

# **Sahara Hospitality Company SAOG**

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**Financial Statements  
30 November 2017**

**Registered office and principal place of business:**

P O Box 311  
Postal Code 100  
Sultanate of Oman

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAHARA HOSPITALITY COMPANY SAOG

### *Report on the Audit of the Financial Statements*

#### Opinion

We have audited the accompanying financial statements of Sahara Hospitality Company SAOG, set out on pages 5 to 23, which comprise the statement of financial position as at 30 November 2017, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and notes to the financial statements including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 November 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with the ethical requirements that are relevant to our audit of the Company's financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

##### a) *Impairment of trade receivables*

The total carrying value of the accounts receivable at 30 November 2017 amounted to RO 6,026,273 against which an allowance for credit losses amounting to RO 1,445,000 has been established. The Management estimates allowance for credit losses for accounts receivable on a case to case basis after reviewing the status of overdue receivables and considering other relevant factors related to recoverability of the amounts due. Since the determination of allowance for credit losses is subjective and in view of the current market conditions, we have considered this as a key audit matter.

Our audit procedures in this regard included:

- Testing the key controls established by the Management to ensure identification of past due debts;
- Obtaining the ageing analysis for receivables and testing its correctness;
- For a sample of material accounts receivable and past due debts, assessing the recoverability status by obtaining independent balance confirmations, reviewing historic trends and testing subsequent receipts;

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SAHARA HOSPITALITY COMPANY SAOG (Continued)**

**Key Audit Matters**

*a) Impairment of trade receivables (Continued)*

- Examining the status of ongoing legal cases against customers with overdue balances and considering the impact, if any, on the allowance for credit losses required; and
- Ensuring the correctness and the adequacy of the allowance for credit losses established in the light of the above factors.

The disclosures regarding the allowance for credit losses for accounts receivable is included in note 6 to the financial statements.

*b) Related party transactions*

The total direct costs of the Company for the year ended 30 November 2017 amounted to RO 8,865,062 of which approximately 85% was from transactions with related parties. Since the Company has significant related party transactions, there is a risk of misstatement, non – identification / disclosure of transactions. Accordingly, we believe that related party transactions are a significant risk area and a key audit matter.

Our audit procedures to address the above risk included:

- Evaluating the appropriateness of management's process for identifying and recording related party transactions;
- Verifying contracts and agreements with related parties to understand the nature of transactions;
- Throughout the performance of audit procedures, we remained alert for any related party transactions outside the normal course of business;
- Analytical review of transactions with prior periods in order to observe unjustified variances in terms and conditions; and
- Obtaining confirmations for balances outstanding at the end of the reporting period.

The disclosures regarding transactions with related parties are detailed under note 11 to the financial statements.

**Other information**

The Management and the Board of Directors are responsible for other information. The other information comprises the Board of Directors' report, Management Discussion and Analysis report and Corporate Governance report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report (which we have not received as on date), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
SAHARA HOSPITALITY COMPANY SAOG (Continued)****Responsibilities of Management and the Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), the disclosure requirements for public joint stock companies issued by the Capital Market Authority 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, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is 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 misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks 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 material 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's 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.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAHARA HOSPITALITY COMPANY SAOG (Continued)

### Auditor's Responsibilities for the Audit of the Financial Statements

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on the Regulatory Requirements

The financial statements also comply, in all material respects, with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the disclosure requirements for public joint stock companies issued by the Capital Market Authority.

The engagement partner on the audit resulting in this independent auditor's report is Mr John Adcock.

