

## **Director's Report**

### **Dear Shareholders,**

On behalf of myself and the Board of Directors, I'm pleased to present the annual report and the audited financial statements of the company and its subsidiaries for the financial year ended 31 December 2007.

### **Muscat Securities Market:**

Securities posted impressive gain on the MSM in 2007. Reflecting the positive trend, the MSM index registered an increase of 61.88% at the end of year 2007 & (9035.48) points in compared with (5581.57 ) points, a year ago .

The aggregate market turnover stood 136.1% higher at R.O (2.66) billion as against R.O (1.13) billion recorded in 2006.

Also, the market capitalization has registered a record (65.14 %) growth in 2007 at R.O (10.3) billion, as against R.O ( 6.2 ) billion in 2007.

### **Company financial result:**

However, the company achieved a trading volume of Omani Rial (173.5 ) million in the year 2007 compared with Omani Rial (62.60) million in the year 2006.

The consolidated financial statement shows an achievement of net profit of R.O. (9.062.638) after tax and necessary provisions, the parent share is the consolidated net profit R.O. (7,524,989), and the parent statements shows R.O ( 7.033.719) in comparison of R.O. ( 1,261,786 ) in 2006

Also it shows increase in equity attributable to equity holders of the parent to be R.O. ( 28.410.118 ) in comparison of R.O. ( 18.971.418 ) in 2006, and the parent total equity R.O.( 26.458.037) in comparison of R.O. ( 15.643.086 ) in 2006

### **Related party transactions:**

The related party transactions, is mentioned in note number (32) in the financial statements, and it is within normal business transactions with the board members subsidiaries and associates companies, it includes credit facilities granted to clients in trust accounts, brokerage deals at MSM , salaries, incentives and other expenses

### **Dividends policy:**

The dividends policy aim is to get an optimal and clear view about how to divide the company earnings between excellent dividends for the Shareholders and the company reserves.

The Board of Directors is pleased to recommend the shareholders to distribute (20%) cash dividends & (20%) share dividends on the paid up capital as at 31 December 2007.

The Board has recommended to the EGM to increase the company authorized capital from R.O 20 M to R.O 30 M, & raise the paid up capital until R.O 22 m through the subscription of the right issue shares by 22.67% in the second half of the year 2008.

**Future out look:**

The company continues to achieve the goals by developing the company's activities in the field of investment and financial securities in and out of Oman market

Locally the company kept a sufficient share percentage in the worth SAOG Companies, and invest in new industry projects also. The company will continue to develop and train its staff, so as to provide the best services to its clients , and to achieve the best results to its shareholders and to support the Omanisation plans.

**Finally:**

Finally, the Board of Directors have the honor to thank His Majesty Sultan Qaboos bin Said, for his continued support to the private sector and we are confident that under the wise leadership of His Majesty the Omani economy and its entrepreneurial people will continue to grow and prosper in the future.

We would like to express our gratitude to the Ministry of Commerce and Industry, Capital Market Authority and Muscat Security Market for all their efforts and continued support for developing the financial securities in the Sultanate. We also wish to thank the company management and staff for their sincere efforts and contribution for the growth of the company. We also wish to thank our shareholders for their trust and patronage, and we are confident that we will grow stronger and fulfill the hopes and aspiration of our shareholders, looking forward to new year of fruitful results in the future.

**SHEIKH SULIMAN BIN AHMED BIN SAID ALHOQANI  
CHAIRMAN**

## **Management Discussion and Analysis Report-2007**

I am pleased to present the Management Discussion and Analysis report, for the financial year ended on 31 December 2007, which shows improved performance of the company.

The company achieved excellent results at the end of year 2007 reflecting the positive trend of Muscat Securities market, the MSM index registered an increase of 61.88% at the end of year 2007 & (9035.48) points in compared with (5581.57 ) points, a year ago . The aggregate market turnover was R.O (2.66) billion.

The company achieved a trading volume of Omani Rial (173.5 ) million in the year 2007 compared with Omani Rial (62.60) million in the year 2006. The net brokerage commission was RO (442,267) in the year 2007 compared with RO (200,998) in the year 2006

### **Company Policy for Work:**

The company has its own financial and administrative policies. The company abides by its policies to run the company affairs, through the definition of the role and responsibility for every employ it become easier to run these affairs inside and outside the company, by taking into consideration market fluctuations or any other local or foreign developments

### **Investment opportunities:**

The company has good market coverage both locally and internationally in the industrial, financial and service sectors and provides high quality services. GFI also has its brokerage division, which is very active in the local market.

The company have plan to extend its local and International investment through contribute or establish new company outside of Sultanate of Oman which will reflect of the performance and company result in the further.

### **Company Prominent Activities:**

- Floor Brokerage
- Issue Management
- Own Account Trading
- Portfolio Management.-
- Underwriting..
- Providing Investment advice and services with respect of financial securities.
- Operating MSM Trust Account.
- Operating non-MSM Trust Account.

## **Operational & Financial Status:**

Global Financial Investments is one of the leading brokerage companies in Muscat Security Market, it keeps major share in the market trading volume and have achieve an excellent financial result. Besides having a brokerage division, the company's main activity is to look for good investment projects, establishing new companies, or through acquisition turn around these companies and achieve good results. The company always publish its financial results on a quarterly basis. By being transparent, this will strengthen the company's position among other similar companies in Muscat Security Market

## **Internal Controls**

The management understand its responsibilities to its shareholders, so they have established proper working procedures to be sure that every activity is done efficiently, the internal audit department reviews all the procedures and the internal controls to ensure that it is compliant with the related laws and regulations and match the management goals. Regular reports are issued direct to the audit committee. Which is part of the board of directors.

The management assures that the company has the adequate internal controls and procedures. The company is following and adopting all the internal controls and regulations.

## **The company achieved these financial results during 2007:**

|                                          | <b>Parent</b>    | <b>Consolidated</b> |
|------------------------------------------|------------------|---------------------|
|                                          | <b>R.O 000</b>   | <b>R.O 000</b>      |
| Profit from trading in investments       | 4,897,321        | 3,912,184           |
| Dividend income                          | 1,495,814        | 507,600             |
| Share of profit from associate companies | -                | 2,132,232           |
| Adjustments in fair value of investments | 1,497,367        | 1,492,317           |
| Net investment profit                    | <u>7,890,502</u> | <u>8,044,333</u>    |
| Net Income recognized directly in equity | 2,879,663        | 2,103,943           |

The consolidated financial statement shows an achievement of net profit of R.O(9,062,638) after tax and necessary provisions. The parent share in consolidated net profit (7,524,989). and the parent statements shows R.O ( 7.033.719) in comparison of R.O. ( 1,261,786 ) in 2006.

The Board of Directors recommend the shareholders to distribute (20%) cash dividends & (20%) share dividends on the paid up capital as at 31 December 2007.

**Future outlook:**

The construction works for the company building finished and the company starts its daily works from the new owned building on January 2008.

The management hopes to continue its high level of performance, which has already reflected through the previous year results and financial situation.

The company is looking for investment solutions and opportunities in different sectors and activities. For that the management has recommended the Board to increase the company authorized capital from R.O 20M to R.O 30M, & raise the paid up capital until R.O 22M through the subscription of the right issue shares by 22.67% in the second half of the year 2008.

Executing the EGM design to transform Global Financial Investments S.A.O.G. into a Holding Company. The management starts its legal and fiscal procures to establish the subsidiaries companies and transfer the licensed activities to them, which is expected to be finalized on March 2008. Also the management will prepare a new dealing room supported by online trading.

The company is creating and developing its services to maximize the shared benefits. For all that the company continues to develop its activities in the fields of investment and financial securities and actively work towards developing and training its staff.

**Jamal Bin Said Al Ojaili**  
**Executive President**

## **Independent Auditor's Report to the Shareholders of Global Financial Investments SAOG and its subsidiaries**

### **Report on the financial statements**

We have audited the accompanying financial statements of Global Financial Investments SAOG ("the Parent Company") and the consolidated financial statements of Global Financial Investments SAOG and its subsidiaries ("the Group"), which comprise of the balance sheet as at 31 December 2007 and the income statement, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 3 to 47.

### **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 and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007. 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 circumstance.

### **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 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 the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

**Independent Auditor's Report  
to the Shareholders of Global Financial  
Investments SAOG and its subsidiaries (continued)**

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**Opinion**

In our opinion, the financial statements, present fairly, in all material respects, the financial position of the Parent Company and the Group, as of 31 December 2007, and its financial performance and 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 comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority, effective 1 October 2007.

  
Deloitte & Touche (M.E.)  
Muscat, Sultanate of Oman  
27 February 2008



## Consolidated balance sheet as at 31 December 2007

|                                                     | Notes | Parent Company    |            | Consolidated      |            |
|-----------------------------------------------------|-------|-------------------|------------|-------------------|------------|
|                                                     |       | 2007              | 2006       | 2007              | 2006       |
|                                                     |       | RO                | RO         | RO                | RO         |
| <b>ASSETS</b>                                       |       |                   |            |                   |            |
| <b>Non-current assets</b>                           |       |                   |            |                   |            |
| Property, plant and equipment                       | 6     | 766,426           | 442,703    | 4,941,825         | 17,073,747 |
| Goodwill                                            | 7     | -                 | -          | -                 | 45,493     |
| Investments in associates                           | 8     | 3,747,042         | 6,655,478  | 4,605,443         | 8,534,752  |
| Investments in subsidiaries                         | 9     | 1,105,425         | 2,667,828  | -                 | -          |
| Investment property                                 | 10    | 255,000           | 510,000    | 255,000           | 510,000    |
| Available for sale investments                      | 11    | 9,918,723         | 4,433,689  | 9,938,855         | 4,433,692  |
| <b>Total non-current assets</b>                     |       | <b>15,792,616</b> | 14,709,698 | <b>19,741,123</b> | 30,597,684 |
| <b>Current assets</b>                               |       |                   |            |                   |            |
| Inventories                                         | 12    | -                 | -          | 826,065           | 1,496,987  |
| Trade and other receivables                         | 13    | 1,644,407         | 430,268    | 1,922,151         | 1,679,554  |
| Investments                                         | 14    | 8,218,843         | 6,190,290  | 8,290,723         | 7,161,069  |
| Cash and cash equivalent                            | 15    | 8,702,253         | 1,099,820  | 8,798,024         | 2,003,308  |
| <b>Total current assets</b>                         |       | <b>18,565,503</b> | 7,720,378  | <b>19,836,963</b> | 12,340,918 |
| <b>Total assets</b>                                 |       | <b>34,358,119</b> | 22,430,076 | <b>39,578,086</b> | 42,938,602 |
| <b>EQUITY AND LIABILITIES</b>                       |       |                   |            |                   |            |
| <b>Capital and reserves</b>                         |       |                   |            |                   |            |
| Share capital                                       | 16    | 14,945,232        | 12,939,795 | 14,945,232        | 12,939,795 |
| Treasury shares                                     |       | -                 | -          | -                 | (85,622)   |
| Statutory reserve                                   | 18    | 1,968,087         | 1,264,715  | 2,076,652         | 1,324,153  |
| Investments revaluation reserve                     | 11    | 3,084,863         | 205,200    | 2,309,143         | 205,200    |
| Revaluation reserve                                 | 19    | 51,031            | 51,031     | 1,282,765         | 2,525,736  |
| Retained earnings                                   |       | 6,408,824         | 1,182,345  | 7,796,326         | 2,062,156  |
| Equity attributable to equity holders of the parent |       | 26,458,037        | 15,643,086 | 28,410,118        | 18,971,418 |
| Minority interest                                   |       | -                 | -          | 1,968,579         | 11,848,556 |
| <b>Total equity</b>                                 |       | <b>26,458,037</b> | 15,643,086 | <b>30,378,697</b> | 30,819,974 |
| <b>Non-current liabilities</b>                      |       |                   |            |                   |            |
| Term loans                                          | 20    | -                 | -          | 644,925           | 1,190,301  |
| Deferred government grant                           | 20    | -                 | -          | 314,783           | 136,266    |
| Bank borrowings – long term                         | 21    | -                 | 1,315,318  | -                 | 1,315,318  |
| Deferred tax                                        | 23    | 6,959             | 6,959      | 6,959             | 901,894    |
| Provision for employees' end of service indemnity   |       | 32,371            | 22,002     | 46,118            | 198,190    |
| <b>Total non-current liabilities</b>                |       | <b>39,330</b>     | 1,344,279  | <b>1,012,785</b>  | 3,741,969  |

**Consolidated balance sheet  
as at 31 December 2007 (continued)**

|                                     | Notes | Parent Company    |            | Consolidated      |            |
|-------------------------------------|-------|-------------------|------------|-------------------|------------|
|                                     |       | 2007<br>RO        | 2006<br>RO | 2007<br>RO        | 2006<br>RO |
| <b>Current liabilities</b>          |       |                   |            |                   |            |
| Term loans - current portion        | 20    | -                 | -          | <b>355,923</b>    | 1,570,475  |
| Bank borrowings – short term        | 21    | <b>1,387,452</b>  | 3,851,741  | <b>1,387,452</b>  | 4,025,791  |
| Trade and other payables            | 22    | <b>6,423,011</b>  | 1,590,970  | <b>6,392,940</b>  | 2,593,474  |
| Provision for income tax            |       | <b>50,289</b>     | -          | <b>50,289</b>     | 186,919    |
|                                     |       | <hr/>             | <hr/>      | <hr/>             | <hr/>      |
| <b>Total current liabilities</b>    |       | <b>7,860,752</b>  | 5,442,711  | <b>8,186,604</b>  | 8,376,659  |
|                                     |       | <hr/>             | <hr/>      | <hr/>             | <hr/>      |
| <b>Total equity and liabilities</b> |       | <b>34,358,119</b> | 22,430,076 | <b>39,578,086</b> | 42,938,602 |
|                                     |       | <hr/>             | <hr/>      | <hr/>             | <hr/>      |
| <b>Customers' securities</b>        |       | <b>3,459,322</b>  | 18,029,409 | <b>3,459,322</b>  | 18,029,409 |
|                                     |       | <hr/>             | <hr/>      | <hr/>             | <hr/>      |
| <b>Net assets per share</b>         | 24    | <b>0.177</b>      | 0.121      | <b>0.190</b>      | 0.147      |
|                                     |       | <hr/>             | <hr/>      | <hr/>             | <hr/>      |

