

Director's Report

Dear Shareholders,

On behalf of the Board of Directors ,it gives me a great pleasure to welcome you to the tenth Annual General Meeting of the Company and present you a brief report on your company's activities and achievements for the financial year ending 31st December 2006.

The year 2006 has been a remarkable year for your Company. The boom in the construction industry in the region had its positive effects on GIC. The Company's sales were at a record level of RO 1.8 million, which is 23 % higher than the previous year. This resulted in a Gross Profit of RO 617,077 and a Net Profit of RO 126,767 as against corresponding figures of RO 497,444 and a Net Profit of RO 107,610 in the previous year.

Though the net profit increased, the profit margins have been under pressure due to a mix of steep increase in the raw material prices during the second half of the year and the acute competition in the export markets putting pressure on sale prices.

It may be noted that the reported profitability was also affected by depreciation on revalued assets to the tune of RO 6,163 – normalizing for this additional depreciation charge, the reported profitability for FY 06 stands at RO 132,950.

Operations:

The work on expansion of production facilities at Rusayl was delayed slightly on account of delayed financial closure of the expansion project. The expansion project is in the final stages of completion and is expected to be completed soon – The factory shed has been completed and machinery has been installed; commercial production is expected to start in 2Q FY 07.

As reported in the 9M FY 06 chairman's report, your company has engaged a professional firm to implement the steps to get ISO 9001:2000 accreditation for enhancing the competitive edge in the market place. The process is expected to be completed in 2Q FY 07.

Your company is also in negotiation with a well known European Company to enter in to a technical tie up to boost its brand name. The products of the technical collaborator have been distributed on a trial basis and the initial feedback from the market is encouraging.

Export Markets:

Your company continues to grow its clientele in the export market, thus, reducing the risk of customer concentration in the export markets. During the year the company registered growth in major customers in UAE by 88% and revenue by 40%.

It also started selling various range of construction chemicals products other than admixture compared to the previous year. The company expects a growing share of the market in FY 07 from other GCC countries

Omanisation:

The company strives to attract talented Nationals in executive positions in addition to providing adequate training – this springs from company's belief that for a business enterprise (and the economy, in general) to be self-sustaining, it should be able to draw upon a well trained and qualified pool of local (National) talent.

Currently, company meets its obligation vis-à-vis Omanisation and the Omanisation level stands at 40%.

Future Outlook:

Building on the entry strategy for the export markets, GIC has gradually begun introducing high-tech premium products in the export markets, thus, altering the product-mix and positioning GIC a notch higher by showcasing its customer responsiveness and technical capabilities to the discerning clients in the export markets.

The opening of the Dubai office during FY 06 is further expected to provide a fillip to the export sales in UAE. The Dubai office will draw on the current manufacturing set-up in Sharjah while also being served from Oman for more advanced products.

Expansion of production facilities in Oman is expected to feed the Dubai office and better serve the local markets by leveraging proximity and shortened time to market advantages.

During the year, GIC engaged a consultant to carry out market research to determine the commercial feasibility of setting up manufacturing facilities in the other GCC countries. The consultant has submitted the report and it is under review by the board - a decision on further investments in GCC countries for a better market share will be made during the current year.

The distribution of the technical collaborator's products is further expected to increase visibility and add to the organic revenue growth at the company.

Corporate Governance:

The Board and the management are totally committed to strict adherence to Corporate Governance as laid down by the Capital Market Authority. While several guidelines have already been implemented, others are under implementation.

On behalf of the Board of Directors, I would like to assure you that with your continuous support, your company looks forward to playing a significant role to serve the construction industry. I would like to take this opportunity to thank the shareholders & stakeholders for their confidence in the Board & the employees of the company and also to thank his Majesty's Government for its generous support.

Ahmed Bin Zaid Al Muhrami
Chairman