Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors of National Hospitality Institute SAOG, I am pleased to present to you the twelfth annual report and audited financial statements for the year ended 31st December 2007.

Financial Highlights

Your company has achieved a net profit of RO 196,314 for the year on a turnover of RO 836,488 thus achieving the current year's business plan and a turn around from the last year's results.

The Government funded training business continues to be the major stream of revenue to the total business of the company. During the early part of the year, the training capacity build up was slow as regards this stream. However, it started building up gradually towards later part of the year enabling your company to achieve better capacity and improved performance. This was ably supported by the privately funded training revenues that have shown marginal growth over last year. Restaurant income and the Guest house revenue lines have shown encouraging growth rates over the previous year. Furthermore, surplus cash generated through efficient turnover of receivables has been placed in deposits and the company has earned an interest income of RO 15K during the year.

The company enjoys bank facilities from local banks to meet its current level of working capital requirements. These facilities would be suitably enhanced based on the needs arising from new training projects in future.

Keeping in view the turn around in performance and the healthy cash flow situation of the company, your Board of directors is pleased to propose dividend of 0.150 Baizas (@ 30%) per share amounting to a total of RO 150,000 for the financial year 2007.

Operational Environment

The Omani Tourism and hospitality sectors continued to have their best show in 2007 with most of the hospitality sector players operating at high occupancy for a major part of the year. On the other hand, an increasing staff movement toward better opportunities within the various sectors inside Oman and also around the region has been seen to be on the rise, which resulted in employers seeing the training of their staff as one of the avenues to retain their workforce. All of this provided regular demand for your Company's quality products. However, reluctance on the part of the employers to fund their employees training had resulted in continued major dependence on the Government funded training allocations.

Although the underlying demand for training in the hospitality sector was continuous and regular, your company's performance in the first half of the year came under pressure from the irregular and delayed Government funded training allocations which got better in the second half of the year. Your company continued its efforts to strengthen its industry partnerships with both existing as well as the new players in the hospitality sector. These efforts have helped significantly in the sourcing and building of corporate and privately funded training revenues resulting in healthy growth rates this year.

Your company enjoys an income tax exemption since September 2003, granted by His Majesty's Government against the income generated from the educational and training activities of the company. Further, the company has maintained a strong upper management team since the inception of the company.

Internal Control Systems

The Company has an institutionalised system of internal controls comprising well laid out authority levels and powers, supervision, checks and balances, policies and procedures. The board of directors during its annual review of these internal regulations & control systems found that the company is in compliance with them.

Dividend Policy

The Company's dividend policy is to reward the shareholders by distributing an optimal amount of profits earned during the year. While considering the payout for the year, the Board of Directors considers the need for retention due to new project possibilities and additional working capital to be financed. The Company strives to maintain a balance between current payout and a sustainable, growing dividend rate.

Dividend declared during the last five years:

Financial year	Dividend Rate (%)
2007	30
2006	-
2005	10
2004	-
2003	25
2002	25

Other Developments

The year 2007 saw your company purchase the franchise for the AHLA (American Hotels & Lodging Association) Diploma. This is a clear change of direction for your company as it shows our clients that we have the ability to deliver at different levels and appeal to a broader range of clients. Your company continued the product and revenue diversification strategy by re-designing its core products and inventing new products tailor made to the current needs of the market. In addition to the “Gulf Chef School” and “Gulf Travel School”, your company has successfully developed new products under the “Food Safety” and “Beauty Therapy” divisions.

While developing the new products to suit the current market demands, your company had spared no effort in emphasizing and putting new impetus on its marketing effort of new products aimed at private and corporate customers. In addition to AHLA diploma students, there were regular numbers of Cabin Crew & IATA students under the internationally certified program throughout the year.

Future Outlook

In the light of the buoyant tourism scene and the upcoming mega tourism projects in the country, your company continues to enjoy a full order book of Government funded entry level vocational training requirements from the local hospitality industry. We are encouraged by training allocations in the second half of 2007 which enabled us to attain optimum capacity utilization and proved a good start for the new year. Further, your company shall intensify its revenue diversification drive and endeavor to target higher revenue contributions from the sector. We are confident that with many large tourism projects underway, along with the serious commitment from the Government converted into action by the relevant bodies in a timely manner, we are well placed as the preferred ‘quality training provider’ to not only assist young Omanis to get into meaningful employment within the Tourism and Hospitality sector but also to help the employers retain their experienced staff by training & upskilling them with our short courses.

On behalf of the Board of Directors, I take this opportunity to extend our sincere appreciation to His Majesty Sultan Qaboos bin Said for his vision, and support for private enterprise in the Sultanate of Oman, in particular his personal interest and support to “training Omanis to find meaningful employment”.

Tarik bin Shabib bin Taimur
Chairman

National Hospitality Institute SAOG

Management's Discussion and Analysis Report – 2007

Business activities of the Company

National Hospitality Institute SAOG (NHI/the Company) is engaged in the business of providing training solutions in the hospitality, tourism and retail sectors. The company has been in this business since 1996 and is a leading player in the entry level Omanisation related government funded vocational training in these sectors. The company offers various training programs under its focussed brands namely, “Gulf Chef School” – offers various catering courses, “Gulf Travel School” – offers IATA courses as well as cabin crew training courses, “Food Safety Division” – offers training, HACCP certifications as well as consultancy and audit services to the ever growing segment of customers dealing in various “food products” and the newly opened “Beauty Therapy Division” – offers the beauty courses. In addition to the above, the company purchased the franchise to offer AHLA (American Hotels & Lodging Association) diplomas in hospitality business in Oman.

The company has purpose fit training facilities in Wadi Kabir, Muscat that cater to the training requirements of both the Government funded as well as privately funded candidates seeking to be employed in the Hospitality and tourism sector or those existing staff who wish to upgrade their skills. The Company has 30 employees as at the current year end who are totally aligned with the company’s objective of imparting quality training to young Omanis seeking careers in Hospitality and tourism sectors.

The company’s business is predominantly from the Government funded vocational training projects under which the Hotel & Tourism sector business houses source trained vocational local manpower from the Company. These training projects are short term and would usually span over 7-8 months. Under these projects, the young Omanis are screened by the Company for their training aptitude and careers in Hotel & Tourism sectors and once selected by the prospective employers, are interviewed by Ministry of Manpower to check their suitability. After the candidates are selected through this process, they are put under the vocational training programs where they are imparted with classroom theory combined with practical training in the Company’s state of the art training facilities.

Overall Review

During the year under review, NHI achieved turn around performance compared to the previous year. This was possible through achievement of its optimum training capacity towards the second half of the year which was slow during the first half of the year.

