

## Directors Report

On behalf of the Board of Directors, I am pleased to present the unaudited results of the company for the 1<sup>st</sup> quarter January – March 2007:-

### Performance Highlights:

	Jan-Mar 2007 RO 000's	Jan-Mar 2006 RO 000's	Growth (%)
Sales	34,221	24,814	38
Profit after tax	1,025	683	50
Earnings per share*	0.0635	0.0423	50
Net Assets per share*	0.203	0.183	11

\* March Quarter (MQ) 2007 figures (annualized) are post share split in the ratio of 1:10 (growth computed is on like to like basis)

Whilst reviewing the figures / growth tabulated above, it needs to be kept in mind that the industry had been facing fuel short supply during MQ 2006 (with the exception of aviation fuel).

The Net assets per share are after payment of dividend (2006- 47.5%, 2005-45%)

**Business segment:** All businesses except for lubricants grew in volumes over the same period last year with overall volume increase at 37.9% during the period. The lubricants business, as reported earlier, has been facing challenging times since last year with lower volumes in the commercial segment as a result of price increases and customers shifting to cheaper brands. The business's efforts are paying off with some large value commercial accounts signing contracts this year; this should result in a better performance later in the year.

### Profit:

The profit for the period at RO 1.02 m (including share of loss from Joint Venture Company RO 0.02 m) reflects an increase of 50%. This profit is after taking a charge of RO 0.16 m towards creating additional provision during the quarter for doubtful debts, in line with the company's conservative approach in this regard.

**Building for the future:** Last year's activity on new builds' has been stepped up further with 2 new sites and shops already constructed, awaiting final inspections and expected to be commissioned in the first few weeks of the quarter starting 1<sup>st</sup> April 2007.

**Others:** Oman Oil Company SAOC, the single largest shareholder in the company, is divesting part of their stake in the company in favour of general public. This is being done by way of a secondary public offer with the objective of sharing the wealth generated with the general public as also to impart additional liquidity to the company's shares on the Muscat Securities Market (MSM).

**Health, Safety and Environment (HSE):** Since the last annual directors report, there have been no accidents / incidents involving company / contractor vehicles which have resulted in any serious injury / fatality. There were no other serious health, safety or environment issues in the period.

**Business Developments/ Outlook:**

- the growth trajectory is expected to be maintained going forward given the general economic climate in the sultanate, with spurring crude oil prices, as also our own efforts at gaining new business and focusing on developing new areas (a few major accounts have been signed up late in the last quarter which are expected to boost revenues and profits going forward).
- the aggressive build program will continue and a further 6 sites and 10 shops are expected to be commissioned in the ensuing quarters taking the total no. of new sites and shops built & commissioned during the year to 8 and 12 respectively and the total to 105 and 42 respectively. This is apart from 2 raze and re-builds planned in the ensuing months. All capital investment has been funded from internal accruals till now but going forward, the company is evaluating various options to raising long term funds to fund further growth.
- development of our own brand of lubricants for export markets is at advanced stage. The 2<sup>nd</sup> quarter of the year should see the first few containers being shipped to the export markets to be followed by more. This is expected to boost performance in the coming quarters / years.
- the JV continues to actively scout for opportunities and capitalize on them. It had, as a member of a consortium, pre-qualified in the bid for Pakistan State Oil Company. However, subsequent events have necessitated our withdrawal from the consortium.
- there have been press reports on Bahrain government's proposed acquisition of / Oman government' divestment of its stake in Gulf Air. Muscat is an important Gulf Air hub with Gulf Air operations forming a significant part of total Seeb Intl Airport operations. The timing of this, if it happens, and its impact on the aviation fuel business is not yet clear.

On behalf of the Board of Directors, I would once again like to express our gratitude to His Majesty Sultan Qaboos bin Said for his inspired leadership and progressive vision that continues to lead the country along a road of growth and prosperity.

On behalf of the Board of Directors

**Salim Abdullah Al Rawas**  
Chairman

Muscat  
17 April 2007