Chairman's Report

Dear Shareholders,

On behalf of the Board of Directors of National Hospitality Institute SAOG, I am pleased to present to you the thirteenth annual report and audited financial statements for the year ended 31st December 2008.

Financial Highlights

Your company has achieved a net profit of RO 147,430 for the year on a turnover of RO 1,039,177 thus sustaining the positive performance achieved in the last year. The revenue has grown substantially compared to the previous year, crossing the RO 1 Million mark for the first time in the history of your company. On the other hand, the reduced bottom line is on account of the increase in operating costs compared to the previous year.

The Government funded training business continues to be the major stream of revenue to the total business of the company. The training capacity build up was good throughout the year, thereby enabling your company to achieve optimum capacity and sustain performance. This was ably supported by the privately funded training revenues that have shown 36% growth over last year. Restaurant income and the Guest house revenue lines have also shown significant growth over the previous year. However, delayed receipt of the training approval documentation from the Government has resulted in accumulation of receivables and higher utilization of the bank facilities, as a result of which the company has incurred finance charges.

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

Operational Environment

The Omani Tourism and hospitality sectors have been experiencing sustained growth and 2008 proved to be another such good year with high occupancy. On the other hand, an increasing staff movement toward better opportunities within the various sectors inside Oman and also around the region has been seen to be on the rise, which resulted in employers seeing the training of their staff out of their own budgets as one of the avenues to retain their workforce. All of this provided regular demand for your Company's quality products. However, reluctance of majority of the employers to fund their employees training had resulted in continued major dependence on the Government funded training allocations.

المعهد الوطني للضيافة ش م ع ع
ص.ب ٨٥٤، حمرية ١٣١، سلطنة عمان

national hospitality institute SAOG
PO Box 854, Hamriya 131, Sultanate of Oman
Tel: 248 13141 (3lines). Fax: 248 17125. CR No. 1/47449/9
email: businesscentre@nhioman.com

Since the underlying demand for training in the hospitality sector was continuous and regular, your company with the help of the Government not only achieved the optimum training capacity but managed to maintain it throughout the year. Your company continued its efforts to strengthen its industry partnerships with both existing as well as the new players in the hospitality sector. These efforts have helped significantly in the sourcing and building of corporate and privately funded training revenues resulting in healthy growth rates this year. For the first time in the history of Government funded training business, your company has trained Omani nationals to be employed by a major regional Airline outside the Sultanate of Oman.

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

Internal Control Systems

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

Dividend Policy

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

Dividend declared during the last five years:

Financial year	Dividend Rate (%)
2008	-
2007	30
2006	-
2005	10
2004	-
2003	25

المعهد الوطني للضيافة ش م ع ع
ص.ب ٨٥٤، حمرية ١٣١، سلطنة عمان

national hospitality institute SAOG
PO Box 854, Hamriya 131, Sultanate of Oman
Tel: 248 13141 (3lines). Fax: 248 17125. CR No. 1/47449/9
email: businesscentre@nhioman.com

Hospitality Management Programmes
Hospitality Courses
Gulf Chef School
Gulf Travel School
Beauty School
Food Safety Training

www.nhioman.com

Other Developments

The AHLA (American Hotels & Lodging Association) Diploma is gaining popularity with the nationals as well as expatriates alike. Your company has successfully tied up with Bank Sohar SAOG to provide educational loans on easy payment terms to the private students to help them pay their fees on several courses offered by your company. Further, the year 2008 also saw Government facilitating Student visas to expatriate students pursuing the AHLA diploma with your company.

Your company continued the product and revenue diversification strategy by constantly re-designing its core products and inventing new products tailor made to the current needs of the market through focused marketing in different segments of the products through its "Gulf Chef School", "Gulf Travel School", "Food Safety" and "Beauty Therapy" divisions.

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

Future Outlook

Though the effects of the impending economic downturn in major parts of the world are yet to be felt on the local hospitality and tourism businesses, on the back of the renewed backing of the Government to the upcoming mega tourism projects in the country, your company continues to enjoy a full order book of Government funded entry level vocational training requirements from the local hospitality industry. Further, your company shall continue its revenue diversification drive and endeavor to target higher revenue contributions from these business lines.

Further, your company is in the process of setting up a wholly owned subsidiary in India to cater to the hospitality & tourism sector requirements in both the Indian and Gulf markets. The initial response from our marketing campaigns in India has been very encouraging thereby supporting our decision to venture into that country.

We are confident that with number of tourism projects underway, along with the serious commitment from the Government converted into action by the relevant bodies in a timely manner, we are well placed as the preferred 'quality training provider' to not only assist young Omanis to get into meaningful employment within the Tourism and Hospitality sector but also to help the employers retain their experienced staff by training & upskilling them with our short courses.

