Sahara Hospitality Company SAOG

Financial Statements
30 November 2016

Registered office and principal place of business:

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Postal Code 100
Sultanate of Oman

MOORE STEPHENS

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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 2016, statement of comprehensive income, statement of changes in Shareholders' 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 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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.

Moore Stephens

18 January 2017

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Statement of financial position

	Note	2016 RO	2015 RO
ASSETS			
Non-current assets			
Property and equipment	5	19,220,047	20,072,208
Current assets			
Inventories	4 d)	33,985	11,518
Amounts due from a related party	11 c)	265,968	322,331
Accounts and other receivables	6	5,122,629	4,460,253
Bank balances and cash	7	1,695,100	1,136,516
Total current assets		7,117,682	5,930,618
Total assets		**26,337,729**	**26,002,826**
EQUITY AND LIABILITIES			
Equity			
Share capital	13	5,833,333	5,833,333
Legal reserve	14	1,944,445	1,927,320
Retained earnings		10,716,930	9,119,234
Total equity		18,494,708	16,879,887
LIABILITIES			
Non-current liabilities			
Non-current portion of term loan	9	4,520,588	5,699,876
Deferred taxation	17	68,992	57,847
Total non-current liabilities		4,589,580	5,757,723
Current liabilities			
Current portion of term loan	9	1,179,288	1,179,288
Accounts and other payables	8	322,470	196,838
Taxation	17	324,422	334,694
Amounts due to related parties	11 d)	1,427,261	1,654,396
Total current liabilities		3,253,441	3,365,216
Total liabilities		7,843,021	9,122,939
Total equity and liabilities		**26,337,729**	**26,002,826**
Net assets per share	15	**3.171**	**2.894**

These financial statements were authorized for issue and approved by the Board of Directors on 18/ 01/ 2017 and were signed on their behalf by:

Deputy Chairman

Director

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

Statement of comprehensive income

	Note	2016 RO	2015 RO
INCOME			
Revenue	4 b)	12,353,854	12,207,185
Direct costs	10	(8,850,128)	(8,580,072)
Gross profit		3,503,726	3,627,113
Other income		4,550	379
		3,508,276	3,627,492
EXPENSES			
General and administration	12	412,422	409,303
Finance charges		270,507	342,785
		682,929	752,088
Profit before taxation		2,825,347	2,875,404
Taxation	17	(335,526)	(341,619)
Net profit and total comprehensive income for the year		**2,489,821**	**2,533,785**
Basic earnings per share	16	**0.427**	**0.434**

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

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

Statement of changes in Shareholders' equity

	Share capital RO (note 13)	Legal reserve RO (note 14)	Retained earnings RO	Total RO
At 30 November 2014	5,833,333	1,673,941	7,713,828	15,221,102
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	2,533,785	2,533,785
Transfer to legal reserve	--	253,379	(253,379)	--
At 30 November 2015	5,833,333	1,927,320	9,119,234	16,879,887
At 30 November 2015	5,833,333	1,927,320	9,119,234	16,879,887
Dividend paid	--	--	(875,000)	(875,000)
Net profit and total comprehensive income for the year	--	--	2,489,821	2,489,821
Transfer to legal reserve	--	17,125	(17,125)	--
At 30 November 2016	5,833,333	1,944,445	10,716,930	18,494,708

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

Statement of cash flows

	2016 (Rials Omani)	2015 (Rials Omani)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from revenue	11,689,644	12,175,484
Cash paid for direct costs and general and administration expenses	(8,250,246)	(9,166,013)
Cash generated from operations	3,439,398	3,009,471
Finance charges	(270,507)	(342,785)
Taxation	(334,653)	(325,174)
Net cash generated from operating activities	2,834,238	2,341,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(221,366)	(13,289)
Proceeds from disposal of property and equipment	--	381
Net cash used in investing activities	(221,366)	(12,908)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movement in term loans	(1,179,288)	(1,179,288)
Dividend paid	(875,000)	(875,000)
Net cash used in financing activities	(2,054,288)	(2,054,288)
Net increase in cash and cash equivalents during the year	558,584	274,316
Cash and cash equivalents at the beginning of the year	1,136,516	862,200
Cash and cash equivalents at the end of the year	**1,695,100**	**1,136,516**

The attached notes 1 to 21 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 its principal activity is to build, own and operate permanent accommodations ("the PACs") for contractors of Petroleum Development Oman LLC ("PDO") in Fahud and Nimr. PDO is committed under an agreement with the Company dated 30 May 1998 to provide land free of cost on which the PACs are situated.