18 January 2018

*JAL* *Moore Stephens*

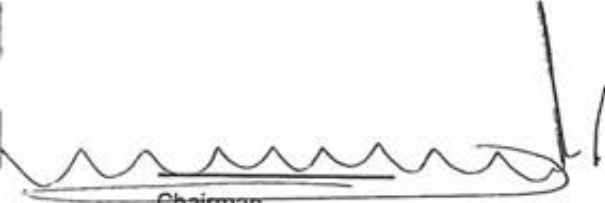


**Sahara Hospitality Company SAOG**  
Financial statements for the year ended 30 November 2017

**Statement of financial position**

	Note	2017 RO	2016 RO
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	5	18,223,741	19,220,047
<b>Current assets</b>			
Inventories	4 d)	22,575	33,985
Amounts due from a related party	11 c)	301,562	265,968
Accounts and other receivables	6	4,605,137	5,122,629
Bank balances and cash	7	3,030,901	1,695,100
Total current assets		7,960,175	7,117,682
<b>Total assets</b>		<b>26,183,916</b>	<b>26,337,729</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	5,833,333	5,833,333
Legal reserve	14	1,944,445	1,944,445
Retained earnings		12,318,943	10,716,930
Total equity		20,096,721	18,494,708
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current portion of term loan	9	3,341,300	4,520,588
Deferred taxation	17	100,361	68,992
Total non-current liabilities		3,441,661	4,589,580
<b>Current liabilities</b>			
Current portion of term loan	9	1,179,288	1,179,288
Accounts and other payables	8	573,078	322,470
Taxation	17	325,582	324,422
Amounts due to related parties	11 d)	567,586	1,427,261
Total current liabilities		2,645,534	3,253,441
<b>Total liabilities</b>		<b>6,087,195</b>	<b>7,843,021</b>
<b>Total equity and liabilities</b>		<b>26,183,916</b>	<b>26,337,729</b>
<b>Net assets per share</b>	15	<b>3.445</b>	<b>3.171</b>

These financial statements were authorized for issue and approved by the Board of Directors on 9/01/2018 and were signed on their behalf by:

 Chairman

 Director

The attached notes 1 to 21 form part of these financial statements.

**Sahara Hospitality Company SAOG**  
**Financial statements for the year ended 30 November 2017**

**Statement of comprehensive income**

	Note	2017 RO	2016 RO
<b>INCOME</b>			
Revenue	4 b)	12,323,453	12,353,854
Direct costs	10	(8,865,062)	(8,850,128)
Gross profit		3,458,391	3,503,726
Other income		—	4,550
		3,458,391	3,508,276
<b>EXPENSES</b>			
General and administration	12	404,234	412,422
Finance charges		219,888	270,507
		624,122	682,929
Profit before taxation		2,834,269	2,825,347
Taxation	17	(357,256)	(335,526)
<b>Net profit and total comprehensive income for the year</b>		<b>2,477,013</b>	<b>2,489,821</b>
<b>Basic earnings per share</b>	16	<b>0.425</b>	<b>0.427</b>

Note: The Company has no items of other comprehensive income.

The attached notes 1 to 21 form part of these financial statements.

**Sahara Hospitality Company SAOG**  
**Financial statements for the year ended 30 November 2017**

**Statement of changes in equity**

	Share capital RO (note 13)	Legal reserve RO (note 14)	Retained earnings RO	Total RO
At 30 November 2015	5,833,333	1,927,320	9,119,234	16,879,887
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	2,489,821	2,489,821
Transfer to legal reserve	--	17,125	(17,125)	--
At 30 November 2016	5,833,333	1,944,445	10,716,930	18,494,708
At 30 November 2016	5,833,333	1,944,445	10,716,930	18,494,708
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	2,477,013	2,477,013
At 30 November 2017	5,833,333	1,944,445	12,318,943	20,096,721

The attached notes 1 to 21 form part of these financial statements.

**Sahara Hospitality Company SAOG**  
**Financial statements for the year ended 30 November 2017**

**Statement of cash flows**

	2017 (Rials Omani)	2016 (Rials Omani)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from revenue	12,853,059	11,689,644
Cash paid for direct costs and general and administration expenses	(8,849,341)	(8,250,246)
Cash generated from operations	4,003,718	3,439,398
Finance charges	(219,888)	(270,507)
Taxation	(324,727)	(334,653)
Net cash generated from operating activities	3,459,103	2,834,238
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used in investing activities	(69,014)	(221,366)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net movement in term loans	(1,179,288)	(1,179,288)
Dividend paid	(875,000)	(875,000)
Net cash used in financing activities	(2,054,288)	(2,054,288)
Net increase in cash and cash equivalents during the year	1,335,801	558,584
Cash and cash equivalents at the beginning of the year	1,695,100	1,136,516
<b>Cash and cash equivalents at the end of the year</b>	<b>3,030,901</b>	<b>1,695,100</b>

The attached notes 1 to 21 form part of these financial statements.

