

AL FAYHA TRANSPORT LLC

**FINANCIAL STATEMENTS
31 DECEMBER 2016**

Registered address

P.O. Box 110
Postal Code 115
Madinat Sultan Qaboos
Sultanate of Oman

AL FAYHA TRANSPORT LLC

FINANCIAL STATEMENTS

31 December 2016

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AL FAYHA TRANSPORT LLC

COMPANY INFORMATION

REGISTRATION AND SHARE CAPITAL

Commercial Registration No: 1274414

Registration date: 6 December 1988

Registration renewal date: 5 December 2018

Registered and paid up capital RO: 150,000

REGISTERED ACTIVITIES

Trucking of freight, bulk liquids and equipment

Motor vehicle service station

Repairing, polishing and painting of motor vehicles

Sea freight and coastal water transport overseas

SHAREHOLDERS

Mr. Khalid Bin Hamed Bin Eissa Al Taie

M/s.Clarion Shipping Services LLC, UAE

AUTHORISED SIGNATORIES

Mr. Khalid Bin Hamed Bin Eissa Al Taie

Mr.Kunju Kutty Aniyam Kunju

REGISTERED ADDRESS

P.O. Box 110

Postal Code 115

Madinat Sultan Qaboos

Sultanate of Oman

BANKERS

Oman Arab Bank

Bank Muscat

AUDITORS

Morison Muscat Chartered Accountants

P.O. Box 2123

Postal Code 112

Ruwi

Sultanate of Oman

INDEPENDENT AUDITORS' REPORT

The Shareholders

Al Fayha Transport LLC
Muscat, Sultanate of Oman

Qualified Opinion

We have audited the accompanying financial statements of **Al Fayha Transport LLC** ("the Company") as set out on pages 4 to 20, comprising the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and a summary of significant accounting policies and other explanatory notes for the year then ended along with Schedule 1 on property, plant and equipment.

In our opinion, except for the effects of the matters stated in the "*Basis of Qualified Opinion*" section of our report, the financial statements, which have been prepared on the basis of the accounting policies set out in the accompanying notes, present fairly, in all material respects, the financial position of **Al Fayha Transport LLC** as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board.

Basis of Qualified Opinion

As at reporting date, the Company has balances due from related parties aggregating to RO 91,830. These balances do not carry interest and are stated to be recoverable on demand. The Company has not made adjustments in the financial statements on account of re-measurement of these financial instruments to their respective fair values at reporting date. The effect of fair value adjustments is RO 5,683. Further, the balances recoverable are unsecured. The measurement and presentation of the financial instruments is not in accordance with the requirements of IAS 39 and IAS 32 which require all financial instruments to be measured and presented at their fair values.

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, discussing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

MM (A)

(Cont'd...)

INDEPENDENT AUDITORS' REPORT (Cont'd...)

Auditor's Responsibilities for the Audit of the Financial Statements

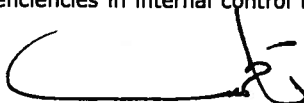
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board members.
- Conclude on the appropriateness of Board members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


Morison Muscat Chartered Accountants LLC
Licence No: MH/4/2004


Signed by: Nasser Al-Khamisi

Date: 1 October 2017
Muscat

AL FAYHA TRANSPORT LLC

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Note	2016 RO	2015 RO
Revenue	3	577,162	550,950
Direct cost	4	(458,811)	(410,566)
Gross profit		118,351	140,384
General and administrative expenses	6	(89,576)	(95,169)
Profit from operations		28,775	45,215
Other income	7	8,108	26,803
Finance charges		(11,944)	(1,919)
Profit before taxation		24,939	70,099
Taxation (including Deferred Tax)	8	(7,041)	(4,817)
Total comprehensive income for the year		17,898	65,282
		=====	=====

The notes on pages 8 to 18 and Schedule 1 on pages 19 and 20 form part of these financial statements.
The report of the Auditors is set out on pages 2-3.