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

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

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

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

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 December 2015. The Management believes the adoption of the amendments effective for the current accounting period has not had any material impact on the presentation and disclosure of items in the financial statements.

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

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

- IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5 step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, 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.

- IFRS 16 issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.

Notes to the financial statements

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

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

- 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 derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular estimates that involve uncertainties and judgements which have significant effect on the financial statements comprise the assumption with respect to the 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.

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.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property and equipment

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

Items of property and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on 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 and equipment. The estimated useful economic lives are as follows:

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

d) Inventories

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

e) Accounts and other receivables

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

f) Cash and cash equivalents

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

g) Impairment

Financial assets
At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non-collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognized in the statement of 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.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment (Continued)

Non-financial assets
At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of 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.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Dividend

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

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

n) Directors' remuneration

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

5 PROPERTY AND EQUIPMENT

The details of property and equipment for the years 2016 and 2015 are set out on pages 18 and 19 respectively.

6 ACCOUNTS AND OTHER RECEIVABLES

	2016 RO	2015 RO
Accounts receivable	6,500,879	5,769,619
Less: allowance for credit losses [refer notes a) and c) below]	(1,390,000)	(1,327,500)
	5,110,879	4,442,119
Prepayments	11,750	18,134
	5,122,629	4,460,253

The following further notes apply:

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

	2016 RO	2015 RO
At the beginning of the year	1,327,500	1,232,500
Provided during the year (note 12)	62,500	95,000
At the end of the year	1,390,000	1,327,500

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

	2016 RO	2015 RO
Neither past due nor impaired	3,455,916	3,343,104
Past due but not impaired		
Debts due between 5 – 6 months	680,644	521,326
Debts due between 7 months – 1 year	546,139	475,446
Debts due for more than 1 year	428,180	102,243
	5,110,879	4,442,119

Notes to the financial statements

6 ACCOUNTS AND OTHER RECEIVABLES (Continued)

c) At the end of the reporting period, accounts receivable amounting to RO 1,390,000 (2015 – RO 1,327,500) are past due and impaired and accordingly allowance for credit losses has been established.

d) At the end of the reporting period, 10 customers (2015 – 10 customers) accounted for 41% (2015 – 47%) of the net accounts receivable.

e) The entire accounts receivable are unsecured (2015 – unsecured).

7 BANK BALANCES AND CASH

	2016 RO	2015 RO
Bank balances	1,694,975	1,136,391
Cash in hand	125	125
	1,695,100	1,136,516

8 ACCOUNTS AND OTHER PAYABLES

	2016 RO	2015 RO
Accounts payable	57,913	58,887
Proposed Directors' remuneration (see note below)	114,073	103,528
Accruals and other payables	150,484	34,423
	322,470	196,838

The following further note applies:

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

9 TERM LOAN

	2016 RO	2015 RO
Term loan [see note a) below]	5,699,876	6,879,164
Less: current portion	(1,179,288)	(1,179,288)
Non-current portion	4,520,588	5,699,876

The following further notes apply:

a) The term loan was obtained from a local commercial bank (a related party). The term loan is subject to interest at 4.25% per annum (2015 - 4.25% per annum) and repayable in equal monthly installments of RO 98,274 which commenced from October 2014. The loan is secured by assignment of accounts receivable from a customer and insurance policies relating to the Company's buildings. The Company has also provided an undertaking to the lending bank that the Company's properties will not be mortgaged to any other bank or third party.

Notes to the financial statements

9 TERM LOAN (Continued)

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

	2016 RO	2015 RO
Up to 1 year	1,179,288	1,179,288
2 - 5 years	3,341,300	4,520,588
	4,520,588	5,699,876

10 DIRECT COSTS

	2016 RO	2015 RO
Cost of provision of services by related parties	7,776,601	7,491,642
Depreciation (note 5)	1,073,527	1,088,430
	8,850,128	8,580,072

11 RELATED PARTY TRANSACTIONS

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

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

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

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

	2016 RO	2015 RO
Transactions with shareholders holding 10% or more interest in the Company		
Services rendered and recharged	7,327,513	7,176,165
Direct costs – others	227,329	193,607
General and administration expenses	106,680	106,680
Other sales and services	411,315	288,329
Transactions with other related parties		
Direct costs – others	121,794	60,260
General and administration expenses	22,856	30,685
Other sales	423,680	428,427
Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	270,507	342,782
Loan repayments	1,179,288	1,179,288

Notes to the financial statements

11 RELATED PARTY TRANSACTIONS (Continued)

a) (Continued)

The key management personnel compensation for the year comprises:

	2016 RO	2015 RO
Directors' remuneration (notes 8 and 12)	114,073	103,528

b) The amounts due from a related party and due to related parties are interest free, unsecured and repayable on demand (2015 – similar terms and conditions).