**Consolidated income statement  
for the year ended 31 December 2007**

|                                              | Notes | Parent Company   |            | Consolidated     |             |
|----------------------------------------------|-------|------------------|------------|------------------|-------------|
|                                              |       | 2007<br>RO       | 2006<br>RO | 2007<br>RO       | 2006<br>RO  |
| <b>Continuing operation</b>                  |       |                  |            |                  |             |
| <b>Income</b>                                |       |                  |            |                  |             |
| Net brokerage commission                     |       | 442,267          | 200,998    | 442,267          | 200,998     |
| Profit from trading in investments           | 25    | 4,897,321        | 176,574    | 3,912,184        | 195,761     |
| Revenue from sale of Filters                 |       | -                | -          | 587,649          | 1,131,705   |
| Revenue from sale of Dates                   |       | -                | -          | 1,394,686        | 688,374     |
| Dividend income                              | 25    | 1,495,814        | 797,133    | 507,600          | 237,346     |
| Other income                                 |       | 42,574           | 51,773     | 74,816           | 72,212      |
|                                              |       | 6,877,976        | 1,226,478  | 6,919,202        | 2,526,396   |
| <b>Expenses</b>                              |       |                  |            |                  |             |
| Cost of sales – Filters                      |       | -                | -          | (703,020)        | (1,008,868) |
| Cost of sales – Dates                        |       | -                | -          | (1,384,193)      | (693,446)   |
| Salaries and related costs                   | 26    | (634,337)        | (371,133)  | (730,635)        | (449,955)   |
| General and administrative expenses          | 27    | (424,214)        | (186,450)  | (614,631)        | (454,066)   |
| Finance charges                              |       | (232,784)        | (173,252)  | (307,346)        | (219,097)   |
|                                              |       | (1,291,335)      | (730,835)  | (3,739,825)      | (2,825,432) |
| Impairment loss – investment in subsidiaries | 28    | -                | (129,490)  | -                | (343,000)   |
| Impairment loss – investment property        | 10    | (255,000)        | -          | (255,000)        | -           |
| Adjustments in fair value of investments     | 25    | 1,752,367        | 895,633    | 1,747,317        | 937,366     |
| Share of profit from associate companies     |       | -                | -          | 2,132,232        | 1,033,165   |
| Provision for interest charges written back  |       | -                | -          | 122,329          | -           |
| <b>Profit from continuing operation</b>      |       | <b>7,084,008</b> | 1,261,786  | <b>6,926,255</b> | 1,328,495   |
| <b>Discontinued operation</b>                |       |                  |            |                  |             |
| Profit from discontinued operation           | 29    | -                | -          | 2,186,672        | 1,374,661   |
| <b>Profit for the year before income tax</b> |       | <b>7,084,008</b> | 1,261,786  | <b>9,112,927</b> | 2,703,156   |
| Income tax                                   | 23    | (50,289)         | -          | (50,289)         | -           |
| <b>Profit for the year</b>                   | 30    | <b>7,033,719</b> | 1,261,786  | <b>9,062,638</b> | 2,703,156   |

|                                 |                  |              |                  |              |       |
|---------------------------------|------------------|--------------|------------------|--------------|-------|
|                                 |                  |              | 6                |              |       |
|                                 |                  |              | <u>6</u>         |              |       |
| Attributable to:                |                  |              |                  |              |       |
| Equity holders of the parent    | <b>7,033,719</b> | 1,261,78     | <b>7,524,989</b> | 1,856,167    |       |
|                                 |                  |              | 6                |              |       |
| Minority interest               | -                | -            | <b>1,537,649</b> | 846,989      |       |
|                                 |                  |              | <u>6</u>         |              |       |
| <b>Profit for the year</b>      | <b>7,033,719</b> | 1,261,78     | <b>9,062,638</b> | 2,703,156    |       |
|                                 |                  |              | <u>6</u>         |              |       |
|                                 |                  |              | <u>6</u>         |              |       |
| <b>Basic earnings per share</b> | <b>31</b>        | <b>0.048</b> | 0.010            | <b>0.052</b> | 0.015 |
|                                 |                  |              | <u>6</u>         |              |       |

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

## Consolidated statement of cash flows for the year ended 31 December 2007

|                                                                        | Parent Company     |                    | Consolidated        |                    |
|------------------------------------------------------------------------|--------------------|--------------------|---------------------|--------------------|
|                                                                        | 2007<br>RO         | 2006<br>RO         | 2007<br>RO          | 2006<br>RO         |
| <b>Operating activities</b>                                            |                    |                    |                     |                    |
| Profit for the year before tax and minority interest                   | 7,084,008          | 1,261,786          | 9,112,927           | 2,872,239          |
| Adjustments for:                                                       |                    |                    |                     |                    |
| Depreciation of property, plant and equipment                          | 9,600              | 7,944              | 410,410             | 1,011,481          |
| Loss / (gain) on disposal of property,<br>plant and equipment          | 1                  | -                  | 1                   | (2,049)            |
| Impairment loss                                                        | 255,000            | 173,252            | 255,000             | 343,000            |
| Release of goodwill                                                    | -                  | -                  | 45,493              | 1,077              |
| Adjustment of fair value of investments                                | (1,752,367)        | (895,633)          | (1,747,317)         | (865,596)          |
| Share of profit from associate companies                               | -                  | -                  | (2,132,232)         | (1,076,422)        |
| Finance charges                                                        | 232,784            | 173,252            | 307,346             | 305,019            |
| Net transfer from Provision for employees'<br>end of service indemnity | 10,369             | (4,164)            | (152,072)           | 10,101             |
| <b>Operating profit before changes in working capital</b>              | <b>5,839,395</b>   | <b>716,437</b>     | <b>6,099,556</b>    | <b>2,598,850</b>   |
| Changes in working capital:                                            |                    |                    |                     |                    |
| Net movements in investments                                           | 1,589,282          | (3,857,616)        | 3,277,983           | (4,213,375)        |
| Trade and other receivables                                            | (1,214,139)        | 53,649             | (242,597)           | (530,574)          |
| Inventories                                                            | -                  | -                  | 670,922             | (817,516)          |
| Trade and other payables                                               | 4,832,041          | (158,133)          | 3,799,466           | 442,694            |
| <b>Cash generated from / (used in) operations</b>                      | <b>11,046,579</b>  | <b>(3,245,663)</b> | <b>13,605,330</b>   | <b>(2,519,921)</b> |
| Income tax paid                                                        | -                  | (182,403)          | -                   | (289,891)          |
| Cash flow from discontinued operations                                 | -                  | -                  | 1,802,778           | -                  |
| Net effect of disposal of subsidiary                                   | -                  | -                  | 10,228,500          | -                  |
| <b>Net cash from / (used in) operating activities</b>                  | <b>11,046,579</b>  | <b>(3,428,066)</b> | <b>25,636,608</b>   | <b>(2,809,812)</b> |
| <b>Investing activities</b>                                            |                    |                    |                     |                    |
| Purchase of property, plant and equipment                              | (333,324)          | (270,581)          | (377,386)           | (660,041)          |
| Proceeds from sale of property, plant and equipment                    | -                  | -                  | -                   | 2,253              |
| Net change in fixed deposit                                            | -                  | -                  | -                   | 408,272            |
| Cash flow from discontinued operations                                 | -                  | -                  | (1,248,153)         | -                  |
| <b>Net cash used in investing activities</b>                           | <b>(333,324)</b>   | <b>(270,581)</b>   | <b>(1,625,539)</b>  | <b>(249,516)</b>   |
| <b>Financing activities</b>                                            |                    |                    |                     |                    |
| Right issue                                                            | 2,005,437          | -                  | 2,005,437           | -                  |
| Dividends paid                                                         | (1,103,868)        | (1,613,490)        | (1,103,868)         | (1,613,490)        |
| Treasury shares                                                        | -                  | -                  | 85,622              | -                  |
| Net movements in bank borrowings                                       | (3,779,607)        | 3,897,709          | (3,953,657)         | 4,071,759          |
| Net movement in term loans                                             | -                  | -                  | (1,581,411)         | (60,707)           |
| Net movement in minority interest                                      | -                  | -                  | (11,488,444)        | (498,492)          |
| Finance charges paid                                                   | (232,784)          | (173,252)          | (307,346)           | (281,340)          |
| Cash flow from discontinued operations                                 | -                  | -                  | (872,686)           | -                  |
| <b>Net cash (used in) / from financing activities</b>                  | <b>(3,110,822)</b> | <b>2,110,967</b>   | <b>(17,216,353)</b> | <b>1,617,730</b>   |
| <b>Net change in cash and cash equivalents</b>                         | <b>7,602,433</b>   | <b>(1,587,680)</b> | <b>6,794,716</b>    | <b>(1,441,598)</b> |

|                                                                        |                  |           |                  |           |
|------------------------------------------------------------------------|------------------|-----------|------------------|-----------|
| Cash and cash equivalents, at the beginning of the year                | <b>1,099,820</b> | 2,687,500 | <b>2,003,308</b> | 3,444,906 |
| <b>Cash and cash equivalents, at the end of the year<br/>(Note 15)</b> | <b>8,702,253</b> | 1,099,820 | <b>8,798,024</b> | 2,003,308 |

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

# GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

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## Consolidated statement of changes in equity for the year ended 31 December 2007

| Group                                    | Share<br>capital<br>RO | Treasury<br>shares<br>RO | Statutory<br>reserve<br>RO | Investments<br>valuation<br>reserve<br>RO | Re-<br>valuation<br>reserve<br>RO | Retained<br>earnings<br>RO | Equity<br>attributable to<br>equity holders<br>of the parent<br>RO | Minority<br>Interest<br>RO | Total<br>RO       |
|------------------------------------------|------------------------|--------------------------|----------------------------|-------------------------------------------|-----------------------------------|----------------------------|--------------------------------------------------------------------|----------------------------|-------------------|
| Balance at 1 January 2006                | 10,783,163             | (85,622)                 | 1,138,536                  | 476,840                                   | 860,169                           | 4,094,899                  | 17,267,985                                                         | 6,690,313                  | 23,958,298        |
| Gain of revaluation of assets            | -                      | -                        | -                          | -                                         | 1,732,396                         | -                          | 1,732,396                                                          | 4,809,746                  | 6,542,142         |
| Release of revaluation reserve           | -                      | -                        | -                          | -                                         | (66,829)                          | 66,829                     | -                                                                  | -                          | -                 |
| Fair value changes                       | -                      | -                        | -                          | (271,640)                                 | -                                 | -                          | (271,640)                                                          | -                          | (271,640)         |
| Net income recognized directly in equity | -                      | -                        | -                          | (271,640)                                 | 1,665,567                         | 66,829                     | 1,460,756                                                          | 4,809,746                  | 6,270,502         |
| Profit for the year                      | -                      | -                        | -                          | -                                         | -                                 | 1,856,167                  | 1,856,167                                                          | 846,989                    | 2,703,156         |
| Total recognized income for the period   | -                      | -                        | -                          | (271,640)                                 | 1,665,567                         | 1,922,996                  | 3,316,923                                                          | 5,656,735                  | 8,973,658         |
| Transfer to statutory reserve            | -                      | -                        | 185,617                    | -                                         | -                                 | (185,617)                  | -                                                                  | -                          | -                 |
| Bonus issue                              | 2,156,632              | -                        | -                          | -                                         | -                                 | (2,156,632)                | -                                                                  | -                          | -                 |
| Cash dividend                            | -                      | -                        | -                          | -                                         | -                                 | (1,613,490)                | (1,613,490)                                                        | -                          | (1,613,490)       |
| Net movement in the minority interest    | -                      | -                        | -                          | -                                         | -                                 | -                          | -                                                                  | (498,492)                  | (498,492)         |
| <b>Balance at 31 December 2006</b>       | <b>12,939,795</b>      | <b>(85,622)</b>          | <b>1,324,153</b>           | <b>205,200</b>                            | <b>2,525,736</b>                  | <b>2,062,156</b>           | <b>18,971,418</b>                                                  | <b>11,848,556</b>          | <b>30,819,974</b> |

## GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

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### Consolidated statement of changes in equity for the year ended 31 December 2007 (continued)

| Group                                    | Share<br>capital<br>RO | Treasury<br>shares<br>RO | Statutory<br>reserve<br>RO | Investments<br>valuation<br>reserve<br>RO | Re-<br>valuation<br>reserve<br>RO | Retained<br>earnings<br>RO | Equity<br>attributable to<br>equity holders<br>of the parent<br>RO | Minority<br>Interest<br>RO | Total<br>RO       |
|------------------------------------------|------------------------|--------------------------|----------------------------|-------------------------------------------|-----------------------------------|----------------------------|--------------------------------------------------------------------|----------------------------|-------------------|
| Balance at 1 January 2007                | 12,939,795             | (85,622)                 | 1,324,153                  | 205,200                                   | 2,525,736                         | 2,062,156                  | 18,971,418                                                         | 11,848,556                 | 30,819,974        |
| Gain of revaluation of assets            | -                      | -                        | -                          | -                                         | 319,182                           | -                          | 319,182                                                            | 70,818                     | 390,000           |
| Release of revaluation reserve           | -                      | -                        | -                          | -                                         | (65,548)                          | 65,548                     | -                                                                  | -                          | -                 |
| Fair value changes                       | -                      | -                        | -                          | 2,103,943                                 | -                                 | -                          | 2,103,943                                                          | -                          | 2,103,943         |
| Net income recognized directly in equity | -                      | -                        | -                          | 2,103,943                                 | 253,634                           | 65,548                     | 2,423,125                                                          | 70,818                     | 2,493,943         |
| Profit for the year                      | -                      | -                        | -                          | -                                         | -                                 | 7,524,989                  | 7,524,989                                                          | 1,537,649                  | 9,062,638         |
| Total recognized income for the year     | -                      | -                        | -                          | 2,103,943                                 | 253,634                           | 7,590,537                  | 9,948,114                                                          | 1,608,467                  | 11,556,581        |
| Transfer to statutory reserve            | -                      | -                        | 752,499                    | -                                         | -                                 | (752,499)                  | -                                                                  | -                          | -                 |
| Right issue                              | 2,005,437              | -                        | -                          | -                                         | -                                 | -                          | 2,005,437                                                          | -                          | 2,005,437         |
| Cash dividend                            | -                      | -                        | -                          | -                                         | -                                 | (1,103,868)                | (1,103,868)                                                        | -                          | (1,103,868)       |
| Net movement in the minority interest    | -                      | 85,622                   | -                          | -                                         | (1,496,605)                       | -                          | (1,410,983)                                                        | (11,488,444)               | (12,899,427)      |
| <b>Balance at 31 December 2007</b>       | <b>14,945,232</b>      | <b>-</b>                 | <b>2,076,652</b>           | <b>2,309,143</b>                          | <b>1,282,765</b>                  | <b>7,796,326</b>           | <b>28,410,118</b>                                                  | <b>1,968,579</b>           | <b>30,378,697</b> |

