GULF INTERNATIONAL CHEMICALS SAOG

Financial statements

31 December 2006

Registered office	**Principal place of business:**
P.O. Box 132 Postal code 124 Sultanate of Oman	Plot No.68, Road No.7 Rusayl Industrial Estate Sultanate of Oman

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Financial statements

31 December 2006

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INTERNATIONAL CHEMICALS SAOG

Report on the financial statements

We have audited the financial statements of Gulf International Chemicals SAOG ("the Company") set out on pages 2 to 18, which comprise the balance sheet as at 31 December 2006, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gulf International Chemicals SAOG as at 31 December 2006 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory requirements

In our opinion, the financial statements of Gulf International Chemicals SAOG as at and for the year ended 31 December 2006, in all material respects:

- have been properly prepared in accordance with the disclosure requirements of the Capital Market Authority; and
- comply with the Commercial Companies Law of 1974, as amended.

GULF INTERNATIONAL CHEMICALS SAOG

Income statement

for the year ended 31 December 2006

	Note	**2006 RO**	2005 RO
Revenue		**1,784,970**	1,383,853
Direct operating costs	*3*	**(1,167,893)**	(886,409)
Gross profit		**617,077**	497,444
Other income	*4*	**7,491**	6,327
Selling and distribution expenses	*5*	**(210,137)**	(166,784)
Provision for impairment losses		**(6,000)**	(22,904)
Administrative and general expenses	*6*	**(207,629)**	(143,872)
Finance cost	*14 & 15*	**(67,335)**	(56,754)
Profit before director's remuneration		**133,467**	113,457
Director's remuneration and sitting fees		**(6,700)**	(5,847)
Net profit for the year		**126,767**	107,610
Basic earnings per share	*20*	**0.115**	0.127

The notes on pages 6 to 18 form an integral part of these financial statements.

The report of auditors is set forth on page 1.

GULF INTERNATIONAL CHEMICALS SAOG

Balance sheet

as at 31 December 2006

	Note	**2006** **RO**	2005 RO
Non-current assets			
Property, plant and equipment	*8*	**466,969**	358,000
Current Assets			
Investments		**35**	35
Inventories	*9*	**339,381**	251,555
Trade receivables	*10*	**768,224**	719,424
Prepayments and other receivables	*11 & 18*	**126,255**	99,374
Cash at bank and in hand	*12*	**29,120**	7,129
Total current assets		**1,263,015**	1,077,517
Total assets		**1,729,984**	1,435,517
Equity			
Share capital	*13(a)*	**1,105,000**	850,000
Share application money received	*13(a)*	**-**	162,847
Legal reserve	*13(b)*	**26,836**	14,159
Revaluation reserve	*13(c)*	**32,408**	43,871
Accumulated losses		**(412,942)**	(533,195)
Total equity		**751,302**	537,682
Non-current liabilities			
Term loans	*15*	**93,750**	138,750
Finance lease liability	*16*	**41,713**	23,763
Employee end of service benefits	*7*	**34,482**	20,983
Total non-current liabilities		**169,945**	183,496
Current liabilities			
Bank borrowings	*14*	**323,287**	280,043
Trade and other payables	*17*	**416,916**	374,527
Current portion of finance lease liability	*16*	**23,534**	14,037
Current maturity of term loan	*15*	**45,000**	45,000
Loan from related parties	*18*	**-**	732
Total current liabilities		**808,737**	714,339
Total liabilities		**978,682**	897,835
Total equity and liabilities		**1,729,984**	1,435,517
Net assets per share	*21*	**0.680**	0.441

The notes on pages 6 to 18 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on ________ 2006 and signed on their behalf by:

_________________________ _________________________

Chairman - Audit Committee Director

The report of auditors is set forth on page 1.

GULF INTERNATIONAL CHEMICALS SAOG

Cash flow statement

for the year ended 31 December 2006

	2006 RO	2005 RO
Operating activities		
Cash receipts from customers	**1,736,672**	1,078,844
Cash paid to suppliers and employees	**(1,614,844)**	(1,177,466)
Financing cost	**(67,335)**	(56,754)
Cash flows used in operating activities	**54,493**	(155,376)
Investing activities		
Purchase of property, plant and equipment	**(102,405)**	(104,182)
Receipts from disposal of property, plant and equipment	**6,391**	2,050
Building under construction	**(53,600)**	-
Cash flows from investing activities	**(149,614)**	(102,132)
Financing activities		
Net movement in term loan	**(45,000)**	(45,000)
Net movement in lease liability	**27,447**	24,584
Loan paid/received from related parties	**(732)**	(38,628)
Share application money received	**92,153**	162,847
Cash flows from financing activities	**73,868**	103,803
Net decrease in cash and cash equivalents	**(21,253)**	(153,705)
Cash and cash equivalents at beginning of the year	**(272,914)**	(119,209)
Cash and cash equivalents at end of the year	**(294,167)**	(272,914)
Cash and cash equivalent comprise the following:		
Cash at bank	**24,248**	7,085
Cash in hand	**4,872**	44
Bank borrowings	**(323,287)**	(280,043)
	(294,167)	(272,914)

The notes on pages 6 to 18 form an integral part of these financial statements.