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

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### Notes to the financial statements

#### 1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sahara Hospitality Company SAOG ("the Company") is a public joint stock company and its principal activity is to build, own and operate permanent accommodations ("the PACs") for contractors of Petroleum Development Oman LLC ("PDO") in Fahud and Nimr. PDO is committed under an agreement with the Company dated 30 May 1998 to provide land free of cost on which the PACs are situated.

During the year 2012, the Company was awarded a contract for renovation, operation and maintenance of PDO Rima Camp that consists of 142 rooms and other required facilities by variation to an existing contract on the same terms and conditions for a period of 20 years.

The PACs are operated, in accordance with the terms and conditions of a service agreement dated 24 July 1999 ("the Contract"), by a related party, Catering and Supplies Company LLC ("CSC"). Under the terms of the Contract, CSC operates the PACs in return for agreed rates (refer notes 10 and 11). The Contract provides that CSC will indemnify the Company in respect of any penalties payable by the Company arising due to CSC's failure to provide the services prescribed therein.

#### 2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

##### 2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended).

The financial statements are presented in Omani Rials.

##### 2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 December 2016. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 1 'Presentation of Financial Statements' issued in December 2014 are part of the disclosure initiative. The minor amendments address a number of areas which include the disclosure of significant accounting policies, the application of materiality to financial statements, presentation of sub-totals, information to be presented in the other comprehensive income section of the performance statement, and the structure of the notes to the financial statements. The amendments are applicable for annual periods commencing on or after 1 January 2016.

The Management believes the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

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### Notes to the financial statements

#### 2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

##### 2.3 New and amended IFRS which are in issue but not yet effective

- IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5 step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, when accounting for contract costs and when accounting for refunds and warranties. On application of the standard, the disclosures are likely to increase. The standard includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.
- IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.
- IFRS 9, 'Financial Instruments' issued in July 2014 has an effective date of accounting periods beginning on or after 1 January 2018 now that it has been finalised. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.
- Amendments to IAS 7 'Statement of Cash Flows' issued in January 2016 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Amendments to IAS 12 'Income Taxes' issued in January 2016 clarify that in order to compute a temporary difference, the carrying amount is compared to its tax base. In doing so, the entity should not consider how the related assets will be recovered (such as through sale), or the probability that any resulting deferred tax asset will be recoverable.

The amendments also clarify that the estimation of taxable profit, against which deferred tax assets can be utilised, is a separate step. If it is considered probable that an asset will be realised at more than its carrying amount, this is reflected in the entity's estimate of future taxable profit. The tax deduction arising from the reversal of deferred tax assets will not be included in the estimated future taxable profit which is used to evaluate whether those assets are recoverable.

- Annual amendments to IFRSs (2014-2016 cycle) issued in December 2016 included an amendment to IFRS 12 'Disclosure of Interests in Other Entities'. The amendment clarifies that, except for the requirements to disclose summarised financial information, the requirements of IFRS 12 apply to interests (or a portion thereof) in a subsidiary, joint venture or associate that is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5 'Non-current Assets held for Sale and Discontinued Operations'.

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

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### Notes to the financial statements

#### 2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

##### 2.3 New and amended IFRS which are in issue but not yet effective (Continued)

The Management believes the adoption of the above and other amendments, which are in issue, but not yet effective is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

#### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements include the following:

- *Allowance for credit losses*

The management reviews the accounts receivable ageing on a periodic basis and in case of difficult debtors whose outstanding is in excess of the credit period allowed, regular follow up is done to collect the amounts. Where necessary, legal options are also considered. An allowance for credit loss is estimated by the Management for doubtful receivables.

- *Estimated useful lives of property and equipment*

The estimation of useful lives is based on Management's assessment of various factors such as the expected usage of the asset, physical wear and tear and legal limits on the use of assets.

#### 4 SIGNIFICANT ACCOUNTING POLICIES

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

##### a) Accounting convention

The financial statements have been prepared under the historical cost convention.

