# FINANCIALS

## Summary of performance

*for the year ended 31 December*

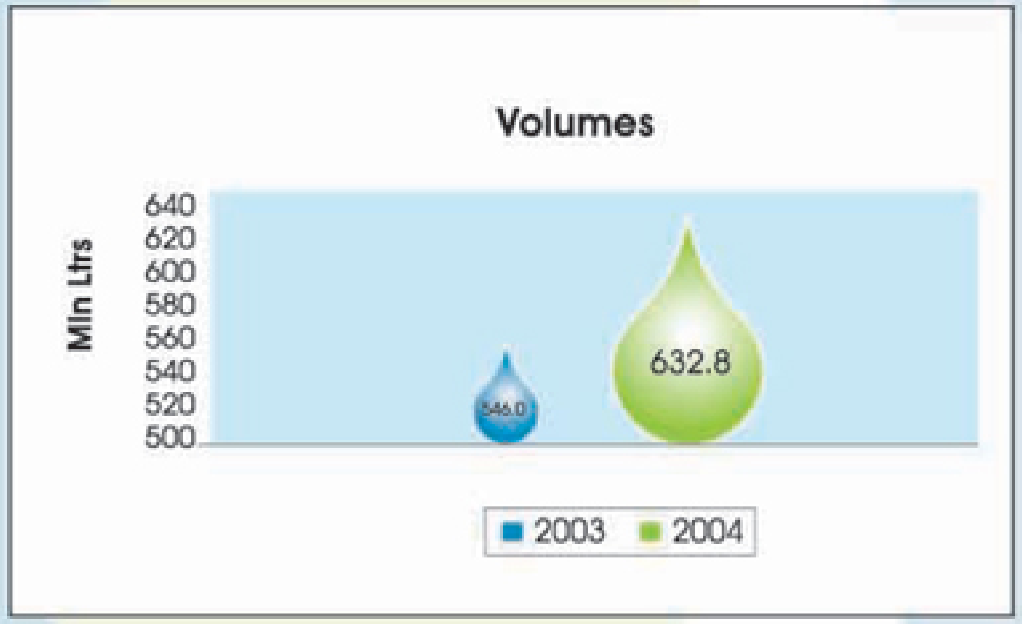
| | 2004 RO '000 | 2003 *RO '000* |
|---|---|---|
| **Operating Results** | | |
| Volumes (ml litres) | **632.8** | 546 |
| Gross Profit | **7,884** | 6,777 |
| Gross Profit Margin | **11.10%** | 11.60% |
| Profit before Income Tax | **2,671** | 2,204 |
| Profit after Income Tax | **2,328** | 2,652*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