The report of the auditor is set forth on page 1.

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Statement of changes in equity

for the year ended 31 December 2006

	Share capital	Share Application money	Accumulated losses	Legal reserve	Revaluation reserve	Total
	RO	RO	RO	RO	RO	RO
1 January 2005	850,000	-	(631,155)	3,398	9,620	231,863
Share application money	-	162,847	-	-	-	162,847
Net profit for the year	-	-	107,610	-	-	107,610
Transfer during the year	-	-	(10,761)	10,761	-	-
Depreciation for the year	-	-	1,111	-	(1,111)	-
Released during the year	-	-	-	-	35,362	35,362
31 December 2005	850,000	162,847	(533,195)	14,159	43,871	537,682
Share application money Transferred in respect of Rights issue	**162,847**	**(162,847)**	**-**	**-**	**-**	**-**
Balance amount received in respect of rights issue	**92,153**	**-**	**-**	**-**	**-**	**92,153**
Net profit for the year	**-**	**-**	**126,767**	**-**	**-**	**126,767**
transfer during the year	**-**	**-**	**(12,677)**	**12,677**	**-**	**-**
Depreciation for the year	**-**	**-**	**6,163**	**-**	**(6,163)**	**-**
Elimination during the year (Asset disposed)	**-**	**-**	**-**	**-**	**(5,300)**	**(5,300)**
31 December 2006	**1,105,000**	**-**	**(412,942)**	**26,836**	**32,408**	**751,302**

The notes on pages 6 to 18 form an integral part of these financial statements.

The report of the Auditors is set forth on page 1.

GULF INTERNATIONAL CHEMICALS SAOG

Notes
(forming part of the financial statements)

1 **Legal status and principal activities**

Gulf International Chemicals SAOG ("the Company") is registered as a Public Joint Stock company in the Sultanate of Oman. The Company is engaged in the manufacture of construction and road treatment chemicals and related products. The Company commenced commercial operations in September 1996.

On 29 March 2005 the Company set up a factory in Sharjah (United Arab Emirates) to manufacture construction and road treatment chemicals and related products.

2. **Principal accounting policies**

(a) *Statement of compliance*

These financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board, the minimum disclosure requirements of the Capital Markets Authority and the requirements of the Commercial Companies Law of 1974, as amended.

(b) *Basis of accounting*

These financial statements are presented in Omani Rials (“RO’’) and have been prepared under the historical cost basis, except property plant and equipment which are stated at revalued amount.

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. Actual results may differ from these estimates.

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.

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

(c) *Property, plant and equipment*

All items of property, plant and equipment are stated at cost as modified by the revaluation of property, plant and equipment less accumulated depreciation and impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. 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 recognised in the income statement as an expense as incurred.

Land is not depreciated. Other items of property, plant and equipment are depreciated on a straight line basis over the estimated useful lives as follows:

	Years
Buildings	25
Plant and machinery	10
Furniture and fixtures	4
Equipments	4
Vehicles	4

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Notes

(forming part of the financial statements)

2 **Principal accounting policies *(continued)***

(c) Property, plant and equipment (continued)

The excess of revalued amount over net book value, arising on revaluation of property, plant and equipment has been credited to a non-distributable revaluation reserve. Additional depreciation on the revalued amount of property, plant and equipment is released to accumulated losses in equity.

(d) 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 selling expenses. Cost is determined on a first-in-first-out basis and consists of the direct cost of materials and, in the case of finished goods, an appropriate share of labour and direct overheads.

(e) Trade and other receivables

Trade and other receivables are stated at their amortized cost less impairment losses.

(f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank borrowings that are repayable on demand and form integral part of the Company’s cash management.

(g) Employee benefits

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 and is in accordance with the Omani labour law. Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law are recognized as an expense in the income statement as incurred.

(h) Trade and other payable

Trade and other payables are stated at amortized cost.

