.

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 recognized 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 reliably estimated. Provision for site restoration and abandonment cost is made based on average cost per filling station and its 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.

3 Summary of significant accounting policies (continued)

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 recognized 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.

Borrowing costs
Borrowing costs comprise interest payable on borrowings. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

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

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

Current tax
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. Taxable profit differs from profits as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax
Deferred tax is calculated on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. 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 recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Carrying amount of the deferred tax assets is reviewed at end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Company intend to settle its current tax assets and liabilities on a net basis.

Earnings per share
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted 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. The Company does not have any potentially dilutive securities.

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

Joint venture: jointly controlled entity
Investment in a jointly controlled entity is recognized using the equity method wherein from the date the Company obtains joint control, the investment is initially recognized at cost and adjusted thereafter to recognized the Company's share of post acquisition 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.

3 Summary of significant accounting policies (continued)

Dividends
Dividends are recommended by the Board of Directors 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. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

Share capital is recorded at the proceeds received.
Ordinary and multi-vote shares are classified as equity.

4. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Depreciation
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Allowance for impaired debts
Allowance for impaired debts is based on management assessment of various factors such as the Company's past experience of collecting receivables from customers and the age of debt.

Allowance for slow moving and obsolete inventory
Allowance for slow moving and obsolete inventory is based on management's assessment of various factors such as the usability, the maintenance programs, and normal wear and tear using its best estimates.

Environmental provision
Environmental provision is made for environmental remediation costs based on environmental contamination assessments made on delivery and storage sites.

Provision for site restoration and abandonment cost
Provision for site restoration and abandonment cost is based on management assessment of various factors such as average cost per filling station for restoration and abandonment, estimated life of filling station and discount rate to be used for discounting the expected cash flows over the estimated life of the filling stations.

5 Property, plant and equipment

	Land and buildings	Plant, equipment and vehicles	Assets under construction	Total
	RO	RO	RO	RO
Cost				
At 1 January 2010	7,225,284	21,143,112	1,104,737	29,473,133
Additions	-	13,401	4,338,013	4,351,414
Transfers	514,486	1,817,218	(2,331,704)	-
Disposals	(39,721)	(459,020)	-	(498,741)
At 1 January 2011	**7,700,049**	**22,514,711**	**3,111,046**	**33,325,806**
Additions	**-**	**31,270**	**6,544,640**	**6,575,910**
Transfers	**1,659,478**	**4,761,796**	**(6,421,274)**	**-**
Disposals	**-**	**(85,996)**	**-**	**(85,996)**
At 31 December 2011	9,359,527	27,221,781	3,234,412	39,815,720
Depreciation				
At 1 January 2010	1,400,808	9,944,969	-	11,345,777
Charge for the year	378,560	2,098,536	-	2,477,096
Disposals	(17,181)	(325,614)	-	(342,795)
At 1 January 2011	**1,762,187**	**11,717,891**	**-**	**13,480,078**
Charge for the year	**452,351**	**2,470,442**	**-**	**2,922,793**
Disposals	**-**	**(81,891)**	**-**	**(81,891)**
At 31 December 2011	2,214,538	14,106,442	-	16,320,980
Carrying amount				
At 31 December 2011	7,144,989	13,115,339	3,234,412	23,494,740
At 31 December 2010	5,937,862	10,796,820	3,111,046	19,845,728

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 766,255 (2010 : RO 804,905) and RO 27,344 (2010 : RO 33,178), 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.

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 an operating lease.

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6 Investment in joint venture

Investment in joint venture represents the Company's participation in 50% of the equity interest of Omanoil Matrix Marine Services LLC (the "Joint Venture"), a company incorporated in Oman on 28 April 2010. The other shareholder of the Joint Venture is Matrix Marine Holding GmbH, a company incorporated in Germany. The objective of the Joint Venture is to sell oil and their by products and supply fuel at the Port of Sohar.

Summarised financial information of the Joint Venture at the end of the reporting period is as follows:

	2011	2010
	RO	RO
Total assets	3,892,963	193,525
Total liabilities	(3,747,850)	(48,392)
Net assets	145,113	145,133
Company's share in net assets of the joint venture	72,556	72,566
Loss of Joint Venture for the year	20	4,867
Company's share in loss of the Joint Venture	10	2,434

7 Inventories

	2011	2010
	RO	RO
Oil and lubricants	3,329,582	2,982,315
Stores and spares	7,498	7,497
Less: allowance for slow moving and obsolete inventory	(15,000)	(45,000)
	3,322,080	2,944,812

8 Trade and other receivables

	2011	2010
	RO	RO
Trade receivables	24,480,915	20,261,334
Less: allowance for impaired debts (Note 26)	(413,931)	(751,144)
	24,066,984	19,510,190
Amounts due from related parties (Note 21)	3,135,501	661,729
Other receivables	366,673	422,544
Prepaid expenses	1,108,529	1,217,698
	28,677,687	21,812,161

9 Cash and cash equivalents

	2011	2010
	RO	RO
Cash on hand	32,320	26,030
Cash at bank	20,969,703	16,731,246
	21,002,023	16,757,276

During the year 2011 the call accounts earned interest at rates ranging between 0.750% and 2.250% per annum (2010 - 0.500% and 2.250% per annum).

