

Independent auditor's report to the shareholders' of Raysut Cement Company SAOG

We have audited the accompanying financial statements of **Raysut Cement Company SAOG**, which comprise of the balance sheet as at 31 December 2006, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 3 to 28. The financial statements of the Company for the year ended 31 December 2005 were audited by another auditor whose report dated 9 February 2006 expressed an unqualified opinion thereon.

Board of directors' responsibility for the financial statements

Board of directors' are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's 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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 the auditor's 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, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 audit opinion.

**Independent auditor's report
to the shareholders' of
Raysut Cement Company SAOG (continued)**

Opinion

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

Also, in our opinion, the financial statements comply, in all material respects, with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and those prescribed under the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman.



Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman
22 February 2007






BALANCE SHEET

at 31 December 2006

	Notes	2006 RO	2005 RO
ASSETS			
Non-current assets			
Property, plant and equipment	3	58,681,096	51,057,644
Investment in an associate	4	2,787,177	2,077,766
Investments available for sale	5	125,000	125,000
Total non current assets		61,593,273	53,260,410
Current assets			
Inventories	6	3,554,749	2,947,228
Trade receivables	7	3,309,637	1,947,178
Investment held for trading	8	2,091,342	2,261,803
Prepayments and other receivables	9	1,004,859	472,232
Bank deposits	10	10,405,000	10,000,000
Cash and cash equivalents	10	14,637,518	9,339,820
Total current assets		35,003,105	26,968,261
Total assets		96,596,378	80,228,671
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	20,000,000	19,913,159
Share premium	13	13,456,873	12,826,618
Legal reserve	14	6,666,667	5,246,130
Asset replacement reserve	15	2,141,565	1,108,660
Voluntary reserve	16	4,283,130	2,217,320
Retained earnings	17	24,278,181	13,117,631
Total equity		70,826,416	54,429,518
Non current liabilities			
Term loans – non-current portion	18	7,253,846	16,679,241
Deferred government grant	18	525,803	673,241
Deferred tax liability	19	2,425,546	2,258,546
Total non-current liabilities		10,205,195	19,611,028
Current liabilities			
Term loans – current portion	18	7,799,963	3,087,213
Payables and accruals	20	7,764,804	3,100,912
Total current liabilities		15,564,767	6,188,125
Total equity and liabilities		96,596,378	80,228,671
Net assets per share	21	0.354	0.273


Chairman


Chief Executive Officer

The accompanying notes form an integral part of these financial statements.



INCOME STATEMENT

for the year ended 31 December 2006

	Notes	2006 RO	2005 RO (restated)
Revenue	22	47,974,950	27,993,024
Cost of sales	23	<u>(26,901,448)</u>	<u>(18,330,516)</u>
Gross profit		21,073,502	9,662,508
General and administrative expenses	24	(741,051)	(360,188)
Other income	25	<u>139,394</u>	<u>144,557</u>
Profit from operation		20,471,845	9,446,877
Net financing costs/income	26	43,053	(275,176)
Share of profit in an associate		2,763,776	1,700,000
Fair value (loss)/ gain on investments held for trading		<u>(170,461)</u>	<u>251,833</u>
Profit before tax		23,108,213	11,123,534
Income tax	27	<u>(2,450,121)</u>	<u>(1,091,000)</u>
Profit after tax		<u>20,658,092</u>	<u>10,032,534</u>
Basic earnings per share (Baizas)	28	<u>0.103</u>	<u>0.060</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

for the year ended 31 December 2006

	Share capital		Share premium	Asset		Voluntary reserve	Retained earnings	Total
	RO	RO		Legalreplacement reserve	RO			
Balance at 1 January 2005	15,000,000	3,000,300	4,224,562	597,876	1,195,752	7,889,017	31,907,507	
Net profit for the year	-	-	-	-	-	10,032,534	10,032,534	
Proceeds from rights issue	4,913,159	9,826,318	-	-	-	-	14,739,477	
Dividends paid	-	-	-	-	-	(2,250,000)	(2,250,000)	
Transfers	-	-	1,021,568	510,784	1,021,568	(2,553,920)	-	
Balance at 31 December 2005	19,913,159	12,826,618	5,246,130	1,108,660	2,217,320	13,117,631	54,429,518	
Net profit for the year	-	-	-	-	-	20,658,092	20,658,092	
Proceeds from rights issue	86,841	630,255	-	-	-	-	717,096	
Dividends paid	-	-	-	-	-	(4,978,290)	(4,978,290)	
Transfers	-	-	1,420,537	1,032,905	2,065,810	(4,519,252)	-	
Balance at 31 December 2006	20,000,000	13,456,873	6,666,667	2,141,565	4,283,130	24,278,181	70,826,416	

The accompanying notes form an integral part of these financial statements.