المعهد الوطني للضيافة ش م ع ع
ص.ب ٨٥٤، حمرية ١٣١، سلطنة عمان

national hospitality institute SAOG
PO Box 854, Hamriya 131, Sultanate of Oman
Tel: 248 13141 (3lines). Fax: 248 17125. CR No. 1/47449/9
email: businesscentre@nhioman.com

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

Tarik bin Shabib bin Taimur
Chairman

المعهد الوطني للضيافة ش م ع ع
ص.ب ٨٥٤، حمرية ١٣١، سلطنة عمان

national hospitality institute SAOG
PO Box 854, Hamriya 131, Sultanate of Oman
Tel: 248 13141 (3lines). Fax: 248 17125. CR No. 1/47449/9
email: businesscentre@nhioman.com

Management's Discussion and Analysis Report – 2008

Business activities of the Company

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

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 36 employees as at the current year end who are totally aligned with the company's objective of imparting quality training to young Omanis seeking careers in Hospitality and tourism sectors.

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

Overall Review

During the year under review, NHI achieved and maintained its optimum training capacity throughout the year thereby enabling the sustained topline while the increasing operating costs have put the operating margins under tremendous pressure.

The company has achieved a net profit of RO 147,430 on a turnover of RO 1,039,177 during the year 2008, against a net profit of RO 196,314 on a turnover of RO 836,485 in 2007.

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

Forward-looking Statements

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

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

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

Operating Environment

Tourism and hospitality industry in Oman has been experiencing sustained growth and 2008 proved to be another such good year as “tourism sector” itself is establishing as a major growth driver in the Arabian Gulf region. 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 it in gaining prominence on the World tourism map and the tourist inflow continued to be at record levels in 2008. This reflected in the local hospitality sector operating at high occupancy for longer periods and also at increased prices. Effects of the impending economic recession in major parts of the world are yet to be felt on the local hospitality and tourism business.

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

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

Opportunities and threats

Despite the onset of economic recession in major parts of the world towards the 4th quarter of 2008, the ongoing large tourism projects in Oman continue to be on track of completion with express commitment of their promoters as well as continued support of the Government of Sultanate of Oman. With the continually increasing demand for room space, the hospitality industry has not only been experiencing high occupancy rates for majority of the year, but also improved revenues at increased prices. Further, the increasing Omanisation percentages and also the higher staff turnover in this sector are fuelling demand for the Company's well recognised and accepted products.

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

On the short private courses front, the Company has several competitors in the local market. The national airline is offering its own IATA training programmes, another training institute is delivering IATA training to a small number of trainees while two other players competing with the Company in the Food Safety training field.

On the other hand, rich experience in its core products and with the proven operational strengths, the company is attracting considerable interest from overseas markets both for its training programmes as well as sharing its successful business model. The company is in the process of setting up 100% owned subsidiary in India to cater to the hospitality & tourism sector requirements in both India and the Gulf. During 2008, NHI has managed to facilitate the educational loans from a local bank for its private students and also student visas for overseas students pursuing the Diploma course.

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. The company has been intensively working with the relevant Government bodies towards attaining college status in order to be able to offer wide range of higher education products in Hospitality and tourism. Further, the company has tied up with Johnson Diversey Consulting (JDC) to offer the high end training products and certifications in Food Safety.

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

The Company continues to develop its human resources – both Omani and expatriate - by assessing & improving their professional skills in general and specifically to diversify the skills of individuals to ensure that they deliver a variety of subjects and by doing so not only develop themselves but also the products. The Company is pro-actively carrying out the development of its Omani workforce to enable them move up higher in the organizational structure. It also maintained its green card status for satisfactory achievement of staff Omanisation levels.