The company has achieved a net profit of RO 196,314 on a turnover of RO 836,488 during the year 2007, against a net profit of RO 3,850 on a turnover of RO 533,333 in 2006.

NHI got the re-approval of the IiP (Investor in People) award that it was awarded in early 2004 and also maintained its quality (ISO 9001:2000) & Hygiene (CIEH) certifications during the year. Further, with the recent changes in the awarding bodies structures, the Company’s training programs are now being accredited by City & Guilds, UK.

Forward-looking Statements

This report contains opinions and forward looking statements, which may be identified by their use of words like "plans", "expects", "will", "anticipates", "believes", "intends", "projects", "estimates" or other words of similar meaning. All statements that address expectations or projections about the future, including but not limited to statements about the company's strategy for growth, product development, market position, expenditures, and financial results, are forward-looking statements.

Shareholders and readers are cautioned on the data and information external to the Company, that though they are based on sources believed to be reliable; no representation is made on their accuracy or comprehensiveness. Further, though utmost care has been taken to ensure that the opinions expressed by the management herein contain their perceptions on most of the important trends having a material impact on the Company's operations, no representation is made that the following presents an exhaustive coverage on and of all issues related to the same.

Further, the following discussion reflects the perceptions on major issues as on date and the opinions expressed here are subject to change. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

Operating Environment

Tourism and hospitality industry in Oman has been experiencing boom period and 2007 proved to be another best year as "tourism sector" itself is establishing as a major growth sector in the Arabian Gulf region. With Oman's natural diversity, attractions and the tourist friendly environment, it is gaining prominence on the World tourism map and the tourist inflow continued to be at record levels in 2007. This reflected in the local hospitality sector operating at high occupancy for longer periods and also at increased prices.

The Company has always played a key role in entry level vocational training in the hospitality sector in Oman and is now also well positioned to be a key, quality "training & employment solutions" provider to the growing needs of the Catering & Hospitality Industry in Oman in the light of the buoyant tourism sector. The Company's training facilities are well equipped to meet the industry needs and offer trainees "real time" working experience while in training.

Suitable learning and on the job working environment is planned in the design of the Company's course curriculum in line with the aspirations of the future employers so that trainees are assessed both by the trainer and the future employer almost simultaneously while under training. The Company's established strong links with the industry are essential contributors to the success of the training programmes.

Opportunities and threats

The operational environment especially the inbound tourism business in Oman is very much upbeat further aided by the increased business tourists on account of the buoyant economy. With the continually increasing demand for room space, the hospitality industry has not only been experiencing high occupancy rates for majority of the year, but also improved revenues at increased prices. Further, the increasing Omanisation percentages and also the higher staff turnover in this sector are fuelling demand for the Company's well recognised and accepted products.

Whilst the company does not have strong competition to its products from the private sector, the Government operated Oman Tourism College ("OTC") is now allowed to offer short vocational training products similar to NHI is receiving training requisitions from the employers who are directed to OTC to avail the Government funded training schemes. This is not a competition from market forces or in anything that NHI can influence.

On the short private courses front, the Company has several competitors in the local market. The national airline opened its own IATA training programmes during the year and another training institute is delivering IATA training to a small number of trainees.

On the other hand, rich experience in its core products and with the proven operational strengths, the company is attracting considerable interest from overseas markets both for its training programmes as well as sharing its successful business model. The company saw first overseas business during last year and is actively seeking new business opportunities overseas.

The Company has well-defined market strategy aimed at diversifying its revenues bases by re-inventing its core products and tailoring them into short private courses to suit the changing market needs such as upskilling of the current local workforce funded by the private individuals and employers.

As regards the new investment into the business, though the demographic statistics present a valid case for expansion/new investments which in turn is likely to boost the topline as well as the bottomline for the company, the fact remains that the training business is predominantly dependent on one customer i.e. Government funded training allocations. So long as the scepticism continues among the Employers to commit their own resources to train local work force, the revenue source lines of the Company would still be heavily tilted by the Government funded training. Another new dimension to the business that is likely to shape up is training Omanis for the regional markets, which appears to be at a nascent stage at present.

The Company continues to develop its human resources – both Omani and expatriate - by assessing & improving their professional skills in general and specifically to diversify the skills of individuals to ensure that they deliver a variety of subjects and by doing so not only develop themselves but also the products. The Company is pro-actively carrying out the development of its

Omani workforce to enable them move up higher in the organizational structure. It also maintained its green card status for satisfactory achievement of staff Omanisation levels.

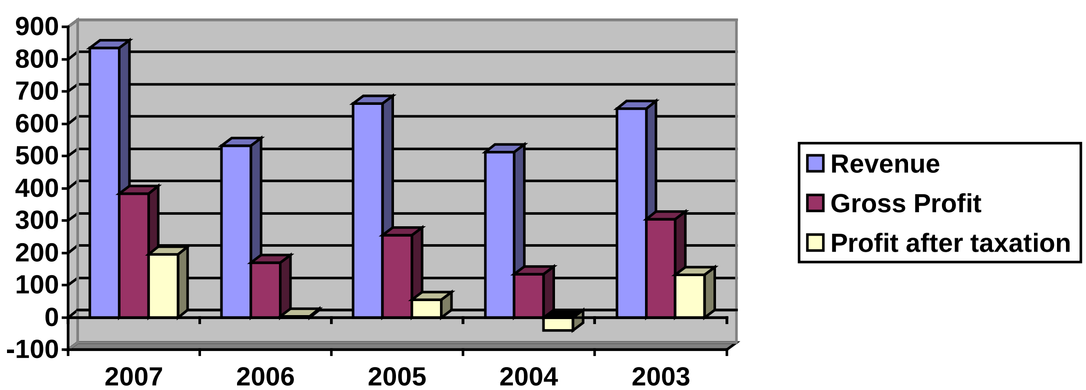
Financial and operational performance

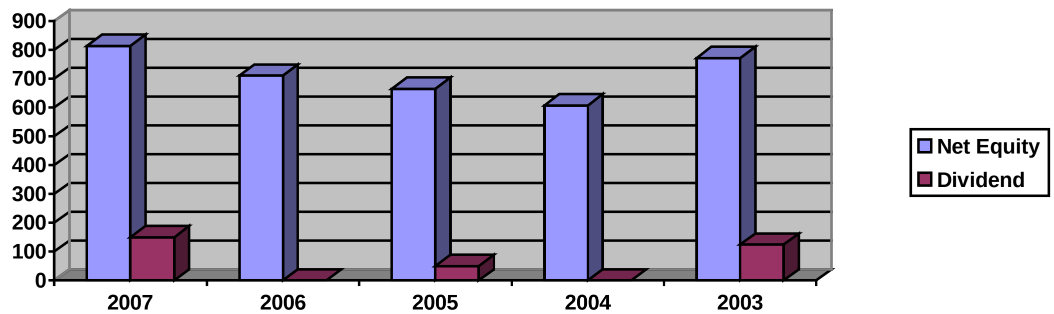
The year 2007 saw NHI achieve the turn around performance with the Government funded training allocations picking up in the second half of the year which enabled the company operate at optimum capacity levels. Further, the company's concerted efforts to diversify its revenue bases saw strengthening of its privately funded revenue lines with marginal growth over the previous year.