##### b) Revenue

Revenue represents the income from contracting services and includes the invoice value of goods delivered and services provided, net of discounts. Revenue is not recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

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### Notes to the financial statements

#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### c) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property and equipment which increases the future economic benefits embodied in the item of property and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Items of property and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of income in the year the item is derecognized.

Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful economic lives are as follows:

	Years
Buildings	30
Equipment	15
Furniture and fixtures	7
Vehicles	5
Pre-fabricated buildings	7

##### d) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first in first out basis.

##### e) Accounts and other receivables

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses for accounts and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. When an accounts or other receivable is uncollectible, it is written off against the allowance account for credit losses.

##### f) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise bank balances and cash.

##### g) Impairment

###### *Financial assets*

At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non-collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognized in the statement of income. The recoverable amount represents the present value of expected future cash flows discounted at original effective interest rate. Cash flows relating to short term receivables are not discounted.

**Sahara Hospitality Company SAOG**  
**Financial statements for the year ended 30 November 2017**

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**Notes to the financial statements**

**4 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Impairment (Continued)**

*Non-financial assets*

At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognized immediately in the statement of income.

**h) Taxation**

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the year when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period.

**i) Accounts payable and accruals**

Accounts payable and accruals are recognized for amounts payable for goods and services received, whether or not billed to the Company.

**j) Financial liabilities**

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

**k) Provisions**

A provision is recognized in the statement of financial position where the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**l) Operating segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Company has a single reportable segment.

**m) Dividend**

The Board of Directors recommends to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) while recommending the dividend.

Dividend distribution to the shareholders is recognized as a liability in the Company's financial statements only in the year in which the dividends are approved by the Shareholders.

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### n) Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of comprehensive income in the year to which they relate.

#### 5 PROPERTY AND EQUIPMENT

The details of property and equipment for the years 2017 and 2016 are set out on pages 22 and 23 respectively.

#### 6 ACCOUNTS AND OTHER RECEIVABLES

	2017 RO	2016 RO
Accounts receivable	6,026,273	6,500,879
Less: allowance for credit losses [refer notes a) and c) below]	(1,445,000)	(1,390,000)
	4,581,273	5,110,879
Prepayments	23,864	11,750
	4,605,137	5,122,629

The following further notes apply:

- a) The movement in allowance for credit losses is given below:

	2017 RO	2016 RO
At the beginning of the year	1,390,000	1,327,500
Provided during the year (note 12)	55,000	62,500
At the end of the year	1,445,000	1,390,000

- b) At the end of the reporting period, the ageing analysis of the accounts receivable which are not impaired and estimated as collectible based on historical experience is as follows:

	2017 RO	2016 RO
<i>Neither past due nor impaired</i>	3,106,849	3,455,916
<i>Past due but not impaired</i>		
Debts due between 5 – 6 months	592,669	680,644
Debts due between 7 months – 1 year	694,056	546,139
Debts due for more than 1 year	187,699	428,180
	4,581,273	5,110,879

- c) At the end of the reporting period, accounts receivable amounting to RO 1,445,000 (2016 – RO 1,390,000) are past due and impaired and accordingly allowance for credit losses has been established.
- d) At the end of the reporting period, 10 customers (2016 – 10 customers) accounted for 59% (2016 – 41%) of the net accounts receivable.
- e) The entire accounts receivable are unsecured (2016 – unsecured).

**Sahara Hospitality Company SAOG**  
**Financial statements for the year ended 30 November 2017**

**Notes to the financial statements**

**7 BANK BALANCES AND CASH**

	2017 RO	2016 RO
Bank balances	3,030,776	1,694,975
Cash in hand	125	125
	<u>3,030,901</u>	<u>1,695,100</u>

**8 ACCOUNTS AND OTHER PAYABLES**

	2017 RO	2016 RO
Accounts payable	279,436	57,913
Proposed Directors' remuneration (see note below)	115,036	114,073
Accruals and other payables	178,606	150,484
	<u>573,078</u>	<u>322,470</u>

The following further note applies:

The proposed Directors' remuneration is subject to the approval at the forthcoming Annual General Meeting.

