

**CLARION SHIPPING
SERVICES LLC**

**FINANCIAL STATEMENTS
31 DECEMBER 2016**

Business address

P.O. Box 546
Postal Code 131
Muttrah
Sultanate of Oman

CLARION SHIPPING SERVICES LLC

FINANCIAL STATEMENTS

31 December 2016

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CLARION SHIPPING SERVICES LLC

COMPANY INFORMATION

REGISTRATION AND SHARE CAPITAL

Registration date: 21 November 2000
Registration renewal date: 20 November 2020
Commercial registration no: 1660470
Registered and paid up capital: RO 151,000

REGISTERED ACTIVITIES

Freight forwarding
Loading and unloading of goods
Customs clearance services
Overseas freight and coastal water transport
Import and export services

SHAREHOLDERS

Mr. Khalid Bin Hamed Bin Issa Al Taie
M/s. Clarion Shipping Services LLC, UAE

BUSINESS ADDRESS

P.O. Box 546
Postal Code 131
Muttrah
Sultanate of Oman

BANKERS

Oman Arab Bank
HSBC Bank Middle East

AUDITORS

Morison Muscat Chartered Accountants
P.O. Box 2123
Postal Code 112
Ruwi
Sultanate of Oman



INDEPENDENT AUDITORS' REPORT

The Shareholders

Clarion Shipping Services LLC
Muscat
Sultanate of Oman

Opinion

We have audited the accompanying financial statements **Clarion Shipping Services LLC** ("the Company") as set out on pages 4 to 21, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by International Accounting Standard Board.

Basis of Opinion

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.

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.

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(Cont'd...)



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

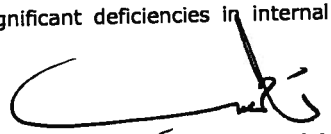
Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd..)

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


Signed by: Nasser Al-Khamisi

Date: 1 August 2017
Muscat

CLARION SHIPPING SERVICES LLC
STATEMENT OF COMPREHENSIVE INCOME
 For the year ended 31 December 2016

	Note	2016 RO	2015 RO
Revenue, net	3	2,533,173	2,652,201
Direct cost, net	4	(2,021,365)	(2,107,044)
Gross profit		511,808	545,157
Expenses			
Selling, general and administrative expenses	5	420,350	387,044
Depreciation	Sch - 1	19,314	17,328
Total expenses		439,664	404,372
Profit from operations		72,144	140,785
Other income	7	29,132	7,203
Profit before taxation		101,276	147,988
Taxation (including Deferred Tax)	8	(9,544)	(13,706)
Total comprehensive income for the year		91,732	134,282
		=====	=====

The notes on pages 8 to 19 and Schedule 1 on pages 20 and 21 form part of these financial statements.
 The report of the Auditors is set out on pages 2 and 3.

Approved and authorised for issue
 For Clarion Shipping Services LLC


 Authorised Signatory



CLARION SHIPPING SERVICES 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	<u>66,296</u>	<u>35,195</u>
Current assets			
Accounts receivable	9	1,076,773	1,045,407
Due from related parties	10	127,092	155,820
Prepayments, advances and other receivables	11	49,098	39,787
Cash and cash equivalents	12	<u>95,768</u>	<u>189,141</u>
Total current assets		<u>1,348,731</u>	<u>1,430,155</u>
TOTAL ASSETS		<u>1,415,027</u>	<u>1,465,350</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	1	151,000	151,000
Legal reserve	2(c)	50,333	50,333
Retained earnings		<u>707,524</u>	<u>815,792</u>
Total shareholders' equity		<u>908,857</u>	<u>1,017,125</u>
Non-current liabilities			
Deferred tax liability	8	2,690	495
End of service benefits	13	<u>57,012</u>	<u>45,502</u>
Total non-current liabilities		<u>59,702</u>	<u>45,997</u>
Current liabilities			
Short term borrowings	14	47,561	43,739
Trade and other payables	15	279,777	232,393
Advance from customers		23,970	15,725
Due to related parties	10	88,263	96,030
Provision for taxation	8	<u>6,897</u>	<u>14,341</u>
Total current liabilities		<u>446,468</u>	<u>402,228</u>
Total liabilities		<u>506,170</u>	<u>448,225</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>1,415,027</u>	<u>1,465,350</u>

