

SAHARA HOSPITALITY COMPANY SAOG

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2019**

Registered address

PQ Box 311,
Postal Code 100, Muscat
Sultanate of Oman

SAHARA HOSPITALITY COMPANY SAOG

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2019**

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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 financial statements of Sahara Hospitality Company SAOG ('the Company'), which comprise the statement of financial position as at 30 November 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of 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 2019, 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 the 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 financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance 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 judgment, were of most significance in our audit of the financial statements of the current year. 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.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Allowance for credit losses on trade receivables (refer note 7)</i></p> <p>As at 30 November 2019, the Company's trade receivables and the allowance for credit losses amounted to RO 6,377,448 and RO 1,618,500 respectively. As disclosed in note 7, this represent a significant balance in the Company's statement of financial position.</p> <p>The Company has adopted International Financial Reporting Standards - IFRS 9 Financial Instruments, effective from 1 December 2018, and applied a forward-looking expected credit loss impairment model.</p> <p>We considered this area as a key audit matter due to the materiality of the balances and the allowance for credit losses involves judgement and must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.</p>	
<p><i>Related party transactions (refer note 6)</i></p> <p>The Company entered into transactions with related parties, directors, key management personnel and their related entities, in the ordinary course of business. IAS 24, Related Party Disclosures requires qualitative and quantitative disclosures of transactions with related parties.</p> <p>We considered this area as a key audit matter due to the significance of the related party transactions disclosed in the financial statements.</p>	
	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Testing the accuracy of the aging of trade receivables; ▪ Assessing the operating effectiveness of the credit process; ▪ Verifying the data underlying the expected credit loss computation; ▪ Reviewing the methodology used and assess the reasonableness of assumptions used in preparing the estimate. <p>We considered management's judgment to be reasonable both in respect of the allowance for credit losses recognized in the opening retained earnings and the carrying value of the trade receivables at the year end.</p> <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Reviewed the minutes of the meeting of Board of Directors and details of related parties maintained by the Company, to determine that the Company has a process to identify all related party transactions and balances. ▪ On a sample basis, we tested certain significant transactions with related parties and assessed the adequacy of disclosures with respect to the requirements of IAS 24. <p>Overall, we found no material misstatements arising from our testing.</p>



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

Other matter

The financial statements of Sahara Hospitality Company SAOG for the year ended 30 November 2018 were audited by another auditor whose report dated 24 January 2019 expressed an unmodified opinion on those financial statements.

Other information included in the Company's 2019 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the other information comprising the Chairman's Report, Corporate Governance Report and Management Discussion and Analysis Report prior to the date of our auditor's report, and we expect to obtain the published 2019 Annual report after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 on the other information obtained prior to the date of auditor's report, 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.

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 their preparation in accordance with the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of Sultanate of Oman, 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.

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

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

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 judgment 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.

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

Auditor's responsibilities for the audit of the financial statements (continued)

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.

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 year 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 other legal and regulatory requirements

Further, we report that the financial statements of the Company as at and for the year ended 30 November 2019 comply in all material respects, with the applicable provisions of the Commercial Companies Law of Sultanate of Oman, and the disclosure requirements for Public Joint Stock Companies issued by the Capital Market Authority.

CROWE MAK GHAZALI LLC



Tom C Mathew
Partner Audit

Muscat, Sultanate of Oman
20 January 2020



SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2019

ASSETS	Note	2019 RO	2018 RO
Non-current assets			
Property, plant and equipment	4	17,739,190	17,190,255
Investments at amortised cost	5	4,000,000	-
		<u>21,739,190</u>	<u>17,190,255</u>
Current assets			
Inventories		23,831	25,121
Amount due from related parties	6	33,431	95,630
Trade and other receivables	7	4,841,518	4,670,343
Cash and bank balances	8	1,511,436	6,266,658
		<u>6,410,216</u>	<u>11,057,752</u>
Total assets		<u>28,149,406</u>	<u>28,248,007</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	9	6,125,000	6,125,000
Legal reserve	10	2,041,667	2,041,667
Retained earnings		14,913,939	13,511,822
Total equity		<u>23,080,606</u>	<u>21,678,489</u>
Liabilities			
Non-current liabilities			
Non-current portion of term loans	11	982,724	2,162,012
Deferred taxation	12	114,320	113,528
		<u>1,097,044</u>	<u>2,275,540</u>
Current liabilities			
Current portion of term loans	11	1,179,288	1,179,288
Amount due to related parties	6	1,486,325	2,083,139
Trade and other payables	13	842,826	610,985
Income tax payable	12	463,317	420,566
		<u>3,971,756</u>	<u>4,293,978</u>
Total liabilities		<u>5,068,800</u>	<u>6,569,518</u>
Total equity and liabilities		<u>28,149,406</u>	<u>28,248,007</u>
Net assets per share	14	<u>3.768</u>	<u>3.539</u>

