

GULF PLASTIC INDUSTRIES CO. SAOG

FINANCIAL STATEMENTS

31 DECEMBER 2012

Registered office and principal place of business

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Sultanate of Oman

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PLASTIC INDUSTRIES CO. SAOG

Report on the financial statements

We have audited the accompanying financial statements of Gulf Plastic Industries Co. SAOG, set out on pages 2 to 25, which comprise the statement of financial position as at 31 December 2012, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended). The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

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 about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements

The Company's financial statements also comply in all material respects with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority.

13 March 2013



JAL Moore Stephens

STATEMENT OF FINANCIAL POSITION
at 31 December 2012

	Note	2012 RO	2011 RO
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,335,434	1,499,856
Deferred tax asset	19 d)	6,941	50,577
Total non-current assets		1,342,375	1,550,433
Current assets			
Inventories	5	623,444	520,709
Accounts and other receivables	6	1,026,053	938,405
Bank balances and cash	7	216,800	236,203
Total current assets		1,866,297	1,695,317
Total assets		3,208,672	3,245,750
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,000,000	1,000,000
Legal reserve	9 a)	114,554	82,554
Special reserve	9 b)	10,123	10,123
Retained earnings		490,434	202,436
Total equity		1,615,111	1,295,113
Liabilities			
Non-current liabilities			
Government soft loans	11	459,179	650,894
Deferred Government grant	11	43,793	112,078
Employees' end of service benefits	16 c)	116,293	94,940
Total non-current liabilities		619,265	857,912
Current liabilities			
Current portion of Government soft loans	11	260,000	300,000
Accounts and other payables	10	714,296	792,725
Total current liabilities		974,296	1,092,725
Total liabilities		1,593,561	1,950,637
Total equity and liabilities		3,208,672	3,245,750
Net assets per share			
	22	1.615	1.295

These financial statements were approved by the Board of Directors on 13 March 2013 and were signed on their behalf by:

Chairman

Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
 for the year ended 31 December 2012

	Note	2012 RO	2011 RO
INCOME			
Sales	3 n)	4,948,742	4,434,029
Cost of sales	13	(4,167,867)	(3,910,601)
Gross profit		<u>780,875</u>	<u>523,428</u>
Other income	14	57,253	52,740
		<u>838,128</u>	<u>576,168</u>
EXPENSES			
General and administration	15	299,686	263,476
Selling and distribution	17	137,284	120,604
Finance costs	18	37,524	47,272
		<u>474,494</u>	<u>431,352</u>
Profit before taxation		363,634	144,816
Taxation	19	(43,636)	50,577
Profit and total comprehensive income for the year		<u>319,998</u>	<u>195,393</u>
Basic earnings per share	21	<u>0.320</u>	<u>0.195</u>

* The Company does not have any items under other comprehensive income.

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

	Share capital RO (note 8)	Legal reserve RO [note 9 a]	Special reserve RO [note 9 b]	Retained earnings RO	Total RO
At 31 December 2010	1,000,000	63,015	10,123	26,582	1,099,720
Total comprehensive income for the year	--	--	--	195,393	195,393
Transfer to legal reserve	--	19,539	--	(19,539)	--
At 31 December 2011	<u>1,000,000</u>	<u>82,554</u>	<u>10,123</u>	<u>202,436</u>	<u>1,295,113</u>
At 31 December 2011	1,000,000	82,554	10,123	202,436	1,295,113
Total comprehensive income for the year	--	--	--	319,998	319,998
Transfer to legal reserve	--	32,000	--	(32,000)	--
At 31 December 2012	<u>1,000,000</u>	<u>114,554</u>	<u>10,123</u>	<u>490,434</u>	<u>1,615,111</u>