Approved and authorised for issue
For Al Fayha Transport LLC

Authorised signatory



AL FAYHA TRANSPORT LLC

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Note	2016 RO	2015 RO
ASSETS			
Non-current assets			
Property, plant and equipment, net	Sch - 1	360,139	215,070
Current assets			
Inventory		1,706	1,409
Accounts receivable	9	76,086	102,174
Prepayments and advances	10	9,870	10,804
Due from related parties	11	91,830	93,312
Cash and cash equivalents	12	73,406	105,281
Total current assets		252,898	312,980
TOTAL ASSETS		613,037	528,050
		=====	=====
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	150,000	150,000
Legal reserve	2(b)	50,000	50,000
Retained earnings		119,188	151,290
Total shareholders' equity		319,188	351,290
Non-current liabilities			
Obligation under finance lease	13	144,560	54,294
Deferred tax liability	8	21,679	14,240
End of service benefits		38,566	43,908
Total non-current liabilities		204,805	112,442
Current liabilities			
Accounts payable		27,453	27,884
Current portion of finance lease	13	42,592	13,025
Accruals and provisions	14	18,819	21,614
Due to related parties	11	180	-
Provision for taxation	8	-	1,795
Total current liabilities		89,044	64,318
Total liabilities		293,849	176,760
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		613,037	528,050
		=====	=====

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For Al Fayha Transport LLC

Authorised signatory



AL FAYHA TRANSPORT LLC**STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 December 2016

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
As at 1 January 2015	150,000	50,000	86,008	286,008
Total comprehensive income for the year	-	-	65,282	65,282
As at 31 December 2015	150,000 =====	50,000 =====	151,290 =====	351,290 =====
As at 1 January 2016	150,000	50,000	151,290	351,290
Total comprehensive income for the year	-	-	17,898	17,898
Dividend paid (<i>See note 17</i>)	-	-	(50,000)	(50,000)
As at 31 December 2016	150,000 =====	50,000 =====	119,188 =====	319,188 =====

The notes on pages 8 to 18 and Schedule 1 on pages 19 and 20 form part of these financial statements.
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For Al Fayha Transport LLC

Authorised signatory



AL FAYHA TRANSPORT LLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	2016 RO	2015 RO
OPERATING ACTIVITIES		
Profit before taxation	24,939	70,099
<i>Adjustments for non-cash items</i>		
Depreciation	41,158	40,619
Finance charges	11,944	1,919
Profit on sale of property, plant and equipment	(2,724)	(26,000)
Provision for end of service benefits	3,992	4,520
Operating cash flow before working capital changes	79,309	91,157
<i>Changes in working capital</i>		
Decrease in trade and other receivables	27,022	7,358
(Increase) in inventory	(297)	(1,409)
Decrease / (Increase) in related party balances	40,310	(24,212)
Decrease in trade and other payables	(3,226)	(928)
Cash from operations	143,118	71,966
Income tax paid	(1,397)	(2,400)
End of service benefits paid	(9,334)	(3,809)
Net cash from operating activities	132,387	65,757
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,184)	(28,305)
Proceeds from sale of property, plant and equipment	4,050	26,000
Net cash (used in) investing activities	(28,134)	(2,305)
FINANCING ACTIVITIES		
Repayment of lease liability	(35,536)	(5,181)
Interest on finance lease	(11,944)	(1,919)
Funds received from related party	24,144	92,175
Funds remitted to related party	(62,792)	(131,134)
Dividend paid	(50,000)	-
Net cash (used in) financing activities	(136,128)	(46,059)
Net (decrease) /increase in cash and cash equivalents	(31,875)	17,393
Cash and cash equivalents, beginning of year	105,281	87,888
Cash and cash equivalents, end of year	73,406	105,281
	=====	=====
Cash and cash equivalents comprise of		
Cash in hand	2,013	2,865
Bank balances	71,393	102,416
	73,406	105,281
	=====	=====

The notes on pages 8 to 18 and Schedule 1 on pages 19 and 20 form part of these financial statements.

The report of the Auditors is set out on pages 2-3.

Approved and authorised for issue

For Al Fayha Transport LLC

Authorised signatory

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

1 Legal status and principal activities

Al Fayha Transport LLC ("the Company") was registered as a limited liability company (subject to foreign investment rules) at the Ministry of Commerce and Industry, Sultanate of Oman on 6 December 1988. The share capital of the Company is as follows:

	RO	%
Mr.Khalid Bin Hamed Bin Eissa Al Taie- Oman	45,000	30%
M/s Clarion Shipping Services LLC - UAE	105,000	70%
	<u>150,000</u>	<u>100%</u>
	=====	=====

The principal activity of the Company is trucking of freight, bulk liquids and equipment, motor vehicle service station, repairing, polishing and painting of motor vehicles, sea freight and coastal water transport overseas.

