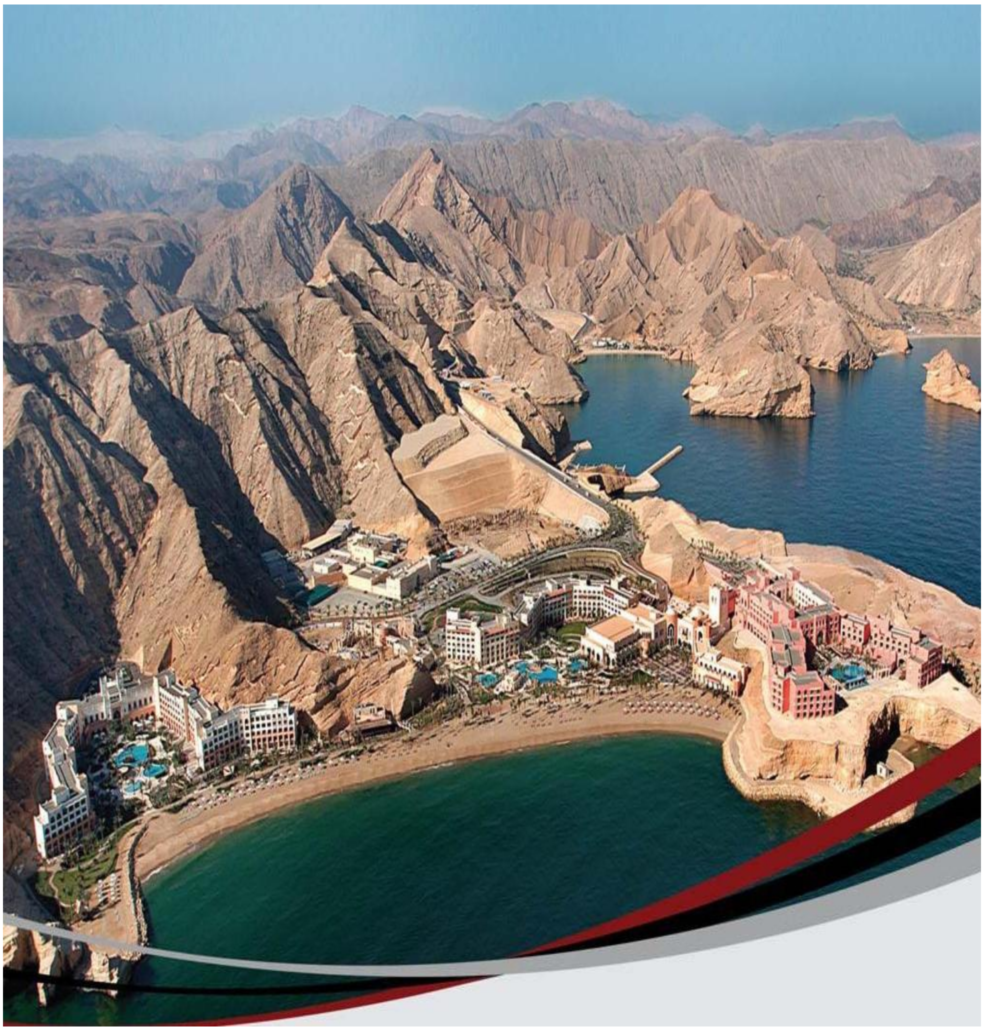
Chartered Accountants
& Business Advisers

Doing business in the Sultanate of Oman



PKF

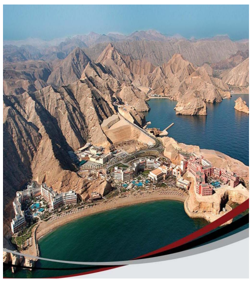
Chartered Accountants
& Business Advisers

VISION

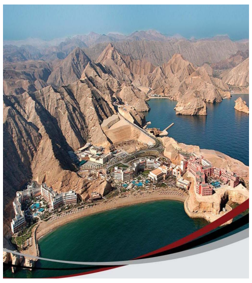
We will be the first choice for
companies in their selection
of professional advisers

MISSION

We will provide quality service to our clients by focusing on client specific needs and providing solutions to business problems, thereby adding value through expertise whilst maintaining integrity, professionalism and independence



Contents



General Introduction

Geography

Oman is the second largest country after Saudi Arabia in the Arabian Peninsula. It stretches over 309,500 square kms, encompasses a diverse range of topography, including mountain ranges, arid deserts and fertile plains. It shares borders with the Republic of Yemen to the southwest, the Kingdom of Saudi Arabia to the west and the United Arab Emirates to the north.

Advantages of investing in Oman

Oman offers following advantages to the foreign investors to invest in Oman.

- Political stability.
- Liberal foreign ownership in companies permitted.
- Oman is rich in oil and gas.
- Capital and profits of a business entity is fully repatriable.
- No personal income-tax. All individuals can fully repatriate their savings.
- Committed to privatization, industrialization, economic diversification and development.
- Free trade and open market policy.
- Low income tax rate structure for companies and double taxation relief treaties available with many countries.
- Income tax holiday period of five years renewable for further period of five years, available for business entities engaged in priority areas of economic development.
- Geographically ideally located, proximity to Gulf, Asian and African markets.
- Well regulated stock exchange.
- Industries fulfilling certain conditions can get interest free/ soft loans, exemption from custom duty on import of plant, equipment and raw materials and export credit insurance.
- Government leased land available at a concessional rate with good utilities.
- Modern infrastructure with good roads, airports, sea ports, and state of the art telecommunications and other services.
- English is used widely in day to day business commerce.

Population

The population of Oman is about 3.8 million out of which expatriates are about 1.6 million.

Climate

The country’s climate, like its topography is diverse, with humid coastal areas and a hot, dry desert interior. Although rainfall is generally light and irregular, Dhofar province in the south catches the Indian Ocean monsoon that falls between June and September. In the interior, summer temperatures can soar to 130 degrees F (54 degrees C).

Communications

Oman is linked with the rest of the world by the most modern telecommunications system. Oman has two International airports i.e. Muscat International Airport at Muscat and Salalah Airport at Salalah. There are several small airstrips located through out the country. Oman also has an impressive network of roads connecting all the parts of the country and also links Oman with U.A.E. Oman's main sea-ports are Mina Sultan Qaboos at Muscat, Mina Raysut at Salalah and Port of Sohar at Sohar which are fully equipped to handle ships touching these ports.

Government and Constitution

The highest executive authority is the Council of Ministers deriving its power from His Majesty the Sultan, to whom it is collectively responsible. There are specialist councils, the Majlis A'Shura i.e. the Council of the People, the Government of the Capital and ministries.

Legal System

The Sharia Law which is based on the Holy Quran is the general law of the land. To regulate and control its economic affairs, Oman has developed a comprehensive framework of laws and regulations.

The Basic Law provides for equality to all its residents and is established on the principles of a free economy and the sanctity of private properties.

Judiciary System

The Basic Law ensures the independence of the judiciary and the role of judges in up-holding the law of the country.

Commercial disputes are dealt and settled by Commercial Courts. Criminal matters / disputes are dealt and settled by Magistrate Court. Disputes between employers and employees in the private sector is primarily dealt by the Labour department of the Ministry of Social Affairs and Labour and Vocational Training, and unresolved disputes are referred to the Commercial Court. Tax disputes are dealt and settled by the Commercial Courts.

Language

The official language is Arabic and all communication with government is generally required to be made in Arabic. English is generally used for all written communication between businesses.