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2012

	2012 (Rials Omani)	2011 (Rials Omani)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	363,634	144,816
<i>Adjustment for:</i>		
Finance costs	37,524	47,272
Depreciation	234,391	227,282
(Profit) / loss on disposal of plant and equipment	(1,757)	36
Provision for employees' end of service benefits	29,770	33,417
Cash flow from operations before working capital changes:	663,562	452,823
<i>Changes in working capital</i>		
Increase in inventories	(102,735)	(110,385)
Increase in accounts and other receivables	(87,648)	(89,302)
(Decrease) / increase in accounts and other payables	(78,429)	66,112
Payment of employees' end of service benefits	(8,417)	(14,832)
Net cash from operating activities	386,333	304,416
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(70,852)	(33,871)
Proceeds from disposal of plant and equipment	2,640	360
Net cash used in investing activities	(68,212)	(33,511)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs	(37,524)	(47,272)
Repayment of Government soft loans	(300,000)	(240,000)
Net cash used in financing activities	(337,524)	(287,272)
Net decrease in cash and cash equivalents during the year	(19,403)	(16,367)
Cash and cash equivalents at the beginning of the year	236,203	252,570
Cash and cash equivalents [notes 3 e) and 7] at the end of the year	216,800	236,203

The attached notes 1 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2012**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Gulf Plastic Industries Co. SAOG ("the Company") is an Omani public joint stock company incorporated in the Sultanate of Oman on 27 November 1996 under a trade license issued by the Ministry of Commerce and Industry. The Company's principal place of business is located at Rusayl Industrial Estate. The principal activities of the Company are manufacturing and selling of various types of polystyrene cups and polypropylene bags.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS**2.1 Basis of preparation**

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

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 12 'Deferred Taxes' issued in December 2010 provides a practical approach for measuring deferred tax assets and liabilities when investment property is measured using the fair value model under IAS 40 'Investment Property'. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
- Amendments to IFRS 7 'Financial Instruments' issued in October 2010 helps the users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and promotes transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets.

The Management believes that the adoption of the amendments have not had any material impact on the presentation and disclosure of items in the financial statements for the current period.

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following new and revised standards were in issue but not yet effective:

- IFRS 9, 'Financial Instruments', is effective for accounting periods beginning on or after 1 January 2015. The standard was issued in November 2009, which was added to in October 2010 and further amended in December 2011 amending the effective date from 1 January 2013 to 1 January 2015. Currently, IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and the derecognition criteria for financial assets. Financial assets are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the entity has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012**2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)****2.3 New and amended IFRS which are in issue but not yet effective (Continued)**

- Amendments to IAS 1 'Presentation of Financial Statements' issued in June 2011 improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments require an entity to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is effective for annual periods beginning on or after 1 July 2012.
- The revised IAS 19 'Employee benefits' issued in June 2011 has resulted, amongst other amendments, in the removal of 'corridor approach' to defer some gains and losses arising from defined benefit plans. The revised IAS is effective for annual periods beginning on or after 1 January 2013.
- IFRS 10 'Consolidated Financial Statements' was issued in May 2011 primarily to deal with divergence in practice in applying the existing IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 and revised IAS 27 'Separate Financial Statements' together supersede the current IAS 27 'Consolidated and Separate Financial Statements'. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 11 'Joint arrangements' was issued in May 2011 and improves on IAS 31 'Joint ventures' by establishing principles to the accounting for all joint arrangements. IFRS 11 also eliminates the option available for accounting of joint ventures by the proportionate consolidation method. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 12 'Disclosure of interest in other entities' was issued in May 2011 and requires an entity to disclose information to evaluate the nature of, and risks associated with, its interests in other entities and effects of those interests on its financial position, performance and cash flows. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 'Fair value Measurements' was issued in May 2011 and sets out in a single IFRS a framework for measuring and disclosing fair values. The standard is effective for annual periods beginning on or after 1 January 2013.
- IFRIC 20 'Stripping costs in the production phase of a surface mine' was issued in October 2011 deals with the accounting for benefits arising from the 'stripping activity' during the production phase of the mine. The IFRIC is effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 7 'Financial Instruments: Disclosures' issued in December 2011 amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. The amendments are effective for annual periods beginning on or after 1 January 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012**2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)****2.3 New and amended IFRS which are in issue but not yet effective (Continued)**

- Annual improvements to IFRS issued in May 2012 (effective for annual periods beginning on or after 1 January 2013) has resulted, amongst other amendments, changes to the following standards:
 - IAS 1 'Presentation of Financial Statements' clarifies the requirements for comparative information.
 - IAS 16 'Property, plant and equipment' clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they shall be classified as inventory.
 - IAS 32 'Financial Instruments: Presentation' addresses the perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 issued in June 2012 provide additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application. The amendments are effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The amendments are effective for annual periods beginning on or after 1 January 2014.

