



# Annual Report 2012



Hotel Mgmt. School  
 Hospitality Courses  
 Gulf Chef School  
 Gulf Travel School  
 Beauty School  
 Food Safety Academy

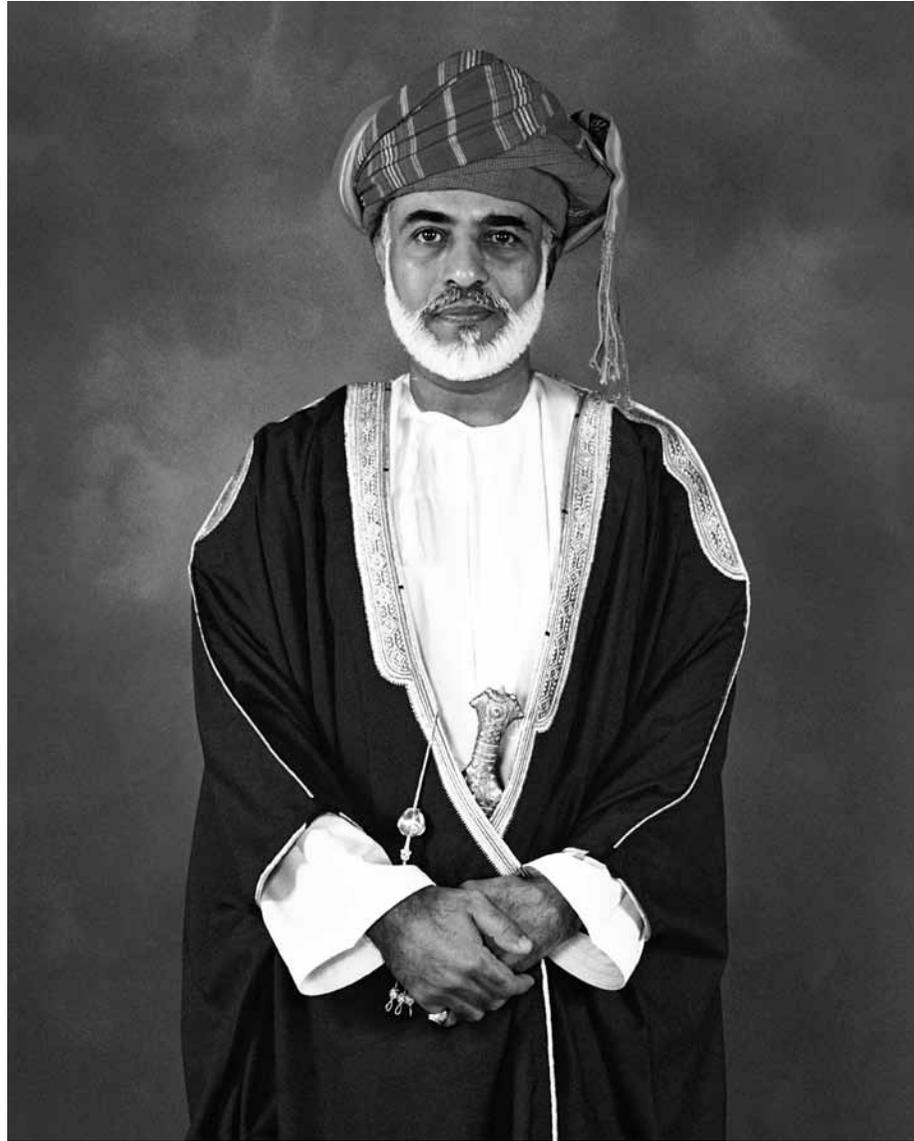


# nhi

المعهد الوطني للضيافة  
 national hospitality institute

[www.nhioman.com](http://www.nhioman.com)





His Majesty Sultan Qaboos bin Said



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## Board of Directors

HH Sayyid Tarik bin Shabib	Chairman
Ali Hassan Suleiman	Vice Chairman
Samir J.Fancy	Director
Stephen R.Thomas	Director
Adil M.Bahwan	Director
York Brandes	Director
Ammar Maqbool Hameed Al Saleh	Director
Imad K.Sultan	Director
Robert M. Maclean	Director

# Chairman's Report



## Dear Shareholders,

On behalf of the Board of directors of National Hospitality Institute SAOG (NHI), I am pleased to present to you the seventeenth annual report and audited financial statements for the year ended 31st December 2012.

### Financial performance

The company has posted a consolidated net loss of RO 57k for the year from revenue of RO 768K as against a net loss of RO 56K and revenue of RO 619K in previous year. The revenues are 24% higher than last year. The principle impact that caused this year's loss is the challenge to recruit Omanis for the government funded programmes.

### Environment

This year started well with good numbers of enrollments through the government funded vocational training scheme. At the same time the private revenues were similar to the previous year. After the half year point we encountered a severe lack of Omani candidates coming forward for training linked to employment. The main cause of this was the heavy recruitment by the government of Omanis into the public sector. The hospitality industry has traditionally offered lower salaries than many of the other sectors' and has therefore been affected the most by the public sector recruitment. However many of the private sector employers are now looking at alternative ways of achieving better rates of retention amongst their Omani workforce. This has resulted in your company launching a new apprenticeship scheme for the training and development of existing workers in the industry where they can learn whilst they are working. In addition to this several employers are approaching your company with private funds for training of potential fresh candidates. To ensure we are prepared for these new developments we have taken steps to ensure we have the right people in place for the right job which has involved

restructuring. These activities mirror the way your company is constantly innovating and looking for new solutions to the challenges it faces on recruiting young Omanis for the ever growing hospitality, travel and tourism sector.

In tandem to these efforts your company is encouraging government entities such as Omran who manage the government hotel assets, and the Ministry of Tourism to provide more public support for the industry as a worthy employer for young Omanis.

This year also saw some major milestones for NHI - Achievement of the Investor in People Bronze award - Securing a Certificate of Compliance for our Food Safety at NHI from CIEH UK- Achieving re-certification for our ISO 9000.

### Forward Outlook

We continue to drive the diversification of our revenues away from the reliance on government funding. This year saw the launch of the 'Smiles of Oman' campaign which is designed to offer a training structure for customer service across the board. We were pleased to deliver training to a leading bank in this year and to a retail car company. In addition to this we have launched the new Food Safety Management system which is aimed at helping those smaller businesses to ensure they have a proper and fit system in place to ensure safe food. We have already seen several companies taking this onboard.