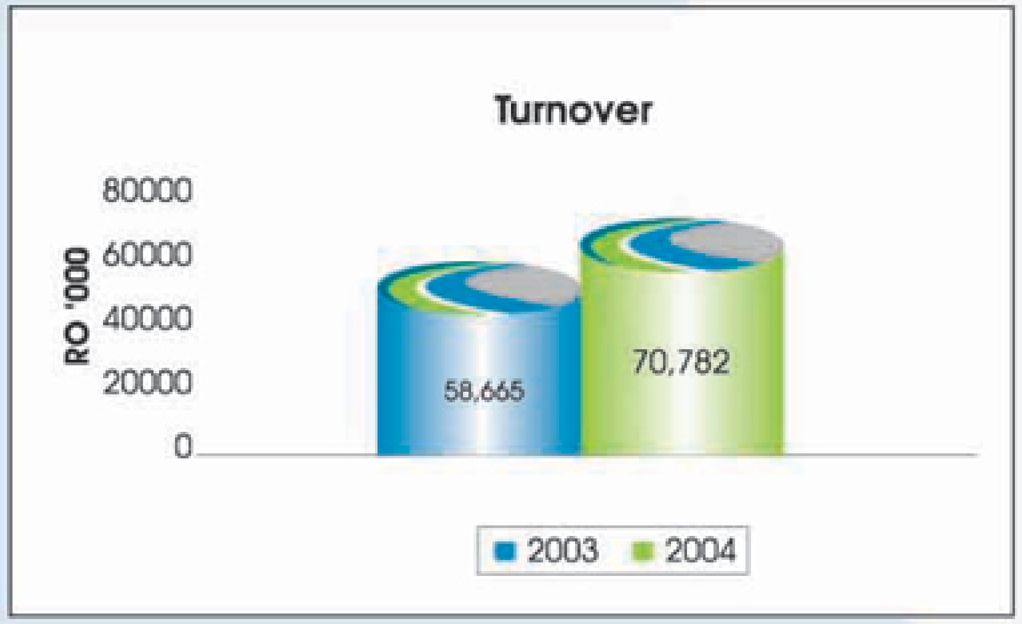
## Summary of performance

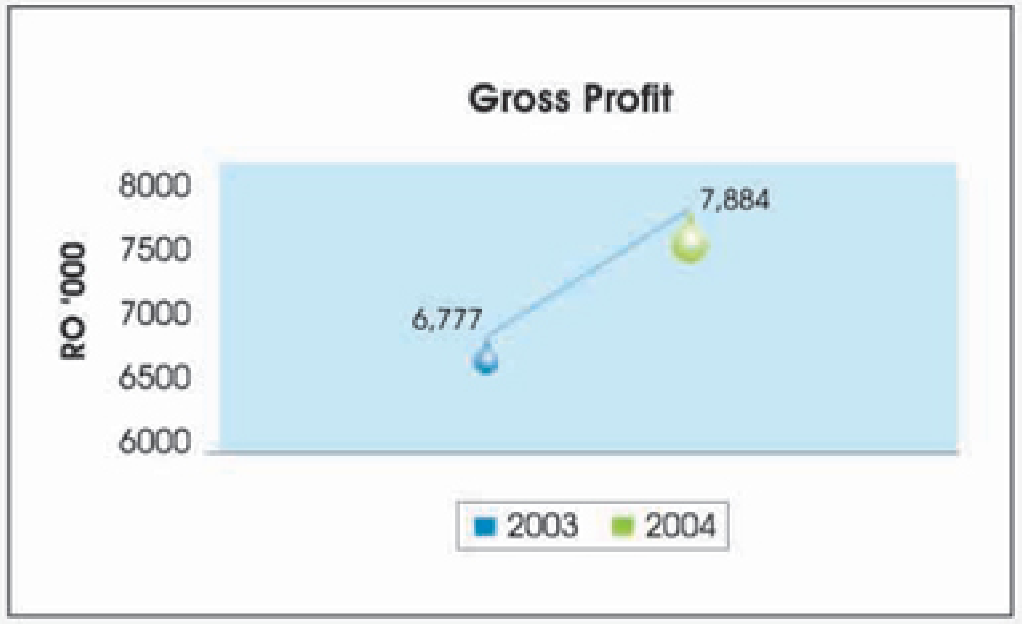
*for the year ended 31 December*

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

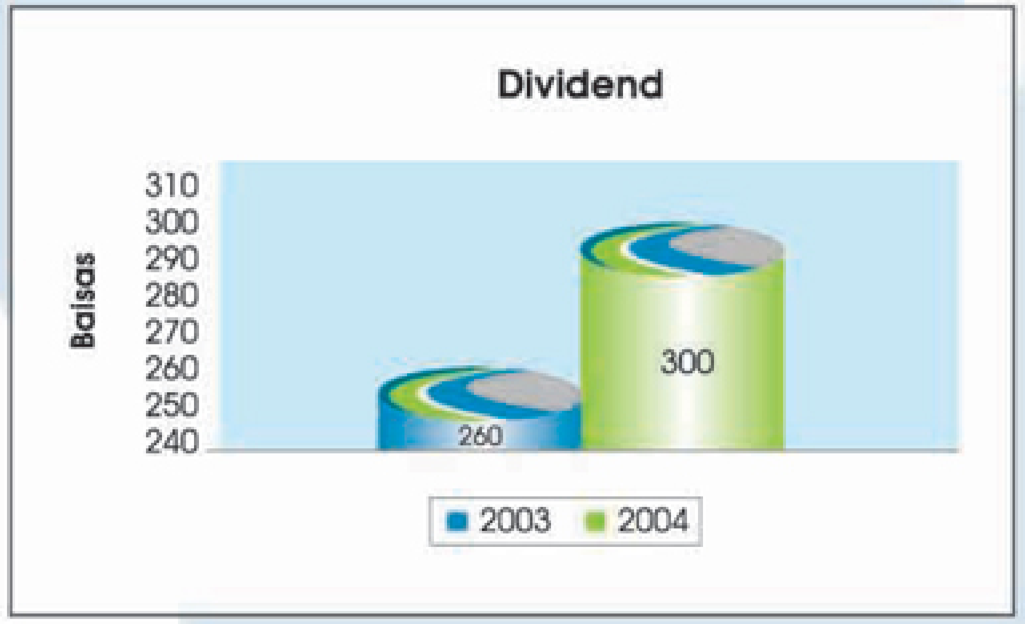
# Performance Highlights





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

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

**Respective responsibilities of the Board of Directors and the Independent Auditors**

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

**Basis of opinion**

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

continued ......



continued ......