The Management believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements.

a) Accounting convention

These financial statements have been prepared under the historical cost convention.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of comprehensive income as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, plant and equipment (Continued)

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the item is derecognized. Capital work in progress is stated at cost. All costs related to specific assets incurred during the period are carried under this heading. These are transferred to specific assets when they are available for use.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of other items of property, plant and equipment. The estimated useful economic lives are as follows:

	Years
Factory buildings on leasehold land	30
Plant and machinery	10-15
Office equipment, furniture and fixtures	5
Motor vehicles	4

c) Inventories

Inventories are stated at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate portion of direct labour and related production overheads based on normal operating capacity.

d) Accounts and other receivables

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses for receivables is established when there is objective evidence that the Company will not be able to collect the amounts due.

When accounts and other receivables are uncollectible, it is written off against the allowance account for credit losses. The carrying values of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances, net of temporary bank borrowings, if any.

f) Impairment

Financial assets

At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)****f) Impairment (Continued)***Non-financial assets*

At the end of each reporting period, the Management assesses if there is any indication of impairment of non financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income.

g) Government soft loan and deferred Government grant*Carrying values*

The carrying value of the subsidised Government soft loans (note 11) is determined as the present value of the loans adopting the interest rates that reflect the current cost of similar borrowings on similar loan terms from a commercial bank. The reported balance of the soft loans comprise their carrying value plus a component of unamortised deferred income that represents the difference between the carrying values and the present value of the loans adopting the interest rates that similar loans attract.

Finance costs

Interest subsidy is recognized in the statement of financial position initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. The deferred Government grant is amortized over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortization of deferred Government grant is recognized within net finance costs.

h) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's Labour Law as per Royal Decree number 35/2003 (as amended) applicable to expatriate employees' accumulated periods of service at the end of the reporting period.

i) Taxation

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

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period. Deferred tax assets are recognized in relation to unused tax credits to the extent that it is probable that future taxable profits will be achieved.

j) Accounts and other payables

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

k) Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012**3 SIGNIFICANT ACCOUNTING POLICIES (Continued)****l) Provisions**

A provision is recognised in the statement of financial position 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.

m) Foreign currency transactions

Transactions 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 end of the reporting period are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

n) Sales

Revenue from the sale of goods and services is recognized, net of discounts, in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, and the amount is measured reliably. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

o) Operating lease

The operating lease payments are charged to the statement of comprehensive income on a straight line basis, unless another systematic basis is representative of the time pattern of the benefit.

p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated to the segment and assess its performance.

q) Estimates and judgements

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

The significant estimates involved in the preparation of these financial statements and which have significant risk of material adjustment in subsequent years include allowance for credit losses.

4 PROPERTY, PLANT AND EQUIPMENT

- a) The details of property, plant and equipment are set out on pages 24 and 25.
- b) The factory buildings are located on plots of land in Rusayl Industrial Estate leased from the Public Establishment for Industrial Estates under a lease agreement over a period of 25 years [note 23 b)].

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

c) The property, plant and equipment are mortgaged as security against Government soft loans (note 11).

d) The depreciation charge for the year has been allocated as follows:

	2012 RO	2011 RO
Cost of sales (note 13)	218,577	215,072
General and administration (note 15)	15,814	12,210
	<u>234,391</u>	<u>227,282</u>
	=====	=====

5 INVENTORIES

	2012 RO	2011 RO
Raw materials	362,421	282,693
Work in progress	139,404	157,411
Spare parts	73,326	60,605
Finished goods	48,293	20,000
	<u>623,444</u>	<u>520,709</u>
	=====	=====

The following further note applies:

At the end of the reporting period, finished goods represent 4 days (2011 – 2 days) of annual sales.

