

Directors Report for the period ended 30th June 2006

On behalf of the Board of Directors, I am pleased to present the unaudited results of the company for the period January – June 2006:-

Performance Highlights:

	Jan-June 2006 RO 000's	Jan-June 2005 RO 000's	Growth (%)
Sales	53,979	40,613	32.9
Profit after tax	1,775	1,456	21.9
Earnings per share	RO 0.027*	RO 0.221	22.2
Net assets	0.200**	1.907	4.9

* The June 2006 figures are post share split in the ratio of 1:10 (growth computed is on like to like basis)

** The June 2006 figures are post share split in the ratio of 1:10 (growth computed is on like to like basis). The Net assets per share are after payment of dividend (**paid in 2006 – 45%**, 2005-30%)

Underlying volumes: Performance for the first six months of the year is better than that for the same period last year. Year on year basis, underlying volumes have increased by 14% (surging in the last 1 ½ months of the quarter ended June for reasons explained ahead) and the profit after tax by 22%. However this performance is significantly lower than what would have been achieved had we received our full requirements from the supplier during the first 4 ½ months of this year, normal supplies having only resumed from around mid-May this year. The shortfall had necessitated rationing of supplies to customers resulting in a significant increase in our transportation costs. The issue has been resolved with the supplier undertaking to meet industry requirements.

Business segment: All businesses except for lubricants grew in volumes over last year registering handsome growth in the 2nd quarter for reasons explained above. The lubricants business has been facing continual period of increasing prices which need to be passed onto customers in large part; this has been impacting lubricant volumes with some customers switching to cheaper brands.

Working capital: Trade debtors in absolute terms were higher (due to higher sales and increased prices of aviation & diesel fuel); though lower in terms of number of days sale. The company has been making good progress on reigning in overdue debts and this effort will be sustained going forward. This is also expected to help reduce the provisioning requirements for bad and doubtful debts and add to the profits of the company. The higher net working capital has resulted in higher levels of short term borrowings resorted to, which coupled with increasing interest rates (in line with global rise in interest rates), has resulted in a higher interest charge. The company however, has no long term borrowing.

Building for the future: The company has stepped up activity in the area of building new filling stations and shops. During the half year ended June, 5 filling stations & 5 shops were commissioned taking the total to 93 filling stations and 26 shops. New builds have been concentrated in regions where Omanoil did not have a significant presence or in areas where new roads /highways are being developed. As at the date of this report another 2 filling

stations and 2 shops have been opened. The company expects to end the year with around 98 filling stations and 31 shops in its network. These are expected to contribute to the company's growth going forward. All capital investment has been funded from internal accruals.

Others: Shareholders may recall that one of the objectives of the share split which the company had done was to increase the trading volumes and value in the company's share on the Muscat Securities Market (MSM). I am pleased to announce that this objective has been met and the company's again form part of the MSM30 index, the pivotal index of the Muscat Securities Market.

Health, Safety and Environment (HSE): There were a few accidents involving company / contractor vehicles but not resulting in any serious injury / fatality. The above apart, there were no other serious health, safety or environment issues the period.

Business Developments/Outlook:

- Discussions with Yemen Petroleum Company, with whom an MOU had been signed by the JV company, are progressing well with a delegation from Yemen having recently concluded a visit to Oman.
- UAE fuel prices continue to be significantly higher than that in Oman. Sites along the Batinah coast especially those close to the border have seen volume growth due to incoming/outgoing traffic fuelling up vehicles in Oman. This is expected to continue going forward.
- Global rise in crude oil prices has seen a spurt in the economy which in turn continues to drive demand for fuel especially from the construction industry.
- As the supply issues to the industry from the sole supplier have been sorted out, the growth is expected to be higher in the ensuing quarters where the full benefit of continued supplies will be available.

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
29 July 2006

OMAN OIL MARKETING COMPANY SAOG
UNAUDITED SUMMARY OF PERFORMANCE
30 JUNE 2006

	6 months ended		12 months ended
	30-06-2006	30-06-2005	31-12-2005
	RO	RO	RO
Total Assets	28,133,816	23,964,966	26,414,270
Total Liabilities	15,249,416	11,666,981	12,368,383
Net Assets	12,884,400	12,297,985	14,045,887
Net Assets per share	0.200 *	1.907	2.178
Current Ratio	1.227	1.328	1.410
	6 months ended	6 months ended	12 months ended
	30 June 2006	30 June 2005	31 December 2005
Gross Profit (RO)	5,341,228	4,401,555	9,414,229
Gross Profit Margin (%)	9.9	10.8	10.4
Net Profit (RO)	1,774,763	1,456,103	3,222,165
Earnings per share (RO)	0.027 *	0.221	0.492

* Post share split in the ratio of 10 shares for every 1 share. The simple average EPS is given above.

