

Al Maha Petroleum Products Marketing Company S.A.O.G

Unaudited financial statements

January - March 2007

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Al Maha Petroleum Products Marketing Company S.A.O.G

**Chairman's report
January – March 2007**

On behalf of the Board of Directors , I am pleased to present the unaudited results of Al Maha Petroleum Products Marketing Company S.A.O.G for the period January-March 2007 :-

	Jan-March 2007 <u>RO' 000</u>	Jan-March 2006 <u>RO' 000</u>	% of <u>Increase</u>
Retail sales	18,688	15,735	19%
Other sales	<u>17,442</u>	<u>10,076</u>	73%
Total sales	<u>36,130</u> =====	<u>25,811</u> =====	40%
Net profit after tax	1,232	830	48%
Net assets	17,005	14,914	14 %
	<u>RO</u>	<u>RO</u>	
Earnings per share	0.205	0.138	48 %
Net assets per share	2.834	2.486	14 %

The net profit of Jan-Mar 2007 has increased by RO 402,000 (48%) over the net profit of the same period of last year which is attributed to the increase in sales by RO 10.3 million (40%) as a result of the increase in retail sales and other sales.

The increase in retail sales by 19% is attributed to the increase in number of filling stations from 126 filling stations on 31 March 2006 to 140 filling stations at the end of March 2007 and the normal growth in the retail sales sector.

The increase in other sales by 73% was due to the increase in sales volumes of jet fuel & gas oil.



Al Maha Petroleum Products Marketing Company S.A.O.G

Chairman's report (contd.)
January – March 2007

The increase in the net profit has resulted in increasing the earnings per share from Baiza 138 in the first quarter of 2006 to Baiza 205 in Jan–March 2007, an increase of Baiza 67 (48%).

Rashid Saif Al Suwaidi
Chairman
16 April 2007

Al Maha Petroleum Products Marketing Company S.A.O.G

Unaudited income statement

for the period Jan-March 2007

	<i>Note</i>	Jan-Mar 2007 RO'000	Jan-Mar 2006 RO'000
Revenue		36,130	25,811
Cost of sales		(32,324)	(22,839)
		<hr/>	<hr/>
Gross profit		3,806	2,972
Marketing, distribution & administration expenses	4	(2,237)	(1,867)
Amortisation of contribution towards the cost of filling station assets		(249)	(241)
Other operating income		56	46
		<hr/>	<hr/>
Profit from operations		1,376	910
Net finance income		20	9
Share of profit of operational venture	2	-	20
		<hr/>	<hr/>
Profit before income tax		1,396	939
Income tax	9	(164)	(109)
		<hr/>	<hr/>
Net profit for the period		1,232	830
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share (RO)		0.205	0.138
		<hr/> <hr/>	<hr/> <hr/>

Al Maha Petroleum Products Marketing Company S.A.O.G

Unaudited balance sheet

as at 31 March 2007

	<i>Note</i>	31 March 2007 RO'000	31 March 2006 RO'000
Assets			
Property, plant and equipment		800	1,007
Contribution towards cost of filling station assets		11,954	9,615
Total non-current assets		12,754	10,622
Inventories	5	2,811	1,413
Receivables and prepayments	6	17,064	9,949
Cash at bank and in hand	7	3,716	6,918
Due from operational venture	2	-	128
Total current assets		23,591	18,408
Total assets		36,345	29,030
Equity			
Share capital	11	6,000	6,000
Legal reserve	14	2,000	1,563
Special reserve	15	1,166	805
Retained earnings		7,839	6,546
Total equity		17,005	14,914
Liabilities			
Interest-bearing loan	8 & 13	769	1,385
Total non-current liabilities		769	1,385
Interest bearing loan	8 & 13	617	617
Payables & accruals	10	15,554	12,114
Proposed dividend		2,400	-
Total current liabilities		18,571	12,731
Total liabilities		19,340	14,116
Total equity and liabilities		36,345	29,030
Net assets per share (RO)		2.834	2.486