6 ACCOUNTS AND OTHER RECEIVABLES

	2012 RO	2011 RO
Accounts receivable	1,008,778	932,034
Less: Allowance for credit losses [note a) below]	(33,649)	(45,184)
	<u>975,129</u>	<u>886,850</u>
Advance to suppliers	19,312	22,333
Prepayments and deposits	29,370	25,964
Other receivables	2,242	3,258
	<u>1,026,053</u>	<u>938,405</u>
	=====	=====

The following further notes apply:

a) The movement in allowance for credit losses is as follows:

	2012 RO	2011 RO
At the beginning of the year	45,184	36,045
Established during the year	--	16,729
Written back during the year (note 14)	(8,000)	(7,590)
Written off during the year	(3,535)	--
	<u>33,649</u>	<u>45,184</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

6 ACCOUNTS AND OTHER RECEIVABLES (Continued)

- b) At the end of reporting period, 25% of the Company's accounts receivable is due from customers in other GCC and Middle East countries (2011 – 34%) and 13 customers (2011 – 13 customers) account for 55% (2011 – 61%) of accounts receivable.
- c) At the end of the reporting period, 7% (2011 – 6%) of the Company's accounts receivable are secured against letters of credit.
- d) At the end of the reporting period, accounts receivable amounting to RO 852,220 (2011 – RO 774,178) are neither past due nor impaired.
- e) At the end of the reporting period, the following accounts receivable are past due but not impaired and are estimated as collectible based on historical experience. The ageing analysis of these receivables is as follows:

	2012 RO	2011 RO
Debts due between 3 – 6 months	120,626	105,452
Debts due between 6 months – 1 year	2,283	5,353
Debts due for more than 1 year	--	1,867
	-----	-----
	122,909	112,672
	=====	=====

7 BANK BALANCES AND CASH

	2012 RO	2011 RO
Cash in hand	320	469
Bank balances	140,480	159,734
Short term deposit (note below)	76,000	76,000
	-----	-----
	216,800	236,203
	=====	=====

The following further note applies:

The short term deposit carries interest at 0.5% per annum (2011 – 0.5% per annum) and is held as lien against bank credit facilities.

8 SHARE CAPITAL

- a) The authorized share capital of the Company is RO 2,000,000 comprising 2,000,000 shares at RO 1 each (2011 – RO 2,000,000 comprising 2,000,000 shares at RO 1 each). The issued and fully paid-up share capital of the Company is RO 1,000,000 comprising 1,000,000 shares of RO 1 each (2011 – share capital of RO 1,000,000 comprising 1,000,000 shares of RO 1 each).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

8 SHARE CAPITAL (Continued)

- b) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital and the number of shares they hold are as follows:

	% of Holding	2012 Number of shares	% of holding	2011 Number of Shares
Ms. Budoor Mohd. Rashid Al Fannah Al Araiimi	22.00	220,000	22.00	220,000
Ms. Khulood Mohd. Rashid Al Fannah Al Araiimi	22.00	220,000	22.00	220,000
Sh. Salem Bin Said Al Fannah Al Araiimi	20.16	201,598	20.16	201,598
Al Siraj Investment Holding LLC	19.62	196,190	19.62	196,190

9 RESERVES

a) *Legal reserve*

As required by article 106 of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the Company's net profit for the year has been transferred to a non-distributable legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the paid up capital.

b) *Special reserve*

This represents the excess of premium collected from shareholders to meet share issue expenses over actual issue expenses incurred. This excess has been recorded as a special reserve in accordance with the Company's Articles of Association.

10 ACCOUNTS AND OTHER PAYABLES

	2012 RO	2011 RO
Accounts payable	564,626	674,388
Advance from customers	7,995	4,143
Amounts due to a related party [note 12 c)]	6,058	5,761
Provision for leave pay and passage	79,109	67,835
Accruals and other payables	56,508	40,598
	<u>714,296</u>	<u>792,725</u>
	=====	=====

11 GOVERNMENT SOFT LOANS

	2012 RO	2011 RO
Non-current liabilities		
Loan 1	179,694	337,734
Loan 2	279,485	313,160
	<u>459,179</u>	<u>650,894</u>
Deferred Government grant	43,793	112,078
	<u>502,972</u>	<u>762,972</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