RAYSUT CEMENT COMPANY SAOG

STATEMENT OF CASH FLOWS

for the year ended 31 December 2006

	2006 RO	2005 RO
Operating activities		
Cash receipts from customers	46,658,744	28,285,416
Cash paid to suppliers and employees	(22,954,421)	(15,761,368)
Income taxes paid	-	(45,251)
Net cash from operating activities	23,704,323	12,478,797
Investing activities		
Proceeds from sale of property, plant and equipment	46,108	3,820
Dividend income	84,194	105,891
Dividends from associate	2,054,365	376,915
Proceeds from disposal of investments	-	52,500
Increase in term deposit	(405,000)	(10,000,000)
Payments made for capital work-in-progress	(6,368,450)	(16,124,689)
Purchase of property, plant and equipment	(4,594,219)	(712,157)
Net cash used in investing activities	(9,183,002)	(26,297,720)
Financing activities		
Increase in share capital – Rights issue	86,841	4,913,159
Increase in share premium	630,255	9,826,318
Term loans received	-	9,391,096
Term loans paid	(4,860,083)	(2,221,273)
Net financing costs	43,053	(275,176)
Dividends and directors remuneration paid	(5,123,689)	(2,426,532)
Net cash (used in)/from financing activities	(9,223,623)	19,207,592
Net increase in cash and cash equivalents	5,297,698	5,388,669
Cash and cash equivalents at beginning of the year	9,339,820	3,951,151
Cash and cash equivalents at end of the year (Note 10)	14,637,518	9,339,820

The accompanying notes form an integral part of these financial statements



NOTES

for the year ended 31 December 2006

1. General

Raysut Cement Company (SAOG) ("the Company") was formed in 1981 by Ministerial Decision No. 7/81 and is registered in the Sultanate of Oman as a joint stock company. The Company is engaged in the production and sale of Portland cement, sulphur resistant cement, oil well class 'G' cement and pozzolana well cement. The registered office of the Company is at P.O. Box 1020, Salalah, Postal Code 112, Sultanate of Oman.

These financial statements are presented in Rial Omani (RO) since that is the currency of the country in which the majority of the Company's transactions are denominated.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

Adoption of new and revised International Financial Reporting Standards (IFRS)

In the current year, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2006.

The adoption of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current or prior years.

At the date of authorization of these financial statements, the following interpretations were in issue but not yet effective:

		Effective for annual periods beginning on or after
IFRS 7	Financial Instruments	1 January 2007
IFRIC 7	Applying the Restatement Approach under IAS 29, Financial reporting in hyper inflationary economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10	Interim Financial Reporting and Impairment	1 March 2006

The directors anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

A summary of significant accounting policies which have been adopted consistently is set out below:

Basis of accounting

The financial statements are prepared on the historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value.



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for the year ended 31 December 2006

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and carried at cost less accumulated depreciation and any identified impairment loss.

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is charged so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight line method. The principal annual rates for this purpose are:

	Years
Buildings and civil works	5, 20 & 30
Plant and machinery	25
Motor vehicles	5
Furniture and fixtures	5
Office equipment	5
Plant vehicles, equipment and tools	3 & 5

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Capital work-in-progress

Capital work in progress is stated at cost less any impairment losses. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policies.

Impairment

At each balance date, the company reviews the carrying amounts of its assets (or cash generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

Investments in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to



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for the year ended 31 December 2006

participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

Investments held for trading

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments.

All purchases and sale of investments are recognised on the trade date, which is the date that the Company commits to purchase or sell the asset. Trading investments are initially recognised at cost, which includes transaction costs, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the year in which they arise.

Available-for-sale investments

Investments intended to be held for an indefinite period of time but which may be sold in response to needs for liquidity or changes in interest rates or equity prices, are classified as available-for-sale.

Available-for-sale investments are initially recognised at cost, which includes transaction costs, and are, in general, subsequently carried at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market, and for which other methods of reasonably estimating fair value are inappropriate, are measured at cost, as reduced by allowances for estimated impairment.

For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have



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for the year ended 31 December 2006

been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Raw materials cost represents price cost of the goods, and related direct expenses. Finished goods cost represent cost of raw materials, direct labour and other attributable overheads. Work-in-progress cost represents proportionate cost of raw materials, direct labour and other attributable overheads.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

The principal financial assets are cash and cash equivalents and trade and other receivables.

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

The principal financial liabilities are trade and other payables and bank term loans.

Trade payables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method.

Interest bearing bank loans and borrowings are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement of borrowings is recognised over the term of the borrowings.