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CLARION SHIPPING SERVICES 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	151,000	50,333	781,510	982,843
Total comprehensive income for the year	-	-	134,282	134,282
Dividend paid	-	-	(100,000)	(100,000)
As at 31 December 2015	151,000	50,333	815,792	1,017,125
As at 1 January 2016	151,000	50,333	815,792	1,017,125
Total comprehensive income for the year	-	-	91,732	91,732
Dividend paid (See note 18)	-	-	(200,000)	(200,000)
As at 31 December 2016	151,000	50,333	707,524	908,857

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CLARION SHIPPING SERVICES LLC

STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

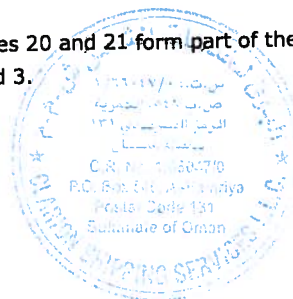
	2016 RO	2015 RO
OPERATING ACTIVITIES		
Profit before taxation	101,276	147,988
<i>Adjustments for non-cash items</i>		
Depreciation	19,314	17,328
Profit on disposal of property, plant and equipment	(12,300)	-
Provision for end of service benefits	12,870	6,730
	<u>121,160</u>	<u>172,046</u>
Operating cash flow before working capital changes		
<i>Changes in working capital</i>		
(Increase) / Decrease in accounts receivable	(31,365)	21,356
(Increase) / Decrease in prepayments, advances and other receivables	(9,310)	103,142
Decrease in related party balances, net	145,455	174,139
Increase / (Decrease) in trade and other payables	47,383	(104,909)
Increase / (Decrease) in advance from customers	8,245	(531)
	<u>281,568</u>	<u>365,243</u>
Cash generated from operations		
Income tax paid	(14,793)	(17,955)
End of service benefit paid	(1,360)	(1,919)
	<u>265,415</u>	<u>345,369</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(50,415)	(2,674)
Proceeds from disposal of property, plant and equipment	12,300	-
	<u>(38,115)</u>	<u>(2,674)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Short term borrowings	3,822	(4,891)
Funds received from the Parent Company as short term loan	69,594	87,641
Funds remitted to the Parent Company towards short term loan	(194,089)	(217,007)
Dividend paid	(200,000)	(100,000)
	<u>(320,673)</u>	<u>(234,257)</u>
Net cash used in financing activities		
Net (decrease) / increase in cash and cash equivalents	<u>(93,373)</u>	<u>108,438</u>
Cash and cash equivalents, beginning of year	189,141	80,703
Cash and cash equivalents, end of year	<u>95,768</u>	<u>189,141</u>
	=====	=====
Cash and cash equivalents comprise of:		
Cash in hand	2,342	629
Bank balances		
- in local currency accounts	79,723	176,723
- in foreign currency accounts	6,703	2,289
- restricted cash balance	7,000	9,500
	<u>95,768</u>	<u>189,141</u>
	=====	=====

The notes on pages 8 to 19 and Schedule 1 on pages 20 and 21 form part of these financial statements.

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**Approved and authorised for issue
For Clarion Shipping Services LLC**

Authorised Signatory



CLARION SHIPPING SERVICES LLC

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

1 Legal status and principle activities

Clarion Shipping Services LLC ("the Company") is registered as a limited liability company at the Ministry of Commerce and Industry, Sultanate of Oman on 21 November 2000. The share capital of the Company is RO 151,000 contributed by the shareholders as follows:

	RO	%
Mr. Khalid Bin Hamed Bin Issa Al Taie	45,300	30%
M/s Clarion Shipping Services LLC, UAE	105,700	70%
	<u>151,000</u>	<u>100%</u>
	=====	=====

The principle activity of the Company is acting as shipping agents for principals in relation to shipping and freight forwarding services.

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.

CLARION SHIPPING SERVICES 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.