11 GOVERNMENT SOFT LOANS (Continued)

	2012 RO	2011 RO
Current liabilities		
Loan 1	200,000	200,000
Loan 2	60,000	100,000
	<hr/>	<hr/>
Current portion	260,000	300,000
	<hr/>	<hr/>
	762,972	1,062,972
	<hr/>	<hr/>

The following further notes apply:

- a) Loan 1 amounting to RO 1,267,972 was obtained from the Government of the Sultanate of Oman and disbursed by a local commercial bank in the year 1999. Based on the revised repayment schedule approved by the Ministry of Finance in the year 2008, the loan was repayable in varying instalments ranging from RO 30,000 to RO 100,000, semi-annually which commenced from 27 March 2008 and a lumpsum amount of RO 392,972 in the year 2013. The loan carries interest at 3% per annum (2011 – 3% per annum), net of subsidy.

During the year 2012, the Company had applied for a restructuring of the repayment schedule which was approved by the Ministry of Finance subsequent to the reporting period. Based on the approved revised repayment schedule, loan 1 is now payable in three semi-annual installments of RO 100,000 and final installment of RO 92,972, commencing from 30 March 2013.

- b) Loan 2 amounting to RO 700,000 was obtained from the Government of the Sultanate of Oman and disbursed by a local commercial bank in the year 2005. Based on the revised repayment schedule approved by the Ministry of Finance in the year 2008, the loan was repayable in varying instalments ranging from RO 25,000 to RO 50,000 which commenced from 30 December 2008 and two annual instalments of RO 185,000 each in the years 2013 and 2014. The loan carries interest at 3% per annum (2011 – 3% per annum), net of subsidy.

During the year 2012, the Company had applied for a restructuring of the repayment schedule which was approved by the Ministry of Finance subsequent to the reporting period. Based on the approved revised repayment schedule, loan 2 is now payable in four semi-annual installments of RO 30,000 commencing from 30 June 2013 and two semi-annual installments of RO 125,000, commencing from 30 June 2015.

- c) The loans are secured by the following:
- a registered mortgage of the Company's property, plant and equipment in favour of the commercial banks disbursing the soft loans [note 4 c)];
 - commercial mortgage on other assets;
 - Ministry of Finance guarantee for RO 700,000 for loan 2;
 - cash margin equivalent to one year interest on loan 2; and
 - personal, joint and several guarantees of two Directors.

- d) The repayment schedule of the term loans (including the deferred government grant) is as follows:

	Total RO	Within 1 year RO	1 – 2 years RO	2 – 5 years RO
31 December 2012	762,972	260,000	252,972	250,000
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2011	1,062,972	300,000	577,972	185,000
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

11 GOVERNMENT SOFT LOANS (Continued)

- e) The carrying values of the Government soft loans have been determined by the Management using the effective interest rate method. The effective interest rate was 9% (2011 – 9%) per annum. The Government subsidy on loans to which the subsidy relates is amortized on a systematic basis in the same periods in which loans are repaid. The amortization of the deferred Government grant for the year 2012 amounts to RO 68,285 (2011 – RO 65,772) and is recognised within finance costs (note 18).

12 RELATED PARTY TRANSACTIONS

The Company has entered into transactions with key management personnel, Directors and entities in which certain Directors of the Company have an interest. In the ordinary course of business, the Company sells goods to related parties and procures goods and services from related parties. These transactions are entered into on terms and conditions approved by the Board of Directors.

- a) The volume of the related party transactions during the year are as follows:

	2012 RO	2011 RO
<i>Transactions with an entity related to Directors</i>		
Cost of sales	30,481	24,345
Other income	7,500	5,550

- b) The key management personnel compensation for the year comprises:

	2012 RO	2011 RO
Short term employment benefits	90,184	86,087
Employees' end of service benefits	3,040	3,121
Directors' meeting attendance fees (see note below)	8,100	7,850
	<u>101,324</u>	<u>97,058</u>
	=====	=====

The Directors' meeting attendance fees are subject to shareholders' approval at the forthcoming Annual General Meeting.

- c) The amounts due to a related party is repayable on demand and is not subject to interest.