Equity instruments are recorded at the proceeds received, less direct costs.

Deferred government grant

Interest subsidy is recognised in the balance sheet initially as a deferred Government grant and is amortised over the life of the loan based on the effective interest method in the same years in which the interest expense is incurred.

Leases

Finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.



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for the year ended 31 December 2006

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 recognised as an expense in the income statement on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Provision for end of service indemnity

End of service benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

Provision for end of service benefits for non-Omani employees has been made in accordance with the terms of the Labour Law of the Sultanate of Oman and the policy of the Company and is based on current remuneration and cumulative years of service at the balance sheet date.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman. Current tax is the expected tax payable on the taxable income for the year, using the tax rates ruling at the balance sheet date.

Deferred tax

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 income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

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.

However for the purposes of deferred tax, it is assumed that carrying amount of assets and liabilities is equal to the carrying amounts used for income tax purposes on the transfer date.

Revenue recognition

Sales of manufactured goods are recognized when goods are delivered and title has passed, net of discounts and returns.

Other income is accounted upon rendering services on accrual basis.



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for the year ended 31 December 2006

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

Foreign currencies

Transactions denominated in foreign currencies are initially translated into Rials Omani at the rate of exchange prevailing on the date of transactions. Assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing on that date. The exchange gains and losses are dealt with in the income statement.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks with a maturity of less than three months from the date of placement.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities. The matters involving significant estimates used in the preparation of the financial statements are disclosed in Note 35.

Directors' remuneration

In 2007, the Capital Market Authority through their circular E/2/2007, has clarified that Directors' remuneration should be shown as an expense rather than as an appropriation of the retained earnings. Henceforth, Director's remuneration shall be computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and will be charged as an expense in the income statement. Prior year figures have been restated to compare with the current year presentation.



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for the year ended 31 December 2006

3. Property, plant and equipment Property, plant and equipment for the year ended 31 December 2006

Cost	Land, buildings and civil works		Plant and machinery		Motor vehicles		Furniture and fixtures		Office equipment		Plant, vehicles, equipment and tools		Capital work in progress		Total RO
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
At 1 January 2005	16,425,082	37,419,511	168,638	140,328	243,120	1,897,044	3,594,369	59,888,092							
Additions	12,500	-	15,188	24,347	143,127	516,995	16,124,687	16,836,844							
Disposals						(19,497)		(19,497)							(19,497)
At 1 January 2006	16,437,582	37,419,511	183,826	164,675	386,247	2,394,542	19,719,056	76,705,439							
Additions	12,950	34,919	50,125	11,318	17,872	1,206,209	9,629,274	10,962,667							
Transfers	5,568,426	17,021,801	-	-	389,653	-	(22,979,880)	-							
Disposals	-	-	(23,835)	-	-	(40,540)	-	(64,375)							
At 31 December 2006	22,018,958	54,476,231	210,116	175,993	793,772	3,560,211	6,368,450	87,603,731							
Depreciation															
At 1 January 2005	6,446,789	14,866,730	124,651	131,259	222,834	1,748,105	-	23,540,368							
Charge for the year	539,986	1,496,781	14,002	5,054	12,867	58,234	-	2,126,924							
Disposals	-	-	-	-	-	(19,497)	-	(19,497)							
At 1 January 2006	6,986,775	16,363,511	138,653	136,313	235,701	1,786,842	-	25,647,795							
Charge for the year	728,380	2,177,017	20,417	8,062	94,375	273,805	-	3,302,056							
Disposals	-	-	(23,835)	-	-	(3,381)	-	(27,216)							
At 31 December 2006	7,715,155	18,540,528	135,235	144,375	330,076	2,057,266	-	28,922,635							
Carrying amount															
31 December 2006	14,303,803	35,935,703	74,881	31,618	463,696	1,502,945	6,368,450	58,681,0							
31 December 2005	9,450,807	21,056,000	45,173	28,362	150,546	607,700	19,719,056	51,057,644							

Capital work in progress mainly is attributable to the Line 4 expansion project.



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 for the year ended 31 December 2006

4. Investment in an associate

	2006	2005
	RO	RO
Cost	113,343	113,343
Add : Share of profits at the beginning of year	1,964,423	641,338
Add: Share of profit for the year	2,763,776	1,700,000
Less : Dividends received in the year	(2,054,365)	(376,915)
	<u>2,787,177</u>	<u>2,077,766</u>

Investments in an associated company represents 49% equity interest in Mukalla Raysut Trading and Industrial Company Limited ("MRTIC"), a limited liability company, incorporated in Yemen.