CLARION SHIPPING SERVICES LLC

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

2 Significant accounting policies (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 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:

Furniture and fixtures	-	20%
Office equipment	-	25%
Motor vehicles	-	20%

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

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) Cash and cash equivalents

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

c) 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 to at least one-third of the Company's share capital.

d) 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 end of service benefits is made in accordance with Omani Labour Law for the accumulated year of service at reporting date. The provision is non-funded.

e) 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.

CLARION SHIPPING SERVICES LLC

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

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

f) 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 into 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.

g) Revenue recognition

Revenue represents gross billings relating to freight forwarding, logistics, cargo handling and related services to third party customers net of reimbursable costs.

Revenue is recognised in accordance with the terms of contract upon completion of the respective freight forwarding, logistics, cargo handling and related services. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

h) Taxation

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the 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 reporting 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.

i) Financial instruments

Financial assets and financial liabilities are recognized when a Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. They are subsequently measured at fair value, amortized cost etc. as the case may be.

CLARION SHIPPING SERVICES LLC

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

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

i) Financial instruments (Cont'd...)

De-recognition

Financial assets

All financial assets are de-recognized when the rights to receive cash flows have expired or have been transferred and either (a) the Company has transferred substantially all risks and rewards of ownership or (b) the Company has neither transferred nor retained substantially all risks and rewards of the asset, but has transferred the control of the asset.

Financial liabilities

The Company derecognizes the financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

j) Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount reported in the statement of financial position, if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting 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.

l) Estimates

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

	2016 RO	2015 RO
3 Revenue, net		
Gross billings	4,184,532	4,206,943
Less: Reimbursable cost	(1,651,359)	(1,554,742)
	<u>2,533,173</u>	<u>2,652,201</u>
	=====	=====

CLARION SHIPPING SERVICES LLC

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

	2016 RO	2015 RO
4 Direct cost, net		
Gross costs	3,672,724	3,661,786
Less: Reimbursable cost	(1,651,359)	(1,554,742)
	<u>2,021,365</u>	<u>2,107,044</u>
	=====	=====
5 Selling, general and administrative expenses		
Employee cost (<i>Refer note 6</i>)	332,150	307,966
Office rent	12,746	11,220
Electricity and water charges	1,458	1,399
Telephone, internet and postage	14,122	15,132
Subscription and renewals	3,646	4,104
Office expenses	12,841	13,922
Printing and stationery	3,231	315
Repairs and maintenance	9,328	7,665
Business promotion	5,219	5,435
Insurance charges	5,378	3,202
Fuel expenses	10,888	9,335
Professional charges	2,650	3,650
Travel and conveyance	2,872	1,103
Miscellaneous expenses	3,821	2,596
	<u>420,350</u>	<u>387,044</u>
	=====	=====
6 Employee cost		
Salary and allowances	239,169	220,402
Bonus to staff	25,000	25,000
Air passage	8,685	6,897
Leave salary	20,402	19,869
Contribution to social insurance	7,378	7,379
Gratuity	12,870	6,732
Other benefits	7,999	7,928
Visa and immigration expenses	3,469	2,664
Temporary staff	7,178	11,095
	<u>332,150</u>	<u>307,966</u>
	=====	=====
7 Other income		
Foreign exchange gain	3,304	6,977
Profit on disposal of property, plant and equipment	12,300	-
Liabilities written back	13,043	-
Miscellaneous income	485	226
	<u>29,132</u>	<u>7,203</u>
	=====	=====

CLARION SHIPPING SERVICES LLC

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

	2016 RO	2015 RO
8 Taxation		
<i>Statement of comprehensive income</i>		
Current year's tax expense	6,897	14,341
Prior year's tax	452	-
Deferred tax expense / (reversal)	2,195	(635)
	<u>9,544</u>	<u>13,706</u>
	=====	=====
<i>Statement of financial position</i>		
Deferred tax liability - Non-current liability	2,690	495
	=====	=====
Provision for taxation-Current liability	6,897	14,341
	=====	=====

a) Income tax is payable on profits earned at the rate of 12% of taxable profits in excess of RO 30,000 in accordance with the provisions of Omani Tax Law and Regulations.