The weighted average EPS for the period is RO 0.106 (see note 11)

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Unaudited Income statement

for the period ended 30th June

	Notes	6 months ended		12 months ended
		30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Sales		53,978,987	40,612,969	90,242,729
Cost of sales		(48,637,759)	(36,211,414)	(80,828,500)
GROSS PROFIT		5,341,228	4,401,555	9,414,229
Marketing, distribution and administration expenses	9	(3,306,515)	(2,605,500)	(5,429,963)
Advertising expenses		(216,995)	(161,311)	(394,577)
Other operating income		181,376	28,683	144,873
PROFIT FROM OPERATIONS		1,999,094	1,663,427	3,734,563
Share of net profit from joint venture		0		27,526
Net finance (charges) income	10	(67,218)	(13,324)	(70,309)
PROFIT BEFORE INCOME TAX		1,931,877	1,650,103	3,691,780
Income tax	7	(157,114)	(194,000)	(469,615)
NET PROFIT FOR THE PERIOD		1,774,763	1,456,103	3,222,165
BASIC EARNINGS PER SHARE	11	0.027 *	0.221	0.492

* Post share split in the ratio of 10 shares for every 1 share. The simple average EPS is given above.

The weighted average EPS for the period is RO 0.106 (see note 11)

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Unaudited Balance Sheet

as at 30 June

	Notes	6 months ended		12 months ended
		30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
NON-CURRENT ASSETS				
Property, plant and equipment	1	9,967,629	9,059,522	9,634,075
Interest in Joint Venture		47,526	20,000	47,526
Deferred tax		56,594	49,759	23,896
TOTAL NON-CURRENT ASSETS		10,071,749	9,129,281	9,705,497
CURRENT ASSETS				
Inventories	2	2,765,429	3,002,697	2,111,309
Accounts receivable and prepayments	3	14,357,026	11,178,549	12,296,774
Bank balances and cash	13	939,612	654,439	2,300,690
TOTAL CURRENT ASSETS		18,062,067	14,835,685	16,708,773
TOTAL ASSETS		28,133,816	23,964,966	26,414,270
EQUITY				
Share capital	4	6,450,000	6,450,000	6,450,000
Statutory reserve	12	2,150,000	2,150,000	2,150,000
Retained earnings		4,284,400	3,697,985	5,445,887
TOTAL EQUITY		12,884,400	12,297,985	14,045,887
NON-CURRENT LIABILITIES				
Employees' end of service benefits	5	323,335	304,604	310,642
Provision for site restoration and abandonment cost		207,678	189,854	207,678
TOTAL NON-CURRENT LIABILITIES		531,013	494,458	518,320
CURRENT LIABILITIES				
Accounts payable and accruals	6	10,119,738	8,142,486	8,169,566
Short-term loan	14	4,000,000	2,500,000	2,900,000
Income tax	7	259,850	232,391	457,891
Environmental provision	8	338,816	297,646	322,606
TOTAL CURRENT LIABILITIES		14,718,403	11,172,523	11,850,063
TOTAL EQUITY AND LIABILITIES		28,133,816	23,964,966	26,414,270
NET ASSETS PER SHARE		0.200 *	1.907	2.178

* Post share split in the ratio of 10 shares for every 1 share.

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Unaudited Statement of changes in equity for the period ended 30 June



	Share capital RO	Statutory reserve RO	Retained earnings RO	Total RO
1 January 2005	6,450,000	2,150,000	4,210,632	12,810,632
Dividends paid – 2004	-	-	(1,935,000)	(1,935,000)
Net profit for the year	-	-	3,222,165	3,222,165
Director's remuneration	-	-	(51,910)	(51,910)
31 December 2005	6,450,000	2,150,000	5,445,887	14,045,887
1 January 2006	6,450,000	2,150,000	5,445,887	14,045,887
Dividends paid – 2005	-	-	(2,902,500)	(2,902,500)
Net profit for the period	-	-	1,774,763	1,774,763
Director's remuneration	-	-	(33,750)	(33,750)
30 June 2006	6,450,000	2,150,000	4,284,400	12,884,400
1 January 2005	6,450,000	2,150,000	4,210,632	12,810,632
Dividends paid – 2004	-	-	(1,935,000)	(1,935,000)
Net profit for the period	-	-	1,456,103	1,456,103
Director's remuneration	-	-	(33,750)	(33,750)
30 June 2005	6,450,000	2,150,000	3,697,985	12,297,985