Immigration

Foreign nationals seeking entry into Oman are required to have visas, which may be obtained through an Omani sponsor from the Immigration Department of the Royal Oman Police. Amongst others, the following entry visas to the Sultanate are issued:

- Residence visa (investor visa, joining visa, family joining visa)
- Visit visa (trade mission, job contracting, family and friends visit, official visit, artiste groups, express business visa)
- Tourist visa
- Transit visa (via airports, via sea, and truck drivers visa)
- Work visa (with companies and servant visa)

For visit to neighbouring Gulf States by road, road permits are also issued by the Sultanate.

Major Exports and Imports

Oman's major exports are oil and gas. Export earnings are also derived from export of dates and tourism.

Major imports are motor vehicles, equipment, computer hardware/software, consumer products, textiles and foodstuffs.

Government policy on foreign investment in Oman

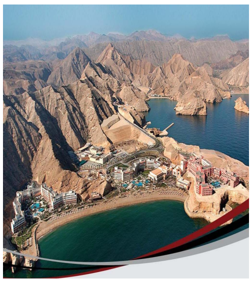
The Government has established Foreign Capital and Investment Law and guidelines for foreign investment in Oman. The Government recognizes foreign investment makes a substantial contribution to the development of Oman's infrastructure, industries and resources, and its policy is to welcome and encourage long-term direct foreign investment that has beneficial economic effects.

Import controls

The government levies customs duties on most goods entering Oman. Customs clearance must be obtained to import any goods. There are import and quarantine controls on certain goods, including certain drugs, animals, plants, food , firearms, etc.

Business number

All companies and other entities that carry on business in the Sultanate of Oman are required to register themselves with the Ministry of Commerce & Industry, which allots a Commercial Registration number to the company for identification in all dealings with the government departments.



Economic Environment

General Economy

Oman is an oil and gas based economy with production of about 757,000 barrels per day, accounting for about 75% of government revenues and contributing about 50% to the Gross Domestic Product (GDP). Fluctuations in the global oil prices result in wide variations in gross revenues and GDP. The GDP has increased from RO.6,011 million in 1999 to RO.23,296 million in 2008 according to statistics published by the Ministry of National Economy. The ambitious Oman LNG Project was founded to exploit the country's proven gas reserves and is expected to become a major non-oil revenue source, besides giving encouragement for development of gas intensive industries.

The Economic Vision 2020 outlines Oman's development priorities and objectives on a long term basis. These include balancing government finances, omanisation, doubling per capita income, faster adoption of advanced technology, etc. The overall objective is to develop a free diversified economy with a vibrant private sector, alongwith ecologically sound and balanced economic development of all the sectors. The government strategy for economic development is based on a series of five year development plans, and has the primary goal of a balanced government budget, encouragement of the private sector and diversifying the economic base of the country.

The government has embarked on an economic diversification policy that lays emphasis on agriculture, fisheries, tourism, mining, public utilities, and manufacturing industries that, use local raw materials and products, help in maximising value addition and are export oriented. Although the non-oil sectors contribution to GDP has been steadily increasing over the years, Oman's dependence on oil is likely to continue in the years to come.

Oman has been a leader in devising and implementing privatisation policy. The government has given impetus to the privatisation plans to promote inward investment, develop the basic services and mobilise private sector capital for developing the infrastructure of the country viz. electricity, water, roads, telecommunications, airports, seaports sewerage, etc.

Finance

The Central Bank of Oman is the apex body which acts as the official bank of the government and supervises the finance in the banking sector. Central Bank of Oman controls country’s monetary policy and regulates commercial banks and foreign branches of the banks. All banks and exchange houses are regulated by detailed banking law and by various circulars issued by the Central Bank of Oman who ensures strict compliance with this law by making it obligatory for the banks, finance companies and exchange houses to file periodical returns with the Central Bank of Oman.

In addition to commercial banks, there are specialised banks in specific sectors viz. Housing banks, Oman Agriculture and Fisheries Bank, Industrial Development Bank, Oman Development Bank, etc. There are companies who specialise in hire purchase and lease finance activities. There are also investment banking companies and number of pension funds.

Industrial Development

Industrial development receives great importance in the country's development plans so as to reduce Oman's heavy reliance on oil. A number of projects are engaged in producing intermediate goods for construction, and a wide variety of manufacturing goods are produced in the country, ranging from food and beverages to furniture, textiles, paper products, chemicals, fabricated metal products, electrical goods, consumer products, etc.

New manufacturing industries have been growing through continuous encouragement by the government through soft loans, good infrastructure and facilities, import duty exemptions, etc. The government has also established industrial estates in Rusayl, Raysut, Sohar and Nizwa. The small size of the local market and free imports are major constraints on development of the manufacturing sector. The manufacturing sector contributes more than 10% to the GDP. However, this contribution is expected to increase with plans to develop gas intensive industries including a petro chemical complex, a fertilizer plant, an aluminium smelter plant, etc. The government is actively promoting Sohar as an industrial Center, through the Sohar port and providing incentives to the private sector. The Omani Center for Investment Promotion and Export Development was established by the government to promote private sector and foreign investments, and to support the export of Omani products. The Center also acts as a one stop shop, offering various services to investors including processing of proposals, assistance in raising finance, facilitating / obtaining of licenses, approvals, exploring foreign markets / customers, etc.

Agriculture and Fisheries

Agriculture and Fisheries receive a lot of importance in the country's development plans as the livelihood of number of local Omanis particularly in rural areas comes from these two sectors.

Agriculture

The Batinah Region has the most date palms, mango and lime trees, while the Governorate of Dhofar has the most coconut palms. Agricultural advice and guidance programmes have been adopted to promote the use of high-quality fertilisers and seeds, modern irrigation systems have been introduced on the farms and barriers have been built to provide protection against wadi floods.

Within the framework of general objectives of agriculture development, the Ministry of Agriculture and Fisheries have implemented several programmes for maintaining / making available water resources in the Sultanate and finding new ones. The Ministry's policy is to encourage specialisation in Agriculture in accordance with the water status in each of the geographic sites in Oman.

Fisheries

With a coastline over 1,700 kilometres long, Oman is one of the main fish-producing countries in the region and the fisheries sector is among its promising sectors.

Real Estate

Foreign ownership of land is not generally permitted in Oman. Building permits are required for all construction.

Tourism

Oman is a country of enormous diversity and natural beauty, which had until recent years been largely overlooked by international tourists. Now, with an enviable infrastructure securely in place, a wide range of international hotels and a wealth of things to see and do, Oman is ready to offer its traditional hospitality to visitors from around the world. Tourism in Oman has been steadily increasing over the past few years and is one of the promising growth sectors of the economy,

The Law of Combating Money Laundering and Terrorism Financing

The Law of Combating Money Laundering and Terrorism Financing stipulates a maximum of 10-year imprisonment for persons convicted of money laundering crimes. The law prevents money launderers from establishing contacts with Oman’s financial system. It also averts inflow of illegal funds into the domestic system that could disturb economic development.

The Law of Combating Money Laundering and Terrorism Financing stipulates that notwithstanding provisions relating to customer and professional confidentiality, financial institutions and non financial businesses / professions shall report to the Financial Intelligence Unit on the transactions which are suspected to be in contravention of this law.

The Law of Combating Money Laundering and Terrorism Financing and its executive regulation stipulate that financial institutions and non financial businesses / professions shall establish an internal control system for detection and prevention of money laundering and shall further comply with any instructions from the Financial Intelligence Unit. They shall develop programmes for combating money laundering. Such programmes shall include the following:

a) Enhancing and implementing internal policies, procedures and controls.

b) Preparation of ongoing training programmes of officials concerned to keep them well-informed on the latest developments in money laundering offences. Institutions and natural and juristic persons shall verify customers' identity and addresses before opening accounts, taking stocks, bonds or other securities for safe custody, granting safe deposit facilities or engaging in any other business dealing. Institutions shall maintain and hold documents of identification and addresses of customers; and records of transactions for a period of not less than 10 years commencing on the day of conducting the transaction or closure of the account or termination of business relationships, whichever is later.