b) Reconciliation of tax on accounting profit with current year's tax expense is as follows:

	2016 RO	2015 RO
Tax charges on accounting profit	12,153	17,306
Effect of accelerated tax depreciation	(180)	635
Effect of other adjustments due to:		
Profit on disposal of motor vehicles	(1,476)	-
Basic tax exemption	(3,600)	(3,600)
	<u>6,897</u>	<u>14,341</u>
	=====	=====

c) Deferred tax liability and expense recognized in the statement of financial position and statement of comprehensive income, are attributable to following temporary differences:

	2016 RO	Charged to Statement of Comprehensive income RO	2015 RO
Taxable temporary differences arising from			
Accelerated tax depreciation	2,152	1,657	495
Effect of change in rate from 12% to 15%	538	538	-
	<u>2,690</u>	<u>2,195</u>	<u>495</u>
	=====	=====	=====

d) The Company's tax assessments 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. The provision for taxation for the year 2015 was under accrued by RO 452 which has been accounted in current year as prior year tax.

CLARION SHIPPING SERVICES LLC

Notes - forming part of the financial statements

As at and for the year ended 31 December 2016

	2016 RO	2015 RO
9 Accounts receivable		
Accounts receivable	1,069,358	1,042,392
Receivables from agents	7,415	3,015
	<u>1,076,773</u>	<u>1,045,407</u>
	=====	=====

- (a) The balances of 20 customers (2015: 16 customers) account for 60% (2015: 57%) of total trade receivables at reporting date.
- (b) Accounts receivable are non-interest bearing and are generally 90 days credit terms.
- (c) Included in the Company's accounts receivable are balances with carrying amount aggregating to RO863,805 (2015: RO 497,575) which are past due at reporting date and for which the Company has not made provision for impairment as management believes that the amounts are still recoverable. The Company does not hold any collateral over these balances.

	2016 RO	2015 RO
The ageing of past due but not impaired		
90 to 180 days	305,972	329,908
More than 180 days	557,833	167,667
	<u>863,805</u>	<u>497,575</u>
	=====	=====

10 Related party transactions and balances

The Company entered into transactions with parties, which fall within the definition of a related party as defined by International Accounting Standard 24. Related parties comprise the following:

- (i) Parent Company - Clarion Shipping Services LLC, UAE
- (ii) Non-controlling shareholder
- (iii) Entities controlled by minority shareholder
- (iv) Entities under common control of parent company
 - Clarion Shipping Services LLC, Bahrain
 - Clarion Ahmadah Shipping Services Co. WLL , Kuwait
 - Clarion International Shipping & Logistic Integrators Ltd, Kenya
 - Clarion Logistic & Travels SPRL-Congo
 - Clarion Logistics (I) Pvt Ltd, Kochi
 - Clarion Logistics India Pvt Ltd, Chennai
 - Clarion Logistics Ltd, Nigeria
 - Clarion Shipping & Logistics Saudi Arabia Ltd
 - Clarion Shipping Services WLL, Doha
 - Clarion Logistics Holding Singapore Ltd
 - Clarion Logistics India Pvt. Ltd, Mumbai
 - Clarion Logistics (India) Private Ltd (Bangalore)
 - Clarion Shipping & Logistics, Uganda
 - Clarion Logistics India Pvt. Ltd, New Delhi
 - Clarion Logistics India Pvt. Ltd, Hyderabad
 - Clarion Shipping & Logistics (M) SdnBhd-Selangor-Malaysia

CLARION SHIPPING SERVICES LLC

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As at and for the year ended 31 December 2016

10 Related party transactions and balances (Cont'd...)

The Company along with its parent and companies under common control of parent are collectively referred to as the "Group". The Group is engaged in the business of freight forwarding, logistics, cargo handling and related services for third party customers across the world.

As a part of its normal business activity the Company enters into regular contracts with other companies in the Group to handle inward and outward movement of third party customers' cargo at pre-agreed rates which in the Company's opinion are at an arm's length basis.