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

## GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

### Consolidated statement of changes in equity for the year ended 31 December 2007 (continued)

#### Parent

|                                          | Share<br>capital<br>RO | Statutory<br>reserve<br>RO | Investments<br>valuation reserve<br>RO | Re-valuation<br>reserve<br>RO | Retained<br>earnings<br>RO | Total<br>RO        |
|------------------------------------------|------------------------|----------------------------|----------------------------------------|-------------------------------|----------------------------|--------------------|
| <b>Balance at 1 January 2006</b>         | <b>10,783,163</b>      | <b>1,138,536</b>           | <b>476,840</b>                         | -                             | <b>3,816,860</b>           | <b>16,215,399</b>  |
| Gain on revaluation of assets            | -                      | -                          | -                                      | 51,031                        | -                          | <b>51,031</b>      |
| Fair value changes                       | -                      | -                          | (271,640)                              | -                             | -                          | <b>(271,640)</b>   |
| Net income recognised directly in equity | -                      | -                          | (271,640)                              | 51,031                        | -                          | <b>(220,609)</b>   |
| Profit for the year                      | -                      | -                          | -                                      | -                             | 1,261,786                  | <b>1,261,786</b>   |
| Total recognised income for the year     | -                      | -                          | (271,640)                              | 51,031                        | 1,261,786                  | <b>1,041,177</b>   |
| Stock dividend                           | 2,156,632              | -                          | -                                      | -                             | (2,156,632)                | -                  |
| Cash dividend                            | -                      | -                          | -                                      | -                             | (1,613,490)                | <b>(1,613,490)</b> |
| Transfer to statutory reserve            | -                      | 126,179                    | -                                      | -                             | (126,179)                  | -                  |
| <b>Balance at 1 January 2007</b>         | <b>12,939,795</b>      | <b>1,264,715</b>           | <b>205,200</b>                         | <b>51,031</b>                 | <b>1,182,345</b>           | <b>15,643,086</b>  |
| Gain on revaluation of assets            | -                      | -                          | -                                      | -                             | -                          | -                  |
| Fair value changes                       | -                      | -                          | 2,879,663                              | -                             | -                          | <b>2,879,663</b>   |
| Net income recognised directly in equity | -                      | -                          | 2,879,663                              | -                             | -                          | <b>2,879,663</b>   |
| Profit for the year                      | -                      | -                          | -                                      | -                             | 7,033,719                  | <b>7,033,719</b>   |
| Total recognised income for the year     | -                      | -                          | 2,879,663                              | -                             | 7,033,719                  | <b>9,913,382</b>   |
| Right Issue                              | 2,005,437              | -                          | -                                      | -                             | -                          | <b>2,005,437</b>   |
| Cash dividend                            | -                      | -                          | -                                      | -                             | (1,103,868)                | <b>(1,103,868)</b> |
| Transfer to statutory reserve            | -                      | 703,372                    | -                                      | -                             | (703,372)                  | -                  |
| <b>Balance at 31 December 2007</b>       | <b>14,945,232</b>      | <b>1,968,087</b>           | <b>3,084,863</b>                       | <b>51,031</b>                 | <b>6,408,824</b>           | <b>26,458,037</b>  |

The accompanying notes form an integral part of these consolidated financial statement

**GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS  
SUBSIDIARIES**

# GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

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## Notes to the consolidated financial statements for the year ended 31 December 2007

### 1. Establishment and operations

Global Financial Investments SAOG (the "Parent Company") is an Omani joint stock company, incorporated in the Sultanate of Oman under a trade license issued by the Ministry of Commerce & Industry on 25 March 1997. The Company's head office is located in Muscat and its registered address is at P O Box 978, Muscat, Postal Code 113, Sultanate of Oman.

The principal activities of the Parent Company are brokerage, investments in securities and investment consultancy services.

The principal activities of the subsidiary companies are described in note (2).

### 2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Parent Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The details of the Company's subsidiaries at 31 December 2007 are as follows:

- a. Subsidiaries where the Parent Company owns more than 50% of the subsidiary's share capital:

| Name of subsidiary                 | Proportion of ownership interest % | Principal activity       |
|------------------------------------|------------------------------------|--------------------------|
| First International LLC            | 99.00                              | Investments              |
| Oman Filters Industry Company SAOG | 81.84                              | Manufacturing of filters |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**2. Basis of consolidation (continued)**

- b. Subsidiaries where the Parent Company has control:

The Company has significant control in Omani Dates International (LLC) by majority representation in the Board of Directors.

| Name of subsidiary                      | Proportion<br>of ownership<br>interest | Principal activity  |
|-----------------------------------------|----------------------------------------|---------------------|
| Omani Dates International Company (LLC) | 40.00                                  | Processing of dates |

During the year the Parent Company had disposed of its interest in Oman Hotels & Tourism SAOG (a subsidiary). These consolidated financial statements reflect the Group's share of profits in the subsidiary upto the date of disposal.

**3. Losses of subsidiary**

At 31 December 2007, Oman Filters Industry Co. SAOG (a subsidiary company) had accumulated losses of RO 1,344,353 (31 December 2006: RO 1,243,590). The subsidiary company's ability to continue as going concern is dependent upon its ability to obtain additional financing and achieving profitable operations. The Board of Directors of the subsidiary believes that the subsidiary could achieve better results in the future as a result of diversification into industrial filters. Therefore, the Board of Directors of the Parent Company believes that provision for impairment of the property, plant and equipment of the subsidiary is not required.

The Board believes that sufficient financial support will be provided by the Shareholders and the financial institutions. Due to the above mentioned factors, the financial statements of the subsidiary have been prepared on a going concern basis.

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

For the year ended 31 December 2007, the Group 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 2007.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**4. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)**

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

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

|                                                                                                                | <b>Effective for annual<br/>period beginning or after</b> |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| IFRIC 11 : IFRS 2: Group and Treasury Share Transactions                                                       | 1 March 2007                                              |
| IFRIC 12 : Service Concession Arrangements                                                                     | 1 January 2008                                            |
| IFRIC 13 : Customer Loyalty Programmes                                                                         | 1 July 2008                                               |
| IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their Interaction | 1 January 2008                                            |
| IFRS 2 : (Revised) Share-based Payment                                                                         | 1 January 2009                                            |
| IFRS 8 : Operating Segments                                                                                    | 1 January 2009                                            |
| IAS 1 : (Revised) Presentation of Financial Statements                                                         | 1 January 2009                                            |
| IAS 23 : (Revised) Borrowing Costs                                                                             | 1 January 2009                                            |
| IAS 32 : (Revised) Financial Instruments : Presentation                                                        | 1 January 2009                                            |
| IFRS 3 : (Revised) Business Combinations                                                                       | 1 July 2009                                               |
| IAS 27 : (Revised) Consolidated and Separate Financial Statements                                              | 1 July 2009                                               |
| IAS 28 : (Revised) Investment in Associates                                                                    | 1 July 2009                                               |
| IAS 31 : (Revised) Interests in Joint Ventures                                                                 | 1 July 2009                                               |

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 Group.

**5. Summary of significant accounting policies**

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

These consolidated financial statements are presented in Rials Omani (RO) since that is the currency of the country in which the Group is domiciled.

The following is a summary of the significant accounting policies:

**Basis of accounting**

The consolidated financial statements have been prepared on the historical cost basis except for revaluation of certain properties and financial instruments at fair value.

**Property, plant and equipment**

Property, plant and equipment are initially recorded at cost and carried at cost or valuation less accumulated depreciation and any identified impairment loss. During the current year the Group has revalued its lands and all lands were booked at revalued amounts.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**5. Summary of significant accounting policies (continued)**

**Property, plant and equipment (continued)**

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued assets is charged to profit or loss. The difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on the asset's original cost is transferred from the revaluation reserve directly to retained earnings.

Depreciation is charged so as to write off the cost or valuation of property, plant and equipment over their estimated useful lives, using the straight line method, on the following basis:

|                                       | <b>Years</b> |
|---------------------------------------|--------------|
| Buildings and car park                | 10 – 25      |
| Machinery and equipment               | 10 – 20      |
| Crockery and linen                    | 2            |
| Motor vehicles, trucks and trolleys   | 3 – 5        |
| Furniture, fixtures, office equipment | 3 – 10       |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policies.

**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets 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 impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognized 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 recognized 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 recognized earlier.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Investments in subsidiaries**

Investments in subsidiaries are carried in the financial statements of the Parent Company at cost less any impairment.

**Investments in Associates****Group**

An associate is an entity over which the Group has significant influence and that is not a subsidiary. Significant influence is the power to 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 consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group'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 Group's interest in that associate are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**Parent Company**

Investments in associates are carried in the financial statement of the Parent Company at cost less any impairment.

**Investment property**

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are dealt with in the income statement in the period in which they arise.

**Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Financial instruments (continued)*****Trade receivables***

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

***Investments***

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments classified as investments available-for-sale or held for trading are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the year. 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 year. 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.

Investments available-for-sale 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.

Investments are classified as fair value through profit or loss account if the fair value of the investment can be reliably measured and the classification is as per the strategy of the Group.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Financial instruments (continued)*****Trade payables***

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

***Equity instruments***

Equity instruments are recorded at the proceeds received, net of direct issue costs.

***Treasury shares***

Treasury shares are disclosed as a deduction from equity. No gain or loss is recognized in profit or loss on the sale of treasury shares. Consideration paid or received is recognized directly in equity.

***Bank borrowings***

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

**Goodwill**

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates'.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the weighted average basis.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Inventories (continued)**

Raw-materials cost represents the prime cost of the goods and related direct expenses.

Finished goods cost represents the cost of the raw-materials, direct labour and other attributable overheads.

Work-in-progress cost represents the proportionate cost of the raw-materials, direct labour and other attributable overheads.

Net realizable value represents the estimated sale value after deducting all costs to complete, including marketing, sales and distribution of the goods.

**Provision for employees' end of service indemnity**

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

Provision for non-Omani employees has been made for termination gratuities, leave pay and passage in accordance with the terms of the Labour Law of the Sultanate of Oman and is based on the current remuneration and cumulative years of service at the balance sheet date.

**Directors' remuneration**

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law and the requirements of the Capital Market Authority.

**Taxation**

Taxation is provided for in accordance with the regulations of the Sultanate of Oman.

Deferred tax is provided based on the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The tax effects on the temporary differences are disclosed under non-current liabilities as a deferred tax liability calculated at the current income tax rates.

**Borrowing costs**

Borrowing costs are recognized in the period in which they are incurred.

**Fiduciary assets**

Assets held in trust on fiduciary capacity are not treated as assets of the Group and accordingly are not included in the financial statements.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Provisions**

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

**Revenue recognition**

- Realized gain or loss on dealings in securities are recognized upon completion of the sale, which represents the difference between sale proceeds and cost of securities sold, calculated on a weighted average basis.
- Interest income is recognized on the accrual basis.
- Dividend income from securities portfolio is recognized when the shareholder's right to receive payment has been established.
- Brokerage and commission income is recognized on completion of each deal transacted during the year.
- Sales are recognized when the goods are delivered (net of discounts and returns).
- Services are recognised when rendered to customers (net of discount and returns).

**Critical judgments in applying the accounting policies**

In the process of applying the Group accounting policies management has made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements.

*Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit and loss account, or available-for-sale.

The group classifies investments as trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

Classification of investments as fair value through profit and loss account depends on how management monitor the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit and loss.

All other investments are classified as available for sale.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****5. Summary of significant accounting policies (continued)****Critical judgments in applying the accounting policies (continued)***Impairment loss*

The impairment loss is estimated by management so as to reduce the carrying amount of an asset to its value in use. The elements taken into consideration in calculation of value in use are :

- An estimate of the future cash flows that expected to be driven form the assets.
- Time value of the money.
- The price of bearing the uncertainty inherent in the asset.
- Other factors, such as illiquidity, which market participants would reflect in pricing the future cash flows which the Group expects to derive from the asset.

**Foreign currencies**

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transaction. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing at the consolidated balance sheet date. Gains and losses arising from foreign currency transactions are dealt with in the consolidated income statement.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, current accounts and demand and time deposits with an original maturity of three months or less, from the date of placement that are free of any encumbrances.

**GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**6. Property, plant and equipment**

| <b>Consolidation</b>                           | <b>Land<br/>RO</b> | <b>Motor<br/>vehicles<br/>RO</b> | <b>Furniture,<br/>fixtures<br/>RO</b> | <b>Office<br/>equipment<br/>RO</b> | <b>Buildings<br/>and car<br/>park<br/>RO</b> | <b>Crockery<br/>and linen<br/>RO</b> | <b>Machinery<br/>and<br/>equipment<br/>RO</b> | <b>Capital<br/>work-in-<br/>progress<br/>RO</b> | <b>Total<br/>RO</b> |
|------------------------------------------------|--------------------|----------------------------------|---------------------------------------|------------------------------------|----------------------------------------------|--------------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------|
| <b>Cost / valuation</b>                        |                    |                                  |                                       |                                    |                                              |                                      |                                               |                                                 |                     |
| At 1 January 2006                              | 1,055,878          | 252,913                          | 6,755,177                             | 78,093                             | 12,370,467                                   | 247,575                              | 3,562,618                                     | 164,463                                         | 24,487,184          |
| Additions                                      | -                  | 16,100                           | 45,297                                | 7,275                              | 37,806                                       | -                                    | 68,903                                        | 484,660                                         | 660,041             |
| Disposals                                      | -                  | (16,688)                         | (765)                                 | -                                  | -                                            | -                                    | -                                             | -                                               | (17,453)            |
| Revaluation                                    | 7,403,469          | -                                | -                                     | -                                  | -                                            | -                                    | -                                             | -                                               | 7,403,469           |
| Transfers                                      | -                  | -                                | 120,147                               | -                                  | 194,205                                      | -                                    | -                                             | (314,352)                                       | -                   |
|                                                |                    |                                  |                                       |                                    |                                              |                                      |                                               | )                                               |                     |
| At 1 January 2007                              | 8,459,347          | 252,325                          | 6,919,856                             | 85,368                             | 12,602,478                                   | 247,575                              | 3,631,521                                     | 334,771                                         | 32,533,241          |
| Additions                                      | -                  | 10,450                           | 94,044                                | 3,362                              | 2,798                                        | -                                    | 32,698                                        | 234,034                                         | 377,386             |
| Disposals                                      | -                  | (2,200)                          | (48,915)                              | (23,500)                           | -                                            | -                                    | -                                             | -                                               | (74,615)            |
| Revaluation                                    | 390,000            | -                                | -                                     | -                                  | -                                            | -                                    | -                                             | -                                               | 390,000             |
| Elimination on<br>discontinuation of operation | (8,036,347         | (161,551)                        | (6,797,274                            | -                                  | (10,514,889                                  | (247,575)                            | -                                             | (66,583)                                        | (25,824,219         |
|                                                | )                  | )                                | )                                     | )                                  | )                                            | )                                    | )                                             | )                                               | )                   |
| <b>At 31 December 2007</b>                     | <b>813,000</b>     | <b>99,024</b>                    | <b>167,711</b>                        | <b>65,230</b>                      | <b>2,090,387</b>                             | <b>-</b>                             | <b>3,664,219</b>                              | <b>502,222</b>                                  | <b>7,401,793</b>    |

**GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES**

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**6. Property, plant and equipment (continued)**

| <b>Consolidation</b>                           | <b>Land<br/>RO</b> | <b>Motor<br/>vehicles<br/>RO</b> | <b>Furniture,<br/>fixtures<br/>RO</b> | <b>Office<br/>equipment<br/>RO</b> | <b>Buildings<br/>and car<br/>park<br/>RO</b> | <b>Crockery<br/>and linen<br/>RO</b> | <b>Machinery<br/>and<br/>equipment<br/>RO</b> | <b>Capital<br/>work-in-<br/>progress<br/>RO</b> | <b>Total<br/>RO</b> |
|------------------------------------------------|--------------------|----------------------------------|---------------------------------------|------------------------------------|----------------------------------------------|--------------------------------------|-----------------------------------------------|-------------------------------------------------|---------------------|
| <b>Accumulated depreciation</b>                |                    |                                  |                                       |                                    |                                              |                                      |                                               |                                                 |                     |
| At 1 January 2006                              | -                  | 209,796                          | 6,133,842                             | 66,333                             | 6,483,071                                    | 247,547                              | 981,673                                       | -                                               | 14,122,262          |
| Charge for the year                            | -                  | 21,570                           | 233,145                               | 7,726                              | 470,669                                      | -                                    | 278,371                                       | -                                               | 1,011,481           |
| Impairment loss                                | -                  | -                                | -                                     | -                                  | 102,206                                      | -                                    | 240,794                                       | -                                               | 343,000             |
| Disposals                                      | -                  | (16,687)                         | (562)                                 | -                                  | -                                            | -                                    | -                                             | -                                               | (17,249)            |
| At 1 January 2007                              | -                  | 214,679                          | 6,366,425                             | 74,059                             | 7,055,946                                    | 247,547                              | 1,500,838                                     | -                                               | 15,459,494          |
| Charge for the year                            | -                  | 12,965                           | 6,050                                 | 7,624                              | 98,746                                       | -                                    | 285,025                                       | -                                               | 410,410             |
| Disposals                                      | -                  | (2,199)                          | (48,915)                              | (23,500)                           | -                                            | -                                    | -                                             | -                                               | (74,614)            |
| Elimination on<br>discontinuation of operation | -                  | (157,180)                        | (6,265,520                            | -                                  | (6,665,075                                   | (247,547)                            | -                                             | -                                               | (13,335,322)        |
|                                                |                    |                                  | )                                     |                                    | )                                            |                                      |                                               |                                                 |                     |
| <b>At 31 December 2007</b>                     | <b>-</b>           | <b>68,265</b>                    | <b>58,040</b>                         | <b>58,183</b>                      | <b>489,617</b>                               | <b>-</b>                             | <b>1,785,863</b>                              | <b>-</b>                                        | <b>2,459,968</b>    |
| <b>Net book value</b>                          |                    |                                  |                                       |                                    |                                              |                                      |                                               |                                                 |                     |
| <b>At 31 December 2007</b>                     | <b>813,000</b>     | <b>30,759</b>                    | <b>109,671</b>                        | <b>7,047</b>                       | <b>1,600,770</b>                             | <b>-</b>                             | <b>1,878,356</b>                              | <b>502,222</b>                                  | <b>4,941,825</b>    |
| At 31 December 2006                            | 8,459,347          | 37,646                           | 553,431                               | 11,309                             | 5,546,532                                    | 28                                   | 2,130,683                                     | 334,771                                         | 17,073,747          |

Had the Group's property, plant and equipment been measured on historical basis, their carrying amount as at 31 December 2007 would have been RO 2,455,564 (2006 – RO 7,686,927)

Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)

6. Property, plant and equipment (continued)

| Parent                              | Land<br>RO     | Motor<br>vehicles<br>RO | Furniture,<br>fixtures<br>RO | Office<br>equipment<br>RO | Capital<br>work-in-<br>progress<br>RO | Total<br>RO    |
|-------------------------------------|----------------|-------------------------|------------------------------|---------------------------|---------------------------------------|----------------|
| <b>Cost / valuation</b>             |                |                         |                              |                           |                                       |                |
| At 1 January 2006                   | 105,010        | 2,200                   | 60,848                       | 52,285                    | 4,882                                 | 225,225        |
| Additions                           | -              | -                       | -                            | 7,275                     | 263,306                               | 270,581        |
| Disposals                           | -              | -                       | -                            | -                         | -                                     | -              |
| Revaluations                        | 57,990         | -                       | -                            | -                         | -                                     | 57,990         |
| At 1 January 2007                   | 163,000        | 2,200                   | 60,848                       | 59,560                    | 268,188                               | 553,796        |
| Additions                           | -              | 5,950                   | 89,978                       | 3,362                     | 234,034                               | 333,324        |
| Disposals                           | -              | (2,200)                 | (48,915)                     | (23,500)                  | -                                     | (74,615)       |
| Revaluations                        | -              | -                       | -                            | -                         | -                                     | -              |
| <b>At 31 December 2007</b>          | <b>163,000</b> | <b>5,950</b>            | <b>101,911</b>               | <b>39,422</b>             | <b>502,222</b>                        | <b>812,505</b> |
| <b>Accumulated<br/>depreciation</b> |                |                         |                              |                           |                                       |                |
| At 1 January 2006                   | -              | 2,199                   | 60,248                       | 40,702                    | -                                     | 103,149        |
| Charge for the year                 | -              | -                       | 256                          | 7,688                     | -                                     | 7,944          |
| At 1 January 2007                   | -              | 2,199                   | 60,504                       | 48,390                    | -                                     | 111,093        |
| Charge for the year                 | -              | 1,735                   | 281                          | 7,584                     | -                                     | 9,600          |
| Disposal                            | -              | (2,199)                 | (48,915)                     | (23,500)                  | -                                     | (74,614)       |
| <b>At 31 December 2007</b>          | <b>-</b>       | <b>1,735</b>            | <b>11,870</b>                | <b>32,474</b>             | <b>-</b>                              | <b>46,079</b>  |
| <b>Net book value</b>               |                |                         |                              |                           |                                       |                |
| <b>31 December 2007</b>             | <b>163,000</b> | <b>4,215</b>            | <b>90,041</b>                | <b>6,948</b>              | <b>502,222</b>                        | <b>766,426</b> |
| At 31 December 2006                 | 163,000        | 1                       | 344                          | 11,170                    | 268,188                               | 442,703        |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**6. Property, plant and equipment (continued)**

- (a) The Group has pledged property, plant and equipment having a carrying amount of RO 1,416,176 (2006 – RO 7,809,990) to secure long term loans granted to the subsidiary companies.
- (b) Certain motor vehicles of Oman Filters Company are jointly registered in the name of the Company and Oman Development Bank SAOC as security for long term loans.
- (c) Oman Filters Company and Omani Dates International LLC have constructed their factory buildings on plots of land taken on lease from the Public Establishment for Industrial Estates. The lease agreements are for an initial period of 25 years and renewable for a further period of 25 years.
- (d) During the year, Oman Filters Company SAOG has revalued its land by independent valuers. The valuation, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices, for similar properties.
- (e) The impairment loss represents the excess of the carrying amount of certain assets and their value in use. The value in use represents the present value of the future cash flows expected to be derived from the assets.

**7. Goodwill**

|                                       | Parent Company |      | Consolidated    |         |
|---------------------------------------|----------------|------|-----------------|---------|
|                                       | 2007           | 2006 | 2007            | 2006    |
|                                       | RO             | RO   | RO              | RO      |
| Balance at beginning of the year      | -              | -    | <b>45,493</b>   | 46,570  |
| Released on sale of shares            | -              | -    | <b>(45,493)</b> | (1,077) |
| <b>Balance at the end of the year</b> | -              | -    | -               | 45,493  |

Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)

8. Investments in associates

|                                              | Parent Company    |                   | Consolidated      |                   |
|----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
|                                              | 2007              | 2006              | 2007              | 2006              |
|                                              | RO                | RO                | RO                | RO                |
| Balance at 1 January                         | 6,655,478         | 5,398,241         | 8,534,752         | 6,558,707         |
| Share of profit from associates              | -                 | -                 | 2,132,232         | 1,076,422         |
| Dividend received during the year            | -                 | -                 | (830,747)         | (378,709)         |
| Purchased during the year                    | 262,440           | 1,257,237         | 285,832           | 1,278,332         |
| Transferred to available for sale investment | (2,163,367)       | -                 | (2,941,331)       | -                 |
| Sold during the year                         | (1,007,509)       | -                 | (1,564,660)       | -                 |
| Elimination in disposal of a subsidiary      | -                 | -                 | (1,010,635)       | -                 |
| <b>Carrying value</b>                        | <b>3,747,042</b>  | <b>6,655,478</b>  | <b>4,605,443</b>  | <b>8,534,752</b>  |
| <b>Fair value</b>                            | <b>12,721,394</b> | <b>10,377,648</b> | <b>12,841,773</b> | <b>11,432,733</b> |

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

|                                              | Parent Company |              | Consolidated |              |
|----------------------------------------------|----------------|--------------|--------------|--------------|
|                                              | 2007           | 2006         | 2007         | 2006         |
|                                              | RO             | RO           | RO           | RO           |
| Total assets                                 | 25,347,178     | 86,283,421   | 25,347,178   | 86,283,421   |
| Total liabilities                            | (8,067,242)    | (55,344,697) | (8,067,242)  | (55,344,697) |
|                                              |                | 7)           |              | )            |
| Net assets                                   | 17,279,936     | 30,938,724   | 17,279,936   | 30,938,724   |
| Share of associates' net assets              | 5,564,309      | 7,439,618    | 5,582,102    | 8,534,752    |
| Share of associates' operational commitments | 29,097         | 37,406       | 29,097       | 37,406       |
| Share of associates' capital liabilities     | 37,298         | 438,742      | 37,460       | 450,343      |
| Revenue                                      | 12,183,593     | 15,219,708   | 12,183,593   | 15,219,708   |
| Profit for the year                          | 3,959,011      | 3,843,222    | 3,959,011    | 3,843,222    |
| Share of associates' contingent liabilities  | 9,998          | 1,023,936    | 9,998        | 1,076,422    |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**8. Investments in associates (continued)**

The shareholdings of the Group are analyzed as follows:

|                                                  | Proportion of<br>ownership interest |           |
|--------------------------------------------------|-------------------------------------|-----------|
|                                                  | 2007<br>%                           | 2006<br>% |
| Oman Education and Training Investments Co. SAOG | <b>38.04</b>                        | 38.22     |
| Muscat Gases Co. SAOG                            | <b>23.73</b>                        | 23.73     |
| Sohar Gas Co. LLC                                | <b>20.00</b>                        | 20.00     |
| Debts Factoring LLC                              | <b>30.00</b>                        | 30.00     |

**9. Investments in subsidiaries**

|                                        | 2007               |                  | 2006        |                  |
|----------------------------------------|--------------------|------------------|-------------|------------------|
|                                        | Cost<br>RO         | Fair value<br>RO | Cost<br>RO  | Fair value<br>RO |
| Quoted Companies                       |                    |                  |             |                  |
| Balance as at 1 January                | <b>2,816,699</b>   |                  | 2,816,699   |                  |
| Less : provision for impairment losses | <b>(857,371)</b>   |                  | (857,371)   |                  |
|                                        | <hr/>              |                  | <hr/>       |                  |
| Net investment                         | <b>1,959,328</b>   |                  | 1,959,328   |                  |
| Less : sold during the year            | <b>(1,562,403)</b> |                  | -           |                  |
|                                        | <hr/>              |                  | <hr/>       |                  |
| Balance as at 31 December              | <b>396,925</b>     | <b>466,499</b>   | 1,959,328   | 2,470,156        |
| Unquoted Companies                     | <b>708,500</b>     | <b>708,500</b>   | 708,500     | 708,500          |
|                                        | <hr/>              | <hr/>            | <hr/>       | <hr/>            |
| Investment in subsidiaries             | <b>1,105,425</b>   | <b>1,174,999</b> | 2,667,828   | 3,178,656        |
|                                        | <hr/> <hr/>        | <hr/> <hr/>      | <hr/> <hr/> | <hr/> <hr/>      |

**10. Investment property**

This represents the Group's share in the value of land purchased in Mekah Al Mukaramah, Kingdom of Saudi Arabia.