Currency and Exchange Control

The monetary unit of Oman is Omani Rial (R.O.). The Rial is divided into 1000 equal units called Baizas. The Rial is tied to US Dollar, at the rate of Baizas 385.5 to US $ 1. There are no exchange controls in any form on inward / outward investment or on repatriation of capital and profits, either by nationals or expatriates.

Salalah Port and Salalah Free Zone

Salalah Port

The Salalah Port Services Co. SAOG. (SPS) is a Joint Venture Company (70% Omani and 30% Foreign - Maersk Sea Land) operating a world class container hub port and terminal. Salalah Port's strategic location at the region's transshipment traffic has once again placed Oman into the center of sea trade, and puts it in the best position for feeder services to major ports in Red Sea, Gulf, Straits of Hormuz, Yemen, and Horn of Africa as well as Karachi and Mumbai.

Salalah Free Zone

The Salalah Free Zone provides investors a natural edge in terms of access to their target markets in Europe, Asia, Africa and Australia.

Besides the advantage of having proximity to Salalah Port having capacity of 4.4 million TEU annually, low initial cost of setting up, and a one stop arrangement for licences, permits, visas, customs clearances, etc., Salalah Free Zone offers host of other investment friendly incentives.

Businesses at Salalah Free Zone can participate in existing export guarantee arrangements provided to Omani companies by Omani financial institutions.

The Salalah Free Zone is being developed in multiple phases. The Salalah Free Zone will offer a mix of industrial, manufacturing, warehousing, logistics, distribution, research and development and office facilities, retail outlets, resorts, and residential space.

Sohar Port and Freezone

Sohar Port and Freezone is a deep-sea Port and Freezone in the Sultanate of Oman, managed by Sohar Industrial Port Company, a 50:50 joint venture between the Port of Rotterdam and the Sultanate of Oman. The Freezone is a 4,500 hectare development that, together with the Port, has attracted investments worth over US$ 1 Billion.

The Sohar Freezone has begun its first phase development in the year 2010 developing it in a cluster approach. There are three major clusters in the Sohar Port Area, namely the hydrocarbon or petrochemical sector, metals and minerals sector and logistics with international terminal operators.

FTZ Al Mazunah

The Al Mazunah Freezone started operations in 2010. In order to develop the freezone, the Omani government signed an agreement with the Kuwaiti-based company Golden Hala Trading to establish the infrastructure. An investment of an estimated 680 Million Omani Rial (OMR) in the project is pledged over the next five years. Focus areas for the free zone's growth plans are the processing, storage and shipment of products from Dhofari agricultural heartland, along with the automobile and industrial vehicle trade.

Advantages and Incentives

Advantages of the three free zones are the strategically good position of its locations. Apart from that, there are various economical incentives common to all three FTZ. For example, the fact that they are ring-fenced enclaves exempt from national import and export duties and /or formally operating outside customs area of the country.

Other included business friendly incentives are as follows:

- 100% foreign ownership
- Zero customs duties on imports and exports
- No minimum capital investment requirement
- No taxes on profits or dividends for 30 years subject to fulfilment of certain conditions
- No tax on personal incomes
- No restrictions on repatriation of capital, profits and investments
- Low Omanisation requirement levels
- Fast track customs handling and processing

Knowledge Oasis Muscat

Knowledge Oasis Muscat (KOM), a public – private sector led initiative, is a technology park that is located about 30 kilometres from Muscat. KOM is the ideal location for technology oriented businesses, hi-tech startups, international call centres, entrepreneurs, small and medium sized enterprises, researchers, as well as established blue chip multinationals, who desire to innovate and flourish within the Gulf setting.

Main Incentives

1. 100% foreign ownership (local sponsors not required).
2. Minimum capital investment needed to establish an entity at KOM is Omani Rials 20,000/-
3. High speed Internet access with highly competitive telco rates.
4. Low Omanisation recruitment levels.
5. KOM tenants can be registered on the Tender Board and bid for government tenders.
6. No personal income tax for employees and foreign exchange controls.
7. Duty-free access of products from Oman to GCC countries.
8. State-of-the-art offices with plug and play facilities.
9. Networking meetings, events and an environment that encourages collaboration and mutual support.

Free Trade Agreement with United States of America

Free Trade Agreement (FTA) between the Governments of Sultanate of Oman and the United States of America (USA) has been entered on 2nd December 2008 whereby American businesses and establishments who wants to open a branch to provide goods or services in the Sultanate of Oman can do so even before obtaining contracts or agreement with Government of Sultanate of Oman or any of its business or establishment or others having shareholding of government i.e. as per present practice followed by the Ministry of Commerce & Industry (MOCI) no license is issued to foreign company to have a branch unless they have a direct government contract.

Securities Market

The Capital Market Authority (CMA) regulates the securities market in Oman. The Capital Market Authority Law governs all the listed companies in Oman. CMA ensures strict compliance of this law by making it obligatory for all the listed companies to file periodical returns with CMA and by onsite companies visits by CMA officials.

Muscat Securities Market overseas the flow of funds into securities and develops the local financial market. Membership in the exchange is compulsory for Omani licensed banks, public joint stock companies, specialised loans institutions whose shares are listed in the securities market.

Muscat Securities Market is the stock exchange of Oman. It was set up in 1989 with the main objective to bring about the flow of funds in stocks for serving the national economic interest.

It regulates the primary and secondary market of shares and bonds issued by joint stock companies (SAOG) registered in Oman. All joint stock companies are required to be members of Muscat Securities Market (MSM) and have their shares and bonds listed with MSM.

The market operates through licensed brokers and the activities of these brokers are limited to portfolio management and underwriting primary issues. In 1999 Muscat Securities Market was reorganised into three separate entities as under:

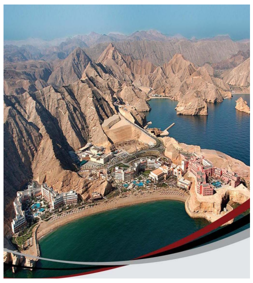
The Capital Market which handles the regulatory and supervisory functions.

The Stock Exchange which is Muscat Securities Market.

Muscat Share Registration and Depository which acts as the central registrar and depository for all listed companies with Muscat Securities Market.

Export Credit Guarantee Agency

The Export Credit Guarantee Agency SAOC (ECGA) promotes the growth of Omani non-oil exports by providing export credit insurance to exporters. The export credit policy minimizes the risk for the exporters by covering both the country risk and the buyers risk. Export credit policy also assist the exporter in export financing as it can be assigned to the financing bank as an additional collateral.



Oman Commercial Laws and Business Structures

Oman Commercial Laws

Regulation of business activity and investment in Oman is done through the following laws:

1. The Commercial Registration Law
2. The Commercial Companies Law
3. Oman Commercial Law
4. Foreign Capital and Investment Law
5. Banking Law
6. Insurance Law
7. Tender Law
8. The Law for the Organisation and Encouragement of Industry
9. Law of Commercial Agencies and its Regulations
10. The Law of Income-tax on Companies
11. Muscat Securities Market Law
12. Capital Market Authority Law
13. Law of Commerce
14. Oman Labour Law
15. Law of Trade Mark and Data Law
16. Law on Organisation of Engineering Consultancy Offices
17. Compromises and Arbitration Regulation
18. Law organizing Brokerage Profession in Real Estate Activities
19. The Copy Right Law
20. Accounting and Auditing Profession Law
21. The Law of Combating Money Laundering and Terrorism Financing
22. The Tourism Law
23. The Consumer Protection Law
24. The Mining Law
25. The Privatisation Law
26. The Code of Corporate Governance for MSM Listed Companies and Insurance Companies

It is obligatory for all business activities to register with the Ministry of Commerce & Industry and also become members of the Oman Chamber of Commerce and Industry.