Summarised unaudited financial information in respect of the associate is set out below:

	2006	2005
	RO	RO
Total assets	8,681,500	6,431,600
Total liabilities	2,993,384	2,191,261
Net assets	<u>5,688,116</u>	<u>4,240,339</u>
Company's share of associate's net assets	<u>2,787,177</u>	<u>2,077,766</u>
Revenue	<u>27,611,033</u>	<u>17,359,313</u>
Profit for the year	<u>5,640,359</u>	<u>3,469,388</u>
Company's share of associate's profit for the year	<u>2,763,776</u>	<u>1,700,000</u>

5. Investments available for sale

	2006	2005
	RO	RO
Unquoted and other investments – Local unquoted (at cost)	<u>125,000</u>	<u>125,000</u>

The Board of directors believe that the fair value of investments available for sale at 31 December 2006 is not materially different than their cost.

6. Inventories

	2006	2005
	RO	RO
Raw materials	719,464	296,191
Work in progress	187,198	280,866
Finished goods	489,598	236,697
Spares and consumables	2,981,731	2,843,318
Provision for slow-moving items	(823,242)	(709,844)
	<u>3,554,749</u>	<u>2,947,228</u>

At 31 December 2006, finished goods represent 9 day's revenue (2005: 7 days).



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for the year ended 31 December 2006

7. Trade receivables

	2006	2005
	RO	RO
Trade receivables	4,567,592	2,391,230
Less: Provision for interest and impaired debts	<u>(1,591,478)</u>	<u>(1,339,580)</u>
	2,976,114	1,051,650
Amount due from related parties (note 32)	<u>333,523</u>	<u>895,528</u>
	<u><u>3,309,637</u></u>	<u><u>1,947,178</u></u>

8. Investments held for trading

	2006		2005	
	Market	Cost	Market	Cost
	value	RO	value	RO
	RO	RO	RO	RO
Marketable Securities - MSM				
Banking - Bank Dhofar SAOG	1,646,842	938,044	1,660,303	938,044
Insurance - Dhofar Insurance SAOG	264,500	29,600	399,000	29,600
Others - Dhofar University SAOG	180,000	150,000	202,500	150,000
	<u>2,091,342</u>	<u>1,117,644</u>	<u>2,261,803</u>	<u>1,117,644</u>

Investment in Bank Dhofar SAOG represents 79% of the Company's investment portfolio.

9. Prepayments and other receivables

	2006	2005
	RO	RO
Advances and deposits	651,622	344,011
Less: Provision for impaired advances	<u>(58,328)</u>	<u>(56,547)</u>
	593,294	287,464
Advance to staff	11,442	11,713
Prepayments and accrued income	<u>400,123</u>	<u>173,055</u>
	<u><u>1,004,859</u></u>	<u><u>472,232</u></u>



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for the year ended 31 December 2006

10. Cash and cash equivalents

	2006 RO	2005 RO
Cash in hand	4,569	4,384
Cash at bank		
Current account	1,037,410	210,466
Call deposits	202,243	1,277,246
Short term deposit with maturity of less than three months of the value date	<u>13,393,296</u>	<u>7,847,724</u>
Cash and cash equivalents	<u>14,637,518</u>	<u>9,339,820</u>
Short term deposit with maturity more than three months of the value date	<u>10,405,000</u>	<u>10,000,000</u>

Interest is earned on call deposits at the rates ranging between 0.75% and 1.25% per annum. Short-term deposits earned interest at rates ranging from 3.50 % to 5.25% per annum.

11. Share capital

	2006 RO	2005 RO
Authorised share capital	<u>20,000,000</u>	20,000,000
Issued and paid up share capital	<u>20,000,000</u>	<u>19,913,159</u>

At an extra ordinary meeting held on 22 March 2006, the shareholders have resolved to split the par value of the share from RO 1.000 per share to RO 0.100 per share. As a result the authorised capital of the Company increased to 200,000,000 shares of RO 0.100 each.

At 31 December, the shareholders who own 10% or more of the Company's share capital are:

	2005		2004	
	Shareholding %	R.O. Shares held	Shareholding %	R.O. Shares held
Islamic Development Bank	11.71	2,341,500	11.76	2,341,500
Abu Dhabi Fund for Development	<u>10.00</u>	<u>2,000,000</u>	<u>10.04</u>	<u>2,000,000</u>
	21.71	4,341,500	21.80	4,341,500
Others	<u>78.29</u>	<u>15,658,500</u>	<u>78.20</u>	<u>15,571,659</u>
	<u>100.00</u>	<u>20,000,000</u>	<u>100.00</u>	<u>19,913,159</u>



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for the year ended 31 December 2006

12. Proposed dividend

The Board of Directors at the meeting held on 22 February 2007 proposed a cash dividend of 50 Baizas per share, for the year 2006 (2005: 25 Baizas per share).