Financial highlights

	2007 RO	2006 RO	2005 RO	2004 RO	2003 RO
Revenue	836,488	533,333	663,011	512,605	646,956
Gross profit	384,717	171,375	255,267	135,432	304,841
Profit (loss) before taxation	196,314	3,850	68,408	(36,662)	132,884
Taxation*	-	-	(12,000)	(1,857)	-
Net profit (loss) after taxation	196,314	3,850	56,408	(38,519)	132,884
Dividend	150,000	-	50,000	-	125,000
Net Equity	815,010	618,696	664,846	608,438	771,957

* No provision for taxation was made for the year 2007 as the Company was exempt from taxation with effect from 15th September 2003, being a company realising income from provision of education and training as its main activity.





Please note that the amount mentioned above are in RO'000.

On the other hand, intensified efforts on collections especially the Government funded training related receivables has helped the company achieve positive cash flows and maintain good cash reserves through the year.

Conclusion

The Company continues to reinvent & diversify its training products to appeal to the private corporate and individual customer segments. The Company's growth plans will be driven by the success of its efforts in capitalising on the growing demands of the market with quality delivery of its diversified product portfolio while simultaneously focussing on efficiency improvement and cost optimisation. The company believes that it is well positioned in its business sector due to its ongoing drive to develop and introduce new products, strong brand equity and established business relationships.

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National Hospitality Institute SAOG

Report on Corporate Governance - 2007

CORPORATE GOVERNANCE: OUR PHILOSOPHY

Corporate Governance is about directing and controlling the Company with the overriding objective of optimising the return for shareholders, while adhering to the laws and ethical standards of the business environment in which it operates. A good governance process aims to achieve this by providing long term visibility of its businesses, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding and monitoring risk at every stage of corporate's evolution process. The corporate governance is not a matter of form, but of substance. It is an article of faith and should be integral to the core values of the corporation.

The Board and Management of National Hospitality Institute SAOG ("NHI" or "Company" hereafter) are committed to the highest standards of corporate governance for the Company. The Company has long been practicing best business practices, which are subject to continuous review to ensure that they continue to reflect the recent developments in order to conform to the best corporate governance practices. It takes feedback into account in its periodic reviews of the guidelines to ensure their continuing relevance, effectiveness and responsiveness to the needs of all the stakeholders.

Board of Directors

As on 31st December 2007, the Board of Directors ("Board" hereafter) composed of 9 directors. The Board consisted of all Non-executive and Independent Directors. The Board is responsible for directing the business and guiding the executive management

The composition & category of Directors during the year under review is as follows:

Sl No	Name	Position	Category	No. of Board meetings held in Director's tenure	No. of Board meetings attended	Whether attended last AGM	No. of directorsh-ips on Boards of other SAOG companies
1@	HH Sayyid Tarik bin Shabib	Chairman	Independent	5	4	Yes	1
2*	Ali Hassan Suleiman	Vice Chairman	Independent	4	3	No	2
3@	Khalid bin Said Al Ojaili[1]	Non Executive Director	Independent	4	3	Yes	-
4	Awadh Mohammed Bamkhalif	Non Executive Director	Independent	1	1	No	3
5@	Stephen R Thomas	Non Executive Director	Independent	5	4	Yes	-
6@	Adil M Bahwan	Non Executive Director	Independent	5	5	Yes	-
7@	York Brandes	Non Executive Director	Independent	5	4	Yes	-
8	Robert M Maclean[2]	Executive Director	Non-Independent	1	1	Yes	-
9@	Sharif Al Bakry	Non Executive Director	Independent	5	2	Yes	-
10*	Imad Kamal Sultan[3]	Non Executive Director	Independent	4	4	No	1
11	Iqbal bin Abdul Redha Sultan	Non Executive Director	Independent	1	-	No	-
12*	Samir J Fancy	Non Executive Director	Independent	4	4	No	1

@ Were re-elected to the board at AGM.
* Were elected new to the Board at AGM.

1 Mr. Khalid bin Said Al Ojaili, representing a juristic shareholder, had resigned from the Board in December 2007 and was replaced by Mr. Awadh Mohammed Bamkhalif in the same month.
2 Did not run for re-election in AGM, after completing the previous term of office.
3 Mr. Imad Kamal Sultan, representing a juristic shareholder, has been nominated & elected in place of Mr. Iqbal bin Abdul Redha Sultan at the AGM.

Statement of the Names & Profiles of Directors and Top Management

The NHI Board brings together core competencies of directors with vision, strategic insight, and industry knowledge, who provide direction to the executive management.

HH Sayyid Tarik bin Shabib bin Taimur - Chairman
HH Sayyid Tarik bin Shabib bin Taimur is Chairman of the Board of Directors of the Company since 1995. Other positions held by him include the following:

- Founder and Director of Tawoos Group.
- Chairman of Marina Bander Al Rowdha SAOG for six years until its takeover by the Government of the Sultanate in April 2003.
- Director of Renaissance Services SAOG since 1996.
- Director of Fund for Development of Youth Projects SAOC up to 2007.

Ali bin Hassan Sulaiman – Vice Chairman
Mr. Ali bin Hassan Sulaiman has become a member of Board of Directors again in 2007 and was one of the founder directors of the company in 1995. He is a founder of Ali & Abdul Karim Group and a director of the following companies:

- Director of Topaz Energy & Marine SAOG for many years up to its acquisition by Renaissance Services SAOG in May 2005.
- Director of Majan Glass Manufacturing Co SAOG.
- Director of Renaisance Services SAOG since 1996.

Samir J Fancy- Director
Mr. Samir J Fancy has become a member of Board of Directors in 2007. He held senior positions and undertook leading roles such as:

- Founder and Vice Chairman of Tawoos Group since 1983, in the year 2005 Mr. Samir became Chairman of the Tawoos Group.
- Chairman of Renaissance Services SAOG since 1996.
- Chairman of Topaz Energy & Marine SAOG since foundation and up to its acquisition by the Renaissance Services SAOG in May 2005.
- Chairman of Amani Financial Services SAOC since 1997.
- Chairman of Topaz Energy & Marine Ltd.