We feel very confident that with these new products and the changing mind set of employers to fund their own training that your company is well placed to benefit from these changes.

In terms of the government funded programmes we understand that there will be a substantial change to the minimum salary in the country which will have a positive impact on the hospitality sector where, as we have said the salaries have been generally lower. These new salaries we hope will encourage more Omanis to join the sector and therefore help our recruitment. It is our

sincere intention to act as a key facilitator at this crucial juncture to meet the nation's Omanisation objectives in this sector. We can justly look back with some pride at the achievement of NHI and the contribution it has made to getting Omanis into meaningful jobs in the hospitality sector. We aim to leverage our experience and work with the relevant authorities to deliver on our part of the commitment made by his majesty toward the people of Oman.



**Tarik Al Said**  
Chairman

**The Company recently issued the following announcement:**

"The Board of Directors (the "Board") of National Hospitality Institute S.A.O.G. (the "Company"), at its meeting held on 20th February 2013, discussed the possibility of converting the Company into a Closed Joint Stock Company or Limited Liability Company in accordance with the provisions of the Commercial Companies Law (Royal Decree 4/74) and delisting the Company's shares from public trading on the Muscat Securities Market. Further to such discussions, the Board resolved to appoint external advisers to advise the Board on a possible conversion of the Company including the conversion options available under applicable law, the merits and demerits of the available options, the legal and procedural requirements that each option may entail and applicable timelines."

# Management Discussion and Analysis Report

## 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 to school leavers, existing workers, young children and to leisure clients. "Gulf Travel School" – offers IATA consultant and management courses as well as cabin crew training courses. In addition to the above, the company is the Oman franchisee to offer AHLA (American Hotels & Lodging Association) diplomas in the hospitality sector in Oman. Further, "Food Safety Academy" launched in 2009 provides training, certification, consultancy and audit services relating to food safety and HACCP related issues. NHI started 'Fast Track Training' in the year 2010 with an objective to provide fast track training to help the hotel and tourism industries in achieving current Omanisation targets.

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 and those existing staff who wish to upgrade their skills. The Company has 28 employees as at the current year ends who are totally aligned with the company's objective of imparting quality training to young Omanis and expatriates seeking careers in Hospitality and tourism sectors.

The company's business consists of 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 classroom theory combined with practical training in the Company's state of the art training facilities. Due to the complexity of these arrangements the company has diversified its portfolio to offer similar programmes to non govt sponsored individuals who wish to invest in their own future. In addition to this the company has successfully marketed some of their products to the corporate sector for soft skills and team building training. The company has also focussed on specific areas such as food safety as an area of specialism. The company has also been successful in attracting funding from Corporate Social Responsibility funds from local banks.

## Overall Review

During the year under review, NHI could not achieve its optimum training capacity in its Oman operations throughout the year which resulted in declined top line. The student numbers from Government funded training has seen the lowest level this year. This together with some of the fixed operating costs has put the operating margins under tremendous pressure. The India operations which were immobilized / put on hold to save off cost during 2010 could not be restarted due to prevailing market condition.

NHI has seen steady growth in its private training over the last 5 years. However this year has been affected by the mass recruitment of Omanis into the public sector and therefore not taking up training places. This move in the market is being closely monitored by the company and other solutions are being developed to ensure the company keeps pace with market trends and continues to provide solutions to local employers.

The company posted a consolidated net loss of RO 56,817 on a turnover of RO 768,538 during the year 2012, against a net loss of RO 57,756 on a turnover of RO 619,427 in 2011. The subsidiary company (Nakshatra Hospitality India Private Limited) has posted a net profit RO 1,702 on a turnover of RO Nil during the year 2012 against a net loss of RO.1,993 on a turnover of RO Nil in 2011.

NHI maintained its liP approval (Investor in People award that it was awarded in early 2004) with a new Bronze award and quality (ISO 9001:2000) & Hygiene (CIEH) certifications during the year. Further, with the changes in the awarding bodies' structures in 2009, the Company's training programs are continue to be accredited by City & Guilds, UK. And achieved accreditation by Edexcel in 2011. NHI has retained its ISO accreditation status after an audit in September this year.

## 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

We saw public announcements by the Ministry of Manpower in 2012 of large numbers of young Omanis to be recruited into the public sector and we understand this will continue in 2013. This has left the company with a shortage of young Omanis coming forward to be trained and employed in the hospitality industry. Despite these factors the demand for trained Omanis in tourism and hospitality industry in Oman is still very high as the companies are still required to achieve certain levels of Omanisation.

Added to the Oman's natural diversity, attractions and the tourist friendly environment, the Government of Sultanate of Oman's efforts to position Oman as an attractive tourist destination, have all resulted in gaining prominence on the World tourism map and the tourist inflows continued in 2012 hence the demand for workers.

One area of development by the company is to look at the training and development of the industries existing workers. Many of these workers have not been trained or received any official certification for their positions. The Company is looking at new programmes associated to City and Guilds in the UK whereby the companies can use them as development tools and therefore increase the levels of retention in their staffing levels.

## Opportunities and threats:

Oman's hospitality and tourism industry continues its rapid development, reflecting the global rise in tourism and the government's long-term plan to diversify the nation's economy. The year 2012 saw Muscat as the Arab tourism Capital. The world Travel and Tourism Council (WTTC) expects Oman's tourism sector in 2012 to have the highest growth in the Middle East and the third highest growth in the world. The next five years will see extraordinary developments. At present 16,507 people 48% of them Omani, work

in the sector in hotel and airline companies, travel agencies, car rental companies and restaurants. By 2015, the number of available hotel rooms is expected to rise from 10,747 to 26,492 and it is estimated that this will create 19,000 new jobs. As Omanisation targets rise to 80% throughout the industry, the majority of these positions should be taken by local citizens.

The company is in a good position to capitalise on these statistics by using their long term experience of training in the Oman market and more importantly their understanding of the local hospitality market. The government has recently introduced increased stipend payments to students to a level of RO150 per month during training. In addition to this they have ensured that the minimum salary for any student on training will be RO 325/- per month once they join the company as an employee. All of these initiatives are designed to attract the job seekers into training.

Whilst these figures point to a huge demand for skilled hospitality workers, the number of established, local training providers is limited. It has been estimated that the industry's pent up demand for new training graduates would permanently overfill the training capacity of both NHI and its main competitor, the government owned Oman Tourism College (OTC). Despite the industry's rising manpower requirements, and Oman's shortage of hospitality training providers, NHI operated below capacity in 2012.

