Sahara Hospitality Company SAOG

Financial Statements
30 November 2014

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 financial statements

We have audited the accompanying financial statements of Sahara Hospitality Company SAOG, set out on pages 2 to 19, which comprise the statement of financial position as at 30 November 2014, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority (CMA) and the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended). The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 30 November 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The financial statements for the year ended 30 November 2013 were audited by another auditor whose report dated 16 January 2014 expressed a qualified opinion on the financial statements towards non-provision of balance of RO 0.6 million due from a Company which had ceased operations in Oman and was under liquidation.

Report on other legal and regulatory requirements

The Company's 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 relevant disclosure requirements for public joint stock companies issued by the CMA.

18 January 2015

Statement of financial position

	Note	2014 RO	2013 RO
ASSETS			
Non-current assets			
Property, plant and equipment	5	21,147,351	22,032,107
Current assets			
Inventories	4 d)	12,253	13,484
Amounts due from a related party	11 c)	294,713	--
Accounts and other receivables	6	4,425,223	4,478,970
Bank balances and cash	7	862,200	1,064,877
Total current assets		5,594,389	5,557,331
Total assets		**26,741,740**	**27,589,438**
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	13	5,833,333	5,833,333
Legal reserve	14	1,673,941	1,474,010
Retained earnings		7,713,828	6,789,454
Total shareholders' funds		15,221,102	14,096,797
LIABILITIES			
Non-current liabilities			
Non-current portion of term loan	9	6,879,164	7,312,868
Deferred taxation	17	50,924	99,638
Amounts due to related parties	11 d)	--	493,002
Total non-current liabilities		6,930,088	7,905,508
Current liabilities			
Current portion of term loan	9	1,179,288	1,882,752
Accounts and other payables	8	164,809	143,345
Taxation	17	325,172	288,738
Amounts due to related parties	11 d)	2,921,281	3,272,298
Total current liabilities		4,590,550	5,587,133
Total liabilities		11,520,638	13,492,641
Total shareholders' funds and liabilities		**26,741,740**	**27,589,438**
Net assets per share	15	**2.609**	**2.417**

These financial statements were authorized for issue and approved by the Board of Directors on 18 / 01 / 2015 and were signed on their behalf by:

Chairman

Director

The attached notes 1 to 22 form part of these financial statements.

Statement of comprehensive income

	Note	2014 RO	2013 RO
INCOME			
Revenue	4 b)	12,018,971	11,455,710
Cost of sales	10	(8,414,480)	(7,938,003)
Gross profit		3,604,491	3,517,707
EXPENSES			
General and administration	12	(881,198)	(837,711)
Finance charges		(447,530)	(583,725)
Net profit before taxation		2,275,763	2,096,271
Taxation	17	(276,458)	(241,211)
Net profit and total comprehensive income for the year		**1,999,305**	**1,855,060**
Basic earnings per share	16	**0.343**	**0.318**

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

The attached notes 1 to 22 form part of these financial statements.

Statement of changes in equity

	Share capital (note 13) RO	Legal reserve (note 14) RO	Retained earnings RO	Total RO
At 30 November 2012	5,833,333	1,288,504	5,994,900	13,116,737
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	1,855,060	1,855,060
Transfer to legal reserve	--	185,506	(185,506)	--
At 30 November 2013	5,833,333	1,474,010	6,789,454	14,096,797
At 30 November 2013	5,833,333	1,474,010	6,789,454	14,096,797
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	1,999,305	1,999,305
Transfer to legal reserve	--	199,931	(199,931)	--
At 30 November 2014	5,833,333	1,673,941	7,713,828	15,221,102

The attached notes 1 to 22 form part of these financial statements.

Statement of cash flows

	2014 RO	2013 RO
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from revenue	12,054,510	12,618,164
Cash paid for cost of sales and general and administration expenses	(9,283,255)	(8,024,459)
Cash generated from operations	2,771,255	4,593,705
Finance charges	(447,530)	(583,725)
Taxation	(288,738)	(257,408)
Net cash generated from operating activities	2,034,987	3,752,572
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment and cash used in investing activities	(225,496)	(1,041,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in term loans	(1,137,168)	(1,882,752)
Dividend paid	(875,000)	(875,000)
Net cash used in financing activities	(2,012,168)	(2,757,752)
Net decrease in cash and cash equivalents during the year	(202,677)	(46,707)
Cash and cash equivalents at the beginning of the year	1,064,877	1,111,584
Cash and cash equivalents [notes 4 f) and 7] at the end of the year	**862,200**	**1,064,877**

The attached notes 1 to 22 form part of these financial statements.