Stephen R. Thomas – Director
Mr. Stephen R. Thomas is a member of the Board of Directors of the company since 2004. He held various senior positions in different companies as follows:

- Joined Tawoos Group as General Manager of Tawoos Industrial Service Co LLC in1988. He took over as Chief Executive Officer of the Renaissance Services SAOG in 1998.
- Director of Renaissance Hospitality Services SAOG since foundation and until its merger with Renaissance Services SAOG in April 2002.

Adil M Bahwan – Director
Mr. Adil M Bahwan is a member of the Board of Directors of the company since 2004. He held various senior positions in different companies as follows:

- General Manager – operations of Tawoos Industrial Service Co LLC since 1998.
- Director of Renaissance Hospitality Services SAOG since foundation and until its merger with Renaissance Services SAOG in April 2002.

York Brandes – Director
Mr. York Brandes has become a member of Board of Directors in 2007. He is the General Manager of The Chedi, Muscat, a five star hotel in Muscat since 2006.

Sharief Al Bakry – Director
Mr. Sharief Al Bakry is a member of the Board of Directors of the company since 2000. He is the resident manger of the Grand Hyatt, Muscat since 1997.

Imad Kamal Sultan – Director
Mr. Imad Kamal Sultan has become a member of Board of Directors in 2007. He held various senior positions in different companies as follows:

- Member of the Board of Directors of National Bank of Oman since 2004.
- Director of WJ Towell & Co LLC, Towell Auto Centre LLC, Nestle Oman Trading LLC, Matrah Cold Stores LLC, W. J. Towell Kuwait, Agility Logistics (Global Logistics LLC) and Genetco.
- Member of Oman India joint Committee, Oman Chamber of Commerce & Industry.

Awadh Mohammed Bamkhalif – Director
Mr. Awadh Mohammed Bamkhalif has become a member of Board of Directors in 2007. He held various senior positions in different companies as follows:

- Currently employed as Chief Executive Officer of Oman & Emirates Investment holding Co SAOG since 1999.
- Chairman of Dhofar Fisheries industries company SAOG,
- Chairman of Omani Euro Food Industries SAOG,
- Member of the Board of Directors of Oman Hotels and Tourism Co SAOG
- Member of the Investors committee of Majan Special Opportunities JIA,
- Further, he served as financial controller for 7 years in Port Services Corporation SAOG and as General Manager in Oman Aviation Services SAOG for 8 years.

Robert M Maclean – Principal
Mr. Robert M Maclean is a hospitality sector training professional who joined the company as vice-principal in 1995 and later took over as Principal in 1997.

Meetings of the Board of Directors

Normally, the Board of Directors meets once in a Quarter to consider the Audited/Unaudited Financial results and any other matters arising from the business operations of the Company.

As against the minimum requirement of 4 board meetings, the Board of Directors met 5 times on the following dates during 2007:

20th February
25th April
24th June
28th October
17th December

However, in one instance the board meeting held in October took place with a gap of 4 months and 4 days after the previous meeting instead of the stipulated 4 months gap between any two board meetings.

Audit Committee

Audit Committee is a sub-committee of the Board, comprising independent directors viz., HH Sayyid Tarik bin Shabib - Chairman, Khalid bin Said Al Ojaili (until his resignation in December 2007), Adil M Bahwan and Ali Hassan Sulaiman.

The terms of reference stipulated by the Board of Directors to the Audit Committee are as follows:

- Review the adequacy of internal control systems and Internal Audit Reports, and their compliance,
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure the accuracy, sufficiency and credibility of the financial statements.
- Recommend the appointment and removal of external auditors and fixing of audit fees and also approval for payment for any other services.

- Review with the management the quarterly, half yearly and annual financial statements before submitting to the Board.
- Review with the management, external and internal auditors, the adequacy of internal control systems.

Attendance and other details

The Audit Committee has met 4 times during the year on the following dates:

14th February
15th April
20th October
28th October

The attendance of each member at Audit Committee meetings held during the year is as follows:

Sl No	Name	Position	Category	No. of Audit committee meetings held during Member's tenure	No. of Audit committee meetings attended
1	HH Sayyid Tarik bin Shabib	Chairman	Independent	4	4
2*	Khalid bin Said Al Ojaili	Non Executive Director	Independent	4	3
3**	Adil M Bahwan	Non Executive Director	Independent	2	1
4**	Ali Hassan Sulaiman	Non Executive Director	Independent	2	2

* Mr. Khalid bin Said Al Ojaili had resigned from the Board in December 2007.

** M/s. Adil M Bahwan and Ali Hassan Sulaiman were appointed as committee members in April 2007.

Executive Committee

Executive Committee is another sub-committee of the Board that was appointed at the first meeting of the new Board of Directors held on 25th April 2007. It comprises of all independent directors viz., Ali Hassan Sulaiman - Chairman, Samir J Fancy, Imad K Sultan and Stephen R Thomas.

The terms of reference stipulated by the Board of Directors to the Executive Committee are as follows:

- Review the Vision & Corporate Strategy of the Company,
- Review Business Plans of the Company,
- Oversee transformational transactions such as managing mergers and acquisitions,
- Review Risk management,
- Review and oversee recruitment, remuneration and evaluation of senior management
- Setting policies related to Employee Remuneration/Compensation and Bonus payment.

Attendance and other details

The Executive Committee has met 2 times during the year on the following dates:

22nd May
29th October

The attendance of each member at Executive Committee meetings held during the year is as follows:

SI No	Name	Position	Category	No. of Executive committee meetings held during Member's tenure	No. of Executive committee meetings attended
1	Ali Hassan Sulaiman	Chairman	Independent	2	2
2	Samir J Fancy	Non Executive Director	Independent	2	2
3	Imad K Sultan	Non Executive Director	Independent	2	2
4	Stephen R Thomas	Non Executive Director	Independent	2	-

The Executive committee members are not paid any sitting fees.

Audit and Internal Control

The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. They have met the internal auditors on a regular basis to review the internal audit reports, recommendations and management comments thereupon and the external auditors to review audit findings and management letter. The Audit Committee has also met the internal and external auditors, without the presence of the management as required under the Code of Corporate Governance ("Code"). The Audit Committee has further briefed the Board at the board meetings about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that adequate and effective internal controls are in place and that there are no significant concerns.

Process of nomination of Directors

In nominating and screening candidates, the Board looks for professionalism, integrity, accountability, performance standards, leadership skills and professional business judgment. Financial literacy, proven track record, industry knowledge and strategic vision are key characteristics. While nominating competent candidates, the Board ensures that the shareholders retain the power of electing any candidate, irrespective of his candidature being recommended by the Board or otherwise and that any shareholder or non-shareholder candidate has the full right of nominating himself.