Al Maha Petroleum Products Marketing Company S.A.O.G

Unaudited statement of changes in equity

for the period Jan- March 2007

	Share <u>capital</u> RO'000	Legal <u>reserve</u> RO'000	Special <u>reserve</u> RO'000	Retained <u>earnings</u> RO'000	<u>Total</u> RO'000
1 January 2007	6,000	1,889	1,166	9,118	18,173
Net profit for the period	-	-	-	1,232	1,232
Transfer to legal reserve	-	111	-	(111)	-
Proposed dividend	-	-	-	(2,400)	(2,400)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2007	6,000	2,000	1,166	7,839	17,005
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
1 January 2006	6,000	1,480	805	7,899	16,184
Net profit for the period	-	-	-	830	830
Transfer to legal reserve	-	83	-	(83)	-
Dividend paid	-	-	-	(2,100)	(2,100)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2006	6,000	1,563	805	6,546	14,914
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Al Maha Petroleum Products Marketing Company S.A.O.G

Unaudited cash flow statement

for the period Jan-March 2007

	Jan- March 2007 RO'000	Jan- March 2006 RO'000
Operating activities		
Profit before income tax	1,396	939
Items not affecting the cash flow:		
Depreciation	79	77
Amortisation	249	241
Share of profits of operational venture	-	(20)
	<hr/>	<hr/>
Operating profit before changes in working capital and provisions	1,724	1,237
Change in inventories	(806)	(441)
Change in receivables and prepayments	(3,586)	(456)
Change in payables, accruals and provisions	1,538	855
	<hr/>	<hr/>
	(1,130)	1,195
Income taxes paid	(565)	(404)
	<hr/>	<hr/>
Net cash flows (used in) from operating activities	(1,695)	791
	<hr/>	<hr/>
Investing activities		
Acquisitions of property, plant and equipment	(1,330)	(842)
	<hr/>	<hr/>
Cash flows used in investing activities	(1,330)	(842)
	<hr/>	<hr/>
Financing activities		
Long term loan paid	(154)	(153)
Dividend paid	-	(2,100)
	<hr/>	<hr/>
Cash flows used in financing activities	(154)	(2,253)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(3,179)	(2,304)
Cash and cash equivalents at 1 January	6,895	9,222
	<hr/>	<hr/>
Cash and cash equivalents at 31 March	3,716	6,918
	<hr/> <hr/>	<hr/> <hr/>

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

1 Legal status and principal activities

Al Maha Petroleum Products Marketing Company S.A.O.G (“the Company”) is registered under the Commercial laws of the Sultanate of Oman as a joint stock company and is primarily engaged in the marketing and distribution of petroleum products. The Company was converted on 4 July 2004 from a limited liability company to a quoted joint stock company following the decision of the Ministry of Oil & Gas and the Central Bank of Oman to divest their 65% stake in the Company by offering 60% to the public & 5% to ABS Lubricants.

2 Operational venture

The Company has entered into an operational venture (“the Souk”) with Talal Zawawi Enterprises LLC (“TZE”) through an agreement dated 26 January 2002 (“the Agreement”). Under the Agreement, TZE are responsible for operating convenience stores at all the Company’s filling stations and other locations within the Sultanate of Oman. The Agreement requires the Company to provide property, plant and equipment to the Souk, and TZE are responsible for providing working capital, certain property, plant & equipment and operating the Souk. Under the Agreement and subsequent amendments, the Company is entitled to 50% of the net profit of the Souk after deducting any previous years losses, depreciation & financing charges.

3 Basis of preparation and significant accounting policies

Basis of preparation

a) *Statement of compliance*

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

b) *Basis of measurement and use of estimates and judgments*

The financial statements have been prepared on the historical cost basis and are presented in Rials Omani (RO), which is the company’s functional currency.

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 periods if the revision affects both current and future periods. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include: provisions for impairment of receivables (note 6) .

Significant accounting policies

The accounting policies set out below have been applied consistently by the Company and are consistent with those used in the previous year.

c) *Property, plant and equipment*

(i) *Recognition and measurement*

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

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

3 Basis of preparation and significant accounting policies (continued)

c) Property, plant and equipment (continued)

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that 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 income statement as incurred.