These financial statements were approved and authorised for issue by the Board of Directors on 28.11.2020 and signed on their behalf by:


DEPUTY CHAIRMAN


DIRECTOR

The notes on pages 10 to 32 form part of these financial statements.

Auditor's report: pages 1 - 5

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SAHARA HOSPITALITY COMPANY SAOG

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2019**

	<u>Note</u>	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Income from operations	15	13,039,985	12,399,737
Cost of operations	16	(9,425,072)	(8,922,120)
Gross profit		<u>3,614,913</u>	<u>3,477,617</u>
Other income	17	155,119	1,485
Administrative expenses	18	(362,021)	(361,936)
Allowance for credit losses (net)	6 & 7	(11,551)	(55,000)
Profit from operations		<u>3,396,460</u>	<u>3,062,166</u>
Finance charges		(135,343)	(171,665)
Profit for the year before income tax		<u>3,261,117</u>	<u>2,890,501</u>
Income tax	12	(464,109)	(433,733)
Net profit and total comprehensive income for the year		<u><u>2,797,008</u></u>	<u><u>2,456,768</u></u>
Basic earnings per share	14	<u><u>0.457</u></u>	<u><u>0.401</u></u>

The notes on pages 10 to 32 form part of these financial statements.

Auditor's report: pages 1 - 5

SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2019

	<u>Share capital</u> <u>RO</u>	<u>Legal reserve</u> <u>RO</u>	<u>Retained earnings</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 December 2017	5,833,333	1,944,445	12,318,943	20,096,721
Bonus shares	291,667	-	(291,667)	-
Profit for the year	-	-	2,456,768	2,456,768
Transfer to legal reserve	-	97,222	(97,222)	-
Dividend paid	-	-	(875,000)	(875,000)
At 30 November 2018	<u>6,125,000</u>	<u>2,041,667</u>	<u>13,511,822</u>	<u>21,678,489</u>
At 1 December 2018	6,125,000	2,041,667	13,511,822	21,678,489
Transition adjustment on adoption of IFRS 9 (note 6&7)	-	-	(169,891)	(169,891)
At 1 December 2018 (adjusted)	6,125,000	2,041,667	13,341,931	21,508,598
Profit for the year	-	-	2,797,008	2,797,008
Dividend paid	-	-	(1,225,000)	(1,225,000)
At 30 November 2019	<u>6,125,000</u>	<u>2,041,667</u>	<u>14,913,939</u>	<u>23,080,606</u>

The notes on pages 10 to 32 form part of these financial statements.

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SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 NOVEMBER 2019

	<u>Note</u>	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Cash flow from operating activities			
Cash receipts from customers		12,831,816	12,540,465
Cash paid to suppliers and employees		(9,131,225)	(6,739,439)
Cash generated from operations		3,700,591	5,801,026
Net financing charges		(135,343)	(171,665)
Income tax paid		(420,566)	(325,584)
Net cash from operating activities		<u>3,144,682</u>	<u>5,303,777</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,575,396)	(15,217)
Proceeds from disposal of property, plant and equipment		-	1,485
Investment at amortised cost		(4,000,000)	-
Interest on bank deposits		79,780	-
Net cash used in investing activities		<u>(5,495,616)</u>	<u>(13,732)</u>
Cash flows from financing activities			
Term loan repayments		(1,179,288)	(1,179,288)
Dividend paid		(1,225,000)	(875,000)
Net cash used in financing activities		<u>(2,404,288)</u>	<u>(2,054,288)</u>
Net change in cash and cash equivalents during the year		<u>(4,755,222)</u>	<u>3,235,757</u>
Cash and cash equivalents at the beginning of the year		6,266,658	3,030,901
Cash and cash equivalents at the end of the year	8	<u>1,511,436</u>	<u>6,266,658</u>

The notes on pages 10 to 32 form part of these financial statements.