Details of Remuneration and fees paid to the Directors during the Year

The Chairman and Non-executive directors were paid sitting fees at the rate of RO 250/- and RO 200/- respectively, for attending each board/audit committee meeting. The Chairman and Non-executive directors were paid a total sitting fee of RO 7,900 during the year as follows for attending board/audit committee meetings. The company ensures that the overall sitting fees paid during 2007 is in accordance with the CMA's Administrative Decision no 11/2005 on rules for remuneration and sitting fees for Directors and sub committees of Public joint stock companies. Therefore in order to comply with CMA rules, no further directors remuneration was paid for the year 2007. There were no traveling expenses or any other remuneration paid to any director on the Board.

SI No	Name	Position	Category	Total Sitting Fees paid
1	HH Sayyid Tarik bin Shabib	Chairman	Independent	1,500
2	Ali Hassan Suleiman	Vice Chairman	Independent	600
3	Khalid bin Said Al Ojaili	Non Executive Director	Independent	1,200
4	Awadh Mohammed Bamkhalif	Non Executive Director	Independent	200

5	Stephen R Thomas	Non Executive Director	Independent	800
6	Adil M Bahwan	Non Executive Director	Independent	800
7	York Brandes	Non Executive Director	Independent	800
8	Robert M Maclean	Executive Director	Non-Independent	-
9	Sharif Al Bakry	Non Executive Director	Independent	400
10	Imad K Sultan	Non Executive Director	Independent	800
11	Iqbal bin Abdul Redha Sultan	Non Executive Director	Independent	-
12	Samir J Fancy	Non Executive Director	Independent	800

Details of Remuneration and allowances paid to top 5 officers during the Year

Remuneration & Allowances paid to top 5 officers of the company during the year amounted to RO 98,221.

Employment contracts and other related info of top 5 officers of the Company

Majority of the top 5 officers of the company have been with the company for long time and the employment contracts are usually entered for an initial period of 2 years which are automatically renewed unless terminated in accordance with the terms mentioned therein. The notice period for termination of employment contracts for all the key personnel is 2 months and the gratuity is computed and paid in accordance with the Oman Labour Law.

Means of Communication

The Company has been dispatching Annual Reports to all the members of the Company.

The annual audited and quarterly unaudited financial results were published in two newspapers, as required by law, and are also made available on the company's website www.nhioman.com.

The Management's Discussion and Analysis Report, which forms part of the Annual Report, is provided elsewhere in this Annual Report.

Details of non-Compliance by the Company

There were no penalties or strictures imposed on the company by MSM/ CMA or any statutory authority in the last three years.

Other Disclosures

The issued share capital of the Company is 50% paid up. On 18th October 2005, the Company held an Extraordinary General Meeting ("EGM") of the shareholders in accordance with the approval of CMA, to consider and approve reduction of the issued capital of the Company to the extent of the unpaid capital, i.e. from RO 1,000,000 to RO 500,000 and amend Article (5) of the Articles of Association ("AOA") of the Company accordingly.

Early 2006 when the company approached the Company Registrar at Ministry of Commerce and Industry ("MOCI") to register the amendments to the AOA, the MOCI rejected the resolution approved by the EGM and CMA, stating that as per Article 58 of the Commercial Companies Law, the minimum capital requirement for SAOG companies, incorporated prior to 1998 is RO 1 Million. After the decision of MOCI, there is no change in the original status quo on the paid up capital of the Company.

Compliance with Code of Corporate Governance

The Company has implemented the best practices of Corporate Governance and is in compliance with the Code of Corporate Governance.

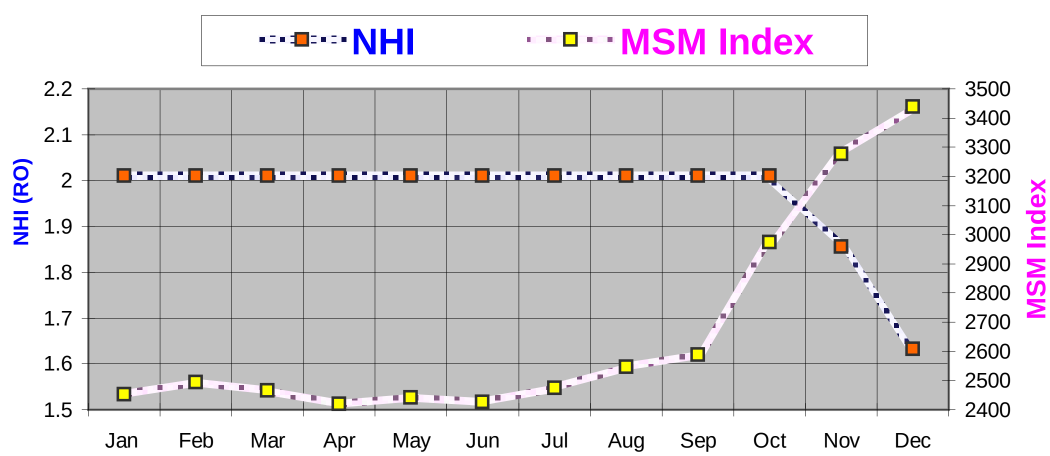
Stock Market Data

Monthly closing share price of high and low quotations, traded in Muscat Securities Market (MSM) for the year 2007:

Month	Share price movement (in RO)	
	High	Low
January	2.011	2.011
February	2.011	2.011
March	2.011	2.011
April	2.011	2.011
May	2.011	2.011
June	2.011	2.011
July	2.011	2.011
August	2.011	2.011
September	2.011	2.011
October	2.011	2.011
November	1.900	1.633
December	1.633	1.633

(Source of statistics: MSM)

Stock Performance in comparison to MSM broad based index of services sector: -



Note: -

1. Share price and MSM Index (for Services & Insurance sectors) average for the month is based on the High and Low during the month.

The company does not have any outstanding GDR's/ ADR's/ Warrants or any convertible instruments.

Distribution of Shareholding as on 31st December 2007

(Source of Statistics: - Muscat Depository & Securities Registration Co SAOC)

SR No.	Category	Number of Shareholders	No of shares	% Shareholding
1	Less than 5%	50	137,671	13.77%
2	5% to 9.99%	4	231,855	23.18%
3	10% to 19.99%	1	175,000	17.50%
4	20% to 50%	1	455,474	45.55%
	Total	**56**	**1,000,000**	**100%**

Professional Profile of the Statutory Auditors

KPMG is a leading professional services firm, providing audit, tax and advisory services. KPMG has more than 100,000 professionals throughout the world, offices in 800 cities and 7,000 partners in over 150 countries. KPMG in the Middle East and South Asia employs more than 4,000 professionals and have offices in 15 countries.