2 Significant accounting policies

(a) Accounting Convention

The financial statements are prepared on the historical cost basis.

(b) Adoption of new and revised IFRS and IFRIC

For the year ended 31 December 2016, the Company has adopted all applicable new and revised standards and interpretations issued by IASB and IFRIC that are effective for the accounting year beginning on 1 January 2016.

As at the date of the authorisation of these financial statements the following pronouncements were issued but were not made effective:

Financial Instruments - IFRS 9 - This IFRS introduces new requirements for the classification and measurement of financial asset, a new measurement category 'fair value through other comprehensive income', a new 'expected credit loss' model for the measurement of the impairment of financial assets and a new hedge accounting model which is closely aligned with how entities undertake risk management activities when hedging risk exposures - Effective for annual periods beginning on or after 1 January 2018.

Revenue from contracts with customers - IFRS 15 - This IFRS provides a single, principles based five-step model to be applied to all contracts with customers. This IFRS also provides guidance on when the revenue is recognized and various related matters. It also introduces new disclosures about revenue - Effective for annual periods beginning on or after 1 January 2018 although early adoption is permissible.

Leases - IFRS 16 - This IFRS sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the lessee and the lessor. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model whereby the lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months and recognises depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Effective for annual periods beginning on or after 1 January 2019.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

2 Significant accounting policies (Cont'd...)

(b) Adoption of new and revised IFRS and IFRIC (Cont'd...)

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations – This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11 and to disclose the information required by the IFRSs for business combinations – Effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization - The amendments clarify that a revenue-based method is not considered to be an appropriate manifestation of consumption and provides guidance on the expectation of technological or commercial obsolescence of the asset – Effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 16 and IAS 41 - Agriculture: Bearer Plants - This amendment includes 'bearer plants' within the scope of IAS 16 rather than IAS 41 and introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce for more than one period - Effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 27 - Equity Method in Separate Financial Statements – This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements - Effective for annual periods beginning on or after 1 January 2016.

Amendment to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - This amendment clarifies the treatment of gains and losses arising on the sale or contribution of assets based on whether or not the sale or contribution results in a business - Effective for annual periods beginning on or after 1 January 2016.

Amendment to IAS 1 - Disclosure Initiative - This amendment clarifies that materiality considerations apply to all parts of the financial statements and it also provides further clarification on the presentation of the financial statements - Effective for annual periods beginning on or after 1 January 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception- This amendment clarifies that the exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value. It also clarifies that a subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity - Effective for annual periods beginning on or after 1 January 2016.

Annual Improvements 2012-2014 Cycle – Effective for annual periods beginning on or after 1 July 2016.

Management had not determined whether their adoption of the above pronouncements is likely to have any significant impact on the presentation and disclosure of items in the financial statements for future periods.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements

As at and for the year ended 31 December 2016

2 Significant accounting policies (Cont'd...)

(b) Adoption of new and revised IFRS and IFRIC (Cont'd...)

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Property, plant and equipment

Items of assets capitalized under property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful economic lives of items of property, plant and equipment from the date of purchase at the following annual rates:

Buildings	-	10%
Office equipments	-	25%
Motor vehicles – Passenger vehicles	-	15%
Motor vehicles – Commercial vehicles	-	10%

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

During the year, the company changed the depreciation rates on commercial motor vehicles from 15% to 10% per annum. This change has been treated as a change in accounting estimate in accordance with International Accounting Standard - 8 'Change in Accounting Policies, Accounting Estimates and Errors. The change is applied prospectively to current and future reporting periods.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining the total comprehensive income or loss.

b) Legal reserve

Article 154 of the Commercial Companies Law of 1974 requires that 10% of the Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve equal at least one-third of the Company's share capital.

c) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

d) Impairment

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements

As at and for the year ended 31 December 2016

2 Significant accounting policies (Cont'd...)

e) Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the resultant provisions and changes in fair value for the period. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

f) End of service benefits

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

Provision for non-Omani employee terminal benefits is made in accordance with Omani Labour Law for the accumulated years of service at statement of financial position date. The provision is non-funded.

(g) Obligation under finance lease

Assets acquired under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the statement of financial position as obligation under finance lease.

