

Taageer Finance Company (SAOG)
(Formerly known as Taageer Finance Company SAOC)

Financial Statements

31 December 2005

Registered office and principal place of business:

Qurum House
P O Box No. 3509
Postal Code 112, Ruwi
Sultanate of Oman

Taageer Finance Company (SAOG)
(Formerly known as Taageer Finance Company SAOC)
Financial statements

31 December 2005

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**REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF
TAAGEER FINANCE COMPANY (SAOG)
(Formerly known as Taageer Finance Company SAOC)**

We have audited the balance sheet of Taageer Finance Company SAOG (“the Company”) (formerly known as Taageer Finance Company SAOC), as at 31 December 2005 and the related statements of income, changes in equity and cash flows for the year ended 31 December 2005, set out on pages 2 to 16.

Respective responsibilities of the Board of Directors and Auditors

These financial statements are the responsibility of the Company’s Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Taageer Finance Company (SAOG) (formerly known as Taageer Finance Company SAOC) as at 31 December 2005 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and comply, in all material respects, with the Commercial Companies Law of 1974, as amended.

Taageer Finance Company (SAOG)
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Balance sheet

at 31 December 2005

	<i>Note</i>	2005 RO'000	2004 RO'000
Assets			
Vehicles, furniture and equipment	3	43	60
Net investment in working capital and finance leases	4& 12	23,020	17,255
Receivables and prepayments	5	97	45
Statutory deposit	6	30	30
Bank and cash	7	1,410	230
Total assets		24,600	17,620
Equity and liabilities			
Equity			
Share capital	8(a)	7,500	5,000
Share premium	8(b)	1,000	-
Legal reserve	8(c)	212	131
Voluntary reserve	8(d)	248	140
Retained earnings		747	549
Total equity		9,707	5,820
Liabilities			
Bank borrowings	9	10,890	8,927
Creditors, accruals and other liabilities	10	3,793	2,738
Income tax payable	11	210	135
Total liabilities		14,893	11,800
Total equity and liabilities		24,600	17,620
Net asset value per share (RO)	18	1.294	1.164

The notes on pages 6 to 16 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 14 February 2006 and signed on their behalf by:

_____ Chairman

_____ Director

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

Taageer Finance Company (SAOG)
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Income statement

for the year ended 31 December 2005

	<i>Note</i>	2005 RO'000	2004 RO'000
Revenue			
Lease income		2,494	1,890
Interest		4	3
		<hr/> 2,498 <hr/>	<hr/> 1,893 <hr/>
Expenses			
General and administrative expenses	<i>13</i>	582	526
Depreciation	<i>3</i>	36	37
Interest expense		626	415
		<hr/> 1,244 <hr/>	<hr/> 978 <hr/>
Operating profit before impairment provisions		1,254	915
Impairment for lease and working capital finance	<i>4</i>	(304)	(250)
Operating profit after impairment but before income tax		950	665
Income tax	<i>11</i>	(148)	(110)
Net profit for the year		<hr/> 802 <hr/>	<hr/> 555 <hr/>
Basic earnings per share (baiza)	<i>17</i>	<hr/> 148 <hr/>	<hr/> 111 <hr/>

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Taageer Finance Company (SAOG)
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Statement of changes in equity

for the year ended 31December 2005

	<u>Share capital</u>	<u>Share premium</u>	<u>Legal reserve</u>	<u>Voluntary reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<i>Note</i>	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000
1 January 2004	5,000	-	75	42	414	5,531
Net profit for the year	-	-	-	-	555	555
Transfer to legal reserve	-	-	56	-	(56)	-
Dividend paid	-	-	-	-	(250)	(250)
Transfer to voluntary reserve	-	-	-	98	(98)	-
Directors' remuneration	-	-	-	-	(16)	(16)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2004	5,000	-	131	140	549	5,820
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
1 January 2005	5,000	-	131	140	549	5,820
Net profit for the year	-	-	-	-	802	802
Issue of share capital	2,500	1,000	-	-	-	3,500
Transfer to legal reserve	-	-	81	-	(81)	-
Dividend paid <i>8(e)</i>	-	-	-	-	(375)	(375)
Transfer of voluntary reserve <i>8(f)</i>	-	-	-	108	(108)	-
Directors' remuneration	-	-	-	-	(40)	(40)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2005	7,500	1,000	212	248	747	9,707
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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Taageer Finance Company (SAOG)
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Cash flow statement