(a) The nature of significant related party transactions and the amounts involved are as follows:

	2016	2015
	RO	RO
Clarion Shipping Services LLC, UAE (Parent Company)		
Services rendered to the Parent Company	36,837	28,074
Services received from the Parent Company	(36,572)	(80,578)
Expenses incurred for the Company	(7,852)	(3,291)
Expenses incurred by the Company	3,074	7,770
Funds received from the Parent Company	(4,161)	(87,641)
Funds remitted to the Parent Company	125,466	217,008
Dividend declared and paid to the Parent Company	(140,000)	(70,000)
	=====	=====
Non-controlling shareholder		
Advance paid to shareholder	47,258	-
Dividend declared and paid	(60,000)	(30,000)
	=====	=====
Entities controlled by non-controlling shareholder		
Al Fayha Shipping Agencies LLC		
Services received from related party	-	(918)
Fund transferred by the Company to related party	548	908
Expenses incurred for the Company	(90)	(448)
	====	====
Al Fayha Transport LLC		
Services received from related party	-	(1,115)
Funds remitted to the related party	24,144	92,175
Fund received from related party	(62,792)	(131,134)
Net expenses incurred by the Company	17,734	4,400
	=====	=====
Oasis Shipping Services LLC		
Services received from related party	(60)	(5,732)
Service rendered by the Company to related party	-	268
Funds remitted to the related party	1,440	4,458
Net expenses paid by the Company	-	86
	====	==
Anchor Shipping Services LLC		
Services rendered by the Company to related party	-	78
Services received from related party	(272)	(4,663)
Funds received from related party	(1,829)	(10,966)
Funds remitted by the Company to related party	38,329	9,360
Net expenses paid for the Company	-	1,967
	=====	=====

CLARION SHIPPING SERVICES LLC

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	2016 RO	2015 RO
10 Related party transactions and balances (Cont'd...)		
Al-Taie Technical & Commercial		
Services received from related party	(3,522)	(2,817)
Funds remitted to the related party	2,526	3,060
Net expenses paid for the company	112	-
	=====	=====

Entities under common control of parent company

The Company is a subsidiary of Clarion Shipping services LLC, a Company based in the UAE which is present and which has operations in several countries across the globe. The group is engaged in the business of freight forwarding, logistics and cargo handling for third party customers in those countries. As a part of its normal business activity the Company enters into regular contracts with other companies in the Group to handle inward and outward movement of third party (customers) cargo and share the related revenues and costs with the other companies in the group at pre-agreed rates which in the Company's opinion are at an arm's length basis.

As these transactions are voluminous in nature and with several multinational entities, management believes that it is neither practicable nor useful to provide a detailed list of such transactions as required by IAS 24.

	2016 RO	2015 RO
(b) Due from related parties		
Due from director	15,900	15,900
Due from parent company (See note (c))	3,540	26,748
Due from non-controlling shareholder (See note (c))	9,900	22,642
Due from entities under common control of parent company	89,706	90,530
Anchor Shipping Services	8,046	-
	-----	-----
	127,092	155,820
	=====	=====

(c) The amounts due from parent company and non-controlling shareholder are interest free with no determinable term of repayment.

	2016 RO	2015 RO
(d) Due to related parties		
Due to entities under common control of parent company	1,223	768
Al Taie Technical and Commercial Services	1,083	199
Al Fayha Shipping Agencies LLC	-	458
Al Fayha Transport LLC	82,469	61,555
Anchor Shipping Services	-	28,182
Oasis Shipping Services	3,488	4,868
	-----	-----
	88,263	96,030
	=====	=====