13. Share premium

Share premium account is not available for distribution.

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 the legal reserve becomes equal to one-third of the company's issued share capital. During the year the Company has added RO 1,420,537 to this reserve which at year end equals the minimum amount required.

15. Asset replacement reserve

The Board of Directors have resolved that 5% of the Company's net profit be transferred to a reserve for the purpose of replacement of capital assets until the amount together with any other voluntary reserves reach one half of the Company's issued capital.

16. Voluntary reserve

The Board of Directors have resolved that 10% of the Company's net profit to be transferred to voluntary reserve.

17. Retained earnings

Retained earnings represent the undistributed profits generated by the Company since incorporation. The Company had used its retained earnings to finance expansion of the new production facility.

18. Term loans and deferred government grant

Term loans : non-current portion

	2006 RO	2005 RO
Government loan for expansion project	1,500,000	1,800,000
Government soft loan	1,428,571	1,785,712
Bank Dhofar (Gas project)	-	34,575
Oman Arab Bank	-	1,628,737
Bank Dhofar term loan 1	2,436,136	3,494,954
Bank Dhofar line 3 loan	2,414,942	3,130,365
Bank Dhofar line 3 loan (NBO)	-	5,478,139
Deferred government grant	(525,803)	(673,241)
	<u>7,253,846</u>	<u>16,679,241</u>



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for the year ended 31 December 2006

Term loans : current portion

	2006 RO	2005 RO
Government loan for expansion project	300,000	300,000
Government soft loan	357,143	357,143
Bank Dhofar (Gas project)	-	68,156
Oman Arab Bank	-	501,150
Bank Dhofar term loan 1	1,083,332	1,078,172
Bank Dhofar line 3 loan	666,668	284,579
Bank Dhofar line 3 loan (NBO)	5,392,820	498,013
	<u>7,799,963</u>	<u>3,087,213</u>
Total term loan	<u>15,053,809</u>	<u>19,766,454</u>

The interest rates on the above loans and the repayment schedule is as follows:

	Interest rate	Total RO	One year RO	2-5 years RO	More than 5 years RO
Government loan					
(expansion project)	-	1,274,197	300,000	698,968	275,229
Government soft loan	5%	1,785,714	357,143	1,428,571	-
Bank Dhofar- Term Loan 1	4.50%	3,519,468	1,083,332	2,436,136	-
Bank Dhofar - Term Loan II	4.50%	3,081,610	666,668	2,414,942	-
Bank Dhofar – NBO part	6.978%	5,392,820	5,392,820	-	-
		<u>15,053,809</u>	<u>7,799,963</u>	<u>6,978,617</u>	<u>275,229</u>

	2006 RO	2005 RO
In local currency	15,579,612	18,207,077
In foreign currency	-	2,232,618
Gross loans inclusive of grant	<u>15,579,612</u>	<u>20,439,695</u>

The loan from Government for the expansion project in the amount of RO 3 million was sanctioned during 1997. The loan is interest free and is secured by a second mortgage of the expansion project's property, plant and equipment. The loan is repayable in ten equal annual instalments of RO 300,000 each commencing on 14 December 2003.

The Government has sanctioned an additional soft loan of RO 2.5 million during 2002 to enable the Company to settle its liabilities and to fund its operations. Interest is charged



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for the year ended 31 December 2006

at 5% per annum and the loan is repayable in seven equal annual instalments of RO 357,143 each commencing on 3 July 2005. The loan is unsecured. In accordance with the terms of the loan agreement, the Company should not distribute dividends and should not pay remuneration to Board of Directors unless; it has been approved by the Ministry of Finance.

The loan of RO 324,490 (US\$ 840,648) obtained from Bank Dhofar ("BDOF") to finance the Gas Project has been fully repaid during the year.

During 2003 the Company obtained a loan for second line of US \$ 7.8 million from Oman Arab Bank SAOC ("OAB") at US Libor + 2% per annum. The loan is secured by a second pari-pasu charge over assets, pledge and assignment of investments in BDOF and Dhofar Insurance. The loan is repayable in 24 equal quarterly instalments commencing from 10 April 2004. The delay in settlement would attract penal charge of 3% per annum. With increasing Libor rates, the Company opted for prepayment of the entire loan during the year 2006 to reduce interest cost.

During 2003 the Company obtained a loan for second line of RO 6.5 million from BDOF at 4.5 % per annum. The loan is secured by a second pari-pasu charge over its assets. The loan is repayable in 24 equal quarterly instalments commencing from 1 April 2004. The delay in settlement would attract penalty at the maximum interest rate prevailing at that time.

