

Directors Report

On behalf of the Board of Directors, I am pleased to present the unaudited results of the company for the 6 month period ended 30th June 2007.

Performance Highlights:

	Jan-Jun 2007 RO 000's	Jan-Jun 2006 RO 000's	Growth (%)
Sales	70,043	53,979	29.8
Profit after tax	2,045	1,741	17.5
Earnings per share RO*	0.032	0.027	17.5
Net Assets per share RO*	0.219	0.200	

The figures tabulated above and discussed below are not comparable to the extent that the industry had faced shortage in its requirements of fuel (except aviation fuel) till May 2006 which did not recur this year.

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

Business segment: All businesses except for lubricants, which was static, grew in volumes over the same period last year with overall volume increase at 32% during the period. The decline in the domestic lubricants business has been arrested with the outlook positive. The first consignment of 'omanoil' branded lubricants for export markets was also shipped out in the 2nd quarter with further market development underway.

Cyclone Gonu: Gonu resulted in minor disruption in our business's as a few of our sites, convenience stores and lubepus sites were flooded /damaged and deliveries were affected due to damaged roads, unavailability of tankers and shortage of drivers in the period immediately after Gonu struck Oman. Normalcy was largely restored within days even as 1 retail site & 2 shops are expected to be restored to normal in a few weeks time. Insurance will largely compensate for damages to assets and property.

A sum of RO 100,000 (Rial Omani One hundred thousand) has been committed by the Board to the fund set by His Majesty for mobilizing funds towards Gonu related relief / rehabilitation work. This will be put upto the Annual General Meeting next year for ratification in line with Capital Market Authority circular. Employees contributed part of their salary with the company matching the contribution to raise funds part of which was used for immediate distribution of relief supplies in the week following Gonu to cyclone affected families; balance is being contributed to a charity with similar purpose. The donations have been appropriately dealt with in the results.

Profit: The profit for the period at RO 2.05m (including share of loss from Joint Venture Company RO 0.04 m) reflects an increase of 17.5 %. This profit is after taking appropriate charge towards creating additional provision during the period for doubtful debts in line with company policy.

Building for the future: Last year's activity on new builds' has been stepped up further with 2 new sites and shops commissioned in June quarter / the period.

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 given the general economic climate in the sultanate as also our own efforts.
- Since our last report, the Sultanate has announced its intention to divest its entire stake in Gulf Air (GF) and develop Oman Air. GF has not yet announced its future plans for Muscat. Consequently the impact of the decision on the aviation fuel business is not yet clear. The company is one of the 2 suppliers to Gulf Air. The business is based on yearly tenders and management is actively seeking other aviation opportunities working closely with its marketing partner, AIR BP.
- To drive future growth, a corporate restructuring exercise is currently underway at senior management level.

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
10 July 2007