We are beginning to see a more flexible attitude from several employers towards training and development. We now have examples where employers are willing to fund certain types of training directly from their own budgets. NHI needs to continue the positive dialogue with its clients and continually deliver products which will suit the needs of the workplace. Through this method NHI can diversify its revenue funding mechanisms even further.

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

and another player are competing with the Company in the Food Safety training field.

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.

In spite of these challenges, and thanks to continued support from stake-holders at the highest levels, we have continued to provide first-class training, without compromising our core values.

## Forward Strategies

We will continue to be an agent of positive change for the community, providing access to high quality, vocationally relevant qualifications and routes into employment. In addition, we will provide clear career paths for those currently employed in hospitality, who aspire to supervisory or management position. We will actively pursue new opportunities and markets, strengthen our engagement with local employers and make full use of the expertise available within our team.

The Company has devised a long term plan that covers a period of significant growth for Oman's hospitality and tourism sector and we believe that we will play a central role in this development. We will proactively adopt new approaches and continue to demonstrate our philosophy of 'seeking excellence in all we do'.

The guiding factors in shaping the company's future actions, decisions and strategy are the following core VALUES-

## Our Belief

We believe passionately in our business and endeavour to promote a positive, energizing, optimistic environment for our staff and students. We are further committed to serving our customers and delighting our consumers through the quality of our products and services.

To achieve-

- Build on our success to date in future design and delivery of our programmes.
- Increase engagement with employers, to maintain the relevance our training provision and to increase knowledge transfer.

## Our Credibility

We are committed to embracing a quality assurance culture and to driving and fostering a “continuous improvement” credo in everything we do. Never satisfied, always innovative. We are further committed to linking ourselves to the latest international standards of our business and to ensuring that we are at the cutting edge of innovation.

To achieve-

- Use our Quality Management System as a basis for ensuring continuous improvement.
- Continue to stay abreast of industry trends, both regionally and internationally.
- Secure strong external and professional endorsement for the quality of our products and services.

## Our Integrity

We are committed to conducting all phases of our business with the highest standards of ethics and morality.

To achieve-

- Continue to respond to our clients’ needs, whilst being transparent in our business dealings and aware of our obligations to shareholders.
- Maintain our high standards of training, assessment and verification
- Continue in our support for local community groups and the under-privileged.

## Our Customers

We are committed to improving our customers’ expectations so as to merit a volume of business equal to or exceeding that enjoyed by

our competitors. To giving our customers what they want, not what we think they want or would prefer them to want.

To achieve-

- Further strengthen our engagement with employers to maintain the relevance of our training provision.
- Continue to embed progression and employability throughout all areas of the curriculum.
- Encourage employers and industry workers to visit our facilities and engage with learners

## Our People

We are committed to constantly improving the caliber of people at all levels of our organisation with the objective of having the best team in each field of our business.

To achieve-

- Continue to invest in the development and support of all staff
- Align roles and structures with organizational priorities on an ongoing basis
- Equip staff to deal effectively in an environment of collaboration and change.
- Promote health, well-being, confidence and recognition in our staff.

## Efficiency and Productivity

We are committed to continually improving our systems, methods and facilities enabling us to lower our costs and improve our quality thus allowing us to match or better our competitors. We are further committed to expanding our existing business activities whenever it appears sound and prudent operationally and financially.

To achieve-

- Identify new funding streams that may be accessible to support additional activity.
- Identify potential additional markets for expansion of our activity.
- Diversify commercial activity towards the maintenance of financial security.

## Health, Safety and the Environment

We are committed to driving and fostering a strong Health, Safety and Environment culture throughout our organisation. To protecting the health and safety of our people and activities and all those affected by our activities.

To achieve-

- Continue to demonstrate HSE best practice across the organisation
- Ensure compliance with local and international legislation.
- Continue to develop and upgrade our HSE training products, in line with industry developments.

## Financial and operational performance

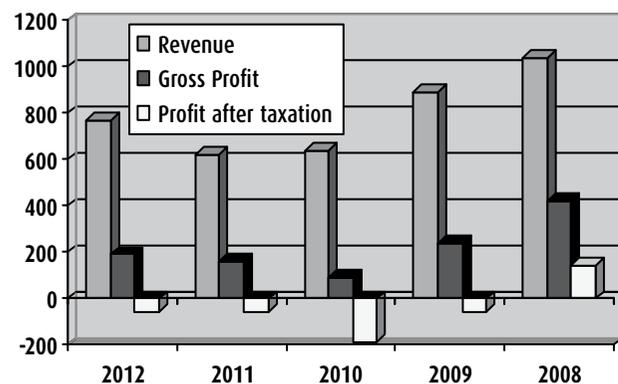
The year 2012 saw NHI achieving lower performance with the lower Government funded training allocations received throughout the year which resulted in the company operating at below its capacity levels. On the other hand, the company’s efforts to diversify its revenue bases saw strengthening of its privately funded revenue lines with reasonable growth over the previous year. However, the operating margins were under tremendous pressure on account of the rising operating costs, though we have effected a significant cost saving operating plan.

## Financial highlights

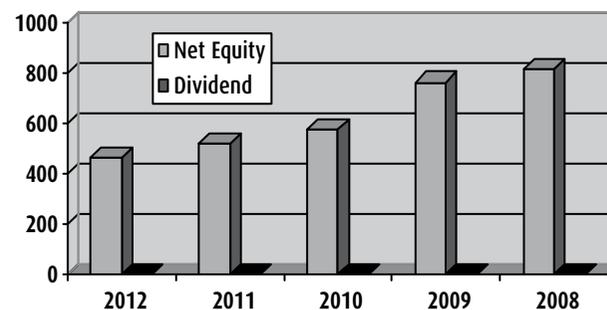
	2012 Rial	2011 Rial	2010 Rial	2009 Rial	2008 Rial
Revenue	768,538	619,427	639,287	891,250	1,039,177
Gross profit	191,525	162,323	94,881	241,046	418,624
(Loss) profit before taxation	(56,817)	(57,756)	(184,643)	(53,746)	137,900
Taxation*	-	-	-	-	9,530
Net (loss) profit after taxation	(56,817)	(57,756)	(184,643)	(53,746)	147,430
Dividend	-	-	-	-	-
Net Equity	464,102	518,598	576,625	761,814	812,440

\* No provision for taxation was made for the year 2012 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. Excess taxation provision made in earlier years, has been written back during 2008 after receiving respective final tax assessments.