Notes to the financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Sahara Hospitality Company SAOG (“the Company”) is a public joint stock company and it’s 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 disclosure requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for licensed companies issued by the Capital Market Authority.

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

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 32 ‘Financial Instruments: Presentation’ issued in December 2011 clarifies the existing offsetting requirements for a financial asset and a financial liability.

- Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries of an investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

- Amendments to IAS 36 ‘Impairment of assets’ issued in May 2013 corrects certain consequential amendments to IAS 36 disclosures when IFRS 13 was issued. The amendments also clarify other disclosure requirements relating to recoverable amount for non-financial assets.

- IFRIC 21 ‘Levies’ issued in May 2013 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 ‘Provisions, Contingent liabilities and Contingent assets’. It clarifies the accounting for a liability to pay a levy whose timing and amount is certain.

- Amendments to IAS 39 ‘Financial Instruments: Recognition and Measurement’ issued in June 2013 clarifies that there is no expiration or termination of hedging instrument if as a consequence of change in laws or regulations, there is a change in the clearing counter-parties.

The Management believes the adoption of the above amendments have not had any material impact on the presentation and disclosure of items in the financial statements for the current accounting period.

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

At the end of the reporting period, the following new and revised standards were in issue but not yet effective:

- IFRS 9, 'Financial Instruments' has an effective date for accounting periods beginning on or after 1 January 2018 now that it has been finalised. IFRS 9 outlines the recognition, measurement and decrecognition 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 Instrument: 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 to prove whether a relationship will be effective than current requirements.

- Annual amendments to IFRSs (2010 - 2012 cycle and 2011 - 2013 cycle) issued in December 2013 covers the following IFRSs and the related subject amendments in those standards:

  - IFRS 2 – Definition of vesting condition;
  - IFRS 3 – Accounting for contingent consideration in a business combination;
  - IFRS 8 – Aggregation of operating segments and reconciliation of the total of the reporting segments' assets to the total assets;
  - IFRS 13 – Short term receivables and payables;
  - IAS 24 – Inclusion of 'management entity' within key management personnel;
  - IAS 16 and IAS 38 – Proportional restatement of accumulated depreciation or amortization under revaluation method;
  - IFRS 3 – Exclusion of joint arrangements (previously worded as joint ventures) from the scope of business combination;
  - IFRS 13 – Clarification on portfolio exception rule and its applicability to all contracts under IAS 39 and IFRS 9;
  - IAS 40 – Judgement required on whether an acquisition of investment property is an acquisition of asset / group of assets / business combination under IFRS 3.

  The amendments are applicable for annual periods commencing on or after 1 July 2014.

- IFRS 14 Regulatory Deferral Accounts issued in January 2014 permits first time adopters of IFRS to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. IFRS 14 is applicable for annual periods beginning on or after 1 January 2016.

- 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 supercedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18. IFRS 15 is applicable for annual periods beginning on or after 1 January 2017. 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, accounting for contract costs and 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.

- Amendments to IFRS 11 'Joint Arrangements' issued In May 2014 provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments are applicable for annual periods beginning on or after 1 January 2016. The amendments clarify that a joint operator that acquires an asset or group of assets in a joint operation that represents a business in accordance with IFRS 3, applies the principles in IFRS 3 in accounting for business combinations to the acquisition. This will result in separate recognition of goodwill if any arises on the acquisition. If the asset or group of assets acquired does not constitute a business the principles of IFRS 3 are not applied.

- Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' were issued in May 2014 clarifying the acceptable methods of depreciation and amortization. The amendments are applicable for annual periods beginning on or after 1 January 2016.