Foreign Capital and Investment Law

A non-Omani national whether a natural or juristic person who desires to engage in business in Oman or acquires an interest in the capital of an Omani company must obtain a license to do so from the Ministry of Commerce and Industry. The license would be granted provided the non-Omani national carries out his business activity through one of the types of companies recognised by the commercial company law with a capital of not less than RO.150,000/-.

Non-Omani participation in the capital of a company is not allowed to exceed 70%. However, in certain exceptional cases, 100% of the capital of the company is allowed to be owned by foreigner by the Ministry of Commerce and Industry.

The council of ministers on a recommendation from the Ministry of Commerce and Industry may allow 100% foreign ownership in an Omani company subject to fulfillment of the following conditions:

1. The capital of the company should not be less than RO.500,000/-.
2. Projects contribute towards economic development.

   OR

   In case of direct government contract, a foreign company can register a branch or 100% subsidiary.

Business Structures

Following commercial entities can be registered with the Ministry of Commerce and Industry.

Sole Proprietorship

A Sole Proprietorship is allowed to be formed only by Omani nationals or by G.C.C. nationals and only for those activities which are considered to be permissible activities.

General Partnership

A General Partnership is formed by two or more persons, natural or juristic, who are jointly and severally liable for all its obligations to the full extent of their property. Any person who allows his name to be included in the partnership name, though not himself a partner, is liable to the same extent as a partner where third parties have relied in good faith on that name. In absence of any agreement to the contrary, the partners share profits and losses in proportion to their capital contributions.

Limited Partnership

A Limited Partnership has two categories of partners:

-- One or more general partners with unlimited liability and

-- One or more limited partners whose liability is limited to the extent of their capital contributions.

If a limited partner allows his name to be included in the partnership name, he will be liable to the same extent as a general partner where third parties believe him in good faith to be a general partner.

Limited Liability Company

A Limited Liability Company can be formed by two or more natural or juristic persons whose liability is limited to the nominal value of the shares in the capital of the company. The number of shareholders of a limited liability company shall not exceed 40. The minimum capital of a limited liability company is R.O.20,000/- when no foreign participation in equity of the company is involved. However, when a foreigner is a shareholder in a limited liability company, the minimum capital requirement is R.O.150,000/-.

10% of the net profits after tax is required to be set aside as a legal reserve before declaration of dividend till such a time as the reserve equals 1/3rd of company's paid up share capital. The legal reserve is not available for distribution in the form of dividends.

Joint Stock Company

Closely held joint stock company (SAOC)

A Closely held Joint Stock Company (SAOC) cannot offer shares for public subscription and shares of SAOC company are not allowed to be traded in Muscat Securities Market. The minimum capital of closely held joint stock company shall not be less than R.O.500,000/-. The company should have at least three promoters who are natural or juristic persons and the promoters of the company should subscribe to the capital of the company and submit a Memorandum of Association and Articles of Association for the approval of Ministry of Commerce and Industry. The liability of the shareholders is limited to the value of the shares he subscribes.

General Joint Stock Company (SAOG)

A General Joint Stock Company shall have at least three natural or juristic persons as founders who shall subscribe for their part of capital and submit to the

Ministry of Commerce and Industry an Articles of Association and Memorandum of Association. The capital of the general joint stock company shall not be less than RO.2 million. Promoters of the company which offer shares to the public for subscription shall subscribe neither less than 30% nor more than 60% of the shares and offer the remaining shares for subscription. No single promoter is allowed to own more than 20% of the capital. The liability of the shareholders is limited to the value of the shares he subscribes.

In case of closely held joint stock company and general joint stock company, 10% of the net profits after tax is required to be set aside as a legal reserve before declaration of dividend till such a time as the reserve equals 1/3rd of the company's paid up share capital. The legal reserve is not available for distribution in the form of dividends.

Joint Venture

A Joint Venture is a commercial company formed by two or more natural or juristic persons. Unlike other companies, it has no separate legal personality/entity of its own. Joint venture should have a contract defining the objectives and the terms of the joint venture between the members in which their specific scope of work, rights, responsibilities and obligations towards each other and third parties dealing with them is clearly defined. Joint venture shall not have a name of its own and its existence shall not be raised as a defence against claims made by third parties. The third parties shall have recourse only against the members of the venture with whom they deal.

Branch Office of a Foreign Company

A Branch of a Foreign Company is permitted to operate in Oman as a permanent establishment without Omani participation. However, it may appoint an Omani agent or sponsor and register the sponsorship / agency agreement with the Ministry of Commerce & Industry, and become a member of the Oman Chamber of Commerce & Industry.

Holding Company

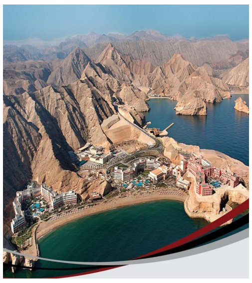
A Holding Company is a joint stock company or a limited liability company which exercises financial and management control over one or more other companies through ownership of at least 51% of the share capital of such company. The capital of holding company shall not be less than R.O.2 million, and the holding company is prohibited from holding shares of a general or limited partnership companies nor shall it hold any shares of other holding companies.

Representative Office of a Foreign Company

A representative office of a foreign company is legally distinct from the branch office. It is only allowed to promote the company activities and is not permitted to carry out any business activities in Sultanate of Oman.

Commercial Agent

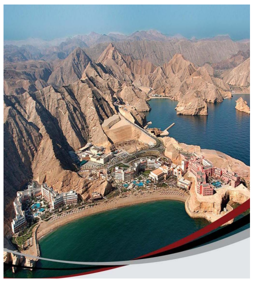
A Commercial Agent can be appointed if a foreign business does not wish to invest in establishing a permanent operation in Oman and only wants to export goods and services to Oman. The agent must be an Omani national or a business with at least 51% Omani participation. Agencies have to be registered with the Ministry of Commerce and Industry.



Registration Requirements

All establishments and entities which want to carry on business activities in Oman must be registered with the Ministry of Commerce and Industry and the Chamber of Commerce and the Municipality in which activities of the business are conducted. In addition, amongst others, the following businesses require approval from the specified ministries and agencies:

- Banks, financial institutions, financial leasing companies and exchange companies must obtain approval from the Central Bank of Oman
- Insurance Companies and related agencies must obtain approval from the Insurance department at the Ministry of Commerce and Industry / Capital Market Authority.
- Manufacturing businesses must be approved by the Industries department at Ministry of Commerce and Industry.
- Medical products must be approved by the Ministry of Health.
- Printing, Publishing and Broadcasting activities must be approved by the Ministry of Information and Culture.
- Educational activities are governed by the Ministry of Education.
- Tourism projects and hotels are approved by Ministry of Tourism.
- Mining Projects require approval by department of Mines and Quarries of the Ministry of Commerce & Industry.



Labour Laws

Regulatory Body

The Ministry of Manpower regulates the Oman Labour Law which governs the working relationship between the employer and the employee. The Labour Law governs work contracts, overtime pay, annual leave pay, worker/staff passage, working hours, industrial safety, labour dispute, vocational training, etc.

Working Hours

As per Oman Labour Law, total normal working hours are nine hours a day and maximum of 45 hours a week with at least half an hour break for taking food and rest. During Ramadan, the hours of work will be reduced for Muslims employees to six hours a day or 30 hours a week.

Overtime

If an employee is required to work for more than the normal working hours, he will be entitled to overtime salary at 1.25 to 2 times his basic salary or granted permission of absence from work in lieu of the extra hours of work which he has done.

Minimum Wages

The minimum wages for Omanis depending upon their qualifications have been stipulated by Ministry of Manpower.