Lease liabilities are classified as current and long-term based upon the timing of payment obligation. Lease payments are apportioned between finance charges and reduction of the obligation under finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statement of comprehensive income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs.

h) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation.

i) Revenue recognition

Transport revenue is recognised when the Company's right to receive income is established in accordance with the terms of contract which normally happens when goods reach the destination.

Crane hire charges are recognized on usage of crane by the customer.

j) Inventory

Inventory which is held solely for internal consumption is valued at cost.

k) Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). Transactions in foreign currencies are translated to Rial Omani at the foreign exchange rate ruling at the date of the transaction. All monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Rial Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translations are recognised in the statement of comprehensive income.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements

As at and for the year ended 31 December 2016

2 Significant accounting policies (Cont'd...)

l) Taxation

Income tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of earlier years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

	2016 RO	2015 RO
3 Revenue		
Transport income	577,162	550,950
	=====	=====
4 Direct cost		
Fuel expenses	204,698	166,269
Wages and allowances (<i>Refer Note 5</i>)	91,820	90,827
Vehicle maintenance	63,194	54,894
Garage expenses	4,153	5,756
Garage rent	24,000	24,000
Vehicle insurance	25,408	23,324
Registration and renewal	6,101	5,251
Miscellaneous expenses	412	766
Depreciation	39,025	39,479
	458,811	410,566
	=====	=====
5 Employee cost		
Salaries and wages	136,070	137,112
Contractual benefits	17,887	19,986
Other employee costs	4,283	2,946
	158,240	160,044
	=====	=====
<i>Allocation of employee cost:</i>		
Direct cost	91,820	90,827
General and administrative expenses	66,420	69,217
	158,240	160,044
	=====	=====

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

	2016	2015
	RO	RO
6 General and administrative expenses		
Administrative staff cost (<i>Refer Note 5</i>)	66,420	69,217
Rent	8,600	7,463
Other fuel expenses	1,751	1,455
Electricity and water charges	2,591	2,889
Vehicle maintenance expenses	1,085	4,910
Telephone, internet and postage	1,942	1,965
Travelling and conveyance	388	562
Insurance charges	345	301
Printing and stationery	907	859
Provision for bad debts	-	120
Professional charges	1,600	2,400
Depreciation	2,133	1,140
Registration and renewal	475	864
Miscellaneous expenses	1,339	1,024
	89,576	95,169
	=====	=====
7 Other income		
Profit on sale of property, plant and equipment	2,724	26,000
Other income	5,384	803
	8,108	26,803
	=====	=====
8 Taxation		
<i>Statement of comprehensive income</i>		
Current year's tax expense	-	1,397
Prior year's adjustment [See note 8 (c) below]	(398)	-
Deferred tax expense	7,439	3,420
	7,041	4,817
	=====	=====
<i>Statement of financial position</i>		
Non-current liability		
Deferred tax liability	21,679	14,240
	=====	=====
Current liabilities		
Provision for taxation	-	1,795
	=====	=====

- (a) Income tax is payable on profits earned at the rate of 12% of taxable profits in excess of RO 30,000. No provision for taxation has been made as the Company has reported a tax loss for the year of RO 26,055.
- (b) Deferred tax liability and expense recognized in the statement of financial position and statement of comprehensive income, are attributable to following temporary differences:

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

8 Taxation (Cont'd...)

	2016	Charged to Statement of Comprehensive Income	2015
	RO	RO	RO
Taxable temporary differences arising from Accelerated tax depreciation	25,587	11,237	14,350
Deductible temporary differences arising from Provision for bad debts	-	110	(110)
Deductible temporary differences arising from current year loss	(3,908)	(3,908)	-
	<u>21,679</u>	<u>7,439</u>	<u>14,240</u>
	=====	=====	=====

- (c) During the year, the Secretariat General of Taxation completed the tax assessment for the tax year 2010. The company had created excess provision for tax amounting to RO 398 in 2010 which has been written back in current year as no additional tax is payable as per the assessment done by the Tax Department. The Company's tax assessment for the years 2011 to 2015 have not yet been finalized by Tax Department. Management believes that no additional tax liability will arise in respect of the open years.