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)

- Amendments to IAS 16 'Property, plant and equipment' and IAS 41 'Biological assets' were issued in June 2014. The amendments define a bearer plant and include bearer plants within the scope of IAS 16. Previously, bearer plants were not defined and bearer plants related to agricultural activity were included within the scope of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendments are applicable for annual periods beginning on or after 1 January 2016.

- Amendments to IAS 27 'Separate Financial Statements' issued in August 2014 permits the use of equity method for investments in subsidiaries, associates and joint ventures when an entity prepares its separate financial statements. The amendments are applicable for annual periods beginning on or after 1 January 2016.

- Annual amendments to IFRSs (2012-2014 cycle) issued in September 2014 covers the following IFRSs and the related subject amendments in those standards:

  - IFRS 5 – Change in the method of disposal from 'held for sale' to 'held for distribution' to be treated as continuation of the original plan;
  - IFRS 7 - Clarifies 'servicing contracts' create continuing involvement of the transferred financial asset if the service fee is contingent upon the timing and amount of cash flows;
  - IAS 19 - Discount rate under actuarial assumptions for employee benefits to be based at currency level and not at country level;
  - IAS 34 – A reference to 'elsewhere in the interim financial report disclosure includes cross-referencing to information in any statement which is available at the same time the interim financial report is made available

  The amendments are applicable for annual periods commencing on or after 1 January 2016.

- Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' issued in September 2014 specifies the accounting treatment for gain or loss arising on sale or contribution of assets between investor and joint ventures based on whether or not the sale or contribution results in a business. The amendments are applicable for annual periods beginning on or after 1 January 2016.

The Management believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3 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 allowance for credit losses.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

c) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, 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 comprehensive 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 comprehensive 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 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 receivable

Accounts and other receivable originated by the Company is measured at cost. An allowance for credit losses for accounts receivable is established when there is objective evidence that the Company will not be able to collect the amounts due. When an accounts 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 comprehensive 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.

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 comprehensive 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 comprehensive 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 recommend to the shareholders the dividend to be paid out of 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.

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, PLANT AND EQUIPMENT

The details of property, plant and equipment for the years 2014 and 2013 are set out on pages 18 and 19 respectively.

6 ACCOUNTS AND OTHER RECEIVABLES

	2014 RO	2013 RO
Accounts receivable	5,642,918	5,068,956
Less: allowance for credit losses [refer notes a) and e) below]	(1,232,500)	(623,000)
	4,410,418	4,445,956
Prepayments	14,805	33,014
	4,425,223	4,478,970

The following further notes apply:

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

	2014 RO	2013 RO
At the beginning of the year	623,000	96,600
Provided during the year (note 12)	609,500	526,400
At the end of the year	1,232,500	623,000

b) At the end of the reporting period, 10 (2013 – 10) customers accounted for 69% (2013 – 73%) of the Company's net accounts receivable.

c) Accounts receivable amounting to RO 3,315,903 (2013 – RO 2,726,551) are neither past due nor impaired and are estimated as collectible based on historical experience.

d) At the end of the reporting period, the following accounts receivable are past due but not impaired and are estimated as collectible based on historical experiences:

	2014 RO	2013 RO
Debts due between 5 – 6 months	580,238	390,227
Debts due between 7 months – 1 year	371,539	733,974
Debts due for more than 1 year	142,738	595,204
	1,094,515	1,719,405

e) At the end of the reporting period, accounts receivable amounting to RO 1,232,500 (2013 – RO 623,000) are past due and impaired and accordingly allowance for credit losses has been established.

f) The entire accounts receivable are unsecured (2013 – unsecured).

7 BANK BALANCES AND CASH

	2014 RO	2013 RO
Bank balances	862,075	1,064,752
Cash in hand	125	125
	862,200	1,064,877

8 ACCOUNTS AND OTHER PAYABLES

	2014 RO	2013 RO
Accounts payable	51,692	39,795
Proposed Directors' remuneration (see note below)	78,816	71,416
Accrued expenses	34,301	32,134
	164,809	143,345

The following further note applies:

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

9 TERM LOAN

	2014 RO	2013 RO
Loan 1 [note 9 a) below]	--	2,140,000
Loan 2 [note 9 a) below]	--	1,468,120
Loan 3 [note 9 a) below]	--	4,187,500
Loan 4 [note 9 a) below]	--	1,400,000
Loan 5 [note 9 b) below]	8,058,452	--
	8,058,452	9,195,620
Less: current portion	(1,179,288)	(1,882,752)
Non-current portion	6,879,164	7,312,868