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Unaudited Cash flow statement

for the period ended 30 June

	Note	6 months ended		12 months ended
		30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
OPERATING ACTIVITIES				
Profit before income taxes and after Directors' remuneration		1,898,127	1,616,353	3,639,870
Less: Share of profit from joint venture		0	0	(27,526)
		1,898,127	1,616,353	3,612,344
Adjustments for:				
Depreciation	1	685,901	554,771	1,216,980
Accrual for employees' end of service benefits		27,844	29,219	49,351
Loss on disposal of property, plant and equipment		(5,498)	6,346	41,393
Impairment of property, plant and equipment		-	-	-
Interest income		(3,213)	(16,148)	(53,776)
Interest expense		70,430	29,472	124,085
		2,673,591	2,220,013	4,990,377
Operating profit before working capital changes:		2,673,591	2,220,013	4,990,377
Inventories	2	(654,120)	(1,484,803)	(593,415)
Receivables	3	(2,060,252)	(115,627)	(1,233,852)
Payables	6	1,966,338	1,228,652	1,291,830
		1,925,558	1,848,235	4,454,940
Cash from operations		1,925,558	1,848,235	4,454,940
Interest paid		(70,430)	(29,472)	(124,085)
Employees' end of service benefits paid	5	(15,151)	(46,989)	(61,083)
Income tax paid	7	(387,853)	(297,906)	(292,158)
		1,452,124	1,473,868	3,977,614
Net cash flow from operating activities		1,452,124	1,473,868	3,977,614
INVESTING ACTIVITIES				
Investment in joint venture		-	-	-
Purchase of property, plant and equipment	1	(1,019,415)	(606,244)	(1,951,703)
Proceeds from disposal of property, plant and equipment		5,500	21,095	71,431
Interest income		3,213	16,148	53,776
		(1,010,702)	(569,001)	(1,826,495)
Net cash used in investing activities		(1,010,702)	(569,001)	(1,826,495)
FINANCING ACTIVITIES				
Dividends paid		(2,902,500)	(1,935,000)	(1,935,000)
(Decrease) increase in short term loan	14	1,100,000	1,000,000	1,400,000
		(1,802,500)	(935,000)	(535,000)
Net cash flow from financing activities		(1,802,500)	(935,000)	(535,000)
(DECREASE) INCREASE IN CASH		(1,361,078)	(30,133)	1,616,118
Cash at the beginning of the year		2,300,690	684,572	684,572
CASH AT THE END OF THE YEAR	13	939,612	654,439	2,300,690

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Notes to the unaudited financial statements

(Forming part of the financial statements)



1) Property, plant and equipment

	Buildings RO	Plant, equipment and vehicles RO	Assets under construction RO	Total RO
Balance at 1 January 2006, net of accumulated depreciation	1,942,667	6,843,169	848,239	9,634,075
Additions	-		1,019,415	1,019,415
Transfers	223,220	702,091	(925,311)	0
Disposals	0	(2)	-	(2)
Depreciation for the period	(73,365)	(612,494)	-	(685,859)
Balance at 30 June 2006, net of accumulated depreciation	2,092,522	6,932,764	942,343	9,967,629
Property, plant and equipment:				
Cost	2,654,219	11,844,020	942,343	15,440,582
Accumulated depreciation	(561,697)	(4,911,256)	-	(5,472,953)
Net carrying amount	2,092,522	6,932,764	942,343	9,967,629

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Notes to the unaudited financial statements

(Forming part of the financial statements)



2) Inventories

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Oil and lubricants	2,746,754	2,982,841	2,091,453
Stores	18,675	19,856	19,856
	<u>2,765,429</u>	<u>3,002,697</u>	<u>2,111,309</u>

3) Accounts receivable and prepayments

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Trade receivables	13,549,134	11,102,342	11,811,651
Less: impairment provision	(830,937)	(498,986)	(575,183)
	<u>12,718,197</u>	<u>10,603,356</u>	<u>11,236,468</u>
Amounts due from related parties	376,657		341,823
Other receivables	594,040	222,845	262,126
Prepaid expenses	668,132	352,348	456,357
	<u>14,357,026</u>	<u>11,178,549</u>	<u>12,296,774</u>

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

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Balance at 1 January	575,183	300,262	300,262
Provided during the period	262,039	202,549	297,549
Written off during the period - net	(6,285)	(3,825)	(22,628)
	<u>830,937</u>	<u>498,986</u>	<u>575,183</u>