Land and capital work-in-progress are not depreciated. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment as noted below:

	<i>Years</i>
Buildings and roads	7-20
Plant and equipment	7-12
Motor vehicles	3
Furniture and fixtures	3

Management reassess the useful lives, residual values and depreciation methods used on an annual basis.

d) Contribution towards cost of filling station assets

The filling station sites are leased for periods not exceeding 20 years. The cost or deemed cost of buildings, roads, equipment and furniture at the filling station is shared between the Company and the lessor. Contribution towards cost of filling station assets represents the cost or deemed cost borne by the Company in respect of the filling station assets. These costs are amortised on a straight-line basis, on the commencement of operations at the filling stations, over their estimated useful lives (not exceeding the period of the lease) as follows:

	<i>Years</i>
Buildings and roads	7-20
Plant and equipment	7-12
Furniture and fixtures	3

e) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. Cost represents purchase price plus direct expenses incurred in bringing the inventory to its present condition and location. Cost is determined on the first-in-first-out basis.

f) Trade and other receivables

Trade and other receivables are stated at amortised cost net of collective provisions for impairment [refer accounting policy (h)].

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

3 Basis of preparation and significant accounting policies (continued)

g) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and balances with banks. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

h) 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 income statement.

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 the income statement.

(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 the 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.

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.

i) Provisions

A provision is recognised 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. Measurement of liabilities is based on current legal requirements and existing technology. Provisions are discounted only where the effect of the time value of money is material.

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

3 **Basis of preparation and significant accounting policies** *(continued)*

j) Dividends

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

k) Trade and other payables

Trade and other payables are stated at amortised cost.

l) 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 recognised 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.

m) Employee benefits

Omani Staff were paid their end of service benefit entitlements accrued up to 31 December 2003 through amounts recovered from Oman Refinery Company LLC. With effect from 1 January 2004, contributions to the Oman Government defined contribution retirement plan were recognised as expense in the income statement as incurred in accordance with the rules of the Oman Social Insurance Scheme.

The Company's obligation in respect of non-Omani terminal benefits, which is an unfunded defined benefit retirement plan, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value.

n) Foreign currency transactions

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. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the profit or loss.

o) Finance charges and finance income

Finance charges comprise interest payable on borrowings and foreign exchange gains and losses. Finance income comprises interest receivable on funds invested. Finance income is recognised in the income statement as it accrues taking into account the effective yield on the asset. Finance expense is recognised in the income statement as it accrues using the effective interest rate method.

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

3 Basis of preparation and significant accounting policies (continued)

p) Income taxes

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

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

Deferred tax is provided 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

q) Interest bearing loans

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

4 Marketing, distribution & administration expenses

	Jan-March 2007 RO'000	Jan-March 2006 RO'000
Employee costs	413	363
Transportation	524	410
Rent	23	22
Professional fees	146	128
Maintenance & services	173	147
Company operated filling station expenses	552	474
Operating fees	109	82
Marketing Expenses	88	52
Depreciation	79	77
Licences	38	38
Miscellaneous	92	74
	2,237	1,867
	2,237	1,867

5 Inventories

	31 March 2007 RO'000	31 March 2006 RO'000
Finished goods:		
- Petroleum products	2,805	1,406
- Lubricants	6	7
	2,811	1,413
	2,811	1,413

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

6	Receivables and prepayments	31 March 2007 RO'000	31 March 2006 RO'000
	Trade receivables	17,001	9,217
	Less: impairment losses	(750)	(750)
	Trade receivables, net of impairment losses	<u>16,251</u>	<u>8,467</u>
	Other receivables and prepayments	813	1,482
		<u><u>17,064</u></u>	<u><u>9,949</u></u>

7	Cash at bank and in hand	31 March 2007 RO'000	31 March 2006 RO'000
	Bank balances	3,693	6,898
	Cash balances	23	20
		<u>3,716</u>	<u>6,918</u>

Bank balances including deposit accounts are held with local commercial banks and earn interest at commercial rates.

8	Interest Bearing Loan	31 March 2007 RO'000	31 March 2006 RO'000
	Long term loan – Current portion (see Note 13)	<u>617</u>	<u>617</u>

The Company has credit facilities with local commercial banks. The facilities are secured by a charge on the relevant station assets and bear interest at effective rates ranging between 5.910 % and 5.920 % per annum.

9	Income tax	31 March 2007 RO'000	31 March 2006 RO'000
	a) Recognized in the income statement		
	Components of Tax:		
	Current tax expense	<u>164</u>	<u>109</u>

The company is liable to income tax at the rate of 12% on taxable income in excess of RO 30,000.

b) Current Status of tax assessments:

The company's income tax assessments for each of the years 2000 to 2003 have been finalised by the Secretariat General of Taxation at the Ministry of Finance. The Company's income tax assessments for the years 2004, 2005 & 2006 have not been finalised. The Board of Directors considers that the amount of additional taxes, if any, that may become payable on finalisation of the assessments for the open tax years would not be significant to the Company's financial position at 31 March 2007.