	2012 RO	2011 RO
Amounts due to a related party (note 10)		
- Oman Packaging Company SAOG	6,058	5,761
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

13 COST OF SALES

	2012 RO	2011 RO
Cost of materials consumed	2,774,244	2,680,653
Salaries and employee related costs [note 16 a)]	857,367	716,386
Depreciation [note 4 d)]	218,577	215,072
Electricity and water	150,303	137,071
Other operating expenses	167,376	161,419
	<u>4,167,867</u>	<u>3,910,601</u>
	=====	=====

14 OTHER INCOME

	2012 RO	2011 RO
Sale of scrap	25,154	16,651
Foreign exchange gain (net)	10,552	13,492
Allowance for credit losses written back [note 6 a)]	8,000	7,590
Rental income	7,500	5,550
Refund of customs duty	--	3,031
Profit on disposal of equipment	1,757	--
Miscellaneous income	4,290	6,426
	<u>57,253</u>	<u>52,740</u>
	=====	=====

15 GENERAL AND ADMINISTRATION

	2012 RO	2011 RO
Salaries and employee related costs [note 16 a) below]	148,514	114,852
Repairs and maintenance	45,585	40,361
Rent	30,300	25,753
Depreciation [note 4 d)]	15,814	12,210
Professional and legal fees	13,765	11,023
Communication	11,163	11,141
Directors' meeting attendance fees [note 12 b)]	8,100	7,850
Vehicle running	7,897	8,410
Printing and stationery	5,152	4,343
Insurance	2,847	2,353
Registration	2,524	2,615
Electricity and water	1,698	1,458
Advertisement	1,600	1,620
Allowance for credit losses [note 6 a)]	--	16,729
Miscellaneous	4,727	2,758
	<u>299,686</u>	<u>263,476</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

16 SALARIES AND EMPLOYEE RELATED COSTS

- a) Salaries and employee related costs are allocated between cost of sales (note 13) and general and administration (note 15) as follows:

	2012 RO	2011 RO
Cost of sales	857,367	716,386
General and administration	148,514	114,852
	<u>1,005,881</u>	<u>831,238</u>
	=====	=====

- b) Salaries and employee related costs comprise the following:

	2012 RO	2011 RO
Salaries and wages	787,826	627,428
Contributions to defined retirement plan for Omani Employees	17,113	18,852
Cost of end of service benefits for expatriate employees [note c) below]	29,770	33,417
Other employee related costs	171,172	151,541
	<u>1,005,881</u>	<u>831,238</u>
	=====	=====

- c) Movements in expatriate employees' end of service benefits liability recognised in the statement of financial position are as follows:

	2012 RO	2011 RO
At the beginning of the year	94,940	76,355
Expenses recognized in the statement of comprehensive income [note b) above]	29,770	33,417
Paid during the year	(8,417)	(14,832)
At the end of the year	<u>116,293</u>	<u>94,940</u>
	=====	=====

17 SELLING AND DISTRIBUTION

	2012 RO	2011 RO
Freight charges	94,570	87,321
Marketing and sales promotion	42,714	33,283
	<u>137,284</u>	<u>120,604</u>
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

18 FINANCE COSTS

	2012 RO	2011 RO
Interest on Government soft loans	28,167	36,032
Bank charges	9,357	11,240
Amortisation of deferred Government grant [note 11 e)]	68,285	65,772
	<u>105,809</u>	<u>113,044</u>
Less: Deferred Government grant	(68,285)	(65,772)
	<u>37,524</u>	<u>47,272</u>
	=====	=====

19 TAXATION

	2012 RO	2011 RO
Statement of comprehensive income		
Deferred tax charge / (credit) [note d) below]	43,636	(50,577)
	=====	=====
Statement of financial position		
<i>Non-current asset</i>		
Deferred tax asset	6,941	50,577
	=====	=====

The following further notes apply:

- The Company is subject to income tax at 12% (2011 – 12%) of the taxable income in excess of RO 30,000 (2011 – RO 30,000). No provision for current tax has been established as the Company has carry forward losses available for set-off against the taxable income for the year.
- The Company's tax assessments for the years 2006 and 2007 were finalized during the year by the Secretariat General of Taxation (SGT) with no additional tax liability.
- The Company's tax assessments for the years 2008 to 2011 have not been finalized by the SGT. The Management believes that the tax assessed, if any, in respect of the above tax years would not be material to the financial position of the Company at the end of the reporting period.
- The deferred tax charge recognised in the statement of comprehensive income is attributable to the following:

	2011 RO	Recognised in statement of comprehensive income RO	2012 RO
Accelerated capital allowance	(108,464)	17,342	(91,122)
Relating to provisions	5,422	(1,384)	4,038
Carry forward losses	153,619	(59,594)	94,025
	<u>50,577</u>	<u>(43,636)</u>	<u>6,941</u>
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

20 OPERATING SEGMENTS

- a) The Company has four reportable segments that of manufacture of:
- Cups;
 - Jumbo bags;
 - Woven sacks; and
 - Liner.

The information set out below analyses the revenues over the four segments.

	Cups RO	Jumbo bags RO	Woven sacks RO	Liner RO	Total RO
Year 2012					
Sales	1,054,676	2,845,292	992,374	56,400	4,948,742
Cost of sales	(895,683)	(2,372,503)	(867,751)	(31,930)	(4,167,867)
Gross profit	158,993	472,789	124,623	24,470	780,875
Less: common costs (net)					(417,241)
Profit before taxation					363,634
					=====
Year 2011					
Sales	1,055,937	2,290,191	979,007	108,894	4,434,029
Cost of sales	(946,488)	(2,014,342)	(867,168)	(82,603)	(3,910,601)
Gross profit	109,449	275,849	111,839	26,291	523,428
Less: common costs (net)					378,612
Profit before taxation					144,816
					=====

- b) The geographical distribution of the accounts receivable is analysed as follows:

	2012 RO	2011 RO
Cups		
- Oman	248,051	266,923
- GCC	8,791	979
Jumbo bags		
- Oman	300,298	170,403
- GCC	223,688	300,489
- Other countries	34,589	13,909
Woven sacks		
- Oman	186,871	153,819
- GCC	3,154	650
Liner		
- Oman	3,336	1,444
- Other countries	--	23,418
	1,008,778	932,034
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

21 BASIC EARNINGS PER SHARE

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

	2012	2011
Net profit for the year (in RO)	319,998 =====	195,393 =====
Weighted average number of shares in issue during the year	1,000,000 =====	1,000,000 =====
Basic earnings per share (in RO)	0.320 =====	0.195 =====

As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

22 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	2012	2011
Net assets (in RO)	1,615,111 =====	1,295,113 =====
Number of shares outstanding	1,000,000 =====	1,000,000 =====
Net assets per share (in RO)	1.615 =====	1.295 =====

23 COMMITMENTS AND CONTINGENCIES

a) At the end of the reporting period, the Company's contingent liabilities comprise of:

	2012 RO	2011 RO
Performance bond	11,498	--
Bid bond	7,708	--

b) The Company has entered into three lease agreements with the Public Establishment for Industrial Estate, Rusayl in respect of the factory land, which are valid until 31 December 2022, 24 February 2029 and 31 August 2030, respectively. At the end of the reporting period, the Company's commitments under these non-cancellable operating leases are as follows:

	2012 RO	2011 RO
Not later than 1 year	10,713	10,713
Later than 1 year and not later than 5 years	43,277	43,277
Later than 5 years	91,199	101,912
	----- 145,189 =====	----- 155,902 =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

23 COMMITMENTS AND CONTINGENCIES (Continued)

c) At the end of the reporting period, the Company's commitments are as follows:

	2012 RO	2011 RO
Letters of credit	44,791	43,813
Purchase commitments	200,664	167,619
Capital commitments	31,182	11,743

24 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial assets include accounts and other receivables and bank balances and cash. The Company's financial liabilities include Government soft loans, employees' end of service benefits, and accounts and other payables. The fair value of financial assets and liabilities approximates to their carrying values at the end of the reporting period.

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Market risk

Currency risk

The Company operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UAE Dirham, Saudi Arabia Rial, US Dollar, Australian Dollar and Euros. As majority of the Company's financial assets and liabilities are either denominated in Rial Omani or currencies fixed against Rial Omani, the Management believes that there is no significant risk on profitability.