CLARION SHIPPING SERVICES LLC

Notes - forming part of the financial statements
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	2016	2015
	RO	RO
11 Prepayments, advances and other receivables		
Prepayments	12,548	11,556
Staff advances	17,075	12,037
Deposits	19,475	16,194
	<u>49,098</u>	<u>39,787</u>
	=====	=====
12 Cash and cash equivalents		
Cash in hand	2,342	629
Bank balances		
-in local currency accounts	79,723	176,723
-in foreign currency accounts	6,703	2,289
- restricted cash balance	7,000	9,500
	<u>95,768</u>	<u>189,141</u>
	=====	=====
13 End of service benefits		
Balance, beginning of year	45,502	40,691
Provision for the year	12,870	6,730
Less: Paid during the year	(1,360)	(1,919)
	<u>57,012</u>	<u>45,502</u>
	=====	=====
14 Short term borrowings		
<p>The Company has short term borrowings in the form of American express corporate cards issued to the Company by Amex Al Omania LLC. These are interest free borrowings if repaid within the due date. In the event of late payment or any defaults in payment interest is charged on a daily basis at the prevailing interest rate i.e. 21.60% per annum.</p>		
	2016	2015
	RO	RO
15 Trade and other payables		
Trade payables	176,397	140,203
Accrued expenses	15,586	12,087
Provision for employee benefits	37,442	34,465
Other payables	50,352	45,638
	<u>279,777</u>	<u>232,393</u>
	=====	=====
16 Contingencies and commitments		
<p>Except for on-going purchase commitments in the normal course of business against which no loss is expected and the contingent liabilities disclosed below, there are no other known contingent liabilities.</p>		
	2016	2015
	RO	RO
Bank guarantees	4,500	4,500
	=====	=====

The Company has not entered into any capital commitments at the reporting date.

CLARION SHIPPING SERVICES LLC

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17 Fair value of financial instruments

Financial assets of the Company include cash and bank balances, accounts receivables, amounts due from shareholder and related parties. Financial liabilities include trade payables and due to related parties. Exposure to interest rate, credit and currency risk arises in the normal course of business.

Interest risk

The Company has no exposure to interest rate fluctuation risks.

Credit risk

Bank balances are maintained with accredited banks. Credit risk in respect of accounts receivable is managed through continuous monitoring of the age of customer balances and follow up for recovery. Confirmations from shareholders with balances at reporting have been received; the amount would be made available as needed.

Exchange risk

Majority of foreign currency transactions are either in US Dollars or in Euros. The rate of exchange between US Dollar and Rial Omani has remained unchanged since 1986. In respect of transactions in Euro, the company is susceptible to the risk of loss due to exchange rate fluctuations.

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 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.

18 Dividend

During the year ended 31 December 2016, the Company has declared interim dividend amounting to RO 200,000 which was credited to the respective shareholders accounts in proportion to their contribution towards share capital.

19 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.

CLARION SHIPPING SERVICES LLC**Schedule 1****Property, plant and equipment**

As at 31 December 2016

Year ended 31 December 2016	Furniture and fixtures	Office equipment	Motor vehicles	Total
<i>Cost</i>	RO	RO	RO	RO
Balance, beginning of year	18,441	29,377	101,380	149,198
Additions during the year	360	855	49,200	50,415
Disposal during the year	-	-	(32,350)	(32,350)
Balance, end of year	18,801 =====	30,232 =====	118,230 =====	167,263 =====
<i>Accumulated depreciation</i>				
Balance, beginning of year	18,359	21,759	73,885	114,003
Charge for the year	109	3,137	16,068	19,314
Reversal on disposal	-	-	(32,350)	(32,350)
Balance, end of year	18,468 =====	24,896 =====	57,603 =====	100,967 =====
Net book value				
As at 31 December 2016	333 ====	5,336 =====	60,627 =====	66,296 =====

(Cont'd...)

CLARION SHIPPING SERVICES LLC**Schedule 1****Property, plant and equipment**

As at 31 December 2016 (Cont'd...)

	Furniture and fixtures	Office equipment	Motor vehicles	Total
Year ended 31 December 2015				
Cost	RO	RO	RO	RO
Balance, beginning of year	18,441	26,703	101,380	146,524
Additions during the year	-	2,674	-	2,674
Balance, end of year	<u>18,441</u> =====	<u>29,377</u> =====	<u>101,380</u> =====	<u>149,198</u> =====
Accumulated depreciation				
Balance, beginning of year	18,021	18,311	60,343	96,675
Charge for the year	338	3,448	13,542	17,328
Balance, end of year	<u>18,359</u> =====	<u>21,759</u> =====	<u>73,885</u> =====	<u>114,003</u> =====
Net book value				
As at 31 December 2015	<u>82</u> =====	<u>7,618</u> =====	<u>27,495</u> =====	<u>35,195</u> =====