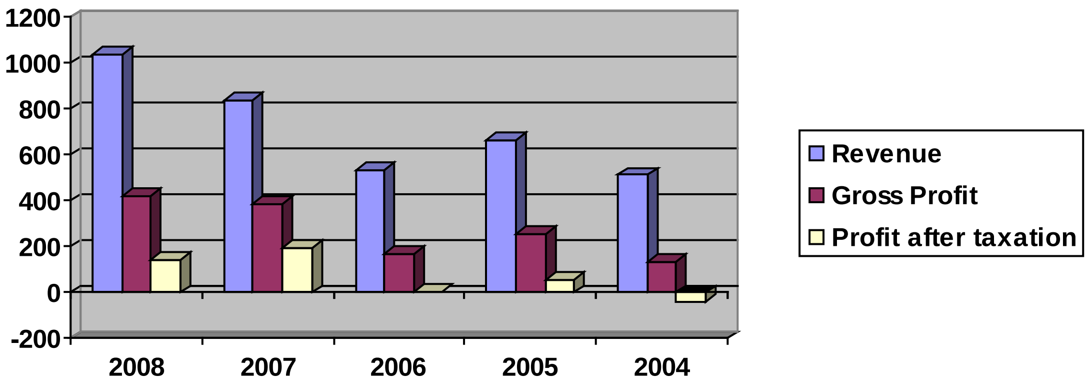
Financial and operational performance

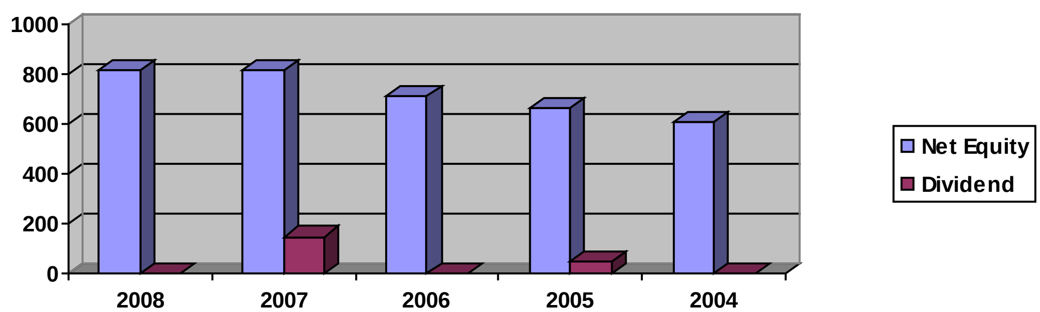
The year 2008 saw NHI sustain its performance with the regular Government funded training allocations received throughout the year which enabled the company operate at optimum capacity levels. Further, the company's concerted efforts to diversify its revenue bases saw strengthening of its privately funded revenue lines with marginal growth over the previous year. However, the operating margins were under tremendous pressure on account of the rising operating costs as well as the costs associated with the new business initiatives.

Financial highlights

	2008 RO	2007 RO	2006 RO	2005 RO	2004 RO
Revenue	1,039,177	836,485	533,333	663,011	512,605
Gross profit	418,624	384,717	171,375	255,267	135,432
Profit (loss) before taxation	137,900	196,314	3,850	68,408	(36,662)
Taxation*	9,530	-	-	(12,000)	(1,857)
Net profit (loss) after taxation	147,430	196,314	3,850	56,408	(38,519)
Dividend	-	150,000	-	50,000	-
Net Equity	812,440	815,010	618,696	664,846	608,438

* Excess taxation provision made in earlier years, has been written back during 2008 after receiving respective final tax assessments. No provision for taxation was made for the year 2008 as the Company was exempt from taxation with effect from 15th September 2003, being a company realising income from provision of education and training as its main activity.





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

Conclusion

The Company continues to reinvent & diversify its training products to appeal to the private corporate and individual customer segments while foraying into the new markets such as Indian subcontinent. 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 on Corporate Governance - 2008

CORPORATE GOVERNANCE: OUR PHILOSOPHY

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

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

Board of Directors

As on 31st December 2008, the Board of Directors ("Board" hereafter) composed of 9 directors. The Board consisted of all Non-executive and Independent Directors. The Board is responsible for directing the business and guiding the executive management

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

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

[1] Mr. Awadh Mohammed Bamkhalif, representing the directorial position of a juristic shareholder, had been replaced by Mr. Ammar Maqbool Hameed Al Saleh in February 2008.

Statement of the Names & Profiles of Directors and Top Management

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

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

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

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

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

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

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

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

- Joined Tawoos Group as General Manager of Tawoos Industrial Service Co LLC in1988. He took over as Chief Executive Officer of the Renaissance Services SAOG in 1998.
- Director of Renaissance Hospitality Services SAOG since foundation and until its merger with Renaissance Services SAOG in April 2002.
- Founder and former chairman of Oman Society for Petroleum Services (OPAL).

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

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

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

Sharief Al Bakry – Director

Mr. Sharief Al Bakry is a member of the Board of Directors of the company since 2002. He is the resident manager of the Grand Hyatt, Muscat since 1997.

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

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

Ammar Maqbool Hameed Al Saleh – Director
Mr. Ammar Maqbool Hameed Al Saleh has become a member of Board of Directors in 2008. 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 – Principal
Mr. Robert M Maclean is a hospitality sector training professional who joined the company as vice-principal in 1995 and later took over as Principal in 1997.