	2016	2015
	RO	RO
9 Accounts receivable		
Not yet due	11,736	21,256
Past due but not impaired	64,350	80,918
Past due and impaired	920	920
	<u>77,006</u>	<u>103,094</u>
Less: Provision for doubtful debts	(920)	(920)
	<u>76,086</u>	<u>102,174</u>
	=====	=====

- (a) Accounts receivable are non-interest bearing and are generally 90 days credit terms.
- (b) Included the Company's accounts receivables balances with carrying amount of RO 65,270 (2015: RO 81,838) which are past due at reporting date. The Company has made a provision for doubtful debt amounting to RO 920 for past due balances which in the opinion of the Company is doubtful of recovery. No provision has been made for remaining past due amount as the management believes it will be able to recover the same. The Company does not hold any collateral over these balances.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

9 Accounts receivable (Cont'd...)

The ageing of past due but not impaired:

	Gross 2016 RO	Impairment 2016 RO	Gross 2015 RO	Impairment 2015 RO
30 - 60 days	10,288	-	18,472	-
60 - 180 days	34,164	-	38,707	-
More than 180 days	20,818	920	24,659	920
	<u>65,270</u>	<u>920</u>	<u>81,838</u>	<u>920</u>
	=====	===	=====	===

10 Prepayments and advances

	2016 RO	2015 RO
Prepaid expenses	6,445	7,303
Staff advances	3,345	3,421
Deposit	80	80
	<u>9,870</u>	<u>10,804</u>
	=====	====

11 Related party transactions and balances

The Company has entered into financial transactions with the parties, which fall within the definition of related parties as contained in International Accounting Standard 24. Related parties comprise the shareholders and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

	2016 RO	2015 RO
a) Transactions with related parties		
<i>Transactions with shareholder</i>		
Clarion Shipping Services LLC, Dubai		
Net expenses incurred for the Company	219	-
Dividend declared and paid to the Parent Company	(35,000)	-
	=====	===
SK. Khalid Al Tale		
Staff rent payable	(24,000)	(24,000)
Rent paid	14,000	34,000
Dividend paid	(15,000)	-
Funds received from related party	32,642	-
Fund transferred by the Company	(30,000)	-
	=====	=====
<i>Transactions with related parties where shareholders have significant influence</i>		
Clarion Shipping Services LLC, Oman		
Services rendered by the Company to related party	-	1,115
Funds received from related party	(24,144)	(92,175)
Fund transferred by the Company	62,792	131,134
Net expenses incurred for the Company	(17,733)	(4,400)
	=====	=====

AL FAYHA TRANSPORT LLC

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Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

	2016	2015
	RO	RO
11 Related party transactions and balances (Cont'd...)		
Al Taie Technical and Commercial Services		
Insurance charge payable	(26,487)	(20,743)
Insurance charge paid	26,487	20,743
	=====	=====
SK. Ali Al Taie		
Expenses incurred for the Company	(2,160)	(2,160)
Funds remitted to related party	1,980	1,800
	=====	=====
Badar Shipping Agencies LLC		
Services rendered	70	280
Amount received for service rendered	-	(280)
	==	==
b) Balances due from related parties		
Due from shareholders		
Clarion Shipping Services LLC, UAE	856	1,075
Khalid Bin Hamed Bin Eissa Al Taie	7,642	30,000
Due from other related parties		
Clarion Shipping Services LLC, Oman	82,470	61,555
AlMaraj Transport LLC	110	-
Badar Shipping Agencies LLC	70	-
Heirs of Shk. Hamed Ali Taie	592	592
Shk. Badar Al Taie	90	90
Total amount due from related parties	<u>91,830</u>	<u>93,312</u>
	=====	=====
c) Balances due to related parties		
Due from other related parties		
Shk. Ali Al Taie	180	-
	===	===
12 Cash and cash equivalents		
Cash in hand	2,013	2,865
Bank balances	71,393	102,416
	<u>73,406</u>	<u>105,281</u>
	=====	=====
13 Obligation under finance lease		

The Company has entered into finance lease arrangements with a financial institution for lease of vehicles. The minimum lease payments have been discounted using the effective interest rate of 6.54%. The title to the assets under finance leases will transfer to the Company at the end of the lease term. The minimum lease payments and the periods in which these become due, along with their present values are as under.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

13 Obligation under finance lease (Cont'd...)

2016

	Future minimum lease payments	Interest payment	Present value of minimum lease
	RO	RO	RO
Up to one year	53,568	10,976	42,592
Between one and five years	159,607	15,047	144,560
	<u>213,175</u>	<u>26,023</u>	<u>187,152</u>
	=====	=====	=====