The Oman practice of KPMG was established in 1974. KPMG Oman currently has a staff compliment in audit, tax and advisory services in excess of 100, including 3 partners, 2 directors and 12 managers. KPMG Oman is accredited by the Capital Market Authority to audit Omani listed companies.

Audit fees and fees for other services

The audit fees paid to the Auditors for the year 2007 was RO 2,200 (2006 – RO 2,100). There was no other fee paid to the auditors for any other services during the year.

Board of Directors confirmations

Further to the information provided above, the Board of Directors confirm that

- It is liable for the preparation of the financial statements in accordance with the applicable standards and rules,
- It has reviewed the efficiency and adequacy of internal control systems and that these comply with the internal rules and regulations,
- There are no material things that affect the continuation of the Company and its ability to continue its operations during the next financial year.

For and on behalf of the Board

Chairman **Director**

NATIONAL HOSPITALITY INSTITUTE SAOG

Balance sheet
as at 31 December

	Note	2007 RO	2006 RO
Assets			
Property and equipment	*3*	**57,487**	40,215
Total non-current assets		**57,487**	40,215
Trade and other receivables	*4*	**591,810**	276,712
Amounts receivable from related parties	*19*	**267,067**	3,229
Cash and cash equivalents	*5*	**26,441**	391,181
Total current assets		**885,318**	671,122
Total assets		**942,805**	711,337
Equity			
Share capital	*9*	**500,000**	500,000
Legal reserve	*9*	**104,549**	84,918
Retained earnings		**210,461**	33,778
Total equity		**815,010**	618,696
Liabilities			
Employees' end of service benefits	*8*	**44,167**	34,651
Total non-current liabilities		**44,167**	34,651
Current liabilities			
Trade and other payables	*6*	**83,628**	57,990
Total current liabilities		**83,628**	57,990
Total liabilities		**127,795**	92,641
Total equity and liabilities		**942,805**	711,337
Net assets per share (50% paid up)	*10*	**0.815**	0.619

The notes on pages 6 to 18 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on ________________________

Chairman **Director**

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

Income statement
for the year ended 31 December

	Note	**2007**	2006
		RO	RO
Revenue		**836,485**	533,333
Operating expenses	*11&19*	**(451,768)**	(361,958)
Gross profit		**384,717**	171,375
Administrative expenses	*12&19*	**(226,361)**	(191,203)
Other income	*14*	**23,436**	14,883
Profit (loss) from operations		**181,792**	(4,945)
Net financing income	*15*	**14,522**	8,795
Net profit for the year		**196,314**	**3,850**
Basic earnings per share	*17*	**0.196**	0.004

The notes on pages 6 to 18 form an integral part of these financial statements.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Cash flow statement

for the year ended 31 December

	2007	2006
	RO	RO
Cash flows from operating activities		
Cash receipts from customers	**550,913**	713,927
Cash paid to suppliers and employees	**(632,799)**	(526,361)
Cash (used in) generated from operations	**(81,886)**	187,566
Net financing income	**14,522**	8,795
Cash flows(used in)/ from operating activities	**(67,364)**	196,361
Investing activities		
Acquisition of property and equipment	**(36,706)**	(26,502)
Proceeds from sale of property and equipment	**2,000**	700
Cash flows used in investing activities	**(34,706)**	(25,802)
Financing activities		
Dividends paid	**-**	(50,000)
Net movement in related party balances	**(262,670)**	-
Cash flows from financing activities	**(262,670)**	(50,000)
Net (decrease) increase in cash and cash equivalents	**(364,740)**	120,559
Cash and cash equivalents at the beginning of the year	**391,181**	270,622
Cash and cash equivalents at the end of the year	**26,441**	391,181

The notes on pages 6 to 18 form an integral part of these financial statements.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Statement of changes in equity

for the year ended 31 December

	Share capital RO	*Legal reserve* RO	*Proposed distribution* RO	*Retained earnings* RO	*Total* RO
1 January 2006	500,000	84,533	50,000	30,313	664,846
Dividend paid during the year	-	-	(50,000)	-	(50,000)
Net profit for the year	-	-	-	3,850	3,850
Transferred to legal reserve	-	385	-	(385)	-
31 December 2006	500,000	84,918	-	33,778	618,696
Net profit for the year	-	-	-	196,314	196,314
Transfer to legal reserve	-	19,631	-	(19,631)	-
31 December 2007	**500,000**	**104,549**	**-**	**210,461**	**815,010**

The notes on pages 6 to 18 form an integral part of these financial statements.

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

Notes
(forming part of the financial statements)

1 Legal status and principal activities

National Hospitality Institute SAOG ("the Company") is registered as an Omani Joint Stock Company. The principal activity of the Company is the provision of training services in the hospitality & tourism industries.

2 Basis of preparation and significant accounting policies

Basis of preparation

(a) Statement of compliance

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

(b) *Basis of measurement*

The financial statements are prepared on the historical cost basis.

(c) *Functional*

These financial statements are presented in Riyal Omani (RO), which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgments which have a significant effect on the financial statements include: provisions for impairment of receivables.

Significant accounting policies

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(a) Property and equipment

(i) *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost includes any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Notes

(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(ii) *Subsequent costs*

The cost of replacing part of an item of property and equipment is recognized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognized in the income statement as incurred.

(iii) *Depreciation*

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of the property and equipment. The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold improvements	5
Training equipment	5
Furniture, fixtures and office equipment	5
Motor vehicles	5

(b) Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, if any.

(c) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(d) Cash and cash equivalents

Cash and cash equivalents comprise of cash at hand, bank balances and short term deposits with an original maturity of three months or less. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

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

(e) Trade and other payables

Trade and other payables are stated at their cost.

(f) Revenue

Revenue represents the fee value of courses conducted during the year, net of provision for drop outs. Fees are billed at different stages of the course, however, income is accrued evenly over the duration of each course. No revenue is recognized, if there are significant uncertainties regarding recovery of the consideration due or associated costs.

Notes
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(g) Employee benefits

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

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

(h) Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest received on funds invested. Financing costs are recognised as an expense in the income statement in the period in which they are incurred.

Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset.

(i) Dividends

Dividends are recommended by the Board after considering the profit available for distribution and the Company's future cash requirements and are subject to approval by the shareholders at Annual General Meeting. Dividends are recognized as a liability in the period in which they are paid.