(i) Impairment

The carrying amounts of the Company’s assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of the Company’s receivables is calculated as the present value of the future cash flows, discounted at the original effective interest rate inherent in the amount. 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 arriving value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market amounts of the unit value of money and rates specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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Notes
(forming part of the financial statements)

2 **Principal accounting policies *(continued)***

(j) Impairment

An impairment loss in respect of a receivable is recognised if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. In respect of other assets, an impairment loss is recognised 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 assets carrying amounts does not exceed the carrying amount that would have been determined net of depreciation and amortisation, if no impairment loss has been recognised.

(k) 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. 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.

(l) Revenue

Revenue from sale of goods is recognised in the income statement when substantially all the significant risks and rewards associated with 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) Finance cost

Net financing costs comprise interest payable on loans and borrowings. Net financing costs are recognised as an expense in the period in which they are incurred. The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(n) Leases

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased assets is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Company's balance sheet. Investment property held under an operating lease is recognised on the Company's balance sheet at its fair value.

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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Notes

(forming part of the financial statements)

2 **Principal accounting policies *(continued)***

(o) Foreign currencies

Transactions denominated in foreign currencies are translated to Rials Omani 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 Rials Omani at exchange rates ruling at that date. Realised and unrealised foreign exchange gains and losses are recognised in the Income Statement.

(p) Income tax

Income tax on the profit or loss for the year comprises current 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 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.

(q) Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. (Revenue from U.A.E. – 54%, Other countries exports 4% & Local sales 42%)

3 **Direct operating costs**

	2006	2005
	RO	RO
Opening Inventory	**251,555**	138,318
Purchase during the year	**1,053,891**	831,456
Closing Inventory	**(339,381)**	(251,555)
Raw materials consumed	**966,065**	718,219
Employee related costs (see note 7)	**126,104**	99,079
Depreciation (see note 8)	**18,828**	15,116
Other direct expenses	**56,896**	53,995
	1,167,893	886,409

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(forming part of the financial statements)

		2006	2005
4	**Other income**	**RO**	RO
	Release of credit balances	**599**	997
	Profit on disposal of property, plant and equipment	**6,391**	2,050
	Excess provisions written back	**-**	2,525
	Miscellaneous receipts	**501**	755
		7491	6,327

5	**Selling and distribution expenses**		
	Employee related costs (see note 7)	**121,508**	84,483
	Advertisement and promotion	**30,331**	10,685
	Collection discounts	**13,535**	16,191
	Business expenses	**9,738**	3,978
	Freight outward	**24,686**	25,957
	Consultancy fees	**-**	10,433
	Sales commission	**10,339**	15,057
		210,137	166,784

6	**Administrative and general expenses**		
	Employee related costs (see note 7)	**51,738**	34,708
	Depreciation (see note 8)	**22,599**	9,540
	Lease charges	**14,652**	13,538
	Repair and maintenance	**21,605**	14,374
	Communication	**15,760**	13,507
	Legal and professional fees	**12,212**	6,711
	Travelling and conveyance	**12,901**	9,428
	Printing and stationery	**6,565**	6,495
	Postage and courier	**816**	2,105
	Immigration and administration	**23,688**	10,972
	Insurance and office maintenance	**12,777**	2,230
	Staff welfare	**5,486**	8,082
	Training and seminar	**4,600**	1,366
	Miscellaneous	**2,230**	10,816
		207,629	143,872

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(forming part of the financial statements)

7 **Employee related expenses**

	2006	2005
	RO	RO
Basic salary and allowances	**245,992**	190,928
Other benefits and expenses	**34,789**	16,080
Contributions to defined contribution retirement benefit plan	**1,876**	1,864
Increase in liability for unfunded defined retirement benefit plan	**16,693**	9,398
	299,350	218,270

The numbers of employees as at 31 December 2006 were 74 (2005: 61)

Employee related expenses are allocated as follows:

Direct operating cost (see note 3)	**126,104**	99,079
Administration and general expenses (see note 5)	**51,738**	34,708
Sales and distribution expenses (see note 6)	**121,508**	84,483
	299,350	218,270

Movements in non-Omani employees' end of service benefits liabilities recognised in the balance sheet is as follows:

1 January	**20,983**	17,181
Provision during the year	**16,693**	9,398
Paid during the year	**(3,194)**	(5,596)
	34,482	20,983

8 **Property, plant and equipment**

Details of property, plant and equipment are set out in Schedule I on page 18.

At 31 December 2005 property, plant and equipment of the Company were revalued to an amount of RO 358,000, and the excess of the revaluation in the amount of RO 35,362 was transferred to the revaluation reserve account in the statement of changes in equity.