### RO '000



### RO '000



### 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.

**Report of Factual Findings on the corporate governance reporting of National Hospitality Institute SAOG  
and its application of the corporate governance practices in accordance with the CMA code of corporate governance**

**TO SHAREHOLDERS OF NATIONAL HOSPITALITY INSTITUTE SAOG**

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 20 December 2003 with respect to the accompanying corporate governance report of National Hospitality Institute SAOG and its application of corporate governance practices in accordance with the CMA code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the company's compliance with the code as issued by the CMA.

**We report our findings below:**

We found that the company's corporate governance report fairly reflects the company's application of the provisions of the code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying Board of Director's corporate governance report to be included in its annual report for the year ended 31 December 2012 and does not extend to any financial statements of National Hospitality Institute SAOG, taken as a whole.

A handwritten signature in black ink, appearing to read 'Ernst & Young' followed by a stylized signature.

20 February 2013

Muscat

# Report on Corporate Governance

## 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 of Directors and the 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 2012, the Board of Directors ("Board" hereafter) composed of 9 directors. The Board consisted of eight Non-executive Directors and one executive Director. The Board constitution included two independent Directors and seven non-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:

SI No	Name	Position	Category	No. of Board meetings held in Director's tenure	No. of Board meetings attended	Whether attended last AGM	No. of directorships on Boards of other SAOG companies
1	HH Sayyid Tarik bin Shabib	Chairman	Non-Independent	6	5	No	1
2	Ali Hassan Suleiman	Vice Chairman	Non-Independent	6	2	Yes	3
3	Ammar Maqbool Hameed Al Saleh	Non Executive Director	Independent	6	5	Yes	2
4	Stephen R Thomas	Non Executive Director	Non-Independent	6	3	No	-
5	Adil M Bahwan	Non Executive Director	Non-Independent	6	6	Yes	-
6	York Brandes	Non Executive Director	Independent	6	4	No	-
7	Imad Kamal Sultan	Non Executive Director	Non-Independent	6	5	Yes	1
8	Samir J Fancy	Non Executive Director	Non-Independent	6	2	No	1
9	Robert M MacLean	Executive Director	Non-Independent	6	6	Yes	-

### 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.
- Director of Renaissance Services SAOG since 1996.

- Director of Topaz Energy & Marine Ltd.
- Editor-in-chief of OER magazine.

### **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 Renaissance Services SAOG since 1996.
- Director of Topaz Energy and Marine Ltd
- Director of Muscat Finance Co SAOG
- Member of Vision GCC Fund Investment Committee.

### **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 Renaissance Services SAOG in May 2005.
- Chairman of Amani Financial Services SAOC since 1997.
- Executive Chairman of Topaz Energy & Marine Ltd.
- Director of Samena Capital.
- Has acted as Director of National Bank of Oman, Muscat Finance Company and Vision Insurance Company in the past.

### **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 in 1988. 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.
- Founder and former chairman of Oman Society for Petroleum Services (OPAL).
- Director of Topaz Energy & Marine Ltd.

### **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.

### **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:

- Director of Oman International Development and Investment Company SAOG
- Chairman of Matrah Cold Stores LLC (Enhance), Fairtrade LLC, Al Marsa Fisheries LLC and Towell Engineering Services Co. LLC
- Vice Chairman and Deputy Managing Director of W J Towell & Co LLC
- Director of WJ Towell & Co LLC - Kuwait, Towell Auto Centre LLC, Nestle Oman Trading LLC, Al Argan Towell LLC and Genetco.

### **Ammar Maqbool Hameed Al Saleh – Director**

Mr. Ammar Maqbool Hameed Al Saleh has become a member

of Board of Directors in 2009. He held various senior positions in different companies as follows:

- Executive Director of Oman Holdings International SAOG since 1997.
- Member of the Board of Directors of Computer Stationery Industry Co SAOG.
- Also had banking experience in the early part of his career.

### **Robert M Maclean – Director**

- 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.
- He became a member of the Board of Directors of the company again in 2010 and was one of the Directors of the company in 2006.

### **Meetings of the Board of Directors**

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.

The Board of Directors met 6 times (minimum requirement: 4 times) on the following dates during 2012:

- 9th January 2012
- 19th February 2012
- 23rd April 2012
- 2nd July 2012
- 22nd October 2012
- 10th December 2012

### **Audit Committee**

Audit Committee is a sub-committee of the Board. The members of the Audit Committee are as follows:

HH Sayyid Tarik bin Shabib - Chairman, Ali Hassan Sulaiman - Member and Adil M Bahwan- Member.

## Brief Description and terms of reference of the Audit Committee:

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 internal 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:

- 19th February 2012
- 16th April 2012
- 15th July 2012
- 14th October 2012

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

SI No	Name	Position	No. of Audit committee meetings held during Member's tenure	No. of Audit committee meetings attended
1	HH Sayyid Tarik bin Shabib	Chairman	4	3
2	Adil M Bahwan	Non Executive Director	4	4
3	Ali Hassan Sulaiman	Non Executive Director	4	4

## 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 9,000 during the year as follows for attending board/audit committee meetings. The company ensures that the overall sitting fees paid during 2012 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 2012. There were no traveling expenses or any other remuneration paid to any director on the Board.

SI No	Name	Position	Total Sitting Fees paid (Rial)
1	HH Sayyid Tarik bin Shabib	Chairman	2,000
2	Ali Hassan Suleiman	Vice Chairman	1,200
3	Ammar Maqbool Hameed Al Saleh	Non Executive Director	1,000
4	Stephen R Thomas	Non Executive Director	600
5	Adil M Bahwan	Non Executive Director	2,000
6	York Brandes	Non Executive Director	800
7	Imad Kamal Sultan	Non Executive Director	1,000
8	Samir J Fancy	Non Executive Director	400

### 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 119,681.

### 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 posted on the MSM website.

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.