(j) Income tax

In accordance with the Royal Decree No. 54/2003, income realized by companies carrying out their main activity as training colleges and institutes shall be exempt from tax with effect from 15 September 2003. The Company believes that income earned by it from its training activities would be eligible for tax exemption. Accordingly, the Company has not made any provision for income tax for the year. Provision for income tax represents expected income tax payable on income earned between 1 January 2003 to 15 September 2003.

(k) Foreign currency transactions

Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting dates are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognized in the profit or loss.

Notes
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(l) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the income statement.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(m) Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and /or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to the asset or liability.

(i) *Property, plant and equipment*

The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant and equipments is based on the quoted market prices for similar items.

Notes
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(m) Determination of fair values (continued)

(ii) *Inventory*

The fair value of inventory is determined based on its estimated selling price in the ordinary course of the business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iii) *Trade and other receivables*

Trade and other receivable are stated at cost less impairment loss (Accounting policy l)

(n) New standards and interpretation not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements

IFRS 8 Operating Segments introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the Company’s 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. It is not expected that revised IAS 23 will have any significant impact on the financial statements.

IFRIC 11 IFRS 2 – Company and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any significant impact on the financial statements.

IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for a company’s 2008 financial statements, is not expected to have any significant effect on the Company’s financial statements.

IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company’s 2009 financial statements, is not expected to have any significant impact on the financial statements.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company’s 2008 financial statements, is not expected to have any significant impact on the financial statements.

Notes
(forming part of the financial statements)

2 Basis of preparation and significant accounting policies (continued)

(o) Share capital

Ordinary shares are classified as equity.

(p) Directors' remuneration

The total remuneration paid to non-executive directors comprising sitting fees and remuneration is in accordance with the provisions and is within the limits of the Commercial Companies Law; the CMA guidance; and the Articles of Association of the Company. Directors' remuneration is recongised in the income statement.

3 Property and equipment

	Leasehold improvements	Training equipment	Furniture fixtures and office equipment	Motor Vehicles	Total
	RO	RO	RO	RO	RO
Cost					
1 January 2007	109,507	90,275	157,681	14,418	371,881
Additions during the year	11,922	3,407	10,927	10,450	36,706
Disposal	-	-	(965)	(7,350)	(8,315)
31 December 2007	121,429	93,682	167,643	17,518	400,272
Depreciation					
1 January 2007	108,036	72,949	137,731	12,950	331,666
Charge for the year	2,164	6,362	8,747	1,748	19,021
Disposal	-	-	(797)	(7,105)	(7,902)
31 December 2007	110,200	79,311	145,681	7,593	342,785
Net carrying amount					
31 December 2007	**11,229**	**14,371**	**21,962**	**9,925**	**57,487**
31 December 2006	1,471	17,326	19,950	1,468	40,215

Leasehold improvements represent expenditure incurred in carrying out improvements to the Company's premises taken on lease. The lease agreement was renewed in 2006 and expires in November 2008.

Notes
(forming part of the financial statements)

4 Trade and other receivables

	2007 RO	2006 RO
Trade receivables	**134,251**	104,067
Less:- Provision for doubtful debts	**(2,255)**	-
	131,996	104,067
Accrued income	**403,586**	136,085
Prepayments and other receivables	**56,228**	36,560
	591,810	276,712

The maximum exposure to credit risk for trade receivables (considered as being the gross carrying value before impairment provisions) at the reporting date by type of customer was:

	2007	2006
Receivable from Vocational Training Department of Government of Oman	**101,700**	78,794
Other government department	**14,200**	5,260
Corporate clients	**35,020**	24,947
Others	**1,177**	71
	152,097	109,072
Less:- Provision	**(2,255)**	-
Less:- Related party receivable	**(17,846)**	(5,005)
	131,996	104,067

The aging of trade receivables at the reporting date was:

	Gross 2007 RO	**Impairment 2007 RO**	Gross 2006 RO	Impairment 2006 RO
Past due 1-90 days	**126,675**	**-**	94,638	-
Past due 91-360 days	**23,016**	-	11,620	-
More than one year	**2,406**	**(2,255)**	2,814	-
	152,097	**(2,255)**	109,072	-

Accrued income represents unbilled revenue in respect of VTD training batches. The billing of accrued income is carried out as follows:

	2007	2006
20%	**80,447**	5,941
50%	**201,118**	49,615
30%	**122,021**	80,529
	403,586	136,085

The Management believes that the carrying amount of accrued income represents the best estimate for recognised revenues.

5 Cash and cash equivalents

	2007	2006
Cash balances	**893**	893
Bank balances	**25,067**	16,132
Deposit accounts	**481**	374,156
	26,441	391,181

Deposit accounts are maintained with a commercial bank in Oman and earn interest at commercial rates.

Notes

(forming part of the financial statements)

6 Trade and other payables

	2007	2006
	RO	RO
Trade payables	**11,567**	6,521
Accrued expenses and other payables	**55,181**	33,580
Amounts due to related parties	**4,880**	5,889
Income tax payable	**12,000**	12,000
	83,628	57,990

7 Bank borrowings

The Company has overdraft facilities with commercial banks and interest is charged at commercial rates.

8 Employees' end of service benefits

Movements in the liability recognised in the balance sheet are as follows:

	2007	2006
Accruals as at 1 January	**34,651**	35,532
Accruals during the year	**11,294**	8,851
Payments during the year	**(1,778)**	(9,732)
Accruals as at 31 December	**44,167**	34,651

9 Capital and reserves

Issued capital

The Company's authorised and issued share capital is 1,000,000 shares of RO 1 each. At the balance sheet date 50% of the issued capital was paid up (2006: 50%). As required under article 58 of the Commercial Companies Law, the capital of the Company shall not be less than RO 1 million and the full value of the shares are to be paid up in full within a three year period from the date of the foundation of the Company. The Company has yet to comply with article 58 of the Commercial Companies Law.

Details of shareholders who own 10% or more of the Company's share capital are as follows:

	2007		2006	
	No. of Shares	**%**	No. of Shares	%
Renaissance Services SAOG	**455,474**	**45.55%**	455,474	45.55%
W J Towell & Co. LLC	**175,000**	**17.50%**	175,000	17.50%
	630,474	**63.05%**	630,474	63.05%

Legal reserve

The commercial Companies Law of 1974 requires that 10% of an entity's net profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the company's issued share capital. The legal reserve is not available for distribution.