**9 TERM LOAN**

	2017 RO	2016 RO
Term loan [see note a) below]	4,520,588	5,699,876
Less: current portion	(1,179,288)	(1,179,288)
Non-current portion	<u>3,341,300</u>	<u>4,520,588</u>

The following further notes apply:

a) The term loan was obtained from a local commercial bank (a related party). The term loan is subject to interest at 4.25% per annum (2016 - 4.25% per annum) and repayable in equal monthly installments of RO 98,274 which commenced from October 2014. The loan is secured by assignment of accounts receivable from a customer and insurance policies relating to the Company's buildings. The Company has also provided an undertaking to the lending bank that the Company's properties will not be mortgaged to any other bank or third party.

b) The maturity profile of the non-current portion of the term loan is as follows:

	2017 RO	2016 RO
Up to 1 year	1,179,288	1,179,288
2 - 5 years	2,162,012	3,341,300
	<u>3,341,300</u>	<u>4,520,588</u>

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 10 DIRECT COSTS

	2017 RO	2016 RO
Cost of provision of services by related parties	7,799,742	7,776,601
Depreciation (note 5)	1,065,320	1,073,527
	<u>8,865,062</u>	<u>8,850,128</u>

#### 11 RELATED PARTY TRANSACTIONS

- a) The Company has entered into transactions with certain shareholders or with companies over which certain Directors and Shareholders are able to exercise significant influence or control.

Costs for provision of services for the operation of the PACs, which are payable to a related party, are determined based on contractually agreed terms (see note 1). Additionally, the Company and CSC share the profits from beverages sales at the PACs equally.

The terms and conditions of related party bank loans are mutually agreed. In respect of other related party transactions, the terms are believed by the Board of Directors to be comparable with commercial terms that could be obtained from third parties on an arm's length basis.

The related party transactions entered into during the year and subject to Shareholders' approval at the forthcoming Annual General Meeting were as follows:

	2017 RO	2016 RO
<i>Transactions with shareholders holding 10% or more interest in the Company</i>		
Services rendered and recharged	7,326,816	7,327,513
Direct costs – others	249,383	227,329
General and administration expenses	106,680	106,680
Other sales and services	171,622	411,315
<i>Transactions with other related parties</i>		
Direct costs – others	79,153	121,794
General and administration expenses	22,385	22,856
Other sales	219,816	423,680
<i>Transactions with shareholders holding less than 10% interest in the Company</i>		
Finance charges	219,662	270,507
Loan repayments	1,179,288	1,179,288

The key management personnel compensation for the year comprises:

	2017 RO	2016 RO
Directors' remuneration (notes 8 and 12)	115,036	114,073

- b) The amounts due to related parties are interest free, unsecured and repayable on demand (2016 – similar terms and conditions). The amount due from a related party is repayable based on normal credit terms (2016 – similar terms and conditions)

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 11 RELATED PARTY TRANSACTIONS (Continued)

c) The amounts due from a related party is as follows:

	2017 RO	2016 RO
<i>Other related parties</i>		
Carillion Alawi LLC	301,562	265,968

d) The amount due to related parties are as follows:

	2017 RO	2016 RO
<i>Shareholders holding 10% or more interest in the Company</i>		
Catering and Supplies Company LLC	549,211	1,404,169
<i>Other related parties</i>		
Marketing and Services Company LLC	18,375	23,092
	567,586	1,427,261

#### 12 GENERAL AND ADMINISTRATION

	2017 RO	2016 RO
Directors' remuneration [note 11 a)]	115,036	114,073
Salaries and related expenses	97,080	95,205
Allowance for credit losses [note 6 a)]	55,000	62,500
Repairs and maintenance	52,958	40,924
Office services	24,000	24,000
Insurance	22,402	23,977
Miscellaneous	37,758	51,743
	404,234	412,422

#### 13 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2016 – 10,000,000 of RO 1 each). At the end of the reporting period, the Company's issued and fully paid-up share capital consisted of 5,833,333 shares of RO 1 each (2016 – 5,833,333 shares of RO 1 each).