Meetings of the Board of Directors

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

As against the minimum requirement of 4 board meetings, the Board of Directors met 5 times on the following dates during 2008:

17th February
27th April
24th June
21st October
21st December

Audit Committee

Audit Committee is a sub-committee of the Board, comprising independent directors viz., HH Sayyid Tarik bin Shabib - Chairman, Adil M Bahwan and Ali Hassan Sulaiman.

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

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

Attendance and other details

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

12th February
21st April
14th July
14th October

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

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

Executive Committee

Executive Committee is another sub-committee of the Board comprising of all independent directors viz., Ali Hassan Sulaiman - Chairman, Samir J Fancy, Imad K Sultan and Stephen R Thomas.

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

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

Attendance and other details

The Executive Committee has not met separately during the year. The Executive committee members are not paid any sitting fees.

Audit and Internal Control

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

Process of nomination of Directors

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

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

The Chairman and Non-executive directors were paid sitting fees at the rate of RO 250/- and RO 200/- respectively, for attending each board/audit committee meeting. The Chairman and Non-executive directors were paid a total sitting fee of RO 5,600 during the year as follows for attending board/audit committee meetings. The company ensures that the overall sitting fees paid during 2008 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 2008. There were no traveling expenses or any other remuneration paid to any director on the Board.

Sl No	Name	Position	Category	Total Sitting Fees paid
1	HH Sayyid Tarik bin Shabib	Chairman	Independent	1,273
2	Ali Hassan Suleiman	Vice Chairman	Independent	1,145
3	Awadh Mohammed Bamkhalif	Non Executive Director	Independent	127
4	Ammar Maqbool Hameed Al Saleh	Non Executive Director	Independent	382
5	Stephen R Thomas	Non Executive Director	Independent	636
6	Adil M Bahwan	Non Executive Director	Independent	636
7	York Brandes	Non Executive Director	Independent	382
8	Sharif Al Bakry	Non Executive Director	Independent	127
9	Imad Kamal Sultan	Non Executive Director	Independent	382
10	Samir J Fancy	Non Executive Director	Independent	510

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 112,959.

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.

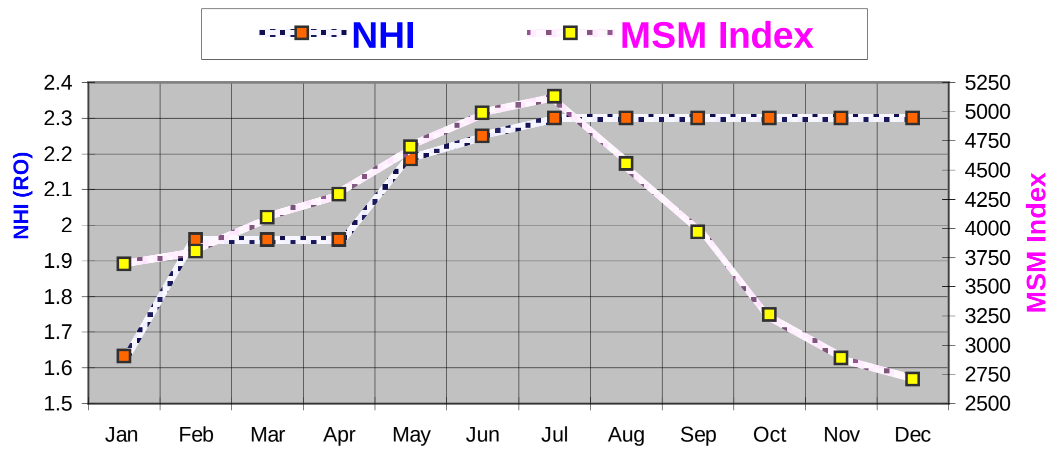
Stock Market Data

Monthly closing share price of high and low quotations, traded in Muscat Securities Market (MSM) for the year 2008:

Month	Share price movement (in RO)	
	High	Low
January	1.633	1.633
February	1.959	1.959
March	1.959	1.959
April	1.959	1.959
May	2.250	2.120
June	2.250	2.250
July	2.300	2.300
August	2.300	2.300
September	2.300	2.300
October	2.300	2.300
November	2.300	2.300
December	2.300	2.300

(Source of statistics: MSM)

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



Note: -

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

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

Distribution of Shareholding as on 31st December 2008
(Source of Statistics: - Muscat Depository & Securities Registration Co SAOC)

SR No.	Category	Number of Shareholders	No of shares	% Shareholding
1	Less than 5%	41	157,684	15.77%
2	5% to 9.99%	4	231,855	23.18%
3	10% to 19.99%	1	194,987	19.50%
4	20% to 50%	1	415,474	41.55%
	Total	**47**	**1,000,000**	**100%**

Professional Profile of the Statutory Auditors

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

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

Audit fees and fees for other services

The audit fees paid to the Auditors for the year 2008 was RO 2,200 (2007 – RO 2,200). There was no other fee paid to the auditors for any other services during the year.