Notes
(forming part of the financial statements)

10 Net assets per share

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

	2007	2006
	RO	RO
Net assets attributable to the shareholders of the Company (RO)	**815,010**	618,696
Number of shares outstanding at 31 December	**1,000,000**	1,000,000
Net assets per share (RO)	**0.815**	0.619

11 Operating expenses

Employee related expenses	**208,209**	157,054
Trainees' stipend and training supplies	**165,269**	132,850
Rent	**44,000**	41,641
Depreciation	**16,195**	9,801
Utilities	**12,005**	11,086
Repairs & maintenance	**5,363**	8,489
Miscellaneous	**727**	1,037
	451,768	361,958

12 Administrative expenses

Employee related expenses	**103,554**	75,967
Advertisement and promotion	**24,919**	13,676
Management fee	**24,000**	24,000
Trainee accommodation expenses	**17,487**	13,086
Directors' remuneration & sitting fees	**7,900**	12,600
Repairs and maintenance	**7,493**	5,595
Communication charges	**7,330**	5,833
Insurance	**6,933**	7,006
Printing and stationery	**6,756**	8,006
Registration expenses	**3,727**	5,080
Legal and professional charges	**3,692**	5,679
Motor vehicle and conveyance	**3,230**	2,128
Other indirect expenses	**3,055**	1,013
Depreciation	**2,826**	10,658
Provision for doubtful debts	**2,255**	-
Traveling and related expenses	**1,204**	876
	226,361	191,203

Notes

(forming part of the financial statements)

13 Employee related expenses

Details of employee related expenses included in operating and administrative expenses are as follows:

	2007 RO	2006 RO
Wages and salaries	**229,590**	161,642
Other benefits	**64,797**	57,067
Contribution to defined retirement plan	**6,082**	5,461
Increase in liability for unfunded, defined retirement benefit plan	**11,294**	8,851
	311,763	233,021

14 Other income

	2007 RO	2006 RO
Trainee accommodation recoveries	**21,849**	13,362
Profit on sale of assets	**1,587**	700
Miscellaneous	**-**	821
	23,436	14,883

15 Net financing income

	2007 RO	2006 RO
Interest from related party	**12,670**	-
Bank Interest	**2,487**	9,538
Bank charges	**(635)**	(743)
Net finance income	**14,522**	8,795

16 Income tax

In accordance with the Royal Decree No. 54/2003, income realized by Companies carrying out their main activity as training colleges and institutes are exempted from tax with effect from 15 September 2003 and accordingly, the Company through Ministerial Decision No. 11/2006 dated 29 January 2006, was awarded tax exemption with effect from 15 September 2003 in respect of income earned from training activities.

During 2007, income generated from activities other than training did not exceed RO 30,000, the taxable income threshold under the income tax law of the Sultanate of Oman, and accordingly no provision has been made in the financial statements.

The provision for income tax represents expected income tax payable on income earned between 1 January 2003 to 15 September 2003.

The Company's income tax assessments for the years 2002 and 2003 have not been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Management believes that additional taxes, if any, that may become payable on finalisation of the assessments in respect of these open years would not be material to the Company’s financial position as at 31 December 2007.

17 Basic earnings per share

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2007, calculated as follows:

	2007	2006
Net profit attributable to ordinary shareholders (RO)	**196,314**	3,850
Number of shares outstanding at 31 December	**1,000,000**	1,000,000
Basic earnings per share (RO)	**0.196**	0.004

NOTES

(forming part of the financial statements)

18 Dividends paid and dividend per share

During 2006, dividends of RO 0.050 per share aggregating to RO 50,000 pertaining to 2005 were paid.No dividends were paid in 2007.

During 2007, the Board of Director has proposed a cash dividend of RO 0.150 per share aggregating to RO 150,000, which is subject to approval of the share holder at the Annual General Meeting.

19 Related party transactions

The Company has entered into transactions with entities over which Directors are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and services to the Company. The Company also provides services to the related parties. The Directors believe that the terms of purchases, sales, and provision of services are comparable with those that could be obtained on arm's length basis from third parties.

The volume of significant related party transactions during the year relating to shareholders holding 10% or more interest in the Company, were as follows :

	2007	2006
	RO	RO
Services rendered	**10,777**	17,919
Services received	**10,952**	8,437
Management fees	**24,000**	24,000

During the year, non executive directors were paid sitting fees of RO 7,900 (2006 - RO 12,600).

During 2007, the Company has advanced an amount of RO 250,000 to a related party. The amount is repayable on demand and carries interest at an average rate of 5.10% per annum.

Compensation of key management personnel

Short-term benefits	**83,975**	93,034
Employees end of service benefits	**7,161**	6,259
	91,136	99,293

Amounts due from and due to related parties are disclosed in notes 4 and 6 respectively.

Notes
(forming part of the financial statements)

20 Commitments and contingent liabilities

	2007 RO	2006 RO
Letters of guarantee	**35,822**	17,762

21 Financial instrument

Information on the risks, arising from the Company's use of financial instruments namely credit risk, liquidity risk and market risk that the Company is exposed to, its objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has entrusted the audit committee with the responsibility of development and monitoring the Company's risk management policies and procedures and its compliance with them.

Risk management policies and systems are reviewed regularly to ensure that reflect any changes in market conditions and the Company's activities. The Company, through its induction and training program, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on trade receivables is limited as trade receivables are shown net of provision for future drop outs and provision for doubtful debts. The Company does not require collateral in respect of its financial assets.

At the balance sheet date, approximately 94% (2006 - 93%) of trade receivables and accrued income are due from the Vocational Training Department of the Ministry of Manpower.

Fair value

The Directors believe that the fair values of all financial assets and liabilities are approximate to their carrying value due to their short-term maturities or demand nature.

Liquidity risk

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

The company has sufficient funds which it has kept deposit with its related party to manage its liquidity risk.

Notes
(forming part of the financial statements)

21 Financial instruments (continued)

Market risk

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

Interest rate risk

The Company manages its exposure to interest rate risk by ensuring that borrowings and deposits are on a contracted fixed rate basis.

Foreign currency risk

Foreign currency risk is minimal as most transactions are either denominated in RO, US Dollars or in currencies linked to US Dollars. The rate of exchange between RO and US Dollars has remained unchanged since January 1986.

Foreign currency risk is minimal as most of the foreign currency transactions are either in US Dollars or in currencies linked to US Dollars.

Other Market risk

The Company is not exposed to other significant market risk.

Capital Management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on equity, which the Company defines as net profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year.

As required under article 58 of the Commercial Companies Law, the capital of the Company shall not be less than RO 1 million and the full value of the shares are to be paid up in full within a three year period from the date of the foundation of the Company. The Company has yet to comply with article 58 of the Commercial Companies Law.

The Board of Directors believes that the fair values of financial assets and liabilities are not significantly different to their carrying amounts at the Balance sheet date

22 Comparative figures

The corresponding figures for 2006 have been reclassified in order to conform with the presentation adopted in these financial statements. Such reclassifications do not affect previously reported net profit or shareholders' equity.