10 Share capital

The Company's authorized share capital consists of 150,000,000 (2010 : 150,000,000) shares of Baizas 100 each (2010: Baizas 100 each).

The Company's issued and fully paid up share capital comprises 64,500,000 (2010 : 64,500,000) shares of Baizas 100 each (2010: Baizas 100 each) as follows:

	Number of shares	
	2011	2010
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. Multi-vote shares are considered as ordinary shares for purposes of basic and diluted earnings per share.

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	
	2011	2010
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

11 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.

12 Employees' end of service benefits

Movement in the liability is as follows:

	2011	2010
	RO	RO
Balance at 1 January	187,717	178,265
Accrued during the year	35,870	42,005
End of service benefits paid	(25,397)	(32,553)
Balance at 31 December	198,190	187,717

13 Provision for site restoration and abandonment cost

Movement in the provision is as follows:

	2011	2010
	RO	RO
Balance at 1 January	367,085	333,664
Additional provision	31,270	13,401
Unwind of discount (included in finance costs)	22,026	20,020
Balance at 31 December	420,381	367,085

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 (2010 : RO 4,000);
- the expected cash flows are discounted over the estimated life of the filling stations using an interest rate of 6% - (2010 : 6%); and
- the estimated life of filling station is 10 years (2010 : 10 years)

14 Trade and other payables

	2011	2010
	RO	RO
Trade payables	2,664,155	17,977,752
Due to related parties (Note 21)	21,550,700	191,496
Accrued expenses	7,392,106	7,365,601
Directors' remuneration payable (note 21)	126,000	81,000
	31,732,961	25,615,849

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 8,036 (2010 : RO 6,687). 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 end of the reporting date.

15 Bank borrowings

	2011	2010
	RO	RO
Term loan I	5,000,000	5,000,000
Term loan II	2,802,801	-
Term loan III	448,400	-
	8,251,201	5,000,000
Current portion		
Term loan I	5,000,000	5,000,000
Term loan III	87,189	-
	5,087,189	5,000,000
Non-current portion		
Term loan II	2,802,801	-
Term loan III	361,211	-
	3,164,012	-

16 Income tax

Term loan I
The short term loan is repayable within one year, unsecured and carries interest at market rate

Term loan II
Term loan II is repayable in 36 monthly installments commencing 24 months after initial draw down. The loan is unsecured and carries interest at market rate.

Term loan III
Term loan III is repayable in 12 quarterly installments commencing 12 months from the agreement date. The loan is unsecured and carries interest at market rate.

	2011	2010
	RO	RO
Current liability:		
Current year	1,136,711	961,977
Prior years	80,495	88,244
	1,217,206	1,050,221
Statement of comprehensive income:		
Current year	1,136,711	961,977
Deferred tax relating to the origination and reversal of temporary differences	46	(5,445)
	1,136,757	956,532
Deferred tax (liability) / asset:		
At 1 January	9,776	4,331
Movement for the year	(46)	5,445
At 31 December	9,730	9,776

The deferred tax comprises the following temporary differences:

Provisions and other charges	151,483	173,694
Property, plant and equipment	(141,753)	(163,918)
	9,730	9,776

16 Income tax (continued)

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:

		2011		2010
	Rate %	RO	Rate %	RO
Profit before tax		9,235,429		7,818,616
Income tax	12	1,104,651	12	934,634
Effect of tax specific allowances and timing differences		(3,316)		(15,991)
Effect of tax specific disallowances		35,422		37,889
Effective tax	12.13	1,136,757	12.28	956,532

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

The income tax assessments of the Company for the years 2006, 2007, 2008, 2009 and 2010 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 2011. The deferred tax has been computed at the tax rate of 12%.

17 Environmental provision

Movement in the provision is as follows:

	2011	2010
	RO	RO
Balance at 1 January	479,007	480,807
Provided during the year	177,925	22,945
Utilized	(30,167)	(24,745)
Balance at 31 December	626,765	479,007

The Company provides for environmental remediation costs based on environmental contamination assessments made on its delivery and storage sites. The entire provision of RO 626,765 (2010 : RO 479,007) is expected to be used as per site specific remediation plans drawn up by the Company with their environmental consultants.

18 Net finance income

	2011	2010
	RO	RO
Interest income	177,262	168,570
Interest expenses	(108,362)	(69,918)
	68,900	98,652

19 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:

	2011	2010
	RO	RO
Future minimum lease payments :		
Not later than one year	940,474	1,068,028
Later than one year and not later than five years	1,494,900	1,441,440
More than five years	355,967	945,634
	2,791,341	3,455,102
Contracted commitments	2,378,974	1,236,219

20 Segment information

Business units from which reportable segments derive their revenues
Information reported to the Company's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the category of business units. The principal categories of business units are retail, commercial and others.

Other operations are predominantly lubricants and aviation fuel.