Per the maturity clause of the investment agreement, the investment shall be for a minimum of one year and extendable at the sole option of the investment manager for a further period of one year, where after no further extension will be permitted. The investment manager extended the maturity for one year ended June 2006.

|                        | Parent and consolidated |             |
|------------------------|-------------------------|-------------|
|                        | 2007<br>RO              | 2006<br>RO  |
| Balance at 1 January   | <b>510,000</b>          | 510,000     |
| Less : impairment loss | <b>(255,000)</b>        | -           |
|                        | <hr/>                   | <hr/>       |
|                        | <b>255,000</b>          | 510,000     |
|                        | <hr/> <hr/>             | <hr/> <hr/> |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**11. Available for sale investments**

**Parent**

|                                | Investments<br>revaluation |                       | Fair value       |                  |
|--------------------------------|----------------------------|-----------------------|------------------|------------------|
|                                | Cost<br>2007<br>RO         | reserve<br>2007<br>RO | 2007<br>RO       | 2006<br>RO       |
| Local investment- quoted       | 2,098,958                  | 2,647,651             | 4,746,609        | -                |
| Local investments – unquoted   | 992,373                    | -                     | 992,373          | 103,964          |
| Foreign investments – unquoted | 1,870,202                  | -                     | 1,870,202        | 2,252,202        |
| Foreign investments – quoted   | 1,872,327                  | 437,212               | 2,309,539        | 2,077,526        |
|                                | <u>6,833,860</u>           | <u>3,084,863</u>      | <u>9,918,723</u> | <u>4,433,692</u> |

**Consolidated**

|                                | Investment<br>valuation |                       | Fair value       |                  |
|--------------------------------|-------------------------|-----------------------|------------------|------------------|
|                                | Cost<br>2007<br>RO      | reserve<br>2007<br>RO | 2007<br>RO       | 2006<br>RO       |
| Local investment- quoted       | 2,894,810               | 1,871,931             | 4,766,741        | -                |
| Local investments – unquoted   | 992,373                 | -                     | 992,373          | 103,964          |
| Foreign investments – unquoted | 1,870,202               | -                     | 1,870,202        | 2,252,202        |
| Foreign investments – quoted   | 1,872,327               | 437,212               | 2,309,539        | 2,077,523        |
|                                | <u>7,629,712</u>        | <u>2,309,143</u>      | <u>9,938,855</u> | <u>4,433,689</u> |

**12. Inventories**

|                                            | Parent Company |            | Consolidated   |                  |
|--------------------------------------------|----------------|------------|----------------|------------------|
|                                            | 2007<br>RO     | 2006<br>RO | 2007<br>RO     | 2006<br>RO       |
| Raw-materials                              | -              | -          | 351,205        | 506,516          |
| Work-in-progress                           | -              | -          | 49,314         | 101,253          |
| Finished goods                             | -              | -          | 412,473        | 857,981          |
| Spare parts and consumables                | -              | -          | 28,246         | 46,410           |
| Less : Allowance for stock<br>obsolescence | -              | -          | (15,173)       | (15,173)         |
|                                            | <u>-</u>       | <u>-</u>   | <u>826,065</u> | <u>1,496,987</u> |

Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)

13. Trade and other receivables

|                                     | Parent Company   |           | Consolidated     |           |
|-------------------------------------|------------------|-----------|------------------|-----------|
|                                     | 2007             | 2006      | 2007             | 2006      |
|                                     | RO               | RO        | RO               | RO        |
| Trade receivables                   | 623,532          | 278,461   | 782,475          | 1,147,178 |
| Allowance for impaired debts        | (236,615)        | (236,615) | (241,615)        | (282,445) |
|                                     | <b>386,917</b>   | 41,846    | <b>540,860</b>   | 864,733   |
| Due from related parties (Note 32)  | 81,154           | 112,717   | 81,154           | 126,881   |
| Prepaid expenses                    | 43,887           | 17,429    | 51,981           | 102,359   |
| Accrued income                      | 353,262          | 9,000     | 353,262          | 9,000     |
| Refundable deposit                  | 148,093          | 135,500   | 148,093          | 135,500   |
| Margin deposit                      | -                | -         | 105,841          | 278,870   |
| Receivables from portfolio managers | 534,763          | -         | 534,763          | -         |
| Other receivables                   | 96,331           | 113,776   | 106,197          | 162,211   |
|                                     | <b>1,644,407</b> | 430,268   | <b>1,922,151</b> | 1,679,554 |

14. Investments

a) Investments held for trading:

|                               |           |           |           |           |
|-------------------------------|-----------|-----------|-----------|-----------|
| Industry sector               | 195,262   | 495,736   | 195,262   | 495,736   |
| Banking and investment sector | 6,415,155 | 4,561,372 | 6,415,155 | 4,561,372 |
| Services sector               | 221,078   | 423,508   | 221,078   | 423,508   |

**Total investments in securities held  
for trading**

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
|  | <b>6,831,495</b> | 5,480,616 | <b>6,831,495</b> | 5,480,616 |
|--|------------------|-----------|------------------|-----------|

b) Investments at fair value  
through profit and loss:

|                     |           |         |           |         |
|---------------------|-----------|---------|-----------|---------|
| Local investments   | -         | -       | 71,880    | 970,779 |
| Foreign investments | 1,387,348 | 709,674 | 1,387,348 | 709,674 |

**Total investments at fair value  
through profit and loss**

|  |                  |         |                  |           |
|--|------------------|---------|------------------|-----------|
|  | <b>1,387,348</b> | 709,674 | <b>1,459,228</b> | 1,680,453 |
|--|------------------|---------|------------------|-----------|

**Total investments**

|  |                  |           |                  |           |
|--|------------------|-----------|------------------|-----------|
|  | <b>8,218,843</b> | 6,190,290 | <b>8,290,723</b> | 7,161,069 |
|--|------------------|-----------|------------------|-----------|

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**14. Investments (continued)**

**Details of significant investments**

Details of the investment securities in which the Group's holding exceeds 10% of the investee company's share capital as of 31 December 2007 are set out below:

|                                 | Holding<br>% | No. of<br>shares | Carrying value<br>RO |
|---------------------------------|--------------|------------------|----------------------|
| Oman Holding International SAOG | 13.71        | 1,158,374        | 4,807,252            |

Details of the investment securities in which the Group's holding exceeds 10% of the investee Company's share capital as of 31 December 2006 are set out below:

|                                                          | Holding<br>% | No. of<br>shares | Carrying value<br>RO |
|----------------------------------------------------------|--------------|------------------|----------------------|
| Oman Holding International SAOG                          | 14.1         | 1,193,307        | 3,530,995            |
| Construction Material Industries<br>and Contracting SAOG | 11.6         | 3,475,130        | 319,712              |

**15. Cash and cash equivalent**

|                                                 | Parent Company   |                  | Consolidated     |                  |
|-------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                 | 2007<br>RO       | 2006<br>RO       | 2007<br>RO       | 2006<br>RO       |
| Cash on hand                                    | 61,308           | 14,875           | 76,914           | 31,338           |
| Balances with banks and financial institutions: |                  |                  |                  |                  |
| Current accounts                                | 8,640,945        | 1,084,945        | 8,721,110        | 1,971,970        |
|                                                 | <u>8,702,253</u> | <u>1,099,820</u> | <u>8,798,024</u> | <u>2,003,308</u> |

**16. Share capital**

|                                                                                                                         | 2007<br>RO | 2006<br>RO |
|-------------------------------------------------------------------------------------------------------------------------|------------|------------|
| The share capital of the Parent Company is as follows:                                                                  |            |            |
| Authorized shares 200,000,000 shares of RO 0.100 each<br>(2006 - 200,000,000 shares of RO 0.100 each)                   | 20,000,000 | 20,000,000 |
|                                                                                                                         | 0          | 0          |
| Issued and fully paid up ordinary shares – 149,452,320 shares<br>of RO 0.100 each (2006 - 129,397,950 of RO 0.100 each) | 14,945,232 | 12,939,795 |
|                                                                                                                         | 2          | 5          |

During the current year the paid up capital was increased by RO 2,005,437 through issue of right shares.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**16. Share capital (continued)**

The shareholders holding 10% or more of the Parent Company's shares at 31 December 2007 are as follows:

|                                  | No. of shares | %      |
|----------------------------------|---------------|--------|
| Suleiman bin Ahmed Al-Hoqani     | 31,603,587    | 21.146 |
| Salim bin Abdulla Salim Al-Hosni | 22,862,720    | 15.298 |
| Hassan bin Ehsan Nasib           | 16,600,093    | 11.107 |

The shareholders holding 10% or more of the Parent Company's shares at 31 December 2006 were as follows:

|                                  | No. of shares | %      |
|----------------------------------|---------------|--------|
| Suleiman bin Ahmed Al-Hoqani     | 27,262,932    | 26.052 |
| Salim bin Abdulla Salim Al-Hosni | 20,365,272    | 15.738 |
| Hassan bin Ehsan Nasib           | 14,256,000    | 11.017 |

**17. Proposed dividend**

The Board of Directors of the Parent Company have proposed an 20% cash dividend (2006 : 8.5%) and 20 stock dividend (2006 : Nil) for the year ended 31 December 2007. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

**18. Statutory reserve**

The statutory reserve, which is not available for distribution, is calculated in accordance with Article 106 of the Omani Commercial Companies Law of 1974, as amended. The annual appropriation shall be 10% of the net profit after taxes for each year until such time as the reserve amounts to at least one third of the share capital.

**19. Revaluation reserve**

The revaluation reserve represents the Parent Company's revaluation reserve and its share of the subsidiaries revaluation reserve (Note 6). This reserve is not available for distribution.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**20. Term loans**

|                                                  | Parent Company |            | Consolidated     |             |
|--------------------------------------------------|----------------|------------|------------------|-------------|
|                                                  | 2007<br>RO     | 2006<br>RO | 2007<br>RO       | 2006<br>RO  |
| Government soft loans                            | -              | -          | 953,870          | 1,203,870   |
| Finance Company and bank loans                   | -              | -          | 347,189          | 1,566,576   |
| Accrued interest on loans                        | -              | -          | 14,572           | 126,596     |
| <b>Total long term loans</b>                     | -              | -          | <b>1,315,631</b> | 2,897,042   |
| Less : Deferred government grant                 | -              | -          | (314,783)        | (136,266)   |
| Fair value of loan                               | -              | -          | 1,000,848        | 2,760,776   |
| <b>Less : Current portion of long term loans</b> | -              | -          | <b>(355,923)</b> | (1,570,475) |
| <b>Long term portion</b>                         | -              | -          | <b>644,925</b>   | 1,190,301   |

The Group has the following Government soft loans:

- (a) A Government soft loan of RO 1,000,000 originally sanctioned with a draw down of RO 983,870. This loan is interest free with a repayment schedule of RO 50,000 in September 2001, RO 55,555 in September 2002 and the balance in eight annual instalments of RO 111,805. The overdue instalments carry interest at 10% per annum. The loan had been rescheduled during the current year and the Company had been exempted from the interest charge's (R.O 122,329) due on the past due instalments The new repayment schedule is as follows :

|             |                       |
|-------------|-----------------------|
| 2007 - 2009 | R.O 50,000 per annum  |
| 2010 - 2014 | R.O 100 000 per annum |
| 2015        | R.O 140 000           |
| 2016        | R.O 163 870           |

- (b) Included in the comparative figures a Government soft loan of RO 500,000 carrying interest at 3% per annum which is repayable in ten equal yearly instalments of RO 50,000 each commencing on 15 February 2002. This loan is secured by first charge in favour of the Ministry of Housing for the building of Sur Plaza Hotel and the Ministry of Commerce and Industry for equipment of Al Sharqiya Hotels and Tourism Company SAOC.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**20. Term loans (continued)**

The Group has the following finance company and bank loans:

- (a) A loan of RO 610,000 was originally sanctioned and later revised to the disbursed amount of RO 562,719. The loan is repayable in sixteen equal quarterly instalments of RO 35,169 effective from 6 July 2000. Interest is charged at the rate of 9% per annum on the original repayment date and the Group receives a subsidy of 3% per annum. During 2005, the loan was rescheduled and the balance outstanding on the date of reschedulement is repayable in 20 quarterly instalments of RO 17,594. Interest is charged at the rate of 9% on the original repayment date. The loan is secured by a registered mortgage over Oman Filters Company SAOG assets, joint registration of certain motor vehicles and endorsement of the Company's insurance policies.
- (b) Included in the comparative figures an interest free loan of RO 1,350,000 repayable in equal installments of the RO 135,000 over ten years commencing from 1 March 1999. This loan is secured by a mortgage over the property and equipment of Oman Hotels and Tourism Company (SAOG).
- (c) Included in the comparative figures a loan denominated in US Dollars is repayable in 96 equal monthly installments commencing from February 2003. It carries an interest rate of 6 month LIBOR and is secured by a second charge over land and buildings of Sur Plaza Hotel owned by Al Sharqiya Hotels and Tourism Company SAOC.
- (d) Term loans provided by United Finance Company SAOG to Omani Dates International LLC and Oman Filters Industry Company SAOG. These loans are secured by a commercial mortgage over the Dates International LLC assets and a lien on fixed deposit of Oman Filters Industry SAOG. The loans bear interest rates ranging between 6% and 12% per annum. The outstanding balance of these loans as at 31 December 2007 was RO 134,063 (2006 – RO 492,992).