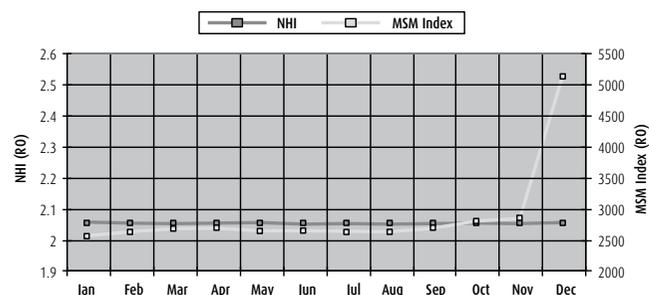
### Stock Market Data

Monthly closing share price of high and low quotations, traded in Muscat Securities Market (MSM) for the year 2012:

Month	Share price movement (in RO)	
	High	Low
January	2.05	2.05
February	2.05	2.05
March	2.05	2.05
April	2.05	2.05
May	2.05	2.05
June	2.05	2.05
July	2.05	2.05
August	2.05	2.05
September	2.05	2.05
October	2.05	2.05
November	2.05	2.05
December	2.05	2.05

(Source of statistics: MSM)

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



Note :-

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 2012

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

SR No.	Category	Number of Shareholders	No of shares	% Shareholding
1	Less than 5%	44	152,671	15.26%
2	5% to 9.99%	4	231,855	23.19%
3	10% to 19.99%	0	0	0
4	20% to 50%	2	615,474	61.55%
	Total	50	1,000,000	100%

## Professional Profile of the Statutory Auditors

### External Auditors:

Ernst & Young are the statutory auditor's of the Company. Ernst & Young is one of Oman's oldest established accounting firms, having

had a permanent office in the country since 1974. The practice comprises around 180 professionals, and is working under the direction of six partners. The Oman office forms part of Ernst & Young's MENA practice, with 102 partners and over 5626 other professionals in 18 offices in 13 countries throughout the region. The MENA practice is a member firm of Ernst & Young Global, operating in more than 140 countries with approximately 167,000 personnel world-wide.

### Audit fees and fees for other services

In the year 2012 audit fees of RO 3,755 (2011 - RO 3,890) were paid/ provided by the Company and its subsidiary in India, while fees paid for the other services amounted to RO 1,800 (2011 - RO 1,800).

### 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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
NATIONAL HOSPITALITY INSTITUTE SAOG**

We have audited the accompanying financial statements of National Hospitality Institute SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of cash flows and statement changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Directors' responsibility for the Financial Statements**

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority and for such internal control as management determines if necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

**Opinion**

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

**Report on Other legal and Regulatory Requirements**

In our opinion the financial statements comply, in all material respects with:

- the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended subject to minimum capital requirement as fully explained in note 6; and
- the Rules and Guidelines on disclosure issued by the Capital Market Authority.

A handwritten signature in black ink, appearing to read 'Ernst & Young' followed by a stylized signature.

20 February 2013

Muscat

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Notes	2012 RO	2011 RO
Revenue		768,538	619,427
Operating expenses	10	<u>(577,013)</u>	<u>(457,104)</u>
GROSS PROFIT		191,525	162,323
Administration expenses	11	<u>(265,392)</u>	<u>(235,275)</u>
OPERATING LOSS		(73,867)	(72,952)
Other income	13	18,452	17,020
Net financing (expense) / income	14	<u>(1,402)</u>	<u>169</u>
TOTAL LOSS FOR THE YEAR		<u>(56,817)</u>	<u>(55,763)</u>
TOTAL COMPREHENSIVE LOSS AND EXPENSES FOR THE YEAR		<u>(56,817)</u>	<u>(55,763)</u>
EARNING PER SHARE	17	<u>(0.057)</u>	<u>(0.056)</u>

There were no items of other comprehensive income applicable for 2011 and 2012.

The attached notes 1 to 22 form part of these financial statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	2012 R0	2011 R0
<b>ASSETS</b>			
Non-current assets			
Property and equipment	3	46,916	63,391
		<u>46,916</u>	<u>63,391</u>
Current assets			
Trade and other receivables	4	424,516	445,709
Amount due from related parties	17	62,198	109,013
Cash and cash equivalents	5	71,690	44,124
		<u>558,404</u>	<u>598,846</u>
		<u>605,320</u>	<u>662,237</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	6	500,000	500,000
Legal reserve	6	120,544	120,544
Accumulated losses		(156,442)	(99,625)
Total equity		<u>464,102</u>	<u>520,919</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Employees' end of service benefits	8	78,292	74,579
		<u>78,292</u>	<u>74,579</u>
Current liabilities			
Trade and other payables	7	62,926	66,739
<b>TOTAL CURRENT LIABILITIES</b>		<u>62,926</u>	<u>66,739</u>
<b>TOTAL LIABILITIES</b>		<u>141,218</u>	<u>141,318</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>605,320</u>	<u>662,237</u>
Net assets per share (50% paid up)	9	0.464	0.521

These financial statements were authorised for issue in accordance with a resolution of the directors on 20th February 2013 and signed on their behalf by :

  
 \_\_\_\_\_  
 Chairman

  
 \_\_\_\_\_  
 Director

The attached notes 1 to 22 form part of these financial statements.

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

	Notes	2012 RO	2011 RO
<b>OPERATING ACTIVITIES</b>			
Cash receipts from customers		805,118	669,416
Cash paid to suppliers and employees		(807,953)	(678,599)
Cash generated from operations		(2,835)	(9,183)
Net financing (expense) / income		(1,402)	169
Net cash used in operating activities		(4,237)	(9,014)
<b>INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	3	(10,747)	(29,475)
Proceeds from sale of property and equipment		80	8,485
Net cash used in investing activities		(10,667)	(20,990)
<b>FINANCING ACTIVITIES</b>			
Loan repayment (provided to) a related party		50,000	(100,000)
Net movement in amounts due from (to) related parties		(7,530)	19,367
Net cash from / (used in) financing activities		42,470	(80,633)
<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>27,566</b>	<b>(110,637)</b>
Cash and cash equivalents at 1 January		44,124	154,761
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b>71,690</b>	<b>44,124</b>
Cash and cash equivalents comprise:			
Cash in hand and at bank	5	71,690	44,124
		<u>71,690</u>	<u>44,124</u>

The attached notes 1 to 22 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

	Share capital RO	Legal reserve RO	Accumulated losses RO	Total RO
Balance at 1 January 2011	500,000	120,544	(43,862)	576,682
Total comprehensive loss and expenses for the year	-	-	(55,763)	(55,763)
Balance at 31 December 2011	500,000	120,544	(99,625)	520,919
Balance at 1 January 2012	500,000	120,544	(99,625)	520,919
Total comprehensive loss and expenses for the year	-	-	(56,817)	(56,817)
Balance at 31 December 2012	500,000	120,544	(156,442)	464,102

The attached notes 1 to 22 form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2012

## 1 ACTIVITIES

National Hospitality Institute SAOG (“the Company”) is registered as an Omani Joint Stock Company. The address of the Company’s registered office is PO Box 854, Hamriya 131, Sultanate of Oman. The principal activity of the Company is the provision of training services in the hospitality & tourism industries and investment in companies dealing in such activities. The Company commenced commercial operations in 1996.