Auditor's report: pages 1 - 5

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019

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 staff and contractors of Petroleum Development Oman LLC ("PDO") in Fahud, Nimr and Rima. 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 2012, the Company has been 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 as amended on 20 June 2012 ("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 (notes 6 and 16). 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

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified to include the fair value of certain financial assets and liabilities.

Functional and presentation currency

The financial statements have been prepared in Rial Omani ("RO"), which is the functional and presentation currency of the Company.

Statement of compliance

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 Interpretations Committee (IFRIC) of the IASB, the disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

Adoption of new IFRS

The financial statements have been prepared based on accounting standards effective for the accounting periods beginning on or after 1 December 2018. The Company has adopted the following standards for the first time for the annual reporting period beginning from 1 December 2018:

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

2 Basis of preparation and adoption of new and amended IFRS (continued)

Adoption of new IFRS (continued)

i) IFRS 15: Revenue from Contracts with Customers

a) Overview

IFRS 15: 'Revenue from contracts with customers' ("IFRS 15") is applicable to annual reporting periods beginning on or after 1 January 2018. IFRS 15 replaces mainly IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations.

The new standard is based on the principle that revenue is recognized when control of goods or services is transferred to a customer, so the notion of control replaces the existing notion of risks and rewards. The new standard replaces the separate models for goods, services and construction contracts previously included in IAS 18 Revenue and IAS 11 Construction Contracts. The core principle in IFRS 15 is that an entity recognises revenue represent the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

Under IFRS 15, a new five-step process is applied for recognition of revenue as:

- i. Identify contracts with customers;
- ii. Identify the separate performance obligations;
- iii Determine the transaction price of the contract;
- iv Allocate the transaction price to each of the separate performance obligations; and
- v. Recognise the revenue as each performance obligation is satisfied.

b) Impact

The Company has adopted IFRS 15 using the cumulative effect method (modified retrospective method, without practical expedients), with the effect of initially applying IFRS 15 at the date of initial application on 1 December 2018. IFRS 15 did not have a significant impact on the Company's accounting policies with respect to revenue.

Accordingly, the information presented for the year ended 30 November 2018 has not been restated. However, the disclosure requirements in IFRS 15 have been applied to comparative information. New accounting policy for revenue recognition under IFRS 15 is detailed in note 3.

ii) IFRS 9: Financial Instruments

a) Overview

In July 2014, the International Accounting Standards Board (IASB) issued a new International Financial Reporting Standard – IFRS 9 'Financial instruments' effective for annual periods beginning on or after 1 January 2018, which replaced the existing International Accounting Standard 39 'Financial Instruments: Recognition and Measurement'.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

2 Basis of preparation and adoption of new and amended IFRS (continued)

Adoption of new IFRS (continued)

ii) IFRS 9: Financial Instruments (continued)

a) Overview (continued)

The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. IFRS 9 requires the Company to record expected credit losses (ECL) on all of its financial assets at amortized cost and debt instruments, if any, measured at fair value through other comprehensive income.

b) Impact

As of the date of initial application of IFRS 9 on 1 December 2018, the classification, measurement and impairment requirements have been adopted retrospectively with an option not to restate comparatives. The Company decided that adjustment on that date, if any, due to re-classification, re-measurement or adjustment arising from new impairment requirements to be recognized in the opening retained earnings, as disclosed below.

	<u>Retained earnings</u> <u>RO</u>
Closing balance at 30 November 2018 as reported	13,511,822
<i>Impact on recognition of ECL under IFRS 9</i>	
ECL under IFRS 9 for amount due from related parties at amortised cost	18,190
ECL under IFRS 9 for trade receivables at amortised cost	(188,081)
Adjusted opening balance as at 1 December 2018	<u>13,341,931</u>

The following table shows the original measurement categories and carrying value in accordance with IAS 39 and new measurement categories under IFRS 9 for the Company's financial assets at 1 December 2018.