End of Service Benefits for Expatriate Staff

The employer has to pay end of service benefits to its foreign employees. The end of service benefits is calculated on employee's final salary and paid accordingly

- For the first three years of service; the equivalent of 15 days' basic pay for each year worked; and
- For each subsequent year : the equivalent of one month's basic pay

Leave Salary

An employee shall, upon completion of one year of continuous service with the employer, have a right to an annual leave with gross salary, for a period of thirty days.

Social Security for Omani staff

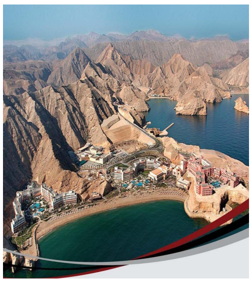
Social Security Law requires Omani employees working in the private sector to be insured against old age, disability, death, and occupational injuries and diseases. As per this law, private sector employers must make monthly contributions to the Public Authority for Social Insurance at a rate of 10.5% of each Omani employee's monthly gross salary. The employees covered under social security contribute at a rate of 7% of their monthly gross salary. Further, employers contribute an additional 1% of each Omani employee's monthly gross salary as security against occupational injuries and diseases. The government contributes 5.5% of each Omani employee's monthly gross salary. The Public Authority for Social Insurance invests all funds received, and it pays out sums due to employees on their retirement and compensation for injuries and diseases.

Vocational Training Levy

Oman is committed to vocational training for Omanis to enable them to gain necessary skill to replace expatriates in the workforce. The employers of expatriate workers are required to contribute the vocational training levy towards the cost of governing vocational training schemes for Omanis. The vocational training levy of RO.100/- is paid annually for each expatriate employee by the employer on issue of a new work permit or on renewal of labour card of the expatriate employee.

Omanisation

Ministry of Manpower issues guidelines which require private companies operating in various sectors to employ Omani nationals as certain percentage of their work force. The Omanisation percentage in various sectors keep on changing from time to time based on the directives issued by the Ministry of Manpower. Further, certain specified categories of employment are reserved for Omani nationals only.



Corporate Taxation

Income Tax Liability

Only Commercial Companies are liable to pay income tax in Oman. There is no personal income tax, fringe benefit tax, gift tax, wealth tax or any form of estate duty, and there is no sales tax or value added tax.

The Secretary General of Taxation at the Ministry of Finance is responsible for the assessment and collection of income tax from commercial companies.

The old tax law was applicable for the tax years upto 31st December 2009. Under the new Income Tax Law that became effective from tax year 2010 onwards, Oman has adopted a global tax system whereby a company in Oman is taxed on its entire income, wherever earned in the world, subject to provisions in Oman tax law and Double tax treaties to avoid International double taxation.

Ministerial decision (MD) No.30/2012 introduced the Executive Regulation (ER) to the new Income Tax Law which applies to tax year 2012 onwards. The Executive Regulation provides the detailed rules which apply to the tax treatment of certain income and expense items, thin capitalisation rules and specific forms to be completed for tax purposes.

Taxable Entities

As per Oman Tax Law, taxpayer includes an establishment or an Omani company or a permanent establishment.

Omani company means any person established in Oman as a company under the legislations of Oman, whether it is a commercial, civil or any other company, and whatsoever be the legal form of the company, the nationality of its partners, the purpose of its incorporation or the nature of its activity.

Permanent establishment means a fixed place of business through which a business is wholly or partly carried on in Oman by a foreign person either directly or through a dependent agent.

Permanent establishment includes especially:

1. A Place of sale, place of management, branch, office, factory or workshop.
2. A mine, quarry or other place of extraction of natural resources.
3. A building site, a place of construction or an assembly project.

A permanent establishment shall also mean any foreign person that provides consultancy service or any other services in Oman for a period or periods of not less than ninety days in the aggregate in any twelve months whether directly or through employees of that person, or others designated by that person to perform such services.

The following entities are liable for taxation in Oman:

- General and Limited Partnerships
- Limited Liability Companies
- Joint Stock Companies
- Holding companies
- Branches of Foreign Companies
- Joint Ventures
- Permanent establishment in Oman

In addition to above, the following individuals are also considered as taxable entities:

- Non-Omani individuals carrying out revenue generating business activities in Oman.
- Omani Sole Proprietorships.
- Citizens of GCC countries engaged in specific economic activity are treated at par with the Omani citizens for income tax purposes.

Tax Registration

All abovementioned taxable entities must register with Income Tax department by filling up a Business Particulars Form and enclosing various registration documents.

Provisional Return of Income

It is mandatory for all taxable entities to file within three months of their financial year ending, provisional return of income and pay the income tax i.e. the taxable entities have to make an estimate of taxable income for the accounting year and pay income tax based on their own estimate of taxable income.

Annual Return of Income and Audited Accounts

- Within six months of the financial year ending, the taxable entities have to file an annual return of income (which is a detailed preprinted form giving the details of various components of taxable income, deductible expenses, tax paid as per provisional return of income and tax payable as per the annual return of income) along with audited accounts of the company with the Income Tax department.
- Annual return of income along with audited accounts is required to be filed within six months of the end of the financial year and should be accompanied with the balance tax payable, if any.

- Extension of time to file tax returns and audited accounts may be granted by the Secretary General of Taxation. However, in such cases normally a penal interest calculated at the rate of 1% per month on the balance tax amount payable is charged.
- As per Income Tax Law, where the tax payer fails to submit a provisional or final return for any tax year within the time specified thereto, the Secretary General may impose on that tax payer a fine at not less than RO.100 and not more than RO.1,000.
- Further, where the tax payer fails to declare correct taxable income in the return of income for any tax year, the Secretary General may impose on that tax payer a fine at not more than 25% of the difference between the amount of tax determined on the correct taxable income and the amount of tax as per the return submitted.

Accounting Records

It is mandatory for the companies to maintain the accounting records along with all supporting documents for a period of 10 years.

Accounting Period

- An assessee can choose an accounting period ending of his own choice i.e. it could be either 31st December, 31st January or 31st March, etc.
- A company may at the commencement of its operations prepare its accounts for an accounting period of less than twelve months or for an accounting period not exceeding eighteen months in respect of the first tax year only. Thereafter, once the choice of accounting period is exercised, then it cannot change accounting period unless it gets approval from the Secretary General for Taxation.
- In event of company being in liquidation, the accounting period may be for less than 12 months.

Gross Income

As per the Income Tax Law, income means income of any kind – whether in cash or in kind and includes in particular:

1. Profit from any business.
2. Consideration for carrying on research and development.
3. Consideration for the use or right to use of computer software.
4. Consideration for lease or usufruct of real estate, machinery or other moveable or immovable property.

5. Profits resulting from granting any person a usufruct of or the right to use a real estate, machinery or any other moveable or immovable property.
6. Dividends, interests, or discount received.
7. Royalties and Management fees.

Royalty

Royalty shall include:

1. Consideration for the use or right to use of:
    - (a) Intellectual or proprietary right either for artistic, literary or scientific work, including computer software, cinematograph films, or films or tapes or discs or any other media used for radio or television broadcasting.
    - (b) Patent, trademarks, design, drawings, models and secret process or formula.
    - (c) Industrial, commercial or scientific equipment.
2. Consideration for information concerning industrial, commercial or scientific experience, and
3. Consideration for granting rights of exploitation of mining or any other sources of natural resources.

Determination of Taxable Income

Taxable income is the net profit as per the audited financial statements to which additions / adjustments are made for items of expenses which are either partly disallowed or fully disallowed as a deductible expense, less adjustments / deductions for items of income which are exempted from tax.