During 2005, a loan facility of RO 11 million was obtained for third line from BDOF as arranger at 4.25% per annum, split between BDOF and National Bank of Oman (NBO) at 4:7 ratio. The loan is secured by a first pari-pasu charge over new assets and assignment of insurance proceeds of new assets both during the construction and operational periods. The loan is repayable in 24 equal quarterly instalments commencing from 1 July 2006. The interest rate came up for revision in November 2006 as per agreement and as NBO was unable to restrict its rate to 5.0 %, the rate offered on its deposits, the Company served notice of prepayment of entire loan to be made in March 2007. There are no early termination charges except three months notice period.

At 31 December 2006, the soft loans from Government have been stated at amortised cost following adoption of International Financial Reporting Standards ("IFRS") 39. The amortised cost has been determined by the Management using the effective interest rate method. The effective interest rate was 9% per annum. The Government subsidy on loans is recognised in the balance sheet as 'deferred Government grant' and amortised over the life of the loans to which the subsidy relates on a systematic basis in the same periods in which the loan is repaid.

Bank borrowings

Commercial banks have provided credit facilities to the Company comprising overdrafts,



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 for the year ended 31 December 2006

letters of credit, loan against trust receipts, export bill discounting and guarantees in the aggregate amount of RO 19,6 million (2005 : RO 16.2 million). Interest is charged at the rates ranging between 6% and 8% (2005: 6% and 8%) per annum. The bank borrowings are jointly secured by a second charge on the assets of the Company with the relevant term loans.

19. Deferred tax liability

Deferred tax assets and liabilities are attributable to the following items:

	31 December 2005 RO	Charge for the year RO	31 December 2006 RO
Liability			
Accelerated tax depreciation	(2,629,241)	(65,543)	(2,694,784)
Assets			
Provision for inventories	85,180	13,609	98,789
Provision for doubtful debts	90,999	(264)	90,735
Provision for interest on claim on overdue debtors	81,938	(2,224)	79,714
Tax losses carried forward	112,578	(112,578)	-
Net deferred tax liability	<u>(2,258,546)</u>	<u>(167,000)</u>	<u>(2,425,546)</u>

20. Payables and accruals

	2006 RO	2005 RO
Trade payables	1,202,320	948,702
Income tax payable	2,283,121	-
Accrued expenses	1,758,002	1,195,672
Accrued interest	139,716	60,224
Other payables	15,601	16,805
Expansion project payables	2,090,445	532,120
Amount due to related parties (note 32)	-	110,791
Director's remuneration	184,400	183,150
Unpaid dividend	91,199	53,448
	<u>7,764,804</u>	<u>3,100,912</u>

As per the directives of CMA an amount of RO 25,714 (2005: 39,718) towards unpaid dividend has been transferred to "Investors' Trust Fund" established by CMA.



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for the year ended 31 December 2006

21. Net assets per share

Net assets per share is calculated by dividing the net assets at the year end by the number of shares outstanding at 31 December as follows :

	2006	2005
Net assets (RO)	<u>70,826,416</u>	<u>54,429,518</u>
Number of shares outstanding at 31 December (Nos)	<u>200,000,000</u>	<u>199,913,159</u>
Net assets per share (RO)	<u>0.354</u>	<u>0.273</u>

22. Revenue

	2006 RO	2005 RO
Sales – local	20,117,510	11,671,526
Sales – export	<u>27,857,440</u>	<u>16,321,498</u>
	<u>47,974,950</u>	<u>27,993,024</u>

23. Cost of sales

Production expenses:

Raw materials consumed	1,783,308	1,285,849
Imported cement and clinker	2,571,274	3,167,187
Employee related expenses	2,156,805	1,830,124
Fuel, gas and electricity	5,670,930	3,326,067
Depreciation	3,302,056	2,126,924
Other factory overheads	3,328,509	1,924,035
Provision for slow moving inventory	113,398	68,054
Inventory adjustment	<u>(159,223)</u>	<u>(219,629)</u>
	<u>18,767,057</u>	<u>13,508,611</u>

Distribution expenses:

Transportation charges	211,064	144,344
Export expenses	5,690,301	3,193,077
Muscat terminal- Shipping Expenses	2,233,026	1,481,814
Other expenses	-	2,670
	<u>8,134,391</u>	<u>4,821,905</u>
	<u>26,901,448</u>	<u>18,330,516</u>



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 for the year ended 31 December 2006

The Company has acquired mining rights from the Government for a period of twenty-five years from 1 October 1984. The royalty on clinker and gypsum along with the rent for the quarries are exempt by the Government. Total royalty and rent waived amounts to approximately RO 25,200 (2005 : RO 87,000). Effective March 2006, the Ministry of Commerce & Industry is levying Royalty on the Raw Materials.