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Notes

(forming part of the financial statements)

8 Property, plant and equipment (continued)

The depreciation for the year on property, plant and equipment has been allocated as follows:

	2006	2005
	RO	RO
Direct operating costs	**18,828**	15,116
Administrative and general expenses	**22,599**	9,540
	41,467	24,656

The factory building in Rusayl is constructed on land leased from Public Establishment for Industrial Estates under an agreement that expires in November 2021 (see note 22).

The Company has obtained certain items of property, plant and equipment under finance lease agreements. At 31 December 2006 the net carrying amount of leased property, plant and equipment was in the amount of RO 48,471. The leased property, plant and equipments secure the finance lease obligations (see note 16).

9 Inventories

Raw materials and packaging material	**171,791**	146,746
Finished goods	**163,590**	104,809
Work in progress	**4,000**	**-**
	339,381	251,555

Work in progress represents cost incurred on jobs which are more than 90% completed but have not billed to customer up to 31 December 2006.

At 31 December 2006, finished goods represent 33 days of sales (2005: 28 days).

10 Trade receivables

Trade receivables	**804,224**	749,424
Less: provision for doubtful debts	**(36,000)**	(30,000)
	768,224	719,424

Of the total trade receivables 49% (2005: 62%) were due from 4 customers (2005: 4)

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Notes

(forming part of the financial statements)

11	**Prepayments and other receivables**	**2006 RO**	2005 RO
	Prepayments	**56,076**	13,935
	Other receivables	**69,679**	84,939
	Amount due from related parties (Director) (see note 18)	**500**	500
		126,255	99,374

12	**Cash at bank and in hand**		
	Cash at bank	**24,248**	7,085
	Cash in hand	**4,872**	44
		29,120	7,129

13 **Capital and reserves**

(a) *Share capital*

The Company's authorised share capital comprises 2,000,000 shares (2005: 2,000,000) of RO 1 each.

The company raised it share capital by a 30% rights issue by the year end 2005 and the formalities were completed on 14 February 2006, the shares were allotted and listed on the Muscat Securities Market. The Company's revised issued and fully paid up share capital comprises of 1,105,000 shares (2005:850,000) of RO 1 each.

At 31 December, the following shareholders held 10% or more shares of the Company:

	2006		2005	
	Shares held (Nos)	**%**	Shares held (Nos)	%
Al Suhail Investment LLC	**285,090**	**25.81**	200,187	23.55%
Al Saud Limited	**121,207**	**10.97**	93,235	10.97

(b) *Legal reserve*

Article 106 of the Commercial Company's 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 one third of the company's issued share capital. This reserve is not available for distribution.

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Notes
(forming part of the financial statements)

13 **Capital and reserves *(continued)***

(c) Revaluation reserve

At 31 December 2005, the property, plant and equipment of the Company were revalued (see note 8), and the excess of the revalued amount over the cost of property, plant and equipment was transferred to revaluation reserve.

(d) Dividend & Directors' Remuneration Policy

The company has a policy of remunerating its shareholders by payment of stock and/or cash dividend, each year. The dividend policy seeks to ensure reasonable long term return to the shareholder as well as adequate addition to net worth, each year. The Directors' remuneration is computed as per the regulations of the Commercial Companies Law of the Sultanate of Oman. The remuneration is treated as an expense in the income statement.

14 **Bank borrowings**	**2006**	2005
	RO	RO
Bank overdraft	**244,655**	164,780
Bills pledged under "ECGA" cover	**78,632**	115,263
	323,287	280,043

The Company has obtained facilities from a commercial bank in the amount of RO 250,000 to pledge the overseas receivables under the Export Credit Guarantee Agency scheme and on which interest is charged at the rate of 9% per annum. In addition the company has overdraft and letter of credits facilities in the in the total amount of RO 90,000 (2005: RO 90,000) with local commercial banks. Interest is charged at the rate of 9% per annum up to the amount of facilities and interest of 11% per annum over and above the facility limit.

15 **Term loans**

Term Loan (see note 14)	**138,750**	183,750
Less: current maturity of term loan	**(45,000)**	(45,000)
	93,750	138750

Term loan repayment schedule:

	Interest rate	Total	Under 1 year	1-2 years	2-5 years
	%	RO	RO	RO	RO
Local commercial bank	9%	138,750	45,000	45,000	48,750

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(forming part of the financial statements)

16 **Finance lease liability**

The Company has leased certain items of property, plant and equipment under finance lease arrangements. At 31 December, the lease liability is payable as follows:

	2006	2005
	RO	RO
Less then one year	**23,534**	14,037
Between one and four years	**41,713**	23,763
	65,247	37,800

The lease liability carries interest at the rate of 4.25 % to 5.5% (2005: 6.45%) and is secured by joint registration of assets financed. Amounts payable within one year of the balance sheet date are classified as current liabilities.