	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount RO	Remeasurement – ECL RO	New carrying amount RO
Amount due from related parties	Loans and receivables	Amortised cost	95,630	18,190	113,820
Trade receivables	Loans and receivables	Amortised cost	4,658,471	(188,081)	4,470,390
Cash and bank balances	Loans and receivables	Amortised cost	6,266,658	-	6,266,658
Total financial assets			<u>11,020,759</u>	<u>(169,891)</u>	<u>10,850,868</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

2 Basis of preparation and adoption of new and amended IFRS (continued)

Adoption of new IFRS (continued)

ii) IFRS 9: Financial Instruments (continued)

b) Impact (continued)

The application of new ECL model under IFRS 9 has changed the carrying amounts of the Company's financial assets measured at amortized cost. IFRS 7 'Financial Instruments – Disclosures' has been amended in line with IFRS 9 requirements and has been applied accordingly. The comparative information presented for the year ended 30 November 2018 does not reflect the requirements of IFRS 9. New accounting policy for IFRS 9 is detailed in note 3.

The adoption of IFRS 9 did not result in any change in the classification or measurement of financial liabilities.

Other standards, amendments and interpretations to existing IFRS effective 1 December 2018

The Company has adopted all other standards and amendments for the first time for the annual reporting period beginning from 1 December 2018, while has accounted for and disclosed only the relevant and applicable standards and amendments:

- Amendments to IFRS 2: 'Share-based Payment' – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40: 'Investment Property' – Transfers of Investment Property;
- Annual Improvements to IFRSs published in December 2016 (2014-2016 cycle);
- IFRIC 22: 'Foreign Currency Transactions and Advance Consideration'.

Standards, amendments and interpretations to existing IFRS that are not yet effective

Certain new standards, amendments and interpretations to the existing IFRS have been published that are not mandatory for the reporting period ended 30 November 2019 and have not been early adopted by the Company:

- IFRS 16: 'Leases';
- IFRS 17: 'Insurance Contracts';
- Amendments to IAS 19: 'Employee Benefits' – Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures', and IFRS 10: 'Consolidated Financial Statements' – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

2 Basis of preparation and adoption of new and amended IFRS (continued)

Standards, amendments and interpretations to existing IFRS that are not yet effective (continued)

- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle);
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

Management believes that adoption of the new standards, amendments and interpretations 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 current and future periods and foreseeable future transactions.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Company to all the years presented, unless otherwise stated.

Income from operations

Policy effective from 1 December 2018 under IFRS 15

The Company is operating permanent accommodations ("the PACs") for contractors of Petroleum Development Oman LLC ("PDO") in Fahud, Nimr and Rima. The Services are provided through a service provider. Income from operations represents sale of goods and services in normal course of business and is recognised at a point in time and over the period when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to the customer.

The consideration expected by the Company may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Income from operations is recognized when control of the asset is transferred to the buyer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

For products for which a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Income from operations (continued)

Policy effective before 1 December 2018 under IAS 18

Revenue represents invoice value of services rendered.

Financial Instruments

Policy effective from 1 December 2018 under IFRS 9

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets at fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (FVOCI); and
- Financial assets carried at fair value through profit or loss (FVTPL)

Financial assets at amortised cost

Investments at amortised cost are non-derivative financial assets held within the business model with the objective of holding the assets to collect contractual cashflows; and contractual terms of the financial asset gives rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Subsequent to initial recognition, investments at amortised cost are measured at amortised cost using the effective interest method less any impairment. Investments at amortised cost are included in non-current assets, except for those with maturities of less than 12 months from the end of the reporting period.

i) Recognition and measurement

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables are measured at the transaction price determined under IFRS 15.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Policy effective from 1 December 2018 under IFRS 9 (continued)

i) Recognition and measurement (continued)

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Company does not trade in any financial liabilities and does not classify or measure any financial liabilities as at fair value through profit or loss. Consequently, all financial liabilities are classified and subsequently measured at amortized cost.

ii) Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

Policy effective before 1 December 2018 under IAS 39

Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off during the year in which they are identified.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any impairment losses.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOI Recognized in the statement of comprehensive income

3 Summary of significant accounting policies (continued)

Financial Instruments (continued)

Impairment of financial assets

Policy effective from 1 December 2018 under IFRS 9

Recognized in the statement of comprehensive income

ECLs are recognised in two stages:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company is having a method of provisioning that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. A receivable is considered as in default, if the receivable is past due more than 45 days.

Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The gross carrying amount of a financial asset is written off against the related provision, when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Policy effective before 1 December 2018 under IAS 39

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

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

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

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. After the initial recognition, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Items of property, plant 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 de-recognition of the asset is included in the statement of income in the year the item is derecognized.

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

	Years
Buildings on leasehold land	30
Equipment	15
Furniture and fixtures	7
Motor vehicles	5
Pre-fabricated buildings	7

Depreciation methods and useful lives as well as residual values are reassessed annually.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

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.

Impairment of Non-financial assets

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

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

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

Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities up to three months or less and bank overdraft.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

Payables and accruals

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Company has a present (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 pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Finance charges

Finance charges comprise of interest payable on borrowings. All interest costs incurred in connection with borrowings are expensed as part of finance costs on accrual basis using the effective interest rate.

Foreign currency transactions

Transactions denominated in foreign currencies entered into during the year have been translated into Rial Omani at the rates of exchange prevailing at the date of transactions. Foreign currency monetary assets and liabilities denominated in foreign currency at the end of the reporting period are translated into Rial Omani at the exchange rates prevailing at the end of the reporting period. Transaction gain and loss arising from foreign currency transactions are dealt in the statement of comprehensive income.

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated by 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 realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized 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 utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Dividends

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

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Earnings and net assets per share

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

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Directors' remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the Company, the Commercial Companies Law and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders, provided that such fees shall not exceed RO 200,000. For loss making entities, the annual remuneration is capped at RO 50,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

Segment reporting

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.

Estimates and judgments

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

The assumptions considered by management to have significant risk of material adjustment in subsequent years primarily comprise assumptions with respect to the following:

Useful lives of property, plant and equipment

The estimation of useful lives is based on Management's assessment of various factors such as the expected usage.

Assessment for impairment of property, plant and equipment

Assessment for impairment of financial assets

Allowance for expected credit loss which is based on the present value of expected cash shortfalls over the residual term of the financial assets.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

4 Property, plant and equipment

Cost	Buildings on leasehold land RO	Equipment RO	Furniture and fixtures RO	Motor vehicles RO	Pre-fabricated buildings RO	Total RO
At 1 December 2017	27,429,321	934,345	1,065,696	118,800	525,819	30,073,981
Additions	-	5,345	9,872	-	-	15,217
Disposals	-	-	(54,724)	-	-	(54,724)
At 30 November 2018	27,429,321	939,690	1,020,844	118,800	525,819	30,034,474
At 1 December 2018	27,429,321	939,690	1,020,844	118,800	525,819	30,034,474
Additions	1,463,307	33,121	78,968	-	-	1,575,396
At 30 November 2019	28,892,628	972,811	1,099,812	118,800	525,819	31,609,870
Depreciation						
At 1 December 2017	9,825,644	607,845	926,863	114,276	375,612	11,850,240
Charge for the year	914,306	39,302	58,797	4,524	31,774	1,048,703
Relating to disposals	-	-	(54,724)	-	-	(54,724)
At 30 November 2018	10,739,950	647,147	930,936	118,800	407,386	12,844,219
At 1 December 2018	10,739,950	647,147	930,936	118,800	407,386	12,844,219
Charge for the year	923,061	40,779	32,399	-	30,222	1,026,461
At 30 November 2019	11,663,011	687,926	963,335	118,800	437,608	13,870,680
Net book value						
At 30 November 2019	17,229,617	284,885	136,477	-	88,211	17,739,190
At 30 November 2018	16,689,371	292,543	89,908	-	118,433	17,190,255

The Company constructed the buildings on land belonging to PDO, in Fahud, Nimr and Rima locations. PDO is committed under an agreement, as mentioned in note 1, to provide land free of cost on which the buildings (PACs) are situated.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

5 Investments at amortised cost

Investments at amortised cost represents the amount deposited in commercial banks in Sultanate of Oman, with specific maturity date of 1 July 2021.

6 Related party transactions

Related parties comprise the associated company as well as shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions (other related parties).

The Company has balances with these related parties which arise in the normal course of business from the commercial transactions. Terms of these transactions are approved by the Board of Directors and the shareholders.