for the year ended 31 December 2005

	2005	2004
	RO'000	RO'000
Operating activities		
Interest and rental receipts	2,498	1,893
Interest paid	(626)	(415)
Cash paid to suppliers and employees	(595)	(457)
	<u>1,277</u>	<u>1,021</u>
Changes in operating assets and liabilities		
Lease receivable	(6,069)	(5,107)
Bank borrowings	1,875	4,275
Creditors	1,017	252
	<u>(3,177)</u>	<u>(580)</u>
Net cash from operating activities before tax		
Income tax paid	(73)	(53)
Directors remuneration	(40)	(16)
	<u>(2,013)</u>	<u>372</u>
Investing activities		
Purchase of vehicles and equipment	(19)	(44)
	<u>(19)</u>	<u>(44)</u>
Financing activities		
Dividend paid	(375)	(250)
Share capital and share premium	3,500	-
	<u>3,175</u>	<u>(250)</u>
Net change in cash and cash equivalents	1,093	78
Cash and cash equivalents at beginning of the year	(139)	(217)
Cash and cash equivalents at end of the year	<u>954</u>	<u>(139)</u>
Cash and cash equivalents at the end of the year comprise:		
Bank and cash	1,410	230
Bank overdrafts	(456)	(369)
	<u>954</u>	<u>(139)</u>

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Taageer Finance Company (SAOG) **(Formerly known as Taageer Finance Company SAOC)**

Notes

forming part of the financial statements

1 Legal status and principal activities

Taageer Finance Company SAOG (“the Company”) (formerly known as Taageer Finance Company SAOC) is an Omani general joint stock company. The Company operated as a closed stock Company upto 21 October 2005. The Company was converted as an Omani general joint stock Company by a resolution of shareholders passed on 27 August 2005. The Company was registered with the Ministry of Commerce on 22 October 2005 as a Omani general joint stock company. The Company is engaged in the business of providing leasing, debt factoring, bridge loan and construction loans in the Sultanate of Oman.

2 Principal accounting policies

Statement of compliance

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

Basis of preparation

The financial statements are presented in Omani Rials, rounded to the nearest thousand. They are prepared on the historical cost basis except for available-for-sale investments stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future period if the revision affects both current and future periods.

Adoption of revised IAS

The accounting policies have been applied consistently by the Company and are consistent with those used in the previous year. The Company has adopted the revised IAS-17: Leases. The revised International Accounting Standard 17: Leases was applicable from 1 January 2005. The main change of the revised IAS 17 was that initial direct costs incurred in negotiating a lease should be included in the initial measurement of finance lease receivables and should not be charged as an expense as incurred. The impact of this was not considered material to the financial statements.

Leases and lease income

Assets owned by the Company but subject to finance leases are included in the financial statements as “investment in finance leases” at an amount equivalent to the net investment in the leases.

The Company follows the “sum of the digits method” in accounting for recognition of lease income. At the commencement of a lease, the total unearned lease income consists of the excess of aggregate lease contract receivables over the cost of the leased assets. The unearned lease income is taken into income over the term of the lease, starting with the month in which the lease is executed, so as to produce a systematic return on the net investment in the lease.

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2 Principal accounting policies (continued)

Provision for doubtful lease contract receivables on portfolio basis

Provision is made in these financial statements for potential doubtful receivables which are not presently identifiable but which are inherent in any portfolio.

Impairment for doubtful lease contract receivables

Impairment is made in these financial statements for potential doubtful lease contract receivables which are identified on a detailed review of leases.

Working capital finance receivables and interest income

Receivables arising from working capital finance, debt factoring, bridge finance and construction loan activities are stated at cost less impairment losses.

Interest income earned is accrued based on the application of the contracted rate to the actual daily outstanding. Service charges are recognised as income at the time of the transaction.

Vehicles and equipment

Vehicles and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

The cost of vehicles and equipment is written off in equal instalments over their estimated useful economic lives as follows:

	<i>Years</i>
Motor vehicles	3
Office equipment	3-4
Furniture and fittings	4

Other receivables

Other receivables are stated at their cost less impairment losses.

Creditors

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

Cash and cash equivalents

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

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2 Principal accounting policies (continued)

Impairment

The carrying amounts of the Company's assets, other than net investment in finance leases [refer policy above] are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

Receivables with a short duration are not discounted. The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss has been recognised.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the legal enforceable right to set off the transaction and also intends either to settle on a net basis or realise the asset and settle the liability simultaneously.