**Opinion**

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

17 January 2005

KPMG

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## Balance Sheet

*as at 31 December*

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

## Balance Sheet

*as at 31 December*

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

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

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

**Salim Abdullah Al Rawas**
Chairman

**Michael G Wilson**
Managing Director

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

## Income Statement

*for the year ended 31 December*

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

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

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

## Cash flow statement

*For the year ended 31 December*

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

## Cash flow statement

*For the year ended 31 December*

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

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

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

## Statement of changes in equity

*for the year ended 31 December*

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

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

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

## Notes

*(forming part of the financial statements)*

### 1 Legal status and principal activities

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

### 2 Principal accounting policies

*Statement of compliance*

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

*Basis of preparation*

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

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

## Notes

*(forming part of the financial statements)*

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

*a) Property, plant and equipment*

*(i) Owned assets*

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

*(ii) Subsequent expenditure*

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

*(iii) Depreciation*

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

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

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

**2 Principal accounting policies (continued)**

*b) Impairment*

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

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

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

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

*c) Inventories*

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

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

Notes
*(forming part of the financial statements)*

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

*d) Trade and other receivables*

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

*e) Cash and cash equivalents*

Cash and cash equivalents comprises cash and bank balances.

*f) Interest-bearing borrowings*

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

*g) Trade and other payable*

Trade and other payables are stated at cost.

## 2 Principal accounting policies (continued)

*h) Employee benefits*

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

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

*i) Leases*

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

*j) Provisions*

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

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

Notes
(forming part of the financial statements)

*k) Foreign currencies*

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

*l) Revenue*

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

*m) Other income*

Other income is recognized as it accrues.

*n) Net financing costs / income*

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

### 2 Principal accounting policies (continued)

*o) Income tax*

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

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

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

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

*p) Directors' remuneration*

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

## Notes
*(forming part of the financial statements)*

*q) Joint venture*

*Joint venture: jointly controlled assets*

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

*Joint venture: jointly controlled entity*

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

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

*r) Dividends*

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

### 3 Property, plant and equipment

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

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

Notes
(forming part of the financial statements)

### 4 Interest in Joint Venture

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

### 5 Inventories

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

### 6 Accounts receivable and prepayments

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

## 6 Accounts receivable and prepayments (continued)

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

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

## 7 Cash and cash equivalents

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

## 8 Share capital

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

| | 2004 Number of shares | 2003 Number of shares |
|---|---|---|
| 322,500 Multi-vote shares of RO 1 each | **322,500** | 322,500 |
| 6,127,500 Ordinary shares of RO 1 each | **6,127,500** | 6,127,500 |
| | **6,450,000** | 6,450,000 |

**Notes**
*(forming part of the financial statements)*

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

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

| | 2004 Number of shares | 2003 Number of shares |
|---|---|---|
| Oman Oil Company SAOC - Multi-vote shares | **322,500** | 322,500 |
| - Ordinary shares | **2,838,000** | 2,838,000 |
| | **3,160,500** | 3,160,500 |

## 9 Legal reserve

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

## 10 Employee's end of service benefits

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

## 11 Provision for site restoration and abandonment cost

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

## 12 Accounts payable and accruals

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

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

Notes
(forming part of the financial statements)

## 13 Short-term loan

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

## 14 Income Tax

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

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

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

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

## 15 Environmental provision

| | **2004** | 2003 |
|---|---|---|
| | **RO** | RO |
| Balance as at 1 January | **282,866** | 312,956 |
| Utilised | **(43,138)** | (30,090) |
| Balance as at 31 December | **239,728** | 282,866 |

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

Notes
*(forming part of the financial statements)*

## 16 Employee costs

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

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

## 17 Expenditure commitments

*Operating leases*

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

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

| *Capital Commitments* | **2004** | 2003 |
|---|---|---|
| | **RO** | RO |
| Contracted | **123,808** | 233,650 |

## Notes
*(forming part of the financial statements)*

### 18 Segmental information

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

### 19 Net finance (charges) income

| | 2004 RO | 2003 RO |
|---|---|---|
| Interest expense | **(14,728)** | (9,695) |
| Interest income | **4,276** | 29,242 |
| Net finance (charges) income | **(10,452)** | 19,547 |

### 20 Related party transactions

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

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

## Notes
*(forming part of the financial statements)*

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

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

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

### 21 Dividends paid and proposed

During the year, dividends of RO 0.260 per share totalling RO 1,677,000 relating to 2003 were declared and paid (2003- RO 0. 250 per share totalling RO 1,612,500).

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

### 22 Basic earnings per share

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

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

### 23 Contingencies

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

### 24 Financial instruments

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

*Interest rate risk*

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

*Credit risk*

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

Notes
*(forming part of the financial statements)*

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

*Liquidity risk*

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

*Foreign currency risk*

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

*Fair value*

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

### 25 Comparative figures

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