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

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

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
<i>i) Transactions with shareholders holding 10% or more interest in the Company</i>		
Cost of operations - service cost	7,799,805	7,265,334
Cost of operations - others	171,388	199,885
Property, plant and equipment	83,230	-
General and administration expenses	106,680	106,680
Other sales and services	287,747	248,977
<i>ii) Transactions with other related parties</i>		
Cost of operations - others	112,528	117,861
General and administration expenses	22,309	22,450
Income from operations	98,178	119,319
<i>iii) Transactions with shareholders holding less than 10% interest in the Company</i>		
Finance charges	134,069	170,675
Loan repayments	1,179,288	1,179,288
Directors' remuneration	131,092	108,068

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

6 Related party transactions (continued)

b) Amount due from related parties

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
<i>Other related parties</i>		
Carillion Alawi LLC	96,373	188,697
Provision for credit losses	(62,942)	(93,067)
	<u>33,431</u>	<u>95,630</u>

The movement in allowance for credit losses is as follows:

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
At the beginning of the year	93,067	93,067
Transition adjustment on adoption of IFRS 9	(18,190)	-
At the beginning of the year (adjusted)	<u>74,877</u>	<u>93,067</u>
Reversed during the year	(11,935)	-
At 30 November	<u>62,942</u>	<u>93,067</u>

c) Amount due to related parties

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
<i>Shareholders holding 10% or more interest in the Company</i>		
Catering and Supplies Company LLC	1,463,154	2,058,984
<i>Other related parties</i>		
Marketing and Services Company LLC	23,171	24,155
	<u>1,486,325</u>	<u>2,083,139</u>

7 Trade and other receivables

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Trade receivables	6,377,448	6,065,404
Less : allowance for credit losses	(1,618,500)	(1,406,933)
	<u>4,758,948</u>	<u>4,658,471</u>
Advances, deposits and prepayments	82,570	11,872
	<u>4,841,518</u>	<u>4,670,343</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

7 Trade and other receivables (continued)

- a) At the end of the reporting period, 56% (2018: 54%) of the trade receivables are due from 10 customers (2018: 10 customers).
- b) At the end of the reporting period, the Company's trade receivables amounting to RO 4,430,609 (2018: RO 3,999,844) are neither past due, nor impaired.
- c) At 30 November 2019, trade receivables amounting to RO 328,339 (2018: RO 658,627) are past due, but not impaired and are estimated collectible based on the historical experience of management.

The ageing analysis of these past due trade receivables is as follows:

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Due between 180-270 days	254,594	327,042
Due between 270-365 days	73,745	169,791
Due more than 365 days	-	161,794
	<u>328,339</u>	<u>658,627</u>

- d) The movement in allowance for credit losses is as follows:

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
At the beginning of the year	1,406,933	1,351,933
Transition adjustment on adoption of IFRS 9	188,081	-
At the beginning of the year (adjusted)	<u>1,595,014</u>	<u>1,351,933</u>
Charged during the year	23,486	55,000
At 30 November	<u>1,618,500</u>	<u>1,406,933</u>

8 Cash and bank balances

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Cash at bank - current accounts	1,511,311	6,266,533
Cash in hand	125	125
	<u>1,511,436</u>	<u>6,266,658</u>

9 Share capital

- a) The authorised share capital of the Company comprises 10,000,000 ordinary shares of RO 1 each (2018: 10,000,000 ordinary shares of RO 1 each). The issued and fully paid-up share capital is RO 6,125,000 (2018: RO 6,125,000) comprising 6,125,000 shares of RO 1 each (2018: 6,125,000 shares of RO 1 each).

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

9 Share capital (continued)

- b) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital, and the number of shares they hold are as follows:

	2019		2018	
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %
Alawi Enterprises LLC	1,225,000	20.00	1,225,000	20.00
Catering and Supplies Company LLC	1,225,000	20.00	1,225,000	20.00
Chatron Commercial Corporation	1,031,805	16.85	1,031,805	16.85
Azan Qais Abdulmunim Al Zawawi	773,890	12.63	626,190	10.20

10 Legal reserve

As per the Commercial Companies Law of the Sultanate of Oman, annual appropriation of 10% of a company's net profit is to be made to a non-distributable legal reserve, until the amount of legal reserve becomes equal to one-third of the amount of issued share capital. No appropriation has been made during the current year, as the accumulated legal reserve already reached one-third of the share capital of the Company.