Expenses Allowed to be Deducted In Determining Taxable Income of an Entity

All real expenses actually incurred, accounted in books of account and which are fully supported by documentary evidence during each tax year shall be deducted to the extent that such expenses are incurred wholly for the purpose of production of gross income for the company and are in accordance with the executive regulation guidelines issued.

Expenses not Allowed as a Deductible Expense

Following expenses are not allowed as a deductible expense in computation of taxable income of a company.

- Income tax paid in Oman or in other countries, and tax fees paid to tax consultants.
- Capital expenditure.

- Expenditure or loss which may be recovered by virtue of any insurance contract or claim for compensation.
- Provisions made i.e. for doubtful debts, stocks obsolescence, warranties, etc.
- Any expenditure which the Secretariat General deems inappropriate and unreasonable in relation to the value of services rendered or other considerations connected therewith.
- If the Director has a reasonable cause to believe that the intention of any transaction was to avert or to reduce a tax liability.
- Any expenses which are not supported by documentary evidence are liable to be disallowed.
- Loss on disposal of securities listed in Muscat Securities Market.
- The expenses incurred for production of gross income may not be deducted, if such income is exempted from tax under the provisions of the Income tax law.

Expenses Deductible Only Upto Specific Amounts

Following expenses/charges are restricted to specific amounts in computation of the taxable income of an entity.

- Payments made to local sponsor is restricted to 5% of taxable / assessed income.
- In respect of Branches of Foreign Companies, allowance for head office overheads which cannot be directly identified for Oman operations may be allowed as a deductible expense to the extent of 3% of revenue/turnover of the company on fulfilment of certain criterias given in executive regulation.
- Gifts / donations made only to organisations as specified by the Financial Affairs and Energy Resources Council will be allowable, provided that the aggregate value of such gifts / donations does not exceed 5% of the gross income for that tax year.
- In case of an Insurance company, insurance commission paid to an authorised agent in Oman by a foreign company is restricted to 25% of the net premium underwritten.
- The loan loss provisions to the extent specified by Central Bank regulations would be allowed as a deductible expense to all banking companies and leasing companies as defined in the banking law.
- If the Director has reasonable cause to believe that a transaction was not carried out at arms length, then he may allow such a transaction to the extent he deems fit.
- Remuneration (salaries and perquisites) paid to the partner/director/proprietor and their spouse and minor children, other than that of a professional firm, shall be allowed as a deduction at lower of following amounts, provided they

are full time engaged in management of the business and do not get salaries and perquisites from any other entity.

i) The amount allowed shall be limited to the amount specified in the registered employment contract or an amount of RO.1,000/- per month per person, whichever is lesser (for professional firms, RO.3000 per month).

ii) However, total amount of remuneration allowable to all partners/directors of an entity shall not exceed 10% of the taxable income of an entity before deducting the salaries and the losses brought forward from preceding years.

- Remuneration paid to Chairman and members of the board of directors of joint stock companies shall be considered as a deductible cost as per limits specified in articles (101) and (106) of the commercial companies law.
- Rent paid to a director / partner of an entity would be allowed to the extent it is considered reasonable by the Director. However, in case of proprietorship/ establishment, it would be allowed as a deduction to the extent of 4% of the cost of the real estate utilised for business purposes, and the period of utilisation of real estate shall not exceed 25 years from the date of purchase or construction of the real estate.
- Where the expenses are not wholly incurred for the production of gross income, only so much as is attributable to the purpose of the production of gross income shall be deducted.
- Allowance of interest expense payable to a related party, bad debts written off during the year, rent expenses incurred, etc. is subject to certain conditions being fulfilled as per executive regulations as follows.
  - All bad debts over RO.1,500 should be supported by a court order/final judgement, liquidators report / confirmation, settlement agreement and other criterias mentioned in executive regulation.
  - Finance cost paid to a related party in excess of following would not be allowed as a deductible expense

$$\frac{\text{Two times average equity}}{\text{Average borrowings}}$$

  - Rent expenses should be supported by rent agreements duly attested by Municipality.

Depreciation and Amortization

Since the capital expenditure cannot be written off in the year in which it is incurred, the income tax law has established a system of depreciation in order to allow the tax payer to recover its costs over the estimated useful life of the capital assets. Amortization of intangible assets is also allowed, at a rate approved by the Director of Taxation Affairs.

Tax Depreciation

Buildings and Civil works

a) Depreciation shall be allowed for any accounting period on capital expenditure incurred in the acquisition of any building used for the purposes of the business during that period.
   The amount allowed to be deducted shall be determined in accordance with the following percentages:

1. 4 % annually for depreciation of buildings constructed with selected materials as specified by a decision issued by the Secretary General.
2. 10 % annually for depreciation of quays, jetties, pipelines, roads and railways.
3. 15 % annually for depreciation of buildings constructed with other than the selected materials mentioned above, or prefabricated buildings.
4. 100 % annually for depreciation of buildings used as hospitals or educational institutions. Taxpayer in this case may choose the rate in this Clause, or the rates in the foregoing Clauses (1) and (3).

b) The percentages of depreciation mentioned in Clauses (1), (2) and (3) of the foregoing para shall be doubled if buildings are used for industrial purposes.
   These purposes shall not include the use of buildings for the purposes of storage, office, accommodation for workers or for other commercial purposes.

c) Depreciation shall be allowed for any accounting period at the rate of 15% annually on capital expenditure incurred on the acquisition of any ship or aircraft used for business purposes during that period.

Plant and Machinery, Furniture / Fixture and Other Assets

a) Machinery and plant shall be allocated to pools with annual rates of depreciation specified for them as follows:

1. 33 % annually for the first pool, comprising:
   Tractors, cranes and other heavy machinery and plant similar in nature and use, computers, vehicles and self-propelling machines, fixtures, fittings, and furniture. It also comprises computer software and intellectual property rights.
2. 10 % annually for the second pool, comprising drilling rigs.
3. 15 % annually for the third pool, comprising any other machinery and plant which are not included in the foregoing Clauses (1) and (2).

b) The amount to be deducted as depreciation in respect of a pool for the accounting period shall be calculated by applying the percentages specified in Para a) above on the depreciation base of that pool. For any accounting period, the depreciation base in the case of any pool shall be determined to be the excess of the amount resulting from applying Clause 1 of this para after deducting the amount resulting from applying Clause 2 of this para as follows:

1. The depreciation base of that pool for the accounting period immediately preceding that accounting period after deducting the depreciation allowed for this pool for the accounting period immediately preceding that accounting period. This depreciation base shall be increased by the total capital expenditures incurred in acquiring the machinery, plant or other assets falling under the same pool during that accounting period.
2. The disposal value of all capital assets falling in that pool that were disposed of during that accounting period.

Corporate Tax Rates

Under the new Income Tax Law of Oman, income-tax rate applicable to any business establishment, Omani company or Permanent Establishment (i.e. foreign branch), for any tax year ending after 31st December 2009 would be as under:

Taxable/assessed income	Tax rate
Upto RO.30,000/-	Tax Free
Over RO.30,000/-	Flat rate of 12%

Petroleum Companies

The rate of tax for tax payers engaged in petroleum exploration shall be 55% of the taxable income in respect of any income derived from the sale of petroleum.

Withholding Tax

- As per the Income Tax Law of Oman, tax shall be charged on the following types of income accruing or arising in Oman:
  - Royalties.
  - Consideration for research and development or for the use of or right to use computer software or as fees in return for management.
- The tax mentioned above shall be charged at the rate of 10% of the gross amount of the aforementioned types of income paid or credited to the account of any foreign person that does not carry on any business in Oman through a permanent establishment situated therein or that such person carries on business in Oman through a permanent establishment but the payment does not constitute a part of the gross income of that permanent establishment.
- Any tax payer that has paid or credited any of the amounts as specified above shall be liable to deduct tax from the gross amount paid or credited and remit

the same to the Secretariat General not later than 14 days from the end of the month in which the amount is paid or credited, whichever is earlier.