The Company has a subsidiary, Nakshatra Hospitality India Private Limited, registered in India. The subsidiary has discontinued its commercial operations and management is currently considering commencement of liquidation proceedings (note 16).

## 2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

#### Statement of compliance

The consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the requirements of the Commercial Companies Law of 1974 (CCL), as amended and the disclosure requirements of the Capital Market Authority of the Sultanate of Oman. The Company is yet to fully comply with the requirements of Article 58 of CCL as fully explained in note 6.

### Basis of measurement

The financial statements are prepared on the historical cost basis.

### Functional and presentation currency

These financial statements are presented in Rial Omani (RO), which is the Company’s functional currency and reporting currency.

### 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 adopted are consistent with those of the previous financial year, except as follows:

The group has adopted the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

- (a) IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets
- (b) IFRS 7 Financial Instruments : Disclosures – Enhanced Derecognition Disclosure Requirements

The adoption of the standards or interpretations is described below:

#### IAS 12 Income Taxes (Amendment) – Deferred Taxes: Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined

on the basis that its carrying amount will be recovered through sale. It includes the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 should always be measured on a sale basis. The amendment is effective for annual periods beginning on or after 1 January 2012 and has no effect on the Group’s financial position, performance or its disclosures.

#### IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about the entity’s continuing involvement in derecognised assets to enable the users to evaluate the nature of, and risks associated with, such involvement. The amendment is effective for annual periods beginning on or after 1 July 2011. The Group does not have any assets with these characteristics so there has been no effect on the presentation of its financial statements.

#### The following standards, amendments and interpretations not yet effective:

Standards and interpretations issued but not yet effective up to the date of issuance of the Group’s financial statements are listed below. The Group intends to adopt these standards, if applicable, when they become effective.

#### IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or ‘recycled’) to profit or

loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

#### **IAS 19 Employee Benefits (Revised)**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment has no impact on the Group's financial position.

#### **IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)**

As a consequence of the new IFRS 11 Joint Arrangements, and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013. The amendment has no impact on the Group's financial position.

#### **IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32**

These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

#### **IFRS 1 Government Loans – Amendments to IFRS 1**

These amendments require first-time adopters to apply the requirements of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, prospectively to government

loans existing at the date of transition to IFRS. Entities may choose to apply the requirements of IFRS 9 (or IAS 39, as applicable) and IAS 20 to government loans retrospectively if the information needed to do so had been obtained at the time of initially accounting for that loan. The exception would give first-time adopters relief from retrospective measurement of government loans with a below-market rate of interest. The amendment is effective for annual periods on or after 1 January 2013. The amendment has no impact on the Group.

#### **IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7**

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

#### **IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

#### **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SI-12 Consolidation –Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

#### **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities – Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The amendment has no impact on the Group.

#### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based on the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

### Annual Improvements May 2012

These improvements will not have an impact on the Group, but include:

### IFRS 1 First-time Adoption of International Financial Reporting Standards

This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

### IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

### IAS 16 Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

### IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

### IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

### Property and equipment

#### (i) Recognition and measurement

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within "other income" in the statement of comprehensive income.

#### (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 statement of comprehensive income 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

### Investment

Investment in subsidiary is stated at cost less impairment losses, if any.

### Trade and other receivables

Trade and other receivables are stated at cost less impairment losses, if any. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### 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.

### 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.

### **Trade and other payables**

Trade and other payables are stated at their cost. Liabilities are recognised for amounts to be paid in future of goods or services received, whether billed by the supplier or not.

### **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.

### **Interest**

Interest revenue is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### **Employee end of service benefits**

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

### **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 statement of comprehensive income 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.

### **Dividend**

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.

### **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.

### **Foreign currency transactions**

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### **Translation of foreign operations**

Exchange differences arising on equity accounting of foreign operations are taken directly to the exchange reserve. Exchange reserve is recognised in equity. On disposal of the foreign operations such exchange differences are recognised in the statement of comprehensive income as part of the profit or loss on sale. A

write down of the carrying amount of a foreign operation does not constitute a disposal.

### **Impairment**

#### **Impairment and uncollectibility of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

#### **Impairment of 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 recognised 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 recognised.

### Share capital

Ordinary shares are classified as equity

### Earnings per share

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

### 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 recognised in the statement of comprehensive income.

### Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

### Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the date of the financial statements

and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

The following are the significant estimates used in the preparation of

#### (i) Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

#### (ii) Provision for doubtful debts

Provision for doubtful debts is based on management's best estimates of recoverability of the amounts due along with the number of days for which such debts are due.

#### (iii) Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in note 21.

## 3. PROPERTY AND EQUIPMENT

	Leasehold improve- ments	Training equipment	Fixture and office equipment	Motor vehicles	Total
	RO	RO	RO	RO	RO
Cost:					
At 1 January 2012	137,585	140,679	200,938	21,500	500,702
Additions during the year	1,549	7,822	1,376	-	10,747
Disposals	-	-	(195)	-	(195)
At the end of the year	<u>139,134</u>	<u>148,501</u>	<u>202,119</u>	<u>21,500</u>	<u>511,254</u>
Depreciation:					
At 1 January 2012	128,021	118,843	183,580	6,867	437,311
Charge for the year	4,206	10,844	7,784	4,300	27,134
Disposals	-	-	(107)	-	(107)
At the end of the year	<u>132,227</u>	<u>129,687</u>	<u>191,257</u>	<u>11,167</u>	<u>464,338</u>
Net carrying amount:					
Balance at 31 December 2012	<u>6,907</u>	<u>18,814</u>	<u>10,862</u>	<u>10,333</u>	<u>46,916</u>

	Leasehold improve- ments	Training equipment	Fixture and office equipment	Motor vehicles	Total
	RO	RO	RO	RO	RO
Cost:					
At 1 January 2011	133,942	133,332	198,361	18,550	484,185
Additions during the year	3,643	7,347	5,085	13,400	29,475
Disposals	-	-	(2,508)	(10,450)	(12,958)
At the end of the year	<u>137,585</u>	<u>140,679</u>	<u>200,938</u>	<u>21,500</u>	<u>500,702</u>
Depreciation:					
At 1 January 2011	122,806	108,967	176,767	9,360	417,900
Charge for the year	5,215	9,876	9,041	4,300	28,432
Disposals	-	-	(2,228)	(6,793)	(9,021)
At the end of the year	<u>128,021</u>	<u>118,843</u>	<u>183,580</u>	<u>6,867</u>	<u>437,311</u>
Net carrying amount:					
Balance at 31 December 2011	<u>9,564</u>	<u>21,836</u>	<u>17,358</u>	<u>14,633</u>	<u>63,391</u>

Leasehold improvements represent expenditure incurred in carrying out improvements to the Company's premises taken on lease. The

lease agreement was renewed in 2012 and expires in November 2014.