11 Term loans

	2019 RO	2018 RO
Term loan	2,162,012	3,341,300
Less: current maturity	(1,179,288)	(1,179,288)
Non-current liabilities	982,724	2,162,012

- a) The term loan was obtained from a local commercial bank (a related party), and carried annual interest rate of 4.25% for the period from 1 December 2018 to 30 April 2019 and increased to 5.25% thereafter (2018: 4.25% per annum). The term loan is repayable in equal monthly instalments of RO 98,274, which commenced from October 2014. Interest is being charged monthly in arrears and serviced to the debit of current account. The loan is secured by assignment of trade receivables 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 term loans, based on the remaining period to maturity from the end of the reporting period is as follows:

	2019 RO	2018 RO
Less than 1 year	1,264,382	1,298,166
Due between 2 and 3 years	1,006,329	2,250,022
	2,270,711	3,548,188

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

12 Taxation

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Statement of comprehensive income		
The tax charge for the year comprises:		
Current year tax	463,317	420,566
Deferred tax	792	13,167
	<u>464,109</u>	<u>433,733</u>
 Statement of financial position	 <u>2019</u> <u>RO</u>	 <u>2018</u> <u>RO</u>
Current liability		
Current year tax	<u>463,317</u>	<u>420,566</u>
 Non-current liability		
Deferred tax liability	<u>114,320</u>	<u>113,528</u>

- a) The Company is liable to income tax at the rate of 15% (2018: 15%) on the taxable profit.
- b) The Company's income tax assessments for tax years 2017 and 2018 have not been finalised by the taxation authorities. Management is of the opinion that the additional taxes, if any, that may become payable on finalisation of the pending tax assessments would not be significant to the Company's financial position at 30 November 2019.
- c) Deferred tax (assets)/liabilities and deferred tax charge/(credit) in the financial statements consists of:

	<u>Accelerated</u> <u>depreciation</u> <u>RO</u>	<u>Provisions</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 December 2018	338,528	(225,000)	113,528
Recognized in the statement of comprehensive income	28,009	(27,217)	792
At 30 November 2019	<u>366,537</u>	<u>(252,217)</u>	<u>114,320</u>
	 <u>Accelerated</u> <u>depreciation</u> <u>RO</u>	 <u>Provisions</u> <u>RO</u>	 <u>Total</u> <u>RO</u>
At 1 December 2017	317,111	(216,750)	100,361
Recognized in the statement of comprehensive income	21,417	(8,250)	13,167
At 30 November 2018	<u>338,528</u>	<u>(225,000)</u>	<u>113,528</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

13 Trade and other payables

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Trade payables	277,919	148,341
Proposed directors' remuneration	131,092	108,068
Accrued expenses	433,815	354,576
	<u>842,826</u>	<u>610,985</u>

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

14 Net assets, earnings per share

a) 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:

	<u>2019</u>	<u>2018</u>
Net assets (RO)	<u>23,080,606</u>	<u>21,678,489</u>
Number of shares outstanding	<u>6,125,000</u>	<u>6,125,000</u>
Net assets per share (RO)	<u>3.768</u>	<u>3.539</u>

b) Basic earnings per share

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

	<u>2019</u>	<u>2018</u>
Net profit for the year (RO)	<u>2,797,008</u>	<u>2,456,768</u>
Weighted average number of ordinary shares	<u>6,125,000</u>	<u>6,125,000</u>
Basic earnings per share (RO)	<u>0.457</u>	<u>0.401</u>

As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earnings per share.