Board of Directors confirmations

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

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

For and on behalf of the Board

Chairman **Director**

NATIONAL HOSPITALITY INSTITUTE SAOG

Financial statements

31 December 2008

Registered address:	**Principal place of business:**
P.O. Box 854	Bait Al Felaij, Way No.63
Postal code 131	Wadi Al-Kabir
Sultanate of Oman	Sultanate of Oman

NATIONAL HOSPITALITY INSTITUTE SAOG

Financial statements

31 December

Contents	*Page*
Report of the Auditors	1
Income statement	2
Balance sheet	3
Statement of changes in equity	4
Statement of cash flows	5
Notes to the financial statements	6 to 25

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NATIONAL HOSPITALITY INSTITUTE SAOG

Report on the financial statements

We have audited the accompanying financial statements of National Hospitality Institute SAOG ("the Company") set out on pages 2 to 25, which comprise the balance sheet as at 31 December 2008, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the disclosure requirements of the Commercial Companies Law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the 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 opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2008 and its financial performance and its 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 of the Company as at and for the year ended 31 December 2008, in all material respects, comply with:

- the relevant disclosure requirements of the Capital Market Authority; and
- the Commercial Companies Law of 1974, as amended.

NATIONAL HOSPITALITY INSTITUTE SAOG

Income statement

for the year ended 31 December

	Notes	**2008 RO**	2007 RO
Revenue		**1,039,177**	836,485
Operating expenses	*11&19*	**(620,553)**	(451,768)
Gross profit		**418,624**	384,717
Administrative expenses	*12&19*	**(301,868)**	(226,361)
Other income	*14*	**27,258**	23,436
Profit from operations		**144,014**	181,792
Net financing (expense) income	*15*	**(6,114)**	14,522
Profit for the year before income tax		**137,900**	196,314
Income tax	*16*	**9,530**	-
Net profit for the year		**147,430**	196,314
Basic earnings per share	*17*	**0.147**	0.196

The notes on pages 6 to 25 form an integral part of these financial statements.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Balance sheet

as at 31 December

	Notes	**2008 RO**	2007 RO
Assets			
Property and equipment	*3*	**73,863**	57,487
Total non-current assets		**73,863**	57,487
Trade and other receivables	*4*	**1,195,419**	591,810
Amount due from related parties	*19*	**17,138**	267,067
Cash and cash equivalents	*5*	**1,483**	26,441
Total current assets		**1,214,040**	885,318
Total assets		**1,287,903**	942,805
Capital and reserves			
Share capital	*6*	**500,000**	500,000
Legal reserve	*6*	**119,292**	104,549
Retained earnings		**193,148**	210,461
Total equity		**812,440**	815,010
Liabilities			
Employees' end of service benefits	*9*	**58,602**	44,167
Total non-current liabilities		**58,602**	44,167
Current liabilities			
Trade and other payables	*7*	**100,492**	83,628
Bank borrowings	*8*	**316,369**	-
Total current liabilities		**416,861**	83,628
Total liabilities		**475,463**	127,795
Total equity and liabilities		**1,287,903**	942,805
Net assets per share (50% paid up)	*10*	**0.812**	0.815

The notes on pages 6 to 25 form an integral part of these financial statements.

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

These financial statements were approved and authorised for issue by the Board of Directors on 18 February 2009.

Chairman

Director

NATIONAL HOSPITALITY INSTITUTE SAOG

Statement of changes in equity

for the year ended 31 December

	Note	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
1 January 2007		500,000	84,918	33,778	618,696
Net profit for the year		-	-	196,314	196,314
Transfer to legal reserve		-	19,631	(19,631)	-
31 December 2007		500,000	104,549	210,461	815,010
Net profit for the year		**-**	**-**	**147,430**	**147,430**
Dividend paid during the year	*18*	**-**	**-**	**(150,000)**	**(150,000)**
Transfer to legal reserve		**-**	**14,743**	**(14,743)**	**-**
31 December 2008		**500,000**	**119,292**	**193,148**	**812,440**