The difference between the carrying value and fair value of the loans has been shown as “deferred government grant” and is to be released to the income statement each year over the loan period as necessary to match them with the related costs, which they are intended to compensate on a systematic basis.

|                                      | Parent Company |          | Consolidated     |                  |
|--------------------------------------|----------------|----------|------------------|------------------|
|                                      | 2007           | 2006     | 2007             | 2006             |
|                                      | RO             | RO       | RO               | RO               |
| <b>Maturity of total term loans:</b> |                |          |                  |                  |
| Within one year                      | -              | -        | 355,923          | 1,570,475        |
| Between 2 and 5 years                | -              | -        | 455,838          | 1,326,567        |
| Over 5 years                         | -              | -        | 503,870          | -                |
|                                      | <u>-</u>       | <u>-</u> | <u>1,315,631</u> | <u>2,897,042</u> |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**21. Bank borrowings**

*Short term borrowings :*

The total value of the facilities available for the parent company, namely overdrafts, and guarantees from local banks amount to RO 4,000,000 (31 December 2006 : RO 4,000,000) and are secured against a pledge of shares with a fair value of RO 8,138,167 as at 31 December 2007 (2006 : 8,681,367).

At 31 December 2007 the banks charged interest ranging from 5.5% per annum to 7% per annum (31 December 2006 : 5.5% per annum to 7% per annum).

Included in the short term bank borrowings as at 31 December 2007 the below mentioned long term borrowings as it matures in March 2008.

**Long term borrowings :**

Long term borrowings represent a loan to the parent company amounting to USD 3,000,000 availed from a foreign bank and carries an interest at 75 points over six month LIBOR. This loan is secured by pledge of a foreign investment.

**22. Trade and other payables**

|                                  | Parent Company   |           | Consolidated     |           |
|----------------------------------|------------------|-----------|------------------|-----------|
|                                  | 2007             | 2006      | 2007             | 2006      |
|                                  | RO               | RO        | RO               | RO        |
| Trade payables                   | <b>1,887,534</b> | 1,039,292 | <b>2,041,621</b> | 1,707,071 |
| Due to related parties (Note 33) | <b>3,961,835</b> | 377,491   | <b>3,707,202</b> | 95,104    |
| Proposed directors' remuneration | <b>180,000</b>   | 12,000    | <b>180,000</b>   | 42,000    |
| Other payables and accruals      | <b>393,642</b>   | 162,187   | <b>464,117</b>   | 749,299   |
|                                  | <b>6,423,011</b> | 1,590,970 | <b>6,392,940</b> | 2,593,474 |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**23. Income tax**

|                                                     | Parent Company |            | Consolidated  |            |
|-----------------------------------------------------|----------------|------------|---------------|------------|
|                                                     | 2007<br>RO     | 2006<br>RO | 2007<br>RO    | 2006<br>RO |
| <b>a) Income tax expenses</b>                       |                |            |               |            |
| Current year tax                                    | <b>50,289</b>  | -          | <b>50,289</b> | 184,339    |
| Deferred tax (notes below)                          | -              | -          | -             | (15,256)   |
|                                                     | <b>50,289</b>  | -          | <b>50,289</b> | 169,083    |
| <b>b) Deferred tax</b>                              |                |            |               |            |
| At 1 January                                        | -              | -          | -             | 55,823     |
| Temporary differences in respect of<br>current year | -              | -          | -             | (15,256)   |
| Revaluation effect of property and<br>equipment     | <b>6,959</b>   | 6,959      | <b>6,959</b>  | 861,327    |
|                                                     | <b>6,959</b>   | 6,959      | <b>6,959</b>  | 901,894    |

The charge for current year taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using the income tax laws of the Sultanate of Oman.

In accordance with the Royal Decree 54/2003, issued on 10 September 2003, all realized profits from trading in the Muscat Securities Market are exempted from income tax.

The income tax assessments for the Parent Company have been completed until the fiscal year ended 31 December 2005.

The financial statements of Oman Filters Industry Co. SAOG (a subsidiary) do not include provision for income tax since the Company has accumulated losses. Deferred taxation has not been considered since at this stage it is not possible to determine what impact carry forward losses, temporary timing differences of depreciation and revaluation of the land will have on the Company's tax position as at 31 December 2007. The Company's tax assessments have been completed until the year 2002.

The income tax assessments for First International LLC (a subsidiary) have been completed until the fiscal year ended 31 December 2003.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**24. Net assets per share**

Net assets per share is calculated by dividing the net assets attributable to the equity holders of the parent Company at year end by the number of shares outstanding as follows:

|                           | Parent Company     |             | Consolidated       |             |
|---------------------------|--------------------|-------------|--------------------|-------------|
|                           | 2007<br>RO         | 2006<br>RO  | 2007<br>RO         | 2006<br>RO  |
| Net assets (RO)           | <b>26,458,037</b>  | 15,643,086  | <b>28,410,118</b>  | 18,971,418  |
| Number of ordinary shares | <b>149,452,320</b> | 129,397,950 | <b>149,452,320</b> | 129,397,950 |
| Net asset per share (RO)  | <b>0.177</b>       | 0.121       | <b>0.190</b>       | 0.147       |

**25. Investments income**

**31 December 2007 – Parent Company**

|                                                      | Profit from<br>trading in<br>investments | Dividend<br>income | Fair value<br>adjustments |
|------------------------------------------------------|------------------------------------------|--------------------|---------------------------|
| Investments in subsidiaries                          | <b>2,277,199</b>                         | <b>165,581</b>     | -                         |
| Investments in associates                            | <b>1,266,231</b>                         | <b>824,786</b>     | -                         |
| Investments available-for-sale                       | <b>316,129</b>                           | <b>40,132</b>      | -                         |
| Investments held for trading                         | <b>963,317</b>                           | <b>452,452</b>     | <b>1,729,300</b>          |
| Investments at fair value through profit<br>and loss | <b>74,445</b>                            | <b>12,863</b>      | <b>23,067</b>             |
|                                                      | <b>4,897,321</b>                         | <b>1,495,814</b>   | <b>1,752,367</b>          |

**31 December 2006 – Parent Company**

|                                                      |         |         |         |
|------------------------------------------------------|---------|---------|---------|
| Investments in subsidiaries                          | 45,128  | 183,039 | -       |
| Investments in associates                            | -       | 341,210 | -       |
| Investments available-for-sale                       | -       | 5,311   | -       |
| Investments held for trading                         | 131,446 | 267,573 | 783,788 |
| Investments at fair value through profit<br>and loss | -       | -       | 111,845 |
|                                                      | 176,574 | 797,133 | 895,633 |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**26. Salaries and related costs**

|                                                      | Parent Company |         | Consolidated   |         |
|------------------------------------------------------|----------------|---------|----------------|---------|
|                                                      | 2007           | 2006    | 2007           | 2006    |
|                                                      | RO             | RO      | RO             | RO      |
| Salaries and allowances                              | <b>272,188</b> | 222,606 | <b>368,487</b> | 301,428 |
| Provision for employees' end of<br>service indemnity | <b>16,412</b>  | 11,135  | <b>16,412</b>  | 11,135  |
| Social security                                      | <b>9,832</b>   | 8,060   | <b>9,831</b>   | 8,060   |
| Bonus                                                | <b>310,613</b> | 107,320 | <b>310,613</b> | 107,320 |
| Others                                               | <b>25,292</b>  | 22,012  | <b>25,292</b>  | 22,012  |
|                                                      | <b>634,337</b> | 371,133 | <b>730,635</b> | 449,955 |

**27. General and administrative expenses**

|                                        |                |         |                |         |
|----------------------------------------|----------------|---------|----------------|---------|
| Proposed directors' remuneration       | <b>180,000</b> | 12,000  | <b>180,000</b> | 12,000  |
| Marketing and distribution<br>expenses | -              | -       | <b>47,472</b>  | 54,830  |
| Directors sitting fee                  | <b>21,100</b>  | 13,750  | <b>26,725</b>  | 18,275  |
| Depreciation                           | <b>9,600</b>   | 7,944   | <b>64,453</b>  | 82,848  |
| Rent                                   | <b>22,200</b>  | 22,200  | <b>22,200</b>  | 22,200  |
| Membership and subscription            | <b>28,990</b>  | 27,423  | <b>29,090</b>  | 30,825  |
| Printing and stationery                | <b>9,275</b>   | 7,285   | <b>22,493</b>  | 8,284   |
| Communication                          | <b>14,697</b>  | 15,701  | <b>17,380</b>  | 21,266  |
| Advertising                            | <b>23,708</b>  | 16,795  | <b>23,707</b>  | 16,795  |
| Legal and professional fee             | <b>21,560</b>  | 25,610  | <b>26,060</b>  | 33,463  |
| Repairs and maintenance                | <b>9,300</b>   | 12,424  | <b>9,300</b>   | 12,424  |
| Bank charges                           | <b>3,071</b>   | 1,474   | <b>3,126</b>   | 34,744  |
| Miscellaneous                          | <b>80,713</b>  | 23,844  | <b>142,625</b> | 106,112 |
|                                        | <b>424,214</b> | 186,450 | <b>614,631</b> | 454,066 |

**28. Impairment loss**

**Parent Company**

The impairment loss relates to investment in a subsidiary and has been estimated based on the company's share in the net assets of the investee as at 31 December 2006.

**Group**

Impairment losses represents the excess of the carrying amounts of property, plant and equipment of a subsidiary over its value in use which has been estimated based on the present value of future cash flows expected to be derived from its assets.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**29. Discontinued operations**

On 17 October 2007, the Parent company had disposed of its shares in Oman Hotels & Tourism Company SAOG (a subsidiary) and the control of the subsidiary passed to the acquirer.

**Analysis of profit for the period / year from discontinued operations**

The consolidated results of the discontinued operations included in the consolidated income statement are set out below. The comparative profit from discontinued operations has been re-presented to include those operations classified as discontinued in the current period.

|                                                                 | <b>1 January 2007<br/>to<br/>17 October 2007</b> | 1 January 2006<br>to<br>31 December 2006 |
|-----------------------------------------------------------------|--------------------------------------------------|------------------------------------------|
| <b>Profit for the period/ year from discontinued operations</b> |                                                  |                                          |
| Revenue & other income                                          | <b>5,063,589</b>                                 | 4,755,295                                |
| Expenses                                                        | <b>(2,648,917)</b>                               | (3,211,551)                              |
| Profit before tax                                               | <b>2,414,672</b>                                 | 1,543,744                                |
| Attributable income tax expenses                                | <b>(228,000)</b>                                 | (169,083)                                |
| Profit for the period / year from discontinued operations       | <b>2,186,672</b>                                 | 1,374,661                                |
| <b>Cash flows from discontinued operations</b>                  |                                                  |                                          |
| Net cash flows from operating activities                        | <b>1,802,778</b>                                 | 2,430,000                                |
| Net cash flows from investing activities                        | <b>(1,248,153)</b>                               | (819,557)                                |
| Net cash flows from financing activities                        | <b>(872,686)</b>                                 | (900,965)                                |
|                                                                 | <b>(318,061)</b>                                 | 709,478                                  |

**30. Profit for the year**

Profit for the year is stated after charging:

|                                               | <b>Parent Company</b> |         | <b>Consolidated</b> |           |
|-----------------------------------------------|-----------------------|---------|---------------------|-----------|
|                                               | <b>2007</b>           | 2006    | <b>2007</b>         | 2006      |
|                                               | <b>RO</b>             | RO      | <b>RO</b>           | RO        |
| Staff cost                                    | <b>634,337</b>        | 371,133 | <b>730,635</b>      | 1,591,326 |
| Depreciation of property, plant and equipment | <b>9,600</b>          | 7,944   | <b>410,410</b>      | 1,011,481 |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**31. Basic earnings per share**

|                                            | <b>Parent Company</b> |             | <b>Consolidated</b> |             |
|--------------------------------------------|-----------------------|-------------|---------------------|-------------|
|                                            | <b>2007</b>           | 2006        | <b>2007</b>         | 2006        |
|                                            | <b>RO</b>             | RO          | <b>RO</b>           | RO          |
| Profit for the year (RO)                   | <b>7,033,719</b>      | 1,261,786   | <b>7,524,989</b>    | 1,856,167   |
| Weighted average number of shares in issue | <b>145,111,785</b>    | 124,006,370 | <b>145,111,785</b>  | 124,006,370 |
| Basic earnings per share (RO)              | <b>0.048</b>          | 0.010       | <b>0.052</b>        | 0.015       |

The basic earnings per share is calculated by dividing the profit for the year attributable to the shareholders of the parent Company by the weighted average number of shares outstanding during the year.