Information regarding the Company's reportable segments is presented below.

Segment revenues

	Segment revenue	
	2011	2010
	RO	RO
Retail	147,604,787	119,222,270
Commercial	54,068,283	43,816,824
Others	76,542,194	53,134,990
	278,215,264	216,174,084

The revenue reported above represents revenue generated from external customers. There were no inter-segmental sales in the year (2010: Nil).

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

21 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.

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:

	2011	2010
	RO	RO
Revenue		
Fuel sales to filling stations owned by directors	3,499,227	3,718,387
Fuel sales to commercial customers related to directors	12,099,533	2,959,677
Fuel sales to Joint Venture	540,892	177,366
Costs		
Brand royalty	244,505	190,011
IT and other services from companies owned directly or indirectly by directors	-	181,537
Remuneration to directors	120,402	81,000
Directors' sitting fees	23,907	23,300
Net interest paid	11,770	24,116
Balances		
Bank balances	599,172	179,637
Due from related parties (Note 8)	3,135,501	661,729
Due to related parties (Note 14)	21,550,700	191,496
Directors remuneration	126,000	81,000

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 recognized in the profit or loss.

22 Dividends paid and proposed

The Board of Directors has proposed a cash dividend of RO 0.062 per share for 2011, totaling RO 3,999,000, which is subject to the approval of the shareholders at the Annual General Meeting.

During the year, dividends of RO 0.042 per share totaling RO 2,709,000 relating to 2010 were declared and paid (2010: RO 0.035 per share totaling RO 2,257,500 relating to 2009).

23 Basic and diluted earnings per share

The par value of each share is RO 0.100. The basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2011	2010
Net profit for the year	8,098,672	6,862,084
Weighted average number of shares outstanding during the year (Note 10)	64,500,000	64,500,000
Basic and diluted earnings per share (RO)	0.126	0.106

24 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:

	2011	2010
Net assets (RO)	34,132,112	28,742,440
Number of shares outstanding at the end of the reporting period (Note 10)	64,500,000	64,500,000
Net assets per share (RO)	0.529	0.446

25 Contingencies

At 31 December 2011 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 1,685,384 (2010 : RO 786,493).

During the previous years, a supplier had charged the Company an amount of RO 332,419 for the difference in prices pertaining to the period from August 2007 to May 2009 which is not recognised by the Company as management considers that the claim is not tenable based on a legal opinion.

26 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.

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.

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, the 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.

26 Financial instruments (continued)

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

	Carrying amount	
	2011	2010
	RO	RO
Aviation	7,790,785	5,669,544
Commercial	11,352,542	8,232,828
Fuel card	4,725,277	3,687,284
Lubes	1,663,042	1,430,736
Retail	2,152,587	2,048,739
Others	195,429	36,269
	27,879,662	21,105,400
Less:		
Related party receivables	(3,135,501)	(661,729)
Others	(263,246)	(182,337)
Trade receivables (Note 8)	24,480,915	20,261,334

Trade and other receivables (continued)

Movements in the allowance for impaired debts during the year are as follows:

	2011	2010
	RO	RO
Balance at 1 January	751,144	839,907
(Reversed to) / recognised in profit or loss	(174,364)	(2,683)
Written off during the year	(162,849)	(86,080)
Balance at 31 December (Note 8)	413,931	751,144

The Company has accepted guarantees / collateral valued at RO 541,769 (2010 : RO 365,900) 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
	2011	2011	2010	2010
	RO	RO	RO	RO
Not past due	19,014,979	-	16,424,555	-
Past due 1-90 days	2,749,205	89,853	1,899,781	90,976
Past due 91-360 days	1,047,262	83,946	1,718,964	58,650
More than one year	1,669,469	240,132	1,062,100	601,518
	24,480,915	413,931	21,105,400	751,144

26 Financial instruments (continued)

Guarantee

The Company only provides financial guarantees to government bodies in the form of tender and performance bond (Note 25).

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.

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 71.51 million (2010 : RO 57 million) from 7 (2010 : 7) banks which are unsecured. 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.

	Carrying amount	6 months or less	6 - 12 months	1 - 2 years	More than 2 years
	RO	RO	RO	RO	RO
31 December 2011					
Bank borrowings	**8,251,201**	**5,000,000**	**87,189**	**149,466**	**3,014,546**
Trade payables	**2,664,155**	**2,664,155**	-	-	-
Due to related parties	**21,676,700**	**21,676,700**	-	-	-
Accruals and other payables	**7,392,106**	**7,392,106**	-	-	-
	39,984,162	36,732,961	87,189	149,466	3,014,546
31 December 2010					
Bank borrowings	5,000,000	5,000,000	-	-	-
Trade payables	17,977,752	17,977,752	-	-	-
Due to related parties	272,496	272,496	-	-	-
Accruals and other payables	7,365,601	7,365,601	-	-	-
	30,615,849	30,615,849	-	-	-

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.

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.

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.

27 Capital management

The Board of Directors 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.

28 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 end of the reporting date.

29 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 25 January 2012.