The notes on pages 6 to 25 form an integral part of these financial statements.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Statement of cashflows

for the year ended 31 December

	2008 RO	2007 RO
Cash flows from operating activities		
Cash receipts from customers	**479,226**	550,913
Cash paid to suppliers and employees	**(886,682)**	(632,799)
Cash used in operations	**(407,456)**	(81,886)
Net financing (expense) income	**(6,114)**	14,522
Income tax paid	**(2,470)**	-
Net cash used in operating activities	**(416,040)**	(67,364)
Cash flows from investing activities		
Acquisition of property and equipment	**(41,042)**	(36,706)
Proceeds from sale of property and equipment	**233**	2,000
Net cash used in investing activities	**(40,809)**	(34,706)
Cash flows from financing activities		
Dividends paid	**(150,000)**	-
Net movement in related party balances	**265,522**	(262,670)
Net cash from (used in) financing activities	**115,522**	(262,670)
Net decrease in cash and cash equivalents	**(341,327)**	(364,740)
Cash and cash equivalents at the beginning of the year	**26,441**	391,181
Cash and cash equivalents at the end of the year	**(314,886)**	26,441
Cash and cash equivalents comprise:		
Cash in hand and at bank	**1,483**	26,441
Bank borrowings	**(316,369)**	-
	(314,886)	26,441

The notes on pages 6 to 25 form an integral part of these financial statements.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

1 **Legal status and principal activities**

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

2 **Basis of preparation and significant accounting policies**

Basis of preparation

(a) Statement of compliance

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

These financial statements were authorised for issue by the Board of Directors on 18 February 2009.

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

Significant accounting policies

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

(a) *Property and equipment*

(i) *Recognition and measurement*

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

(ii) *Subsequent costs*

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

(iii) *Depreciation*

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

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

Significant accounting policies (continued)

(b) Trade and other receivables

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

(c) Provisions

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

(d) Cash and cash equivalents

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

(e) Trade and other payables

Trade and other payables are stated at their cost.

(f) Revenue

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

(g) Employee benefits

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

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

Significant accounting policies (continued)

(h) Net financing costs

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

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

(i) Dividends

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

(j) Income tax

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

(k) Foreign currency transactions

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

(l) *Impairment*

(i) *Financial assets*

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

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

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

All impairment losses are recognized in income statement.

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

(ii) *Non-financial assets*

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

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

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

(m) *Determination of fair values*

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

(i) *Property and equipment*

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

(ii) *Trade and other receivables*

Trade and other receivables are stated at cost less impairment loss.

(n) *New standards and interpretations not yet effective*

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements.

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

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

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

(n) New standards and interpretations not yet effective (continued)

Revised IAS 1 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. Revised IAS 1, which becomes mandatory for the Company's 2009 financial statements, is not expected to have a significant impact on the presentation of the financial statements. The Company plans to provide total comprehensive income in a single statement of comprehensive income for its 2009 financial statements.

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which become mandatory for the Company's 2009 financial statements, with retrospective application required, are not expected to have any impact on the financial statements.

Revised IFRS 3 Business Combinations (2008) incorporates the following changes that are likely to be relevant to the Company's operations: – The definition of a business has been broadened, which is likely to result in more acquisitions being treated as business combinations. – Contingent consideration will be measured at fair value, with subsequent changes therein recognised in profit or loss. – Transaction costs, other than share and debt issue costs, will be expensed as incurred. – Any pre-existing interest in the acquiree will be measured at fair value with the gain or loss recognised in profit or loss. – Any non-controlling (minority) interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. Revised IFRS 3, which becomes mandatory for the Company's 2010 financial statements, will be applied prospectively and therefore there will be no impact on prior periods in the Company's 2010 financial statements.

Amended IAS 27 Consolidated and Separate Financial Statements (2008) requires accounting for changes in ownership interests by the Company in a subsidiary, while maintaining control, to be recognised as an equity transaction. When the Company loses control of a subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognised in profit or loss. The amendments to IAS 27, which become mandatory for the Company's 2010 financial statements, are not expected to have a significant impact on the financial statements.

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

2 **Basis of preparation and significant accounting policies *(continued)***

(n) New standards and interpretations not yet effective (continued)

Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 will become mandatory for the Company's 2009 financial statements, with retrospective application are not expected to have a significant impact on the financial statements.

(o) Share capital

Ordinary shares are classified as equity.

(p) 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.

(q) Directors' remuneration

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

3 **Property and equipment**

	Leasehold improvements RO	Training equipment RO	Furniture fixtures and office equipment RO	Motor vehicles RO	Total RO
Cost					
1 January 2008	121,429	93,682	167,643	17,518	400,272
Additions during the year	4,800	20,244	15,998	-	41,042
Disposal	-	-	(325)	-	(325)
31 December 2008	**126,229**	**113,926**	**183,316**	**17,518**	**440,989**
Depreciation					
1 January 2008	110,200	79,311	145,681	7,593	342,785
Charge for the year	3,535	8,604	10,204	2,090	24,433
Disposal	-	-	(92)	-	(92)
31 December 2008	**113,735**	**87,915**	**155,793**	**9,683**	**367,126**
Net carrying amount					
31 December 2008	**12,494**	**26,011**	**27,523**	**7,835**	**73,863**
31 December 2007	11,229	14,371	21,962	9,925	57,487

Leasehold improvements represent expenditure incurred in carrying out improvements to the Company's premises taken on lease. The lease agreement was renewed in 2008 and expires in November 2010.