- The remittance of this tax shall be made to the Secretariat General accompanied by a statement in the form prescribed for this purpose. A copy of that form shall be sent to the recipient of the payment.
- In case of countries with whom avoidance of double tax agreement is entered between Sultanate of Oman and other countries – tax rate will depend upon specific rate mentioned in avoidance of double tax agreement entered with respective countries.

Categories of tax exempt income

The Oman Tax Law provides that the following two "Categories of Income" would be fully exempt from taxation in Oman for all tax years.

- Dividends received by the tax payer from the shareholding it owns in the capital of any Omani company.
- Profits or gains from disposal of securities listed in the Muscat Securities Market (MSM).

Categories of tax exempt activities

Shipping activities

The Oman Tax Law states that income accruing to an Omani company/establishment from carrying on its activity in the field of shipping shall be exempt from tax. Further, the income from the shipping / air transport activities accruing to a foreign company in Oman shall be exempt from tax, provided similar treatment is accorded on reciprocal basis in the foreign country in which the foreign company is incorporated or where its effective management and controls are exercised.

Investment Funds

As per the Oman Tax Law, income accruing to investment fund set up in Oman under Capital Market Law or to investment fund set up outside Oman to deal in Omani securities listed in Muscat Securities Market (MSM) shall be exempt from tax.

Priority sector activities

The Oman Tax Law provides that income accruing to Omani companies/ establishments from the following specified activities carried on as their main business (except management contract and project execution contracts) shall be exempt from taxation in Oman.

1. Industry in accordance with the Law for Unified Industrial Organization of Gulf Cooperation Council Countries.
2. Mining in accordance with the Law of Mining.
3. The export of locally manufactured or processed products.
4. The operation of hotels and tourist villages.
5. Farming and processing of farm products, including animals and the processing or manufacturing of animal products and the agricultural industries.
6. Fishing and fish processing, farming and breeding.
7. University education, college or higher institutes, private schools, nurseries or training colleges and institutes.
8. Medical care by establishing private hospitals.

The exemption provided under this Article shall be for a period of five years beginning from the date of production or of the business, as applicable. Such tax exemption may be renewed for a further period not exceeding five years provided various criterias viz. net profit during exemption period shall not exceed 50% of the capital at the start of the period, Omanisation, investment in fixed assets, etc., are fulfilled, and the renewal is approved by the Minister in accordance with the regulations issued by the Financial Affairs and Energy Resources Council.

Carry Forward of Losses

The losses are not allowed to be carried forward for more than five subsequent assessment years. However, companies which are engaged in any of the Priority Sector activities specified in article 118 of the Oman Tax Law can indefinitely carry forward their losses incurred during exempted period of first five years, and deduct it in subsequent years until the losses are fully absorbed / set off against the profits of future years. Such net loss shall first be set off before the losses of the subsequent tax years.

Dividends

The Oman Tax Law stipulates that tax would not be imposed on dividends received by a company through shares in the capital of the other Omani companies i.e. companies registered in Oman. Dividends received from foreign companies will be subjected to tax at the tax rate applicable to business income.

Capital Gains / Losses on Sale of Shares / Securities

Capital gains realized from sale of shares / securities listed in Muscat Securities Market (MSM) are exempted from income tax. Similarly, capital losses on sale of securities listed in MSM is not allowed as a deductible expense. Other than capital gains / losses arising on sale of securities listed on MSM, all other capital gains / losses are generally considered as income or deduction in computation of taxable income of the company.

Related Party Transactions

Related party transactions are closely examined by the Oman Tax Department and they would normally require extensive documentation to ensure that it is at an arms length price and is reasonable considering the value of services received.

Avoidance of Double Taxation

- Under the new Income Tax Law, companies which are liable to pay income tax on their overseas income will be entitled to corresponding tax credit to the extent of Omani tax on foreign income or the foreign tax paid whichever is lower, in those cases where there is no Avoidance of Double Tax Treaty between Government of Sultanate of Oman and Government of that foreign country. Tax credit should be claimed within 2 years from the ending date of the tax year in which the payment of income tax overseas was made.
- Where there is an Avoidance of Double Tax Treaty (ADTT) between the Government of Sultanate of Oman and Government of that foreign country, then the Omani company will get suitable tax credit / relief in Oman in accordance with the provisions of the relevant ADTT.

List of countries with whom Oman has entered into Avoidance of Double Tax Treaties (ADTT)

Presently, Oman has signed double tax avoidance treaties with following countries, in few cases it awaits ratification from respective governments.

1. France
2. United Kingdom
3. India
4. Pakistan
5. Mauritius
6. Tunisia
7. Italy
8. Algeria
9. Lebanon
10. China
11. Yemen
12. South Africa
13. Seychells
14. Iran
15. Canada
16. Turkey
17. Syria
18. Republic of South Korea
19. Singapore
20. Belgium

21. Netherlands
22. Thailand
23. Maldova
24. Vietnam
25. Sudan
26. Spain
27. Japan
28. Germany
29. Croatia
30. Belarus
31. Brunei
32. Uzbekistan
33. Switzerland
34. Morocco

Besides, the above countries with whom Oman has signed Double Tax Avoidance Agreements, presently government of Oman is in process of negotiating and finalizing Double Tax Avoidance Agreements with several other countries.

Tax Assessments and Objections

The Secretary General of Taxation issues a tax order based on tax returns, audited accounts, various details, documentary evidences, tax hearings and representations made by the company. Normally a detailed investigation is carried out before a tax order is issued. Tax payable as per tax order, if any, is required to be paid within 30 days of the date of the order.

Any taxable entity may object to a tax assessment by submitting an objection in writing to the Secretary General of Taxation within 45 days from the date of serving of the tax assessment order or decision. If a taxable entity is not satisfied with the decision of the Secretary General of Taxation, it can contest against the decision of the Secretary General within 45 days by submitting in writing an appeal/claim to the Tax Committee, submission of contestation shall not result in suspension of the payment of the contested tax.

The tax payer has a further right to appeal against the order of the Tax Committee by filing a tax suit before the Primary Court within 45 days from the date of notification of the tax ruling given by the Tax Committee.

The taxable entity and the Secretary General of Taxation, can appeal against the judgement of the Primary Court to the Supreme Count.

Custom Duties

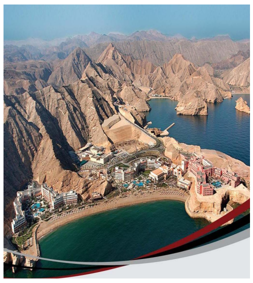
- Normally custom duty is levied at 5% on most of the items. Certain essential consumer goods like rice, milk, sugar, ghee, tea, etc., are exempt from custom duty. Usually an Omani manufacturer is granted an exemption from custom duty on import of machinery, spares and raw material for specified periods for which he has to take necessary approval from the Ministry of Commerce & Industry. Higher custom duties are charged sometimes on certain items that compete with the goods manufactured in Oman e.g., dates, fresh bananas, etc. Very high custom duty is charged on certain items like liquor, cigarette, tobacco, pork, etc. List of goods with custom exemption and higher tariffs are periodically reviewed and amended depending on perceived needs for incentive or deterrence to import.

- No custom duties are imposed within the Gulf Co-operation Council Countries (GCC) on gulf-produced materials and imports from GCC countries on which custom duty has already been paid at the time of its first entry into the GCC union.
- Custom duty is levied on cost, insurance and freight (CIF) cost of imported goods, usually as stated on the manufacturer or supplier's invoice. The company should obtain import licence from the Ministry of Commerce & Industry. Goods imported into Oman must be accompanied by a certificate of origin and licence by Ministry of Commerce & Industry.
- Machineries and heavy equipment can be granted temporary entry in Oman without paying custom duties according to the specified conditions:
- Sometimes, the contractors are able to import equipment and materials for use on government projects free of import custom duties based on terms specified in the project contract.