Depreciation amounts to RO 22,834 (note 10) and RO 4,300 (note 11) is disclosed as part of operating and administrative expenses respectively.

#### 4. TRADE AND OTHER RECEIVABLES

	2012 RO	2011 RO
Trade receivable	255,345	126,942
Less: provision for doubtful debts	(4,457)	(6,038)
	<u>250,888</u>	<u>120,904</u>
Accrued income	125,046	273,151
Prepayments and other receivables	48,582	51,654
	<u>424,516</u>	<u>445,709</u>

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 were as follows :

	2012 RO	2011 RO
Receivable from Vocational Training Department (VTD) of Government of Oman	209,667	61,452
Corporate clients	99,871	149,988
Other government departments	8,005	23,255
Others	-	1,260
	<u>317,543</u>	<u>235,955</u>
Less: provision for doubtful debts	(4,457)	(6,038)
Less: related party receivable	(62,198)	(109,013)
	<u>250,888</u>	<u>120,904</u>

As at 31 December 2012, trade receivables at nominal value of RO 4,457 (2011: RO 6,038) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2012 RO	2011 RO
At 1 January	6,038	1,387
Written off during the year	(3,061)	-
Provided during the year	1,480	4,651
At 31 December	<u>4,457</u>	<u>6,038</u>

Accrued income represents unbilled revenue in respect of VTD training batches. Accrued income is recorded on the basis of progress of the training courses. The Management believes that the carrying amount of accrued income represents the best estimate for recognised revenues. As of 31 December 2012, accrued income includes a balance of RO 88,160 which has not been billed for more than one year (2011 - RO 203,145).

#### 5. CASH AND CASH EQUIVALENTS

	2012 RO	2011 RO
Bank balances	70,197	42,634
Cash balances	1,000	1,000
Deposit accounts	493	490
At 31 December	<u>71,690</u>	<u>44,124</u>

Deposit accounts are maintained with a commercial bank in Oman and earn interest at commercial rates. The Parent Company has overdraft facilities with commercial banks and interest ranging from 7% to 8% (2011: 7% to 8%).

#### 5. CAPITAL AND RESERVES

##### Issued capital

The Company's authorised and issued share capital is 1,000,000 shares of RO 1 each. At the reporting date, 50% of the issued capital was paid up (2011: 50%). As required under article 58 of the Commercial Companies Law, the capital of the Company shall not be less than RO 2 million and the full value of the shares should be paid up within a three year period from the date of the formation of the Company. The Company has yet to comply with the requirements of article 58 of the Commercial Companies Law.

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

	2012		2011	
	No. of shares	%	No. of shares	%
Renaissance Services SAOG	455,474	45.55%	455,474	45.55%
WJ Towell & Co. LLC	200,000	20%	200,000	20.00%
	<u>655,474</u>	<u>65.55%</u>	<u>655,474</u>	<u>65.55%</u>

## 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. No transfer has been made during the year as the Company has reported a loss.

## 7. TRADE AND OTHER PAYABLES

	2012	2012
	RO	RO
Accrued expenses and other payables	51,280	39,655
Trade payables	6,230	17,323
Amounts due to related parties (note 17)	5,416	9,761
	<u>62,926</u>	<u>66,739</u>

The Company has unsecured overdraft facilities with commercial banks and interest is charged at commercial rates ranging between 7% to 8% (2011 : 7% to 8 %).

## 8. EMPLOYEES' END OF SERVICE BENEFITS

Movement in the liability recognised in the statement of financial position are as follows :

	2012	2011
	RO	RO
As at 1 January	74,579	80,078
Accrued during the year	12,535	13,624
Payments during the year	<u>(8,822)</u>	<u>(19,123)</u>
As at 31 December	<u>78,292</u>	<u>74,579</u>

## 9. 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:

	2012	2011
	RO	RO
Net assets attributable to the shareholders of the Company (RO)	464,102	520,919
Number of shares outstanding at 31 December	1,000,000	1,000,000
Net assets per share (RO)	<u>0.464</u>	<u>0.521</u>

## 10. OPERATING EXPENSES

	2012	2011
	RO	RO
Trainees' stipend and training supplies	271,888	120,136
Employee related expenses	202,327	229,369
Rent	56,880	56,010
Depreciation	22,834	24,132
Repairs & maintenance	10,460	16,720
Utilities	11,602	9,605
Miscellaneous	1,022	1132
	<u>577,013</u>	<u>457,104</u>

## 11. ADMINISTRATIVE EXPENSES

	2012	2011
	RO	RO
Employee related expenses	121,938	106,382
Management fee	26,400	26,400
Advertisement and promotion	18,884	16,580
Trainee accommodation expenses	16,500	21,245
Insurance	13,321	11,019
Legal and professional charges	11,355	6,914
Printing and stationery	10,951	10,055
Directors' remuneration & sitting fees	9,000	5,700
Registration expenses	8,816	2,111
Communication charges	7,723	7,135
Repairs and maintenance	5,580	5,011
Depreciation	4,300	4,300
Bad debts	3,397	4,650
Other indirect expenses	3,211	2,866
Motor vehicle and conveyance	1,936	2,265
Traveling and related expenses	1,276	1,867
Business development expenses	804	775
	<u>265,392</u>	<u>235,275</u>

## 12. EMPLOYEE RELATED EXPENSES

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

	2012	2011
	RO	RO
Wages and salaries	267,538	269,158
Other benefits	36,130	44,678
Employee's end of service benefits	12,535	13,624
Contribution to defined retirement plan	8,062	8,291
	<u>324,265</u>	<u>335,751</u>

### 13. OTHER INCOME

	2012	2011
	RO	RO
Trainee accommodation recoveries	18,460	12,472
(Loss)/Profit on sale of property and equipment	(8)	4,548
	<u>18,452</u>	<u>17,020</u>

### 14. NET FINANCING (EXPENSE) / INCOME

	2012	2011
	RO	RO
Interest from related party	745	1,072
Interest on bank overdraft	(29)	(99)
Bank charges	(2,118)	(804)
	<u>(1,402)</u>	<u>169</u>

### 15. INCOME TAX

In accordance with the Royal Decree No. 54/2003 ("the RD"), income realised by companies carrying out their main activity as training colleges and institutes shall be exempt from tax with effect from 15 September 2003. The new tax law No.28/2009 effective of January 2010 has limited the period of exemption to 10 years i.e. 15 September 2003 to 14 September 2013. The Management believe that income earned by the Company from its training activities is eligible for tax exemption. Accordingly, the Company has not made any provision for income tax for the period and years commencing from 15 September 2003.