Total employee related expenses comprise:

	2006 RO	2005 RO
Wages and salaries	1,155,648	937,984
Other benefits	953,262	798,985
Contributions to defined contribution retirement plan	42,576	35,559
Increase in liability for unfunded benefit retirement plan	5,319	57,596
	<u>2,156,805</u>	<u>1,830,124</u>

24. Administrative and general expenses

	2006 RO	2005 RO (restated)
Directors' fees and remuneration	200,000	200,000
Provision for bad and doubtful debts	-	(152,918)
Legal expenses	245,047	11,243
Training and seminars expenses	75,210	6,326
Others	220,794	295,537
	<u>741,051</u>	<u>360,188</u>

25. Other income

	2006 RO	2005 RO
Dividend income	84,194	105,891
Profit on sale of property, plant and equipment	8,947	3,820
Miscellaneous income	46,253	34,846
	<u>139,394</u>	<u>144,557</u>



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for the year ended 31 December 2006

26. Net financing (income) / costs

	2006 RO	2005 RO
Interest expense on borrowings	731,162	476,803
Others	20,921	3,555
	<u>752,083</u>	<u>480,358</u>
Interest on call deposits and overdue debts	<u>(795,136)</u>	<u>(205,182)</u>
	<u><u>(43,053)</u></u>	<u><u>275,176</u></u>

27. Income tax

	2006 RO	2005 RO
Current tax	<u>2,283,121</u>	-
Deferred tax		
Origination and reversal of temporary differences		
- Current year	167,000	1,090,801
- Prior years	-	199
	<u>167,000</u>	<u>1,091,000</u>
Total income tax charge	<u><u>2,450,121</u></u>	<u><u>1,091,000</u></u>

The Company is subject to income tax at the rate of 12% of taxable profits in excess of RO 30,000 in accordance with the income tax laws of the Sultanate of Oman. The following is reconciliation between income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

	2006 RO	2005 RO
Profit before tax	23,108,213	11,306,684
Income tax at the rates mentioned above	2,769,386	1,359,465
Effect of tax-exempt revenues	(319,265)	(268,905)
Prior year taxes :		
- Deferred tax	-	440
Income tax	<u><u>2,450,121</u></u>	<u><u>1,091,000</u></u>



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for the year ended 31 December 2006

Status of income tax assessments

The Company's income tax assessments for the tax years upto 2000 have been finalised by the Secretariat General for Taxation at the Ministry of Finance ("tax department"). In the assessments for the years 1998 to 2000, the tax department has included interest claim on overdue debtors in the taxable income of the Company. Further, the tax department has revised the assessments already completed for the years 1994 to 1997 and included the interest claim on overdue debtors relating to these years in the taxable income. The Company has filed objections against these assessments to the Secretary General for Taxation. The current tax for the prior years comprises the tax demand raised by the tax department on completion of the above assessments. Since the Company has filed objections against these assessments, the tax department has been requested by the Company to keep the tax demands in abeyance.

The income tax assessments of the Company for the years 2001 to 2005 have not yet been finalised by the tax department. The Board of Directors are of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Company's financial position at 31 December 2006.

28. Basic earnings per share

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

	2006 RO	2005 RO
Net profit for the year (RO)	<u>20,658,092</u>	<u>10,215,684</u>
Weighted average number of shares (Nos.)	<u>200,000,000</u>	<u>166,377,200</u>
Basic earnings per share (RO)	<u>0.103</u>	<u>0.061</u>

29 Lease

The Company has been granted leasehold rights by His Majesty Sultan Qaboos bin Said for the use of land, on which the factory has been constructed for a period of thirty years from 1 January 1984. At 31 December 2006 future minimum lease commitments under non-cancellable operating leases are as follows:

	2006 RO	2005 RO
Less than one year	1,000	1,000
Between one and five years	4,000	4,000
More than five years	<u>2,000</u>	<u>3,000</u>
	<u>7,000</u>	<u>8,000</u>



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for the year ended 31 December 2006

30. Commitments

	2006 RO	2005 RO
Capital commitments		
Plant and machinery	13,082,353	2,369,602
Civil works	796,525	515,801
Others	252,249	12,369
	<u>14,131,127</u>	<u>2,897,772</u>
Modernization and expansion Line 1	-	11,680,000
	<u>14,131,127</u>	<u>14,577,772</u>

31. Contingent liabilities

Letters of credit, guarantee and performance bond	<u>305,000</u>	<u>79,965</u>
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32. Related parties

The Company has entered into transactions with its executive officers, Directors and entities in which certain Directors of the Company have an interest. In the ordinary course of business, the Company sells goods to related parties and purchases goods from, occupies the premises of and receives services from related parties. These transactions are entered into on terms and conditions, which the Directors believe could be obtained on an arm's length basis from independent third parties.