**32. Related party transactions**

Related parties comprise of the shareholders, directors, key business personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

Transactions between the Parent Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

During the year, the significant transactions with other related parties are as follows:

|                                  | <b>Parent Company</b> |        | <b>Consolidated</b> |        |
|----------------------------------|-----------------------|--------|---------------------|--------|
|                                  | <b>2007</b>           | 2006   | <b>2007</b>         | 2006   |
|                                  | <b>RO</b>             | RO     | <b>RO</b>           | RO     |
| Interest income                  | -                     | -      | -                   | 7,165  |
| Brokerage commission             | <b>66,243</b>         | 11,275 | <b>66,243</b>       | 11,275 |
| Directors' sitting fee           | <b>19,950</b>         | 12,850 | <b>33,575</b>       | 41,275 |
| Proposed directors' remuneration | <b>180,000</b>        | 12,000 | <b>180,000</b>      | 42,000 |
| Finance charges                  | -                     | -      | -                   | 39,655 |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**32. Related party transactions (continued)**

**Compensation of key management personnel**

Key management personnel are those persons having direct authority and responsibility for planning, directing and controlling the activities of the Group.

|                                          | <b>Parent Company</b> |         | <b>Consolidated</b> |         |
|------------------------------------------|-----------------------|---------|---------------------|---------|
|                                          | <b>2007</b>           | 2006    | <b>2007</b>         | 2006    |
|                                          | <b>RO</b>             | RO      | <b>RO</b>           | RO      |
| Remuneration of key management personnel | <b>378,956</b>        | 188,740 | 436,846             | 320,322 |

The following is a summary of significant balances with related parties which are included in the financial statements:

|                          | <b>Parent Company</b> |         | <b>Consolidated</b> |         |
|--------------------------|-----------------------|---------|---------------------|---------|
|                          | <b>2007</b>           | 2006    | <b>2007</b>         | 2006    |
|                          | <b>RO</b>             | RO      | <b>RO</b>           | RO      |
| Due from related parties | <b>81,154</b>         | 112,717 | <b>81,154</b>       | 126,881 |
| Due to related parties   | <b>3,961,835</b>      | 377,491 | <b>3,707,262</b>    | 95,104  |
| Short term loans         | -                     | -       | -                   | 492,992 |

The amounts outstanding are unsecured and will be settled in cash. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

**33. Commitments and contingent liabilities**

|                                | <b>Parent Company</b> |         | <b>Consolidated</b> |         |
|--------------------------------|-----------------------|---------|---------------------|---------|
|                                | <b>2007</b>           | 2006    | <b>2007</b>         | 2006    |
|                                | <b>RO</b>             | RO      | <b>RO</b>           | RO      |
| Bank guarantees                | <b>15,000</b>         | 15,000  | <b>20,350</b>       | 75,139  |
| Letter of credits              | -                     | -       | <b>120,115</b>      | 387,642 |
| Contracted capital commitments | <b>45,000</b>         | 276,500 | <b>45,000</b>       | 419,123 |

The bank guarantees have been issued in the normal course of business

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**33. Commitments and contingent liabilities (continued)**

**Group lease commitments**

The future minimum lease payments under the non-cancelable operating lease are as follows :

|                             | 2007<br>RO     | 2006<br>RO     |
|-----------------------------|----------------|----------------|
| Less than 1 year            | 25,882         | 25,882         |
| Between 2 years and 5 years | 112,326        | 115,926        |
| More than 5 years           | 201,817        | 224,099        |
|                             | <u>340,025</u> | <u>365,907</u> |

**34. Financial risk management**

**Financial risk factors**

**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Group's activities expose it to a variety of financial risks: credit risk, market risk and liquidity risk.

**(i) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

In monitoring customer credit risk, customers are segmented according to their credit characteristics in the following categories:

- Private individual customers
- Corporate customers
- Other customers

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**34. Financial risk management (continued)**

**(i) Credit risk (continued)**

The age of trade receivables at the balance sheet date was:

| Parent Company                               | 2007           |                                   | 2006             |                                   |
|----------------------------------------------|----------------|-----------------------------------|------------------|-----------------------------------|
|                                              | Gross<br>RO    | Provision for<br>impairment<br>RO | Gross<br>RO      | Provision for<br>impairment<br>RO |
| Neither Past due nor impaired<br>upto 3 days | 346,896        | -                                 | 29,411           | -                                 |
| Past due - 4 to180 days                      | 40,021         | -                                 | 12,435           | -                                 |
| Past due – 181 to 365 days                   | -              | -                                 | -                | -                                 |
| More than 1 year                             | 236,615        | 236,615                           | 236,615          | 236,615                           |
|                                              | <u>623,532</u> | <u>236,615</u>                    | <u>278,461</u>   | <u>236,615</u>                    |
| <b>Consolidated</b>                          |                |                                   |                  |                                   |
| Neither Past due nor impaired<br>0 – 180 day | 540,860        | -                                 | 859,675          | -                                 |
| Past due 181 - 365 days                      | -              | -                                 | 5,058            | -                                 |
| More than 1 year                             | 241,615        | 241,615                           | 282,445          | 282,445                           |
|                                              | <u>782,475</u> | <u>241,615</u>                    | <u>1,147,178</u> | <u>282,445</u>                    |

(a) The movement in provision for impairment of trade receivables is as follows:

|                                            | Parent         |                | Consolidated   |                |
|--------------------------------------------|----------------|----------------|----------------|----------------|
|                                            | 2007           | 2006           | 2007           | 2006           |
| Balance at 1 January                       | 236,615        | 236,615        | 282,445        | 278,243        |
| Charge for the year                        | -              | -              | -              | 4,202          |
| Elimination on disposal of a<br>subsidiary | -              | -              | (40,830)       | -              |
| <b>Balance at 31 December</b>              | <u>236,615</u> | <u>236,615</u> | <u>241,615</u> | <u>282,445</u> |

The provision account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against provision account.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**34. Financial risk management (continued)**

**Credit risk (continued)**

**Exposure to credit risk**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was:

|                          | Parent Company    |                  | Consolidated      |                  |
|--------------------------|-------------------|------------------|-------------------|------------------|
|                          | 2007              | 2006             | 2007              | 2006             |
|                          | RO                | RO               | RO                | RO               |
| Trade receivables - net  | 386,917           | 41,846           | 540,860           | 864,733          |
| Due from related parties | 81,154            | 112,717          | 81,154            | 126,881          |
| Other receivables        | 1,176,336         | 275,705          | 1,300,137         | 687,940          |
| Bank accounts            | 8,640,945         | 1,084,945        | 8,721,110         | 1,971,970        |
|                          | <u>10,285,352</u> | <u>1,515,213</u> | <u>10,643,261</u> | <u>3,651,524</u> |

The potential risk in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

**(ii) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group has access to credit facilities.

The following are the contractual maturities of financial liabilities:

**31 December 2007**

**a) Parent company**

|                        | Carrying         | 0 - 180          | 180 - 365 | More than |
|------------------------|------------------|------------------|-----------|-----------|
|                        | amount           | days             | days      | 365 days  |
|                        | RO               | RO               | RO        | RO        |
| Bank borrowings        | 1,387,452        | 1,387,452        | -         | -         |
| Trade payables         | 1,887,534        | 1,887,534        | -         | -         |
| Due to related parties | 3,961,835        | 3,961,835        | -         | -         |
| Other payables         | 573,642          | 573,642          | -         | -         |
| Income tax             | 50,289           | 50,289           | -         | -         |
|                        | <u>7,860,752</u> | <u>7,860,752</u> | <u>-</u>  | <u>-</u>  |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**34. Financial risk management (continued)**

**(ii) Liquidity risk (continued)**

**31 December 2007 (continued)**

**b) Consolidated**

|                        | Carrying<br>amount<br>RO | 0 - 180<br>days<br>RO | 180 - 365<br>days<br>RO | More than<br>365 days<br>RO |
|------------------------|--------------------------|-----------------------|-------------------------|-----------------------------|
| Term loans             | 1,315,631                | 212,117               | 143,806                 | 959,708                     |
| Bank borrowings        | 1,387,452                | 1,387,452             | -                       | -                           |
| Trade payables         | 2,041,621                | 2,041,621             | -                       | -                           |
| Due to related parties | 3,707,202                | 3,707,202             | -                       | -                           |
| Other payables         | 644,117                  | 644,117               | -                       | -                           |
| Income tax             | 50,289                   | 50,289                | -                       | -                           |
|                        | <u>9,146,312</u>         | <u>8,042,798</u>      | <u>143,806</u>          | <u>959,708</u>              |

31 December 2006

**a) Parent company**

|                        |                  |                  |                  |                  |
|------------------------|------------------|------------------|------------------|------------------|
| Bank borrowings        | 5,167,059        | -                | 3,851,741        | 1,315,318        |
| Trade payables         | 1,039,292        | 1,039,292        | -                | -                |
| Due to related parties | 377,491          | 377,491          | -                | -                |
| Other payables         | 174,187          | 174,187          | -                | -                |
|                        | <u>6,758,029</u> | <u>1,590,970</u> | <u>3,851,741</u> | <u>1,315,318</u> |

**b) Consolidated**

|                        |                   |                  |                  |                  |
|------------------------|-------------------|------------------|------------------|------------------|
| Term loans             | 2,897,042         | 1,466,887        | 103,588          | 1,326,567        |
| Bank borrowings        | 5,341,109         | 194,050          | 3,851,741        | 1,315,318        |
| Trade payables         | 1,707,071         | 1,696,489        | 10,582           | -                |
| Due to related parties | 95,104            | 95,104           | -                | -                |
| Other payables         | 791,299           | 791,299          | -                | -                |
| Income tax             | 186,919           | 186,919          | -                | -                |
|                        | <u>11,018,544</u> | <u>4,410,748</u> | <u>3,965,911</u> | <u>2,641,885</u> |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**34. Financial risk management (continued)**

**(iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

**Foreign currency risk**

There are no significant foreign currency risks as substantially all financial assets and financial liabilities are denominated in Rials Omani, Jordanian Dinar, US Dollars and other GCC currencies, the rate of which is fixed against the local currency.

**Interest rate risk**

The Group has short term bank deposit and term borrowings which are interest bearing and part of them are exposed to changes in market interest rates. At the balance sheet date the interest rate profile of the Group's interest bearing financial instruments was:

|                               | Parent Company   |                 | Consolidated     |                  |
|-------------------------------|------------------|-----------------|------------------|------------------|
|                               | 2007<br>RO       | 2006<br>RO      | 2007<br>RO       | 2006<br>RO       |
| <b>Fixed rate instruments</b> |                  |                 |                  |                  |
| Financial assets              | <u>74,554</u>    | <u>98,470</u>   | <u>180,395</u>   | <u>377,340</u>   |
| Financial liabilities         | <u>1,387,452</u> | <u>5,167,05</u> | <u>2,703,083</u> | <u>8,238,151</u> |
|                               |                  | <u>9</u>        |                  |                  |

**Equity price risk**

The Parent is exposed to share price risks arising from quoted investments. These investments are held for strategic and trading purposes.

The sensitivity analyses below have been determined based on the exposure of the Parent Company to market share price risks at the reporting date. If share market prices had been 5% higher / lower :

|                                                      | 2007<br>-/+ 5 %        |                | 2006<br>-/+ 5 %        |                |
|------------------------------------------------------|------------------------|----------------|------------------------|----------------|
|                                                      | Revaluation<br>Reserve | Net Profit     | Revaluation<br>Reserve | Net Profit     |
| Available For Sale Investment                        | <u>495,936</u>         | -              | <u>221,684</u>         | -              |
| Investments at fair value through<br>profit and loss | -                      | <u>69,367</u>  | -                      | <u>35,484</u>  |
| Investments held for trading                         | -                      | <u>341,575</u> | -                      | <u>274,031</u> |
|                                                      | <u>495,936</u>         | <u>410,942</u> | <u>221,684</u>         | <u>309,515</u> |

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)****34. Financial risk management (continued)****Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. The Group is not subject to externally imposed capital requirements.

**35. Fair value of financial instruments**

The fair value of financial assets and liabilities at the balance sheet date approximate their carrying amount in the balance sheet.

For investments quoted in an active market, fair value is determined by reference to quoted market prices.

For financial instruments where there is no active market fair value is normally based on the following:

- Recent transactions
- Broker's quotes

The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics.

**36. Approval of financial statements**

The financial statements were approved by the Board of Directors and authorized for issue on 27 February 2008.

**37. Comparative amounts**

Certain prior year figures have been reclassified to conform with the presentation in the current year.

**Notes to the consolidated financial statements  
for the year ended 31 December 2007 (continued)**

**38. Business and geographical segments**

The Group has only one geographical segment. Segment information is, accordingly, presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Business segments**

**Parent Company**

The parent company operates in one business sector, namely brokerage and investments.

**Group**

For management purposes, the Group is organized into four operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Brokerage and Investments: includes brokerage and investments in securities and properties

Filters industry: includes manufacturing and selling of various types filters.

Dates industry: includes processing and selling of Dates.

Financial results of business segments are disclosed in the following schedule:

## GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

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### Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

#### 38. Business and geographical segments (continued)

| 2007                                                        | Brokerage &<br>investments<br>RO | Hotels<br>RO     | Filters<br>RO    | Dates<br>RO      | Total<br>RO       |
|-------------------------------------------------------------|----------------------------------|------------------|------------------|------------------|-------------------|
| Segment revenue                                             | 9,095,619                        | 4,710,987        | 587,649          | 1,394,656        | 15,788,941        |
| Segment expenses                                            | (1,596,624)                      | (2,876,917)      | (846,705)        | (1,603,202)      | (6,923,448)       |
| Segment results                                             | <u>7,498,995</u>                 | <u>1,834,070</u> | <u>(259,056)</u> | <u>(208,516)</u> | <u>8,865,493</u>  |
| Unallocated income                                          |                                  |                  |                  |                  | <u>197,145</u>    |
| Profit for the year                                         |                                  |                  |                  |                  | <u>9,062,638</u>  |
| Segment assets                                              | <u>34,212,829</u>                | <u>-</u>         | <u>2,132,324</u> | <u>3,232,933</u> | <u>39,578,086</u> |
| Segment liabilities                                         | <u>7,640,508</u>                 | <u>-</u>         | <u>1,365,536</u> | <u>193,345</u>   | <u>9,199,389</u>  |
| Allocated cost of acquired<br>property, plant and equipment | <u>333,324</u>                   | <u>-</u>         | <u>3,988</u>     | <u>40,074</u>    | <u>377,386</u>    |

#### 38. Business and geographical segments (continued)

## GLOBAL FINANCIAL INVESTMENTS SAOG AND ITS SUBSIDIARIES

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### Notes to the consolidated financial statements for the year ended 31 December 2007 (continued)

| <b>2006</b>                                                 | <b>Brokerage &amp;<br/>investments<br/>RO</b> | <b>Hotels<br/>RO</b> | <b>Filters<br/>RO</b> | <b>Dates<br/>RO</b> | <b>Total<br/>RO</b> |
|-------------------------------------------------------------|-----------------------------------------------|----------------------|-----------------------|---------------------|---------------------|
| Segment revenue                                             | 2,688,224                                     | 4,671,707            | 1,131,705             | 688,374             | 9,180,010           |
| Segment expenses                                            | (733,227)                                     | (3,380,633)          | (1,511,497)           | (923,709)           | (6,549,066)         |
| Segment results                                             | <u>1,954,997</u>                              | <u>1,291,074</u>     | <u>(379,792)</u>      | <u>(235,335)</u>    | <u>2,630,944</u>    |
| Unallocated income                                          |                                               |                      |                       |                     | <u>72,212</u>       |
| Profit for the year                                         |                                               |                      |                       |                     | <u>2,703,156</u>    |
| Segment assets                                              | <u>22,676,239</u>                             | <u>14,002,402</u>    | <u>2,200,782</u>      | <u>4,059,179</u>    | <u>42,938,602</u>   |
| Segment liabilities                                         | <u>6,504,020</u>                              | <u>3,081,353</u>     | <u>1,722,185</u>      | <u>811,070</u>      | <u>12,118,628</u>   |
| Allocated cost of acquired<br>property, plant and equipment | <u>270,581</u>                                | <u>265,323</u>       | <u>16,100</u>         | <u>108,037</u>      | <u>660,041</u>      |

## **REPORT ON CORPORATE GOVERNANCE**

### **Company's Philosophy:**

The company has adopted the corporate governance framework introduced by CMA vide CMA Circular No. 11/2002. The Board also formed an audit committee consisting of three members and they add a new member in 2004. They have also adopted in their meeting in January 2003 the internal regulations in organising the company's management and business in addition to personnel affairs and it was put into effect as from 01 January 2003.