Trade and other payables

Trade and other payables are stated at their cost.

Interest bearing borrowings

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

Interest expense on interest-bearing borrowings is recognised in the income statement as it accrues using the effective interest rate method.

Employee terminal benefits

Contributions to a defined contribution retirement plan, for Omani employees in accordance with the Oman Social Insurance Scheme, are recognised as expense in the income statement as incurred.

Provision for non-Omani employee terminal contributions, which is an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and is based on the liability that would arise if the employment of all employees were terminated at the balance sheet date.

Directors' remuneration

In accordance with the Commercial Companies Law of 1974, Directors' remuneration is shown as an appropriation of profit instead of an expense.

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2 Principal accounting policies (continued)

Provision

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Income tax

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

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

Deferred tax is calculated using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Foreign currency

Transactions denominated in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rials Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

3 Vehicles and equipment	<u>Motor vehicles</u> RO'000	<u>Office equipment</u> RO'000	<u>Furniture and fittings</u> RO'000	<u>Total</u> RO'000
<i>Cost</i>				
1 January 2005	22	75	43	140
Additions during the year	-	12	7	19
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2005	22	87	50	159
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
1 January 2005	12	48	20	80
Charge for the year	5	18	13	36
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2005	17	66	33	116
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
31 December 2005	5	21	17	43
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2004	10	27	23	60
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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4	Net investment in working capital and finance leases	2005	2004
		RO'000	RO'000
	Lease contracts receivable	26,581	19,792
	Working capital finance receivables	685	617
	Unearned lease income	(3,429)	(2,677)
	Reserved interest	(92)	(47)
	Impairment for working capital and finance lease	(725)	(430)
		<u>23,020</u>	<u>17,255</u>
		<u><u>23,020</u></u>	<u><u>17,255</u></u>
	At 31 December 2005, lease contract receivables and working capital finance receivables on which interest is not being accrued or where interest is reserved amounted to RO 1.788 million (2004: 1.119 million).		
	Unearned lease income		
	1 January	2,724	2,226
	Addition during the year	2,890	2,098
	Recognized during the year	(2,093)	(1,600)
		<u>3,521</u>	<u>2,724</u>
	31 December	<u><u>3,521</u></u>	<u><u>2,724</u></u>
	Impairment for finance leases		
	1 January	377	175
	Provided during the year	298	238
	Released during the year	(77)	(36)
	Written off during the year	(9)	-
		<u>589</u>	<u>377</u>
	31 December	<u><u>589</u></u>	<u><u>377</u></u>
	Impairment for working capital finance		
	1 January	53	5
	Provided during the year	83	48
	Released during the year	-	-
	Written off during the year	-	-
		<u>136</u>	<u>53</u>
	31 December	<u><u>136</u></u>	<u><u>53</u></u>
	Total impairment	<u><u>725</u></u>	<u><u>430</u></u>
	5 Receivables and prepayments		
	Accrued interest	2	1
	Prepaid expenses	77	29
	Others	18	15
		<u>97</u>	<u>45</u>
		<u><u>97</u></u>	<u><u>45</u></u>
	6 Statutory deposit		

The Company is required to maintain a deposit of RO 30,000 with the Central Bank of Oman in accordance with the licensing regulations. During the year, the deposit earned interest at the rate of 2% per annum (2004: 2%).

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7	Bank and cash	2005	2004
		RO'000	RO'000
	Deposits	1,188	115
	Current accounts	213	104
	Cash in hand	9	11
		1,410	230

Deposit accounts earn interest at rates ranging between 0.5% and 0.75% per annum (2004: 0.50% and 0.75%).

8 **Equity**

(a) *Share capital*

The authorized share capital of the Company comprises 10,000,000 (2004: 10,000,000) ordinary shares of RO 1 each. The Company's issued and fully paid-up share capital comprises of 7,500,000 (2004: 5,000,000) shares of RO 1 each.

On 15 September 2005, the Company has issued 2,500,000 shares of RO 1 each, through initial public offering (IPO) at a price of RO 1.40 per share. The shares carry a nominal value of RO 1 each and a premium of RO 0.400 per share. The issue closed on 9 October 2005 and the proceeds were credited to the share capital and share premium account.