During the year, related party transactions were as follows:

	2006 RO	2005 RO
Sales to entities related to:		
Directors		
- Sheikh Salem Mohiyuddin	-	2,003,556
- Modern Contracting Company	23,316	56,563
- Shanfari & Partners LLC	-	21,966
Entity in which the Company hold's 10% or more shares		
- Mukalla Raysut Cement	17,088,412	10,700,385
	<u>17,111,728</u>	<u>12,782,470</u>



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	2006 RO	2005 RO
Purchases of goods and services from entities related to:		
Directors		
- Sheikh Salem Mohiyuddin	-	540,279
- Shanfari & Partners LLC	-	165
Entity in which the Company hold's 10% or more shares		
- Mukalla Raysut Cement	<u>231,740</u>	<u>105,520</u>
	<u>231,740</u>	<u>645,964</u>
Compensation of key management personnel		
Board of directors sitting fees	15,600	16,850
Director's remuneration	<u>184,400</u>	<u>183,150</u>
	<u>200,000</u>	<u>200,000</u>
Salaries & allowances Paid to Executive Officers	<u>468,069</u>	<u>359,429</u>
	<u>668,069</u>	<u>559,429</u>

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise).

Amounts due from / to related parties at year end are as follows :

	2006 RO	2005 RO
Due from related parties		
Directors :		
- Sheikh Salem Mohiyuddin	-	401,280
- Modern Contracting Company	3,200	816
- Shanfari & Partners LLC	-	3,299
Entity in which the Company hold's 10% or more shares :		
- Mukalla Raysut Cement	<u>330,323</u>	<u>746,765</u>
	<u>333,523</u>	<u>1,152,160</u>
Less : Provision for interest	<u>-</u>	<u>(256,632)</u>
	<u>333,523</u>	<u>895,528</u>
Due to related parties		
Directors :		
- Sheikh Salem Mohiyuddin	-	110,791
	<u>-</u>	<u>110,791</u>



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33. Segmental reporting

The Company has only one business segment. Segment information is, accordingly, presented in respect of Company's geographical segments, which are based on the Company's management reporting structure. Segment revenue, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company sells its products primarily in two geographical areas, namely Oman and Yemen and other Gulf Co-operation Council ("GCC") countries. Information comprising segment revenue, results and the related receivables are based on geographical location of customers.

	Oman		Yemen and other GCC		Total	
	2006 RO	2005 RO	2006 RO	2005 RO	2004 RO	2005 RO
						(restated)
Revenue	20,117,510	11,671,526	27,857,440	16,321,498	47,974,950	27,993,024
Cost of sales	(11,693,699)	(7,925,663)	(15,207,749)	(10,404,853)	(26,901,448)	(18,330,516)
Gross profit	8,423,811	3,745,863	12,649,691	5,916,645	21,073,502	9,662,508
Common costs					(697,998)	(635,364)
Other income					139,394	144,557
Share of profit in an associate					2,763,776	1,700,000
Fair value gain on held to maturity investments					(170,461)	251,833
Profit before tax	8,423,811	3,745,863	12,649,691	5,916,645	23,108,213	11,123,534
Segment assets, comprise sing trade receivables	2,334,188	1,243,703	975,449	703,475	3,309,637	1,947,178

34. Financial instruments

Trade and other receivables comprise amounts due from customers.

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs.

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

Credit risk

The credit risk of the Company is primarily attributable to bank balances and trade and other receivables.

The Company's bank accounts are placed with reputed financial institutions.

Management 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



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for the year ended 31 December 2005

Company does not require collateral in respect of financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

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.

Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in foreign currencies other than Rials Omani. Substantially all of the Company's sales, purchases and borrowings are in Rials Omani or currencies linked to U.S. Dollars. The exchange rate between Rials Omani and US Dollar has remained unchanged since 1986. The Company is also exposed to foreign currency risk on investment in an associate in the aggregate amount of approximately RO 2,787,177 (2005 : RO 2,077,766) denominated in Yemeni Rials.

Fair value

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

35. Accounting estimates and judgements

a. Inventories

Provision for slow moving items are established at the rate of 4% per annum on the basis that the spares have the same useful life of 25 years as that of plant and machinery.

b. Provision for impairment losses of trade receivables

The Company carried an impairment test based on a variety of assumptions and makes provision for doubtful debts outstanding for more than 180 days.

36. Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 22 February 2007.

37. Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted in these financial statements.