### **Role and Responsibilities of the Board:**

The regulations lay down the principles of demarcation between the role, responsibility and accountability of the Board of Directors and that of the management in the conduct of the affairs of the company. The broad areas of Board's responsibilities are as under:

- a) Policy formulation.
- b) Supervision of major initiatives.
- c) Overseeing policy implementation.
- d) Ensuring compliance with laws and regulations.
- e) Nurturing proper and ethical behaviour.
- f) Transparency and integrity in stakeholder reporting.
- g) Approving and implementing disclosure policy and monitoring its compliance with regulatory requirements.
- h) Reviewing material transactions with the related parties, which are not in the ordinary course of business.
- i) Nominating the members of the sub committees of the Board of Directors, specifying their roles, responsibilities and powers.
- j) Selecting General Manager and other key executives from managerial level and upwards, specifying their roles, responsibilities, powers and remuneration.
- k) Evaluating the function of sub committees, General Manager and key employees.
- l) Approving interim and annual financial statements.
- m) Reporting to the shareholders in annual report about the going concern status of the company.

### **Role and Responsibilities of the Management:**

- a) Rendering assistance in policy formulation to the Board.
- b) Implementation of Board approved policies by putting in place procedures, internal controls, risks and performance measurement methodologies, management information systems and report to the Board.
- c) Responsibility for transmitting correct and timely signals.
- d) Acting professionally and expertise manifest.
- e) Nurturing proper and ethical behaviour.

f) Responsibility for complete and authentic reporting to the Board.

g) Responsibility for corporate image.

The company shall adhere to the best practices in respect of appointment of Directors, disclosure of company's affairs, induction of new Directors, appointment of key executives and fixing their remuneration, ensuring proper written delegation of authorities and operational procedures for the conduct of affairs of the company based on the principles detailed in Annexure 1 of the CMA code of corporate governance and regulations.

#### **Board of Directors:**

The company's Board of Directors consists of the following:

#### **Nominee Directors:**

#### **Independent Director:**

Sheikh / Sulieman Bin Ahmed Bin Said Al Hoqani

Mr. Hassan Bin Ehsan Bin Nasib Al Nasib

Mr. Mohammad Hashem Al-Jaghbir

Mr. Fayez Mustafa Moh'd Hassan

#### **Executive Director :**

Mr. Jamal Bin Said Bin Rajab Al Ojaili

#### **Details of attendance of Board Members for Board Meetings during 2007:**

|   | <b>Board Member</b>          | 26/02 | 26/03 | 10/05 | 08/08 | 09/09 | 20/10 | 29/10 | 13/11 | 01/12 |
|---|------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1 | Mr. Sulieman Ahmed Al Hoqani | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   |
| 2 | H.E. Hassan Ehsan Al Nasib   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   |
| 3 | Mr. Jamal Said Al Ojaili     | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   |
| 4 | Mr. Fayez Mustafa M. Hassan  | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | Yes   | No    |
| 5 | Mr. Mohammad Al-Jaghbir      | Yes   | Yes   | Yes   | No    | Yes   | Yes   | Yes   | Yes   | Yes   |

#### **Details of attendance of Board Members for AGM during 2007:**

|    | <b>AGM</b>                       |     |
|----|----------------------------------|-----|
|    | <b>26/03/2007</b>                |     |
| 1. | Mr. Sulieman Bin Ahmed Al Hoqani | Yes |
| 2. | H.E. Hassan Bin Ehsan Al Nasib   | Yes |
| 3. | Mr. Jamal Bin Said Al Ojaili     | Yes |
| 4. | Mr. Fayez Mustafa Moh'd Hassan   | Yes |
| 5. | Mr. Mohammad Hashem Al-Jaghbir   | Yes |

**Other Boards or Board Committees where he/she is a member or chairperson:**

**Board Member:**

- |                                     |   |
|-------------------------------------|---|
| 1. Mr. Sulieman Bin Ahmed Al Hoqani | 2 |
| 2. H.E. Hassan Bin Ehsan Al Nasib   | 2 |
| 3. Mr. Jamal Bin Said Al Ojaili     | 2 |
| 4. Mr. Fayez Mustafa Moh'd Hassan   | 1 |
| 5. Mr. Mohammad Hashem Al-Jaghbir   | 1 |

**Membership of other Boards:**

**Board Member:**

- |                                     |   |
|-------------------------------------|---|
| 1. Mr. Sulieman Bin Ahmed Al Hoqani | 2 |
| 2. H.E. Hassan Bin Ehsan Al Nasib   | 3 |
| 3. Mr. Jamal Bin Said Al Ojaili     | 3 |
| 4. Mr. Fayez Mustafa Moh'd Hassan   | 2 |
| 5. Mr. Mohammad Hashem Al-Jaghbir   | - |

**Investment Committee and brief description of terms of reference:**

Study and evaluate the investment Project which are submitted to them through its member or through the Co. Staff, and then take the right decision. And it have the right to call the specialist in the Co. to attend the meeting to have their feedback about the matters under discussion.

**Details of attendance of investment Committee Members during the years 2007:**

| <b>Members</b>                      | <b>10/05</b> |      |
|-------------------------------------|--------------|------|
| 1. Mr. Sulieman Bin Ahmed Al Hoqani | Yes          | ---  |
| 2. H.E. Hassan Bin Ehsan Al Nasib   | Yes          | ---- |
| 3. Mr. Jamal Bin Said Al Ojaili     | Yes          | ---  |
| 4. Mr. Mohammad Hashem Al-Jaghbir   | Yes          | ---  |

**Audit Committee:**

**Brief description of terms of reference:**

- Discuss and study aspects concerning the office of financial controller including their fee and conditions of seeking their assistance and the effect of additional services on their independence and neutralism, and then forwarding appropriate recommendations to the Board of Directors before presenting their appointment to the AGM.

- Reviewing the details of the working plan of the FC and the results of audit process and ensuring that the FC has been given the full right of pursuing all documents required to execute their task.
- Check financial fraud and forgery, which may be completed through showing false figures in financial details involving cheating, and to laydown strict control measures that ensure the existence of sound financial policies and principles, which reflect the actual financial position of the company.
- Supervising internal audit works through reviewing the set audit plan and studying the reports of the internal auditors that cover the vital and important aspects, and ensuring the full perusal of the internal auditors of the relative documents. The audit committee shall also review the efficiency of the process of auditing on periodical basis.
- Confirming the adequacy of the internal control systems in the company, either through relying on the periodical reports of internal auditors and external financial controller or seeking the help of specialised consultants.
- Supervising the aspects relating to the preparation of financial details and this involves revision of quarterly and annual financial lists before issuance and revising the preservations of the FC on the draft of financial lists if any. Discuss and study the accounting principles in general, concentrating on any changes that might have taken place in the accounting policies and principles or any deviation from the standards of the international accountancy; in addition to compliance with the disclosure requirement issued by CMA.
- Acting as a contact channel between the Board of Directors and the external FC and internal auditor.
- Review of the company policies concerning risk management, and to check the reasons behind failure to settle the company's commitments, if any.
- Review of proposed transactions and dealings to be carried out with the concerned parties and submitting adequate recommendations in this regard to the Board of Directors. Acting upon laying down the necessary rules to conduct small value transactions with these parties without the need to obtain prior approval of the audit committee and the Board of Directors.

**Details of attendance of Audit Committee Members during the year 2007:**

| <b>Members</b>                       | <b>26/02</b> | <b>10/05</b> | <b>08/08</b> | <b>13/11</b> |
|--------------------------------------|--------------|--------------|--------------|--------------|
| 1. Mr. Sulieman Bin Ahmed Al Houkani | Yes          | Yes          | Yes          | Yes          |
| 2. H.E. Hassan Bin Ehsan Al Nasib    | Yes          | Yes          | Yes          | Yes          |
| 3. Mr. Jamal Bin Said Al Ojaili      | Yes          | Yes          | Yes          | Yes          |
| 4. Mr. Fayez Mustafa Moh'd Hassan    | Yes          | Yes          | Yes          | Yes          |

**Process of Nomination of the Directors:**

The company follows the provisions of the Commercial Companies Law in respect of nomination of the members of the Board of Directors. Within these guidelines the company makes an effort to ensure that the composition of the Board provides people with competencies and skills to motivate high performing talent, strategic insight, good

understanding of management, ability for crisis management and industry specific experience.

**Related Party Transactions:**

This Kind of transactions which may give a self-interest for director member or another related party must be approved by board member without the right of discussing or voting for the self-interest member.

The related party transactions are presented to the board every quarter to be approved as a part of the financial statement, and they are presented to the shareholder committee to be approved in the AGM.

**Remuneration:**

As illustrated in the final financial details (illustrations 33).

|                                                                            |               |
|----------------------------------------------------------------------------|---------------|
| Salary, allowances and gratuity for the Fifths Senior Staff of the company | (RO 378.956)  |
| Committee and Investment Committee meeting                                 | (RO 19.850 )  |
| Directors' remuneration                                                    | (RO 180.000 ) |

**Details of non-compliance by the Company:**

The company had no occasion to attract penalties or strictures from Muscat Securities market and Capital Market Authority during the fiscal year ending 31-12-2007:

| Month     | High | Low  | No. Of days traded |
|-----------|------|------|--------------------|
| January   | .184 | .148 | 20                 |
| February  | .182 | .150 | 16                 |
| ★ March   | .151 | .151 | 20                 |
| April     | .160 | .148 | 17                 |
| May       | .160 | .146 | 8                  |
| June      | .159 | .150 | 12                 |
| July      | .174 | .155 | 21                 |
| August    | .174 | .164 | 17                 |
| September | .174 | .165 | 11                 |
| October   | .231 | .169 | 19                 |
| November  | .266 | .216 | 19                 |
| December  | .295 | .255 | 19                 |

★ The Bar Value have been Split from 1.000 R.O to 0.100 R.O on 30/03/2006.

Closing Rate (31/12/07): 0.281 (compared with 0.148 in 2006)

The Company's Share price closed by 89.8%), while the index of Bank and investment companies sector rise by (71.5%).

**Means of communication with the shareholders and investors:**

Quarterly results of the company are published in two leading newspapers in Arabic and English. Quarterly results in electronic format are also provided to Capital Market Authority for uploading on its website.

Investors are provided with general information about the market through mail / fax and soon the company's website shall be updated, so that shareholders and investors can have a look at the company's security market position.

**Internal Controls:**

The Board of Directors and Audit Committee have reviewed the systems of internal control and are satisfied with the same considering the size of the business and volume of the transactions involved.

**Specific areas of non-compliance with the provisions of corporate governance.**

NIL.

**Professional profile of the statutory auditor:**

Statutory Auditors of the Company are Messrs. Deloitte & Touch., who are the International recognized auditors with impeccable record for accounting capabilities, auditing integrity and professional conduct.

The Audit fees paid or payable to auditors for 2007 is R.O 7000 & other fees paid or payable is R.O 500 .

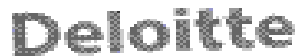
**Acknowledgment**

The Board of directors acknowledges confirmation of :-

- Its responsibility for the reparation of the financial statements in accordance with the applicable standards & rules.
- Review of the efficiency and adequacy of internal control systems of the company & that it complies with internal rules and regulations.
- There are no material matters that affect the continuation of the company and its ability to continue its operations during the next financial year.

**Audit Committee Chairman**

**Audit Committee Director**



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**TO THE SHAREHOLDERS OF  
GLOBAL FINANCIAL INVESTMENTS SAOG**

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no. 16/2003, dated 29 December 2003 with respect to the accompanying corporate governance report of **Global Financial Investments SAOG** and its application of corporate governance practices in accordance with the CMA Code of Corporate Governance issued under circular no. 11/2003 dated 3 June 2003 and the CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the company's compliance with the code as issued by the CMA.

We report our findings below.

We found that the company's corporate governance report fairly reflects the company's application of the provisions of the code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of **Global Financial Investments SAOG** to be included in its annual report for the year ended 31 December 2007 and does not extend to any financial statements of **Global Financial Investments SAOG**, taken as a whole.

  
Deloitte & Touche (M.E.)  
Muscat, Sultanate of Oman  
27 February 2008

Audit, Tax, Consulting, Financial Advisory.

Member of  
Deloitte Touche Tohmatsu