4) Number of Shares

	30/06/2006 Number of shares	30/06/2005 Number of shares	31/12/2005 Number of shares
3,225,000 Multi-vote shares of RO 0.1 each (2005 322,500 Multi-vote shares of RO 1 each)	3,225,000	322,500	322,500
61,275,000 Ordinary shares of RO 0.1 each (2005 6,127,500 Ordinary shares of RO 1 each)	61,275,000	6,127,500	6,127,500
	<u>64,500,000</u>	<u>6,450,000</u>	<u>6,450,000</u>
	30/06/2006 Number of shares	30/06/2005 Number of shares	31/12/2005 Number of shares
Oman Oil Company SAOC – Multi-vote shares	3,225,000	322,500	322,500
– Ordinary shares	28,380,000	2,838,000	2,838,000
	<u>31,605,000</u>	<u>3,160,500</u>	<u>3,160,500</u>

The share holders at the annual General Meeting held on 25th March, 2006 had approved a share split in the ratio of 10 shares of 100 baisa each for every 1 share of RO 1 held in the company.

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Notes to the unaudited financial statements

(Forming part of the financial statements)



5) Employee's end of service benefits

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Movements in the liability recognised in the balance sheet are as follows:			
Accrual as at 1 January	310,642	322,374	322,374
Accrued during the period	27,844	29,219	49,351
End of service benefits paid / adjustment	(15,151)	(46,989)	(61,083)
Accrual as at 30 June	<u>323,335</u>	<u>304,604</u>	<u>310,642</u>

6) Accounts payable and accruals

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
Trade accounts payable	9,212,738	7,490,844	7,193,910
Accrued expenses	804,802	784,252	848,820
Directors' remuneration	33,750	33,750	51,910
Other payables	68,448	(166,360)	74,926
	<u>10,119,738</u>	<u>8,142,486</u>	<u>8,169,566</u>

7) Income tax

	30/06/2006 RO	30/06/2005 RO	31/12/2005 RO
<i>Current liability:</i>			
Current period	189,812	164,000	417,000
Prior years	70,038	68,391	40,891
	<u>259,850</u>	<u>232,391</u>	<u>457,891</u>
<i>Income statement:</i>			
Current period	189,812	164,000	417,000
Reversal of excess tax provision relating to earlier years	0		(3,248)
Deferred tax asset relating to the origination and reversal of temporary differences	(32,698)	30,000	55,863
	<u>157,114</u>	<u>194,000</u>	<u>469,615</u>
<i>Deferred tax asset:</i>			
At 1 January	23,896	79,759	79,759
Movement for the period	32,698	(30,000)	(55,863)
At 30 June	<u>56,594</u>	<u>49,759</u>	<u>23,896</u>

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Notes to the unaudited financial statements

(Forming part of the financial statements)



8) Environmental provision

	30/06/2006	30/06/2005	31/12/2005
	RO	RO	RO
Balance as at 1 January	322,606	239,728	239,728
Provided during the period	27,558	120,000	120,161
Utilised	(11,348)	(62,082)	(37,282)
	<u>338,816</u>	<u>297,646</u>	<u>322,606</u>

9) Employee costs

	30/06/2006	30/06/2005	31/12/2005
	RO	RO	RO
Wages and salaries	(421,330)	(422,695)	(755,564)
Other benefits	(406,515)	(372,502)	(802,098)
Contributions to a defined contribution retirement plan	(25,155)	(17,166)	(39,439)
Increase in liability for unfunded defined benefits retirement plan	(27,844)	(29,219)	(49,351)
	<u>(880,844)</u>	<u>(841,582)</u>	<u>(1,646,451)</u>

10) Net finance (charges) income

	30/06/2006	30/06/2005	31/12/2005
	RO	RO	RO
Interest expense	(70,430)	(29,472)	(124,085)
Interest income	3,213	16,148	53,776
	<u>(67,218)</u>	<u>(13,324)</u>	<u>(70,309)</u>

11) Weighted average earnings per share

	30/06/2006	30/06/2005	31/12/2005
	RO	RO	RO
Net profit for the period after deducting Directors' remuneration	1,741,013	1,422,353	3,170,255
Weighted average number of shares outstanding during the period	35,475,000	6,450,000	6,450,000
Weighted average earnings per share	0.049	0.221	0.492

The share holders at the annual General Meeting held on 25th March, 2006 had approved a share split in the ratio of 10 shares of 100 baisa each for every 1 share of RO 1 held in the company.

12) Legal reserves

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

13) Reconciliation of cash

For the purpose of statement of cash flows, cash includes bank balance and cash.

14) Short term loan

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

15) Segmental information

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