15 Income from operations

Disaggregation of revenue from contracts with customers

The Company's income from operations represents the revenue from contracts with customers by transfer of goods and services at a point in time and over the period in the following product and service lines in the Sultanate of Oman.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

15 Income from operations (continued)

Disaggregation of revenue from contracts with customers (continued)

a) Location wise income

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
PAC in Fahud	5,530,307	5,459,167
PAC in Nimr	6,387,536	6,002,217
PAC in Rima	1,122,142	938,353
	<u>13,039,985</u>	<u>12,399,737</u>

b) Product/ service line

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Accommodation revenue	5,032,624	4,920,813
Food and beverages revenue	6,405,651	5,996,140
Others services revenue	1,601,710	1,482,784
	<u>13,039,985</u>	<u>12,399,737</u>

c) Timing of revenue recognition

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Revenue recognised at a point in time	8,007,361	7,478,924
Revenue recognised over the period	5,032,624	4,920,813
	<u>13,039,985</u>	<u>12,399,737</u>

16 Cost of operations

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Cost of services (refer note 6)	7,971,193	7,465,219
Depreciation	1,026,461	1,048,703
Others costs	427,418	408,198
	<u>9,425,072</u>	<u>8,922,120</u>

17 Other income

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Interest income	155,119	-
Gain on disposal of property, plant and equipment	-	1,485
	<u>155,119</u>	<u>1,485</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

18 Administrative expenses

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Directors' remuneration	131,092	108,068
Office expenses	97,080	97,080
Repairs and maintenance	51,100	75,494
Office rent	24,000	24,000
Insurance	22,322	22,436
Other sundry expenses	36,427	34,858
	<u>362,021</u>	<u>361,936</u>

19 Contingencies and commitments

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Performance guarantee	<u>81,761</u>	<u>36,706</u>

20 Segmental reporting

The Company has only one business segment: hospitality. Additionally, all services are provided within Sultanate of Oman. Accordingly, no disclosures in respect of segment information are made in these financial statements.

21 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.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital employed is calculated as 'equity' as shown in the statement of financial position plus net debt.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

22 Financial instruments and related risk management

The Company's financial assets include investment at amortised cost, trade and other receivables, amount due from related parties, bank balances and cash. Financial liabilities include term loan, trade and other payables and amount due to related parties.

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk and 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) Market risk

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

(i) Currency risk

The Company is exposed to currency risk on purchases and payables arising primarily from US Dollar and GCC currencies which are effectively pegged to the Omani Rial.

(ii) Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets and liabilities. Management manages the interest rate risk by constantly monitoring the changes in interest rates in the Sultanate of Oman.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 10,810 (2018: RO 16,707) based on the term loan balance at the end of the reporting period.

b) Credit risk

Credit risk arises from cash and cash equivalents, as well as credit exposures to outstanding receivables.

Credit risk on financial assets

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Management has identified the oil prices and GDP growth rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance for receivables is in the range of 1.34% to 100% as at 30 November 2019.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019 (continued)

22 Financial instruments and related risk management (continued)

c) Liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

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 at the end of the reporting period, based on the contractual maturity date.

	<u>Less than 6 months RO</u>	<u>6 months to 1 year RO</u>	<u>More than 1 year RO</u>	<u>Total RO</u>
At 30 November 2019				
Term loans	589,644	589,644	982,724	2,162,012
Amount due to related parties	1,486,325	-	-	1,486,325
Trade payables	277,919	-	-	277,919
	<u>2,353,888</u>	<u>589,644</u>	<u>982,724</u>	<u>3,926,256</u>
	<u>Less than 6 months RO</u>	<u>6 months to 1 year RO</u>	<u>More than 1 year RO</u>	<u>Total RO</u>
At 30 November 2018				
Term loan	589,644	589,644	2,162,012	3,341,300
Amount due to related parties	2,083,139	-	-	2,083,139
Trade payables	148,341	-	-	148,341
	<u>2,821,124</u>	<u>589,644</u>	<u>2,162,012</u>	<u>5,572,780</u>

23 Dividend

- Subsequent to the end of the reporting period, the Board of Directors in its meeting held on 20 January 2020 has proposed a cash dividend of 200 baizas per share amounting to RO 1,225,000 and stock dividend of 10% per share of the issued share capital of the Company (being 10 bonus share for each 100 shares) for the year 2019, which is subject to the approval of the shareholders at the annual general meeting to be held on 26 February 2020.
- During the year 2018, a cash dividend of 200 baizas per share amounting to RO 1,225,000 was approved by the shareholders at the annual general meeting held on 27 February 2019 (2017: Cash dividend of 150 baizas per share amounting to RO 875,000).

The notes on pages 10 to 32 form part of these financial statements.

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