4. **Trade and other receivables**

	2008 RO	2007 RO
Trade receivables	**668,784**	134,251
Less: Provision for doubtful debts	**(1,090)**	(2,255)
	667,694	131,996
Accrued income	**439,504**	403,586
Prepayments and other receivables	**88,221**	56,228
	1,195,419	591,810

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

4. Trade and other receivables *(continued)*

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

	2008	2007
	RO	RO
Receivable from Vocational Training Department of Government of Oman	**645,083**	101,700
Other government departments	**3,915**	14,200
Corporate clients	**35,502**	35,020
Others	**1,552**	1,177
	686,052	152,097
Less: Provision	**(1,090)**	(2,255)
Less: Related party receivable	**(17,268)**	(17,846)
	667,694	131,996

As at 31 December 2008, trade receivables at nominal value of RO 1,090 (2007: RO 2,255) were impaired. Movements in the allowance for impairment of receivables were as follows:

At 1 January	**2,255**	-
Written off during the year	**(1,165)**	-
Provided during the year	**-**	2,255
At 31 December	**1,090**	2,255

Accrued income represents unbilled revenue in respect of training batches. Accrued income is recorded on the basis of progress of courses.

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

5 **Cash and cash equivalents**

	2008	2007
	RO	RO
Cash balances	**1,000**	893
Deposit accounts	**483**	481
Bank balances	**-**	25,067
	1,483	26,441

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

6 **Capital and reserves**

Issued capital

The Company's authorised and issued share capital is 1,000,000 shares of RO 1 each. At the balance sheet date 50% of the issued capital was paid up (2007: 50%). As required under article 58 of the Commercial Companies Law, the capital of the Company shall not be less than RO 1 million and the full value of the shares are to be paid up in full within a three year period from the date of the foundation of the Company. The Company has yet to comply with article 58 of the Commercial Companies Law.

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

	2008		2007	
	No. of shares	**%**	No. of shares	%
Renaissance Services SAOG	**455,474**	**45.55%**	455,474	45.55%
W J Towell & Co. LLC	**194,987**	**19.50%**	175,000	17.50%
	650,461	**65.05%**	630,474	63.05%

Legal reserve

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

7 Trade and other payables

	2008	2007
	RO	RO
Trade payables	**19,275**	11,567
Accrued expenses and other payables	**70,979**	55,181
Amounts due to related parties	**10,238**	4,880
Income tax payable	**-**	12,000
	100,492	83,628

8 Bank borrowings

The Company has overdraft facilities with commercial banks and interest is charged at the rates ranging between 7% to 8% which are unsecured.

9 Employees' end of service benefits

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

As at 1 January	**44,167**	34,651
Accrued during the year	**16,292**	11,294
Payments during the year	**(1,857)**	(1,778)
As at 31 December	**58,602**	44,167

10 Net assets per share

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

Net assets attributable to the shareholders of the Company (RO)	**812,440**	815,010
Number of shares outstanding at 31 December	**1,000,000**	1,000,000
Net assets per share (RO)	**0.812**	0.815

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

11 Operating expenses

	2008	2007
	RO	RO
Employee related expenses	**282,398**	208,209
Trainees' stipend and training supplies	**240,298**	165,269
Rent	**53,750**	44,000
Depreciation	**19,132**	16,195
Utilities	**11,720**	12,005
Repairs & maintenance	**12,110**	5,363
Miscellaneous	**1,145**	727
	620,553	451,768

12 Administrative expenses

Employee related expenses	**135,441**	103,554
Trainee accommodation expenses	**29,563**	17,487
Advertisement and promotion	**28,342**	24,919
Management fee	**24,000**	24,000
Legal and professional charges	**20,217**	3,692
Printing and stationery	**12,658**	6,756
Insurance	**8,185**	6,933
Communication charges	**7,585**	7,330
Traveling and related expenses	**7,443**	1,204
Repairs and maintenance	**6,737**	7,493
Directors' remuneration & sitting fees	**5,600**	7,900
Depreciation	**5,301**	2,826
Registration expenses	**4,391**	3,727
Other indirect expenses	**3,698**	3,055
Motor vehicle and conveyance	**2,497**	3,230
Bad debts written off	**210**	-
Provision for doubtful debts	**-**	2,255
	301,868	226,361

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

13 **Employee related expenses**

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

	2008	2007
	RO	RO
Wages and salaries	**323,148**	229,590
Other benefits	**71,397**	64,797
Contribution to defined retirement plan	**7,002**	6,082
Increase in liability for unfunded, defined retirement benefit plan	**16,292**	11,294
	417,839	311,763