2015

	Future minimum lease payments	Interest payment	Present value of minimum lease
	RO	RO	RO
Upto one year	17,040	4,015	13,025
Between one and five years	61,048	6,754	54,294
	<u>78,088</u>	<u>10,769</u>	<u>67,319</u>
	=====	=====	=====

2016
RO2015
RO

14 Accruals and provisions

Accrued expenses	4,756	2,973
Provision for employee benefits	11,167	16,762
Other payables	2,896	1,879
	<u>18,819</u>	<u>21,614</u>
	=====	=====

15 Contingencies and commitments

Except for on-going purchase commitments in the normal course of business against which no loss is expected, there are no other known contingent liabilities. The Company has not entered into any capital commitments at the statement of financial position date.

16 Fair value of financial instruments

Financial instruments carried on the statement of financial position comprise of accounts receivables, cash and bank balances due from related parties, account payables, due to related parties and accruals and provisions.

Interest risk

The Company has no exposure to interest rate fluctuation risks.

Credit risk

Bank balances are maintained with accredited banks. The Company manages the credit risk on receivables by continuous monitoring of past due balances. Confirmation has been obtained from the majority shareholder that amounts due to the Company will be made available, as needed.

AL FAYHA TRANSPORT LLC

Notes - forming part of the financial statements
As at and for the year ended 31 December 2016

16 Fair value of financial instruments (Cont'd...)

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, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Company's reputation.

Exchange risk

The Company's functional and presentation currency is Rial Omani and the Company's performance is substantially independent of changes in foreign currency rates. There are no significant financial instruments denominated in foreign currency and consequently foreign currency risk is not significant.

17 Dividend

During the year ended 31 December 2016, the Company has declared interim dividend amounting to RO 50,000 which was credited to the respective shareholders accounts in proportion to their contribution towards share capital.

18 Comparative figures and level of precision

Certain comparative figures have been reclassified to conform to the current year presentation adopted in these financial statements.

All figures are rounded off to the nearest Rial Omani.

AL FAYHA TRANSPORT LLC

Schedule 1

**Property, plant and equipment
As at 31 December 2016**

	Building		Office Equipment		Motor vehicles		Leased vehicles		Capital work in progress		Total	
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Year ended 31 December 2016												
<i>Cost</i>												
Balance, beginning of year	19,881	-	-	494,574	72,500	7,500	594,455					
Additions during the year	-	465	-	13,400	-	-	13,865					
Assets acquired on finance lease	-	-	-	-	173,688	-	173,688					
Disposal during the year	-	-	-	(41,295)	-	-	(41,295)					
Balance, end of year	19,881	465	466,679	246,188	7,500	740,713						
<i>Accumulated depreciation</i>												
Balance, beginning of year	19,881	-	354,886	4,618	-	-	379,385					
Charge for the year-Direct	-	-	18,661	20,364	-	-	39,025					
Charge for the year-Indirect	-	48	2,085	-	-	-	2,133					
Reversal during the year	-	-	(39,969)	-	-	-	(39,969)					
Balance, end of year	19,881	48	335,663	24,982	-	380,574						
Net book value												
As at 31 December 2016	-	417	131,016	221,206	7,500	360,139						

(Cont'd...)

AL FAYHA TRANSPORT LLC

Schedule 1

**Property, plant and equipment
As at 31 December 2016 (Cont'd...)**

	Building		Office Equipment		Motor vehicles		Leased vehicles		Capital work in progress		Total	
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Year ended 31 December 2015												
Cost												
Balance, beginning of year	19,881	-	-	635,564	-	-	7,500	662,945				
Additions during the year	-	-	-	28,305	-	-	-	28,305				
Assets acquired on finance lease	-	-	-	-	72,500	-	-	72,500				
Disposal during the year	-	-	-	(169,295)	-	-	-	(169,295)				
Balance, end of year	19,881	-	-	494,574	72,500	7,500	594,455					
<i>Accumulated depreciation</i>												
Balance, beginning of year	19,162	-	-	488,899	-	-	508,061					
Charge for the year-Direct	719	-	-	34,143	4,618	-	39,480					
Charge for the year-Indirect	-	-	-	1,139	-	-	1,139					
Reversal during the year	-	-	-	(169,295)	-	-	(169,295)					
Balance, end of year	19,881	-	-	354,886	4,618	-	379,385					
Net book value												
As at 31 December 2015.	-	-	-	139,688	67,882	7,500	215,070					