The following further notes apply:

a) Term loans 1, 2, 3 and 4 were fully repaid during the year.

b) Term loan 5 was obtained during the year from a local commercial bank (a related party). The term loan is subject to interest at 4.75% 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 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.

c) The maturity profile of the non-current portion of the term loans is as follows:

	2014 RO	2013 RO
Less than 1 year	1,179,288	1,882,752
Between 2 - 5 years	4,717,152	3,765,504
More than 5 years	982,724	1,664,612
	6,879,164	7,312,868

10 COST OF SALES

	2014 RO	2013 RO
Cost of provision of services by CSC (note 11)	7,066,445	6,607,333
Depreciation (note 5)	1,110,252	1,076,481
Others	237,783	254,189
	8,414,480	7,938,003

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. 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:

	2014 RO	2013 RO
Transactions with shareholders holding 10% or more interest in the Company		
Services rendered and recharged	6,973,409	6,611,455
Cost of sales – others	189,424	101,569
General and administration expenses	106,680	106,680
Other sales and services	581,749	346,580
Transactions with other related parties		
Additions to capital work in progress and buildings	134,760	868,214
Cost of sales – others	48,415	55,717
General and administration expenses	30,885	31,557
Other sales	428,573	65,054
Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	447,478	583,720
Loan availed	8,255,000	--
Loan repayments	9,392,168	1,882,752

The key management personnel compensation for the year comprises:

	2014 RO	2013 RO
Directors' remuneration (notes 8 and 12)	78,816	71,416

b) The amounts due from and due to related parties are interest free, unsecured and repayable on demand (2013 – similar terms and conditions).

c) The amounts due from related parties are as follows:

	2014 RO	2013 RO
Carillion Alawi LLC	294,713	--

11 RELATED PARTY TRANSACTIONS (Continued)

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

	2014 RO	2013 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Co LLC	2,904,302	3,715,601
Other related parties		
Marketing and Services Co LLC	16,979	18,683
Carillion Alawi LLC	--	31,016
	16,979	49,699
	2,921,281	3,765,300

12 GENERAL AND ADMINISTRATION

	2014 RO	2013 RO
Allowance for credit losses [note 6 a)]	609,500	526,400
Salaries and related expenses	89,580	89,580
Directors' remuneration [note 11 a)]	78,816	71,416
Insurance	30,880	31,359
Office services	24,000	24,000
Repairs and maintenance	16,151	51,772
Miscellaneous	32,271	43,184
	881,198	837,711

13 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2013 – 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 (2013 – 5,833,333 shares of RO 1 each).

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

	2014 and 2013 %
Alawi Enterprises LLC	20.00
Catering and Supplies LLC	20.00
Chatron Commercial Corporation	16.84
Azan Qais Abdulmunim Al Zawawi	10.22

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 been 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 capital. The reserve is not available for distribution.

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:

	2014	2013
Net assets (RO)	15,221,102	14,096,797
Number of shares outstanding	5,833,333	5,833,333
Net assets per share (RO)	2.609	2.417

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:

	2014	2013
Net profit for the year (RO)	1,999,305	1,855,060
Weighted average number of ordinary shares at the end of the year	5,833,333	5,833,333
Basic earnings per share (RO)	0.343	0.318

17 TAXATION

	2014 RO	2013 RO
Statement of comprehensive income		
Current year	325,172	288,738
Prior year	--	(6,842)
Deferred tax credit	(48,714)	(40,685)
	276,458	241,211
Statement of financial position		
Current liability		
Current year	325,172	288,738
Non-current liability		
Deferred tax	50,924	99,638

The following further notes apply:

a) The Company is subject to income tax at 12% (2013 - 12%) of taxable income in excess of RO 30,000.