At the end of the reporting period, bank balances amounting to RO 42,836 (2011 – RO 11,290) are denominated in AED, USD and Euros. Accounts receivable amounting to RO 259,608 (2011 – RO 339,446) and accounts payable amounting to RO 404,873 (2011 – RO 454,863) are denominated mainly in AED, SAR, USD and GBP.

Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets (bank balances) and liabilities (Government soft loans). The interest rate on bank balances is on fixed rate basis as disclosed in note 7. The interest rate on Government soft loans is at fixed subsidized rates as disclosed in notes 11 a) and 11 b) to the financial statements. Accordingly the Management believes there is no significant interest rate risk.

b) Credit risk

Credit risk on receivables is limited to their carrying amount as the Company's Management regularly reviews the balances to assess recoverability and provides for those balances whose recovery is considered doubtful. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company has significant concentrations of credit risk, details of which are provided in note 6 b) to the financial statements. The Company manages concentration of its credit risk by monitoring collections within the credit period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

24 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

c) Liquidity risk

The Company maintains sufficient bank balances and credit facilities to meet its obligations as they fall due for payment. Therefore the Management believes it is not subject to significant liquidity risk.

The maturity analysis of the Government soft loans has been disclosed in note 11 d) to the financial statements. The table below analyses the expected contractual maturities of the other financial liabilities at the end of the reporting period:

	Less than 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
At 31 December 2012				
Employees' end of service benefits	--	--	116,293	116,293
Accounts and other payables	714,296	--	--	714,296
	<u>714,296</u>	<u>--</u>	<u>116,293</u>	<u>830,589</u>
	=====	=====	=====	=====
At 31 December 2011				
Employees' end of service benefits	--	--	94,940	94,940
Accounts and other payables	792,725	--	--	792,725
	<u>792,725</u>	<u>--</u>	<u>94,940</u>	<u>887,665</u>
	=====	=====	=====	=====

d) Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing commensurate with the level of risk. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders or raise additional capital.

GULF PLASTIC INDUSTRIES CO. SAOG

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2012	Factory buildings on leasehold land RO	Plant and machinery RO	Office equipment RO	Furniture and fixtures RO	Motor vehicles RO	Total RO
Cost						
At 31 December 2011	905,071	2,740,845	28,793	45,932	60,173	3,780,814
Additions during the year	--	23,827	9,313	7,362	30,350	70,852
Disposals during the year	--	--	(1,400)	(1,190)	(8,350)	(10,940)
At 31 December 2012	905,071	2,764,672	36,706	52,104	82,173	3,840,726
Depreciation						
At 31 December 2011	340,928	1,828,208	20,928	39,819	51,075	2,280,958
Charge for the year	30,139	188,438	3,357	3,719	8,738	234,391
Relating to disposals	--	--	(657)	(1,050)	(8,350)	(10,057)
At 31 December 2012	371,067	2,016,646	23,628	42,488	51,463	2,505,292
Net book values						
At 31 December 2012	534,004	748,026	13,078	9,616	30,710	1,335,434
At 31 December 2011	564,143	912,637	7,865	6,113	9,098	1,499,856

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2012

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2011	Factory buildings on leasehold land RO	Plant and machinery RO	Office equipment RO	Furniture and fixtures RO	Motor vehicles RO	Total RO
Cost						
At 31 December 2010	905,071	2,715,206	26,959	45,435	55,273	3,667,175
Additions during the year	--	25,639	1,834	1,498	4,900	33,871
Disposals during the year	--	--	--	(1,001)	--	(1,001)
At 31 December 2011	905,071	2,740,845	28,793	45,932	60,173	3,780,814
Depreciation						
At 31 December 2010	310,789	1,643,274	18,154	37,052	45,012	2,054,281
Charge for the year	30,139	184,934	2,774	3,372	6,063	227,282
Relating to disposals	--	--	--	(605)	--	(605)
At 31 December 2011	340,928	1,828,208	20,928	39,819	51,075	2,280,958
Net book values						
At 31 December 2011	564,143	912,637	7,865	6,113	9,098	1,499,856
At 31 December 2010	594,282	1,071,932	8,805	8,383	10,261	1,693,663