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

	2005		2004	
	Shareholding	Shares	Shareholding	Shares
	%	held	%	held
Arab Investment Company S.A.A	18.00	1,350,000	30.00	1,500,000
Al Madina Financial & Investment Services Company SAOC	16.26	1,219,688	27.00	1,350,000
Iran Foreign Investment Company	12.00	900,000	20.00	1,000,000

(b) *Share premium*

Share premium account is not available for distribution.

(c) *Legal reserve*

In accordance with the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the period, are made to this legal reserve until the accumulated balance of the reserve is equal to one third of the Company's share capital. This reserve is not available for distribution.

(d) *Voluntary reserve*

The excess of "share issue expenses" received from the Founder Shareholders subscription and bank interest on bank deposits over pre-operating expenses up to 15 November 2000 had been transferred to a voluntary reserve. During the year 2005, the Board of Directors of the Company decided to transfer an additional amount of RO 108,000 (2004: RO 98,000) to voluntary reserve. This reserve is earmarked for the purpose of meeting any future contingencies and inherent risk in the lease portfolio. This reserve will not be available for distribution.

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8 **Equity (continued)**

(e) *Proposed dividend*

For the year 2005, the Board of Directors have proposed a dividend of 0.075 Baizas per ordinary share aggregating to RO 562,500 pending approval of shareholders (2004: RO 375,000).

(f) *Directors' remuneration*

In accordance with the Commercial Companies Law of 1974, Directors remuneration is accounted for an appropriation instead of an expense. For the year 2005, the Board of Directors have not recommended any Directors' remuneration as the sitting fee paid to Directors during the year, has already reached the limit set by recent amendments to Commercial Company's Law vide Royal Decree No. 99/2005 dated 28 November 2005 (2004: RO 40,000).

9 Bank borrowings	2005	2004
	RO'000	RO'000
Overdrafts	456	369
Short-term loans	1,389	999
Long-term loans	9,045	7,559
Total	<u>10,890</u>	<u>8,927</u>

The Company has borrowing facilities with local commercial banks and International Financial Corporation ("IFC") in the aggregate amount of approximately RO 11.085 million (2004: RO 12.22 million). During the year interest was charged, on overdrafts at an average rate of 6% per annum, on short-term loans at rates ranging between 3% and 5.25% per annum and on long-term loans at rates ranging between 5% and 6.10% per annum. The IFC loan is denominated in US\$ and is in the amount of RO 3,849,000 and has certain restrictive covenants. These covenants relate to affirmative covenants, negative covenants, prohibited payments covenants, financial management covenants, environmental management covenants and reporting requirements covenants.

All borrowings, at the balance sheet date, are secured by pari-passu charge over the receivables of the Company.

10 **Creditors, accruals and other liabilities**

Leased assets payable	3,633	2,616
Accruals for expenses	142	111
Employees terminal benefits	18	11
	<u>3,793</u>	<u>2,738</u>

11 **Income tax**

Provision for income tax during the period has been made at 12% of taxable profits in excess of RO 30,000 in accordance with the income tax law of the Sultanate of Oman. The following is a reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

Profit before income tax	950	665
Tax at the rates mentioned above	110	76
Contingencies	38	34
Income tax expense	<u>148</u>	<u>110</u>

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11 **Income tax** *(continued)*

The Company's assessment from the tax period 2001 to tax year 2004 have not yet been finalised with the Secretariat General of Taxation at the Ministry of Finance. The Board of Directors believe that additional taxes, if any, in respect of the open tax year would not be material to the Company's financial position at reporting date.

12 **Related party transactions**

The Company has entered into transactions in the ordinary course of business with its executive officers, Directors and entities in which certain Directors have a significant influence. Interest charged on long-term loan and other transactions are on terms, which the Directors believe correspond to terms of normal arm's length transactions with third parties. The nature of significant related party transactions during the period were approximately as follows:

	2005 RO'000	2004 RO'000
<i>General and administrative expenses</i>		
Occupancy cost	17	-
	=====	=====
Lease income	6	12
Net investment in finance leases	29	94
	=====	=====
Salaries and other benefits paid to executive officers	135	92
	=====	=====
<i>Salaries and allowances paid to Directors</i>		
Directors' remuneration	-	29
Sitting fees paid to Directors	13	10
Hotel expenses reimbursed to Directors	6	3
Air travel expenses reimbursed to Directors	6	6
	=====	=====
13 General and administrative expenses		
Personnel costs	341	334
Occupancy costs	28	28
Professional fees and subscriptions	41	32
Directors' sitting fees	13	10
Advertising and sales promotion	40	31
Communication costs	22	19
Other office expenses	97	72
	=====	=====
	582	526
	=====	=====
Personnel cost		
Wages and salaries	274	288
Other benefits	52	34
Contributions to defined contributions retirement plan	8	6
Liability for unfunded defined benefit retirement plan	7	6
	=====	=====
	341	334
	=====	=====

The number of employees as at 31 December 2005 was 44 (2004: 34).