Other Taxes

Some of the other taxes are listed below:

- Tax on annual rental of leased premises.
- Tax on electricity bills.
- General sewerage charge in water bills.
- Tax on hotel bills.
- Leisure and cinema tax.
- Tourism levy.
- Property tax on purchase/sale, mortgage, registration, renewal etc. of properties.



Financial Reporting and Auditing

Books of Account

The Omani Commercial Law requires all business enterprises to maintain the following books at a minimum:

- A day book maintaining a daily record of all activities related to the commercial enterprise and a monthly record of personal withdrawals (for proprietorships and partnerships); and
- A stock book listing inventory, by quantity and by value, held at year end.

Method of Accounting

All establishment and companies must follow accrual method of accounting unless the Secretary General of Taxation grants approval to use another method of accounting i.e. cash basis of accounting.

Period of Maintenance of Accounting Records

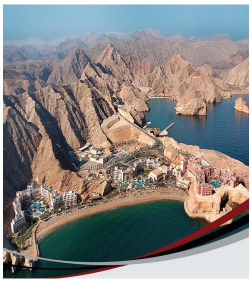
As per Income Tax Law on Companies in Oman and as per the Oman Commercial Law, accounting records have to be maintained for a minimum period of ten years.

Accounting and Auditing

1. a) As per Income Tax Law of Oman, all companies are required to get the books of accounts/ financial statements audited by a registered firm of auditors in Oman and submit them to the Income Tax department within six months from the end of their accounting period. It is mandatory for the companies to prepare their financial statements as per International Accounting Standards / International Financial Reporting Standards. The accounting and auditing professional law regulates the registration, qualification and various other requirements to be followed by accountants and auditors.

   b) An establishment or an Omani company, which meets the conditions of the minimum limits of the capital registered in the commercial register, gross income, or the average number of employees in the establishment or Omani company, as determined by the Executive Regulations of the Law, may be excluded from the requirement of submitting audited accounts.

2. For public shareholding companies, the board of directors is responsible for preparing annual accounts and reports on the activities of the companies during the financial year. A company's accounts and report on activities must be presented by the board of directors at the annual general meeting. The audited financial statements have to be filed with the Muscat Securities Market and the Company Affairs Department / Capital Market Authority. The annual general meeting must be held within four months after the end of the company's financial year.
3. Limited liability companies, branches of foreign companies and other companies are required to file audited accounts to renew their commercial registrations with the Ministry of Commerce and Industry.
4. Within two months of their year-end, bank and exchange / finance companies must file with the Central Bank their audited accounts, together with certain other forms and returns as specified by the Central Bank. Insurance companies and agencies must file their audited accounts with the Insurance department at the Capital Market Authority within two months from the end of their financial year.
5. As per the Central Bank of Oman guidelines, the companies who have got funded and non-funded facilities over specified limits with commercial banks must file the audited accounts with the commercial banks within four months of the end of their accounting period.



Grants and Incentives

The Law for the Organization and Encouragement of Industry

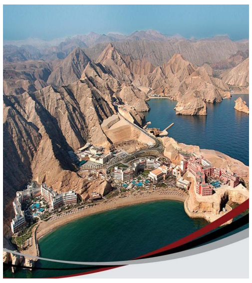
The government provides incentives to approved projects under "The Law for Organisation and Encouragement of Industry". Following incentives are available only to licensed industrial units on the recommendation of Industrial Development Committee.

1. Exemption from custom duties on import of raw materials, plant and equipment and their spares.
2. Subsidised electricity, water and fuel charges.
3. Government soft loans.
4. Preference in government purchases of local products.
5. Provision of planned and service industrial plots for setting up projects and ready industrial units at concessional lease rent.

Foreign investors benefiting from the above concessions and exemptions should maintain proper records and should periodically submit a progress report to the Ministry of Commerce and Industry, including the financial statements.

Tax Holiday Incentives

All companies engaged in priority sector activities are given an income tax holiday period for the first five years from the date of commencement of production or activity subject to fulfilment of certain conditions. These exemptions are renewable for another five years subject to fulfilment of certain conditions.



Protection of Intellectual and Industrial Properties

Sultanate of Oman is a member of World Intellectual Property Organisation (WIPO). Oman has enacted legislations to protect intellectual properties rights of companies and individuals.

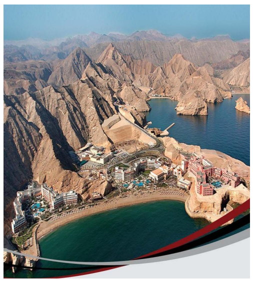
Copy rights

Copy rights is protected in Sultanate of Oman by Copyright and related rights law (Royal Decree 65/2008) protecting the rights of authors of literary, artistic and scientific works (including computer programs). Copy right is registered with Intellectual Properties department, Ministry of Commerce & Industry. Normally copy right period of protection is during the life time of the author and 50 years thereafter.

Trade mark, trade names and Patents

The Industrial Properties Rights Law (Royal Decree 67/2008) was promulgated in 2008 to protect the rights of local and foreign companies / individuals over registered trade mark, trade names, industrial designs, patents and integrated circuits.

Trade marks and trade names could be registered with Intellectual Properties department, Ministry of Commerce & Industry. Normally, the protection period is for 10 years which could be renewed. Trade names could be registered with Ministry of Commerce & Industry in Oman. Consequently, trade name registered by a company cannot be used by other companies in their business. Patents, industrial designs and integrated circuits can be registered with Intellectual Properties department, Ministry of commerce & Industry. Normally, the protection period is for twenty years.



About PKF

PKF LLC is a member of the PKF International network.

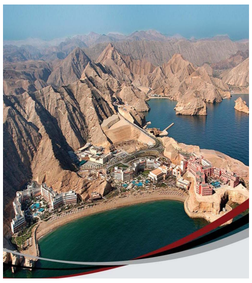
About PKF International Limited
PKF International Limited (PKFI) administers the PKF global family of legally independent member firms.

PKF global family has over 200 member firms and correspondents located in 440 cities, operating in over 150 countries on 5 continents across the world. PKF specialise in providing high quality audit, accounting, tax and business advisory services to international and domestic organisations in all markets.

PKF member firms have $2.3 billion of aggregate fee income, employing more than 2,600 partners and 20,000 staff across the world.

PKF International Limited is a member of the Forum of Firms, an association of international networks of accounting firms that perform audits of financial statements that are or may be used across national borders. The objective of the Forum of Firms is to promote consistent and high quality standards of financial reporting and auditing practices worldwide. Visit www.ifac.org/forum of firms/ for further information.

PKF global family of legally independent firms does not accept any responsibility or liability for the actions or inactions on the part of any individual member or correspondent firm or firms. For further information about PKF International or its member firms, please visit http://www.pkf.com



Annexure

Useful Contact Numbers

	Telephone number
Ministry of Commerce & Industry	24813500
Secretariat of Commercial Register	24814234
Head of Licenses & Records	24828522
Head of Commercial Licensing Section	24828173
Ministry of Agriculture & Fisheries Wealth	24696300
Ministry of Tourism	24588700
Head of Industrial Information	23205529
Oman Chamber of Commerce & Industry	24763700
Oman Telecommunications Company SAOC	24241234
The Omani Centre for Investment Promotion & Export Development	24812344
Ministry of Finance	24738201
The Secretariat General for Taxation	24746727
Office of H.E. The Secretary General of Taxation	24745204
Capital Market Authority	24823100
Muscat Securities Market	24823600

NOTES

NOTES