17 **Trade and other payables**

Trade payables	**376,003**	309,941
Accrued expenses	**19,929**	46,197
Other liabilities	**20,984**	18,389
	416,916	374,527

18 **Related party transactions**

The Company enters into transactions in the ordinary course of business with related parties. These transactions are entered into on normal commercial terms. Following are the detail of related parties transactions and balances:

Related party transactions:		
- Consultation fees paid to a Director	**-**	3,097
- Directors sitting Fees	**6,700**	2,750
- Salary of senior management	**78,276**	48,575
Amount due from/ to related parties:		
-Amount receivable from related party	**500**	500
-Loan received from related parties	**-**	732

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Notes
(forming part of the financial statements)

19 **Income tax**

Current tax

The Company is subject to income tax at 12% of taxable income in excess of RO 30,000. No provision for income tax has been established for the year ended 31 December 2006 due to the set off available against the accumulated losses of earlier years.

The Company's tax assessment up to 2004 has been finalised by the Secretariat General of Taxation Affairs at the Ministry of Finance.

No deferred tax asset in respect of taxable losses available for carry forward has been recognised in these financial statements, in view of the uncertainty regarding availability of further taxable profits.

20 **Basic earning per share**

Basic (loss)/earning per share is calculated by dividing the net loss/earnings for the year by the weighted average number of shares outstanding during the year as follows:

	2006	2005
Net earnings for the year (RO)	**126,767**	107,610
Number of shares outstanding at 31 December (Nos.)	**1,105,000**	850,000
Basic earning per share (RO)	**0.115**	0.127

21 **Net assets per share**

Net asset per share is calculated by dividing the net assets at the year end by the number of shares outstanding as follows:

Net assets (RO)	**751,302**	374,835
Number of shares outstanding at 31 December (Nos.)	**1,105,000**	850,000
Net assets per share (RO)	**0.680**	0.441

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Notes

(forming part of the financial statements)

22. **Operating lease commitments**

In 1997 the Company was granted a 25 years lease by the Public Establishment for Industrial Estates for the use of land, on the company's factory is constructed on the site. At 31 December 2006, future minimum lease commitments under non-cancellable operating leases were as follows:

	2006	2005
	RO	RO
Within one year	**3,000**	3,000
Between one and five years	**12,000**	12,000
After five years	**30,000**	33,000
	45,000	48,000

23 **Financial instruments**

Exposure to credit, interest rate and currency 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 ongoing basis. Credit evaluations are performed on all customers requiring credit.

The Company does not require collateral in respect of financial assets.

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that short-term borrowings and long-term financing are on a fixed rate basis. Interest rates are set out in note 15 to these financial statements.

Foreign currency risk

The majority of the company's foreign currency transactions are either in US$ or in currencies linked to US$. The exchange rate between Omani Rials and US$ has remained unchanged since 1986.

Fair value

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

24 **Corresponding figures**

Certain corresponding figures have been reclassified to conform to the presentation adopted in these financial statements.

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Schedule I

Property, plant and equipment

	Lease hold land	Building	Plant and machinery	Furniture and fixtures	Equipments	Motor vehicles	Total
	RO	RO	RO	RO	RO	RO	RO
Cost / valuation							
1 January 2006	105,000	90,000	86,000	18,000	19,500	39,500	358,000
Additions	-	2,236	40,071	3,400	7,670	49,029	102,406
Building under Construction	-	53,600	-	-	-	-	53,600
Disposals	-	-	(309)	-	-	(5,300)	(5,609)
Elimination on revaluation	-	(960)	(1,334)	-	(2,618)	(1,251)	(6,163)
31 December 2006	105,000	144,876	124,428	21,400	24,552	81,978	502,234
Depreciation							
1 January 2005	-	-	-	-	-	-	-
Charge for the year	-	3,631	10,218	4,979	5,436	17,163	41,427
Elimination on revaluation	-	(960)	(1,334)	-	(2,618)	(1,251)	(6,163)
31 December 2006	-	2,671	8,885	4,979	2,818	15,912	35,265
Carrying amount							
31 December 2006	**105,000**	**142,205**	**115,543**	**16,421**	**21,734**	**66,066**	**466,969**
31 December 2005	105,000	90,000	86,000	18,000	19,500	39,500	358,000