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13 **General and administrative expenses** (continued)

Public Authority for Social Insurance Scheme ("the Scheme")

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme based on fixed percentages of basic salaries.

Non Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of Oman Labour Law of 1973. This is an unfunded defined benefits retirement plan. Employees are entitled to benefits based on length of service and final remuneration. Accrued staff terminal benefits are payable on termination of employment.

14 **Contingent liabilities**

The Company has given counter guarantee to a commercial bank to the extent of RO 64,250 (2004: 8,465) in respect of performance bonds issued by the banks on behalf of the Company's customers.

15 **Analysis of significant assets and liabilities**

a) *Maturity analysis*

	2005				2004			
	Assets		Liabilities		Assets		Liabilities	
	Bank and cash	Gross investment in finance leases	Bank borrowings	Creditors, & other liabilities	Bank and cash	Gross investment in finance leases	Bank borrowings	Creditors, & other liabilities
RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	
<i>Maturity</i>								
0-12 months	1,410	12,067	4,438	3,793	230	8,727	4,630	2,738
1-2 years	-	7,550	2,069	-	-	5,715	2,483	-
2-3 years	-	4,631	1,465	-	-	3,709	1,347	-
3-4 years	-	3,018	993	-	-	1,808	467	-
Over 4 years	-	-	1,925	-	-	450	-	-
	<u>1,410</u>	<u>27,266</u>	<u>10,890</u>	<u>3,793</u>	<u>230</u>	<u>20,409</u>	<u>8,927</u>	<u>2,738</u>

b) *Interest rate analysis*

Effective interest rate

0% - less than 6%	1,410	-	10,890	3,793	230	-	1,838	2,738
6% - less than 15%	-	27,266	-	-	-	20,409	7,089	-
	<u>1,410</u>	<u>27,266</u>	<u>10,890</u>	<u>3,793</u>	<u>230</u>	<u>20,409</u>	<u>8,927</u>	<u>2,738</u>

Taageer Finance Company (SAOG)
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15 **Analysis of significant assets and liabilities** *(continued)*

c) *Customer concentration*

Gross investment in Finance Leases

	2005	2004
	RO'000	RO'000
Personal	13,504	8,588
Corporate	13,077	11,204
	<u>26,581</u>	<u>19,792</u>
Working capital finance		
Corporate	685	617
	<u>685</u>	<u>617</u>

d) *Economic sector concentration of gross investment in finance leases*

Gross investment in finance leases:

Manufacturing	716	509
Trading and Constructing	2,972	2,641
Services	8,879	7,544
Consumer	14,014	9,098
	<u>26,581</u>	<u>19,792</u>
Working capital finance:		
Manufacturing	58	87
Trading and Constructing	588	495
Services	39	35
	<u>685</u>	<u>617</u>

16 **Financial instruments**

Financial assets of the Company include cash and bank balances, net investments in finance leases and receivables. Financial liabilities include creditors and bank overdrafts.

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

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements.

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16 **Financial instruments** *(continued)*

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that bank overdrafts are on a fixed rate basis.

Foreign currency risk

The foreign currency risk is minimal as all the transactions are incurred in Rials Omani.

Fair value

The Directors consider the fair values of all financial assets and liabilities to approximate their carrying value.

17 **Earnings per share**

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

	2005	2004
Net profit for the year (RO'000)	802	555
Weighted average number of shares (Nos)	5,417	5,000
Basic earning per share (Bzs.)	148	111

During the year 2005, the Company has increased its issued and fully paid-up share capital through a public offer dated 9 October 2005, for the purpose of calculating earnings per share, the issue is treated as if it had occurred at the end of October 2005. As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

18 **Net assets per share**

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

Net assets (RO'000)	9,707	5,820
Number of shares outstanding at 31 December (Nos)	7,500	5,000
Net asset per share (RO)	1.294	1.164

19 **Comparative figures**

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