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

	2017 %	2016 %
Alawi Enterprises LLC	20.00	20.00
Catering and Supplies Company LLC	20.00	20.00
Chatron Commercial Corporation	16.85	16.85
Azan Qais Abdulmunim Al Zawawi	10.22	10.22

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 14 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the profit for the year has to be transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up share capital. The reserve is not available for distribution. The Company has discontinued transfer to the legal reserve since the reserve has reached the minimum requirement.

#### 15 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding at the end of the year as follows:

	2017	2016
Net assets (RO)	20,096,721	18,494,708
Number of shares outstanding	5,833,333	5,833,333
Net assets per share (RO)	3.445	3.171

#### 16 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year after taxation by the weighted average number of shares outstanding during the year as follows:

	2017	2016
Net profit for the year (RO)	2,477,013	2,489,821
Weighted average number of ordinary shares at the end of the year	5,833,333	5,833,333
Basic earnings per share (RO)	0.425	0.427

#### 17 TAXATION

	2017 RO	2016 RO
<i>Statement of comprehensive income</i>		
Current year	325,582	324,381
Prior year	305	--
Deferred tax charge	31,369	11,145
	357,256	335,526
<i>Statement of financial position</i>		
<i>Current liability</i>		
Current year	325,582	324,381
Prior years	--	41
	325,582	324,422
<i>Non-current liability</i>		
Deferred tax	100,361	68,992

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 17 TAXATION (Continued)

The following further notes apply:

- a) The Company is subject to income tax at 12% (2016 - 12%) of taxable income in excess of RO 30,000. During the year, there has been a change in the tax rate from 12% to 15%. The taxable income exemption of RO 30,000 has also been withdrawn. The revised tax rate is effective for annual periods commencing on or after 1 January 2017.

- b) The reconciliation of taxation on the accounting profit with the taxation charge for the year is as follows:

	2017 RO	2016 RO
Taxation charge on accounting profit at applicable rate:	336,513	335,442
Add / (less) tax effect of:		
Depreciation	(17,897)	(18,510)
Provisions	6,600	7,500
Others	366	(51)
<b>Income tax expense</b>	<b>325,582</b>	<b>324,381</b>

- c) The Company's taxation assessments for the years 2013 to 2016 are pending to be finalized by the Secretariat General of Taxation. The Board of Directors believes that any additional tax liability likely to arise on the completion of the assessments for the above years would not be material to the financial position of the Company at the end of the reporting period.

- d) The deferred tax liability and the deferred tax charge in the statement of income is attributable to the following items:

	Accelerated tax depreciation RO	Provisions RO	Total RO
At 30 November 2016	(235,792)	166,800	(68,992)
Credited / (charged) to the statement of income	(81,319)	49,950	(31,369)
<b>At 30 November 2017</b>	<b>(317,111)</b>	<b>216,750</b>	<b>(100,361)</b>
At 30 November 2015	(217,147)	159,300	(57,847)
Credited / (charged) to the statement of income	(18,645)	7,500	(11,145)
<b>At 30 November 2016</b>	<b>(235,792)</b>	<b>166,800</b>	<b>(68,992)</b>

- e) The deferred tax impact in the statement of income for the year attributable to change in tax rate is RO 20,072.

#### 18 DIVIDEND

- a) Subsequent to the reporting period, the Board of Directors, in its meeting held on 18 January 2018, has proposed a cash dividend of 15% or RO 0.150 per share (2016 - 15% or RO 0.150 per share) and stock dividend of 5% for the year 2017 (2016 - Nil), which is subject to the approval of the shareholders at the forthcoming Annual General Meeting.
- b) Dividend per share of RO 0.200 (2016 - RO 0.150) is determined by dividing the dividend proposed for the year of RO 1,166,667 (2016 - RO 875,000) by the number of ordinary shares at the financial position date of 5,833,333 shares (2016 - 5,833,333 shares).

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

### Notes to the financial statements

#### 19 CONTINGENCIES

	2017 RO	2016 RO
Performance guarantee	--	63,206
Bid bonds	10,000	--
	10,000	63,206

#### 20 OPERATING SEGMENT

The Company operates in only one reportable segment within the geographical segment of Sultanate of Oman, that of hospitality. All relevant information relating to the operating segment is disclosed in the statement of income, statement of financial position and notes to the financial statements.