14 **Other income**

Trainee accommodation recoveries	**27,258**	21,849
Gain on sale of property and equipment	**-**	1,587
	27,258	23,436

15 **Net financing (expense) income**

Interest from related party	**2,852**	12,670
Bank interest	**(7,621)**	2,487
Bank charges	**(1,345)**	(635)
	(6,114)	14,522

16 **Income tax**

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

During 2008, income generated from activities other than training did not exceed RO 30,000, the taxable income threshold under the income tax law of the Sultanate of Oman, and accordingly no provision has been made in the financial statements.

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

16 **Income tax *(continued)***

Income tax paid during the year represents income tax payable on income earned between 1 January 2003 to 15 September 2003. The amount recorded as taxation liability after deducting the income tax paid during the year is taken to income statements and recorded as the income tax income.

The Company's income tax assessments upto the year 2006 have been finalised by the Secretariat General for Taxation at the Ministry of Finance. The Management believes that additional taxes, if any, that may become payable on finalisation of the assessments in respect of 2007 would not be material to the Company's financial position as at 31 December 2008.

17 **Basic earnings per share**

The calculation of basic earnings per share is based on the net profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2008, calculated as follows:

	2008	2007
Net profit attributable to ordinary shareholders (RO)	**147,430**	196,314
Number of shares outstanding at 31 December	**1,000,000**	1,000,000
Basic earnings per share (RO)	**0.147**	0.196

18 **Dividends paid and dividend per share**

During 2008, dividends of RO 0.150 per share aggregating to RO 150,000 pertaining to 2007 were paid.

19 **Related party transactions**

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

19 **Related party transactions *(continued)***

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

	2008	2007
	RO	RO
Services rendered	**22,761**	10,777
Services received	**10,699**	10,952
Management fees	**24,000**	24,000

During the year, sitting fees of RO 5,600 (2007: RO 7,900) is payable to non executive directors.

During 2007, the Company had advanced an amount of RO 250,000 to a related party. The amount carried interest at an average rate of 5.10% per annum and was repaid in 2008.

Compensation of key management personnel

Short-term benefits	**99,864**	83,975
Employees end of service benefits	**13,095**	7,161
	112,959	91,136

20 **Commitments and contingent liabilities**

Letters of guarantee	**47,894**	35,822

21 **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.

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

21 **Financial instruments and financial risk management *(continued)***

Risk management policies and systems are reviewed regularly to ensure that they 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 balance sheet date was:

	2008	2007
	RO	RO
Trade and other receivables	**755,915**	188,224
Accrued income	**439,504**	403,586
Amount due from related parties	**17,138**	267,067
Cash and cash equivalents	**1,483**	26,441
	1,214,040	885,318

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 439,504 will be invoiced and received and the risk is limited.

The aging of trade receivables at the reporting date was:

	Gross	**Impairment**	Gross	Impairment
	2008	**2008**	2007	2007
	RO	**RO**	RO	RO
1-90 days	**432,742**	**-**	126,675	-
91-360 days	**241,871**	**-**	23,016	-
More than one year	**11,439**	**(1,090)**	2,406	(2,255)
	686,052	**(1,090)**	152,097	(2,255)

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

21 **Financial instruments and financial risk management *(continued)***

Credit risk (continued)

At the balance sheet date, approximately 94% (2007 - 94%) of trade receivables and accrued income are due from the Vocational Training Department of the Ministry of Manpower.

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 425,000 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 balance sheet date is as below:

	Carrying amount	Contractual cashflows	Upto 1 year	More than 1 year
Year ended 31 December 2008	RO	RO	RO	RO
Trade and other payables	100,492	100,492	100,492	-
Bank borrowings	316,369	316,369	316,369	-
Employee end of service benefits	58,602	58,602	-	58,602
	475,463	**475,463**	**416,861**	**58,602**
Year ended 31 December 2007				
Trade and other payables	83,628	83,628	83,628	-
Employee end of service benefits	44,167	44,167	-	44,167
	127,795	127,795	83,628	44,167

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

21 **Financial instruments and financial risk management *(continued)***
Market risk

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

Interest rate risk

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

Foreign currency risk

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

Other Market risk

The Company is not exposed to other significant market risk.

Capital Management

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

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

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

Fair value

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

NATIONAL HOSPITALITY INSTITUTE SAOG

Notes

(forming part of the financial statements)

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 balance sheet date, gross trade accounts receivable was RO 668,784 (2007: RO 134,251) and the provision for doubtful debts was RO 1,090 (2007: RO 2,255). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income.