The income tax assessments after year 2006 have not yet been finalised with the Secretariat General for Taxation at the Ministry of Finance ("the SG"). The Management is of the view that any additional taxes, if any, in respect of these tax years would not be material to the financial position of the Company at 31 December 2012.

### 16. INVESTMENT IN SUBSIDIARY

The Company established Nakshatra Hospitality India Private Limited, a wholly owned subsidiary, in India at an investment of RO 129,972 in 2009. The subsidiary has discontinued its commercial operations since 2010 and does not have any assets or liabilities. NHI has written down the investment in the subsidiary to nil in 2010.

### 17. EARNING PER SHARE

The calculation of basic (loss) 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 2012, calculated as follows:

	2012	2011
Net loss attributable to ordinary shareholders (RO)	(56,817)	(55,763)
Number of shares outstanding at 31 December	1,000,000	1,000,000
Basic loss per share (RO)	<u>(0.057)</u>	<u>(0.056)</u>

No figure for diluted earnings per share has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

### 18. RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third parties. At the reporting date, due from (to) related parties were as follows:

	2012	2011
Due from related parties	RO	RO
Shareholder	51,816	105,772
Other related parties	10,382	3,241
	<u>62,198</u>	<u>109,013</u>

	2012	2011
Due to related parties	RO	RO
Other related parties (note 7)	5,416	9,761
	<u>5,416</u>	<u>9,761</u>

As at the reporting date, short term demand loan outstanding against the parent company (Renaissance Services SAOG) was RO 50,000 ( 2011 : RO 100,000) at an effective interest rate of 1.05% ( 2011 : 1.05%).

The related party transactions during the year with the shareholders holding 10% or more interest in the Company were as follows :

	2012	2011
	RO	RO
Services rendered	49,729	44,703
Management fees	26,400	26,400
Services received	<u>6,347</u>	<u>12,200</u>

During the year, non executive directors were paid sitting fees of RO 9,000 (2011 - RO 5,700).

#### Compensation of key management personnel

	2012	2011
	RO	RO
Short-term benefits	110,798	104,605
Employees end of service benefits	8,883	8,830
	<u>119,681</u>	<u>113,435</u>

## 19. COMMITMENTS AND CONTINGENT LIABILITIES

	2012	2011
	RO	RO
Letters of guarantee	28,975	17,087

Letter of guarantees mainly relate to performance bonds issued by the Company.

## 20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The risks arising from the Company's use of financial instruments are 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. The maximum exposure to credit risk at the reporting date was:

	2012	2011
	RO	RO
Accrued income	125,046	273,151
Trade and other receivables	299,470	172,558
Cash and cash equivalents	71,690	44,124
Amount due from related parties	62,198	109,013
	<u>558,404</u>	<u>598,846</u>

Credit risk on trade receivables is limited as trade receivables are shown net of provision for future dropouts and provision for doubtful debts. The Company does not require collateral in respect of its financial assets. The management believes that the entire accrued income of RO 125,046 ( 2011: RO 273,151) will be invoiced and received and the risk is limited.

The aging of trade receivables at the reporting date was:

	Gross	Impair-	Gross	Impair-
	2012	ment	2011	ment
	RO	RO	RO	RO
1-90 days	182,296	-	59,731	-
91-360 days	78,975	-	67,197	-
More than one year	4,457	4,457	6,038	(6,038)
	<u>265,728</u>	<u>4,457</u>	<u>132,966</u>	<u>(6,038)</u>

At the reporting date, approximately 89 % (2011 - 82%) of trade receivables and accrued income are due from the Vocational Training Department of the Ministry of Manpower. Gross trade receivables includes receivables from related party of RO 10,382 (2011: RO 7,941).

### 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 total credit facilities in the amount of RO 275,000 (2011: 375,000) from commercial banks to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk. Overdraft facilities are, on average, utilized for period of 90 days to bridge the gap between collections of receivables and settlement of payables during the month.

The contractual maturities of financial liabilities, including estimated interest payments at the reporting date is as below:

	Carrying	Contra-	Upto 1	More
	amount	ctual	year	than 1
	RO	RO	RO	year
				RO

Year ended 31				
December 2012				
Trade and other payables	62,926	62,926	62,926	-
Employee end of service benefits	<u>78,292</u>	<u>78,292</u>	-	<u>78,292</u>
Total	<u>141,218</u>	<u>141,218</u>	<u>62,926</u>	<u>78,292</u>

	Carrying	Contra-	Upto 1	More
	amount	ctual	year	than 1
	RO	RO	RO	year
				RO

Year ended 31				
December 2011				
Trade and other payables	66,739	66,739	66,739	-
Bank borrowings	-	-	-	-
Employee end of service benefits	<u>74,579</u>	<u>74,579</u>	-	<u>74,579</u>
Total	<u>141,318</u>	<u>141,318</u>	<u>66,739</u>	<u>74,579</u>

### **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.

## **21. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of receivable and bank balances. Financial liability consist of payables, bank overdraft and short term loans.

The fair values of the financial instruments are not materially different from their carrying values.

## **22. KEY SOURCES OF ESTIMATION UNCERTAINTY**

### **Impairment of accounts receivable**

An estimate of the collectible amount of trade accounts receivable

is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates and students drop outs.

At the reporting date, gross trade accounts receivable was RO 255,346 (2011: RO 126,942) and the provision for doubtful debts was RO 4,457 (2011: RO 6,038). At the reporting date, accrued income balance was RO 125,046 (2011: RO 273,151) and the provision for accrued income was nil. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

### **Useful lives of property and equipment**

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.