#### 21 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's activities expose it to various financial risks, primarily being, interest rate risk, credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

##### a) Interest rate risk

The Company is exposed to interest rate risk on its interest bearing liabilities (term loan). The Management manages the interest rate risk by constantly monitoring the changes in interest rates and ensuring that the term loan is on a fixed rate basis.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 22,603 (2016 – RO 28,499) based on the term loan balance at the end of the reporting period.

##### b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

##### c) Liquidity risk

The Management maintains sufficient bank balances and cash and has availed term loan to meet its obligations as they fall due for payment and is therefore not subject to significant liquidity risk.

The table below analyses the Company's financial liabilities as at the financial position date based on the contractual maturity date.

At 30 November 2017	Less than 3 months RO	4 to 6 months RO	7 months to 1 year RO	More than 1 year RO	Total RO
Term loan	294,822	294,822	589,644	3,341,300	4,520,588
Amounts due to related parties	567,586	--	--	--	567,586
Accounts and other payables	483,855	24,026	65,197	--	573,078
	1,346,263	318,848	654,841	3,341,300	5,661,252

# Sahara Hospitality Company SAOG

## Financial statements for the year ended 30 November 2017

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### Notes to the financial statements

#### 21 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

##### c) Liquidity risk (Continued)

At 30 November 2016	Less than 3 months RO	4 to 6 months RO	7 months to 1 year RO	More than 1 year RO	Total RO
Term loan	294,822	294,822	589,644	4,520,588	5,699,876
Amounts due to related parties	1,427,261	—	—	—	1,427,261
Accounts and other payables	150,428	169,822	2,220	—	322,470
	<u>1,872,511</u>	<u>464,644</u>	<u>591,864</u>	<u>4,520,588</u>	<u>7,449,607</u>

##### d) Capital management

The Company's objectives when managing capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the shareholders. The Company also ensures compliance with externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or raise additional capital.

**Sahara Hospitality Company SAOG**  
Financial statements for the year ended 30 November 2017

**Notes to the financial statements**

**5 PROPERTY AND EQUIPMENT (Continued)**

Year 2017	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
<b>Cost</b>						
At 30 November 2016	27,394,521	929,835	1,035,992	118,800	525,819	30,004,967
Additions during the year	34,800	4,510	29,704	--	--	69,014
At 30 November 2017	27,429,321	934,345	1,065,696	118,800	525,819	30,073,981
<b>Depreciation</b>						
At 30 November 2016	8,912,395	568,677	861,228	106,513	336,107	10,784,920
Charge for the year	913,249	39,168	65,635	7,763	39,505	1,065,320
At 30 November 2017	9,825,644	607,845	926,863	114,276	375,612	11,850,240
<b>Net book values</b>						
At 30 November 2017	17,603,677	326,500	138,833	4,524	150,207	18,223,741
At 30 November 2016	18,482,126	361,158	174,764	12,287	189,712	19,220,047

**Sahara Hospitality Company SAOG**  
Financial statements for the year ended 30 November 2017

**Notes to the financial statements**

**5 PROPERTY AND EQUIPMENT (Continued)**

Year 2016	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
<b>Cost</b>						
At 30 November 2015	27,388,321	912,897	989,013	118,800	374,570	29,783,601
Additions during the year	6,200	16,938	46,979	--	151,249	221,366
At 30 November 2016	27,394,521	929,835	1,035,992	118,800	525,819	30,004,967
<b>Depreciation</b>						
At 30 November 2015	7,999,417	530,368	798,897	98,753	283,958	9,711,393
Charge for the year	912,978	38,309	62,331	7,760	52,149	1,073,527
At 30 November 2016	8,912,395	568,677	861,228	106,513	336,107	10,784,920
<b>Net book values</b>						
At 30 November 2016	18,482,126	361,158	174,764	12,287	189,712	19,220,047
At 30 November 2015	19,388,904	382,529	190,116	20,047	90,612	20,072,208