10	Payables and accruals	31 March 2007 RO'000	31 March 2006 RO'000
	Trade payables	13,063	9,989
	Accrued expenses and other Payables	2,340	1,900
	Employee Terminal Benefits	151	225
		<u><u>15,554</u></u>	<u><u>12,114</u></u>

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

11 Share capital

The authorised share capital comprises 8.5 million shares of RO 1 each. The issued & paid up share capital comprises 6 million shares of RO 1 each (6 million shares of RO 1 each at 31 March 2006).

On 15 November 2003, the members passed a resolution to reduce the share capital of the Company from RO 8.5 million to RO 6 Million. Accordingly, RO 2.5 million share capital was repaid to the Ministry of Oil & Gas, Central Bank of Oman and ABS Lubricants on 27 March 2004 in proportion to their shares held at that date.

12 Significant Shareholders

At 31 March, shareholders owning more than 10% of the Company's share capital were as follows:

	31 March 2007		31 March 2006	
	Number of shares	%	Number of shares	%
ABS Lubricants	2,400,000	40	2,400,000	40
	=====	==	=====	==

13 Interest bearing loan

During the year ended 31 December 2002, the Company obtained a loan facility of US\$ 8 million from National Bank of Abu Dhabi. The loan bore interest at a rate of 3 months LIBOR plus 1% per annum. This loan was repayable in 20 equal quarterly instalments of US\$ 400,000 each, commencing six months from the date of the last drawdown. This loan was for the purpose of financing the construction of filling stations and other related capital expenditure.

The outstanding balance of the loan amounted to US\$ 5.2 million was transferred to Oman International Bank on 2 January 2006. The loan bears interest at a rate of 3 months LIBOR plus 0.55% per annum and is repayable in 13 equal quarterly instalments of US\$ 400,000 each, commenced on 1 April 2006.

14 Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the company's issued share capital.

15 Special reserve

Until December 2003, ten percent of the net profit after tax and transfer to legal reserve was transferred to a discretionary special reserve. During the years 2004 & 2005 the Board of Directors resolved to make no additional transfer to this reserve. At 31 December 2006, the Board of Directors resolved to make additional transfer of RO 360,000 to this reserve.

16 Financial instruments

Exposure to credit risk arises in the normal course of the Company's business.

Credit risk

The Company has a credit policy in place and exposure to credit risk is monitored on an on-going basis. The Company requires bank guarantees in respect of higher credit risk customers.

Al Maha Petroleum Products Marketing Company S.A.O.G

Notes

(forming part of the financial statements)

The Company does not require collateral in respect of all other financial assets. At 31 March 2007, Government organizations in Oman accounted for RO 686,140 (RO 714,301 at 31 March 2006) of the outstanding trade accounts receivable. At 31 March 2007, there were no other significant concentration of credit risk.

Fair value

As at 31 March 2007, the Board of Directors considers that the fair value of financial assets and liabilities approximate their carrying values.

17 Contingent liabilities

A claim had been made by Shell Oman Marketing Company SAOG ("Shell") against the Company in the amount of RO 2,099,000.

By the order of President of Muscat Primary Court, given at the instigation of Shell Oman Marketing Co. SAOG, issued on 13 September 2005, an Arbitration Tribunal was appointed to adjudicate the allegation raised by Shell against the Company.

The allegation was based on breach of the terms of a Throughput Agreement said to be signed by the two parties. On 10 April 2006, the Tribunal dismissed Shell's claim and ruled that there was no written and signed contract between Shell and the Company for the supply of Petroleum products.

Though the finding of The Arbitration Tribunal are final and binding on the parties, Shell attempted to revive its claim and had on 18 September 2006 filed a case before Muscat Primary Court for the same grounds but basing it on an alleged breach of the terms of a lease Agreement between Ministry of Oil and Gas and Al Maha for the operation and management of Raysut Depot. The proceedings are still in the preliminary Court.

Based upon legal advice, the Board of Directors considers that it is less than probable that the claim will be successful against the Company and, accordingly, no provision is made in respect of this claim in the financial statements as at 31 March 2007.

18 **Capital commitments**

At 31 March 2007, the Board of Directors has authorized future capital expenditure commitments amounting to approximately RO 3,448,000 (RO 1,803,737 at 31 March 2006).