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

	2014 RO	2013 RO
Taxation charge on accounting profit at applicable rate:	269,492	247,952
Add / (less) tax effect of:		
Depreciation	(17,583)	(22,484)
Provisions	73,140	63,168
Others	123	102
Income tax expense	325,172	288,738

c) The Company's taxation assessments for the years 2010 to 2013 are pending to be finalized by the Secretariat General of Taxation. The Board of Directors believe 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 credit in the statement of comprehensive income is attributable to the following items:

	Accelerated tax depreciation RO	Provisions RO	Total RO
At 30 November 2012	(151,915)	11,592	(140,323)
(Charged) / credited to the statement of comprehensive income	(22,483)	63,168	40,685
At 30 November 2013	(174,398)	74,760	(99,638)
At 30 November 2013	(174,398)	74,760	(99,638)
Credited / (charged) to the statement of comprehensive income	(24,426)	73,140	48,714
At 30 November 2014	(198,824)	147,900	(50,924)

18 DIVIDEND

a) A dividend in respect of year 2014 of RO 0.150 (2013 – RO 0.150) per share amounting to RO 875,000 (2013 – RO 875,000) is proposed by the Board of Directors. The dividend is subject to the approval at the forthcoming Annual General meeting.

b) Dividend per share of RO 0.150 (2013 – RO 0.150) is determined by dividing the dividend proposed for the year of RO 875,000 (2013 – RO 875,000) by the number of ordinary shares at the financial position date of 5,833,333 shares (2013 – 5,833,333 shares).

19 CONTINGENCIES

	2014 RO	2013 RO
Performance guarantee	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 comprehensive income, statement of financial position and notes to the financial statements.

21 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial assets include accounts and other receivables, amounts due from a related party and bank balances and cash. Financial liabilities include term loan, accounts and other payables and amounts due to related parties. The carrying value of the Company's financial assets and financial liabilities approximate to their fair values.

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 comprehensive income will approximate to RO 40,292 (2013 – RO 50,629) 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.

21 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

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 2014	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Term loan	196,548	393,096	589,644	6,879,164	8,058,452
Amounts due to related parties	1,091,594	1,829,687	--	--	2,921,281
Accounts and other payables	12,360	152,449	--	--	164,809
	1,300,502	2,375,232	589,644	6,879,164	11,144,542

At 30 November 2013	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Term loans	470,688	470,688	941,376	7,312,868	9,195,620
Amount due to related parties	1,517,546	1,360,721	394,031	493,002	3,765,300
Accounts and other payables	39,795	103,550	--	--	143,345
	2,028,029	1,934,959	1,335,407	7,805,870	13,104,265

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.

22 COMPARATIVES

Comparative figures have been reclassified wherever necessary to conform to the presentation adopted for the current year.

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2014	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
Cost						
At 30 November 2013	27,249,811	901,419	976,842	118,800	314,265	29,561,137
Additions during the year	138,510	20,322	6,359	--	60,305	225,496
At 30 November 2014	27,388,321	921,741	983,201	118,800	374,570	29,786,633
Depreciation						
At 30 November 2013	6,177,365	428,963	655,394	73,233	194,075	7,529,030
Charge for the year	909,108	60,981	80,092	17,760	42,311	1,110,252
At 30 November 2014	7,086,473	489,944	735,486	90,993	236,386	8,639,282
Net book values						
At 30 November 2014	20,301,848	431,797	247,715	27,807	138,184	21,147,351
At 30 November 2013	21,072,446	472,456	321,448	45,567	120,190	22,032,107

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2013	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Capital work in progress RO	Total RO
Cost							
At 30 November 2012	25,960,155	764,635	902,771	80,000	314,265	497,784	28,519,610
Additions during the year	--	102,739	32,188	--	--	906,600	1,041,527
Transfers during the year	1,289,656	34,045	41,883	38,800	--	(1,404,384)	--
At 30 November 2013	27,249,811	901,419	976,842	118,800	314,265	--	29,561,137
Depreciation							
At 30 November 2012	5,295,092	374,209	580,069	54,000	149,179	--	6,452,549
Charge for the year	882,273	54,754	75,325	19,233	44,896	--	1,076,481
At 30 November 2013	6,177,365	428,963	655,394	73,233	194,075	--	7,529,030
Net book values							
At 30 November 2013	21,072,446	472,456	321,448	45,567	120,190	--	22,032,107
At 30 November 2012	20,665,063	390,426	322,702	26,000	165,086	497,784	22,067,061