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

	2016 RO	2015 RO
Other related parties		
Carillion Alawi LLC	265,968	322,331

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

	2016 RO	2015 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Company LLC	1,404,169	1,635,993
Other related parties		
Marketing and Services Company LLC	23,092	18,403
	1,427,261	1,654,396

12 GENERAL AND ADMINISTRATION

	2016 RO	2015 RO
Directors' remuneration [note 11 a)]	114,073	103,528
Salaries and related expenses	95,205	89,580
Allowance for credit losses [note 6 a)]	62,500	95,000
Repairs and maintenance	40,924	28,127
Office services	24,000	24,000
Insurance	23,977	30,650
Miscellaneous	51,743	38,418
	412,422	409,303

Notes to the financial statements

13 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2015 – 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 (2015 – 5,833,333 shares of RO 1 each).

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

	2016 %	2015 %
Alawi Enterprises LLC	20.00	20.00
Catering and Supplies Company LLC	20.00	20.00
Chatron Commercial Corporation	16.84	16.84
Azan Qais Abdulmunim Al Zawawi	10.22	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 is to be transferred to legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the capital. The reserve is not available for distribution. The transfer during the year has been restricted to an amount which enables the reserve to equal the prescribed minimum amount.

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:

	2016	2015
Net assets (RO)	18,494,708	16,879,887
Number of shares outstanding	5,833,333	5,833,333
Net assets per share (RO)	3.171	2.894

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:

	2016	2015
Net profit for the year (RO)	2,489,821	2,533,785
Weighted average number of ordinary shares at the end of the year	5,833,333	5,833,333
Basic earnings per share (RO)	0.427	0.434

Notes to the financial statements

17 TAXATION

	2016 RO	2015 RO
Statement of comprehensive income		
Current year	324,381	334,696
Deferred tax charge	11,145	6,923
	335,526	341,619
Statement of financial position		
Current liability		
Current year	324,422	334,694
Non-current liability		
Deferred tax	68,992	57,847

The following further notes apply:

a) The Company is subject to income tax at 12% (2015 - 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:

	2016 RO	2015 RO
Taxation charge on accounting profit at applicable rate:	335,442	341,448
Add / (less) tax effect of:		
Depreciation	(18,510)	(18,276)
Provisions	7,500	11,400
Others	(51)	124
Income tax expense	324,381	334,696

c) The Company's tax assessment for the years 2010 to 2012 were finalized by the Secretariat General for Taxation (SGT) subsequent to the end of the reporting period with an additional demand for tax amounting to RO 18, which was settled subsequently.

d) The Company's taxation assessments for the years 2013 to 2015 are pending to be finalized by the Secretariat General of Taxation. The Board of Directors believes that any additional tax liability likely to arise on the completion of the assessments for the above years would not be material to the financial position of the Company at the end of the reporting period.

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

	Accelerated tax depreciation RO	Provisions RO	Total RO
At 30 November 2014	(198,824)	147,900	(50,924)
Credited / (charged) to the statement of comprehensive income	(18,323)	11,400	(6,923)
At 30 November 2015	(217,147)	159,300	(57,847)

Notes to the financial statements

17 TAXATION (Continued)

e) (Continued)

	Accelerated tax depreciation RO	Provisions RO	Total RO
At 30 November 2015	(217,147)	159,300	(57,847)
Credited / (charged) to the statement of comprehensive income	(18,645)	7,500	(11,145)
At 30 November 2016	(235,792)	166,800	(68,992)

18 DIVIDEND

a) A dividend in respect of year 2016 of RO 0.150 (2015 – RO 0.150) per share amounting to RO 875,000 (2015 – 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 (2015 – RO 0.150) is determined by dividing the dividend proposed for the year of 875,000 (2015 – RO 875,000) by the number of ordinary shares at the financial position date of 5,833,333 shares (2015 – 5,833,333 shares).

19 CONTINGENCIES

	2016 RO	2015 RO
Performance guarantee	63,206	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 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 28,499 (2015 – RO 34,396) based on the term loan balance at the end of the reporting period.

Notes to the financial statements

21 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

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. The carrying value of receivable approximates their fair values due to the short-term nature of those receivables

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

At 30 November 2015	Less than 3 months RO	4 to 6 months RO	7 months to 1 year RO	More than 1 year RO	Total RO
Term loan	294,822	294,822	589,644	5,699,876	6,879,164
Amounts due to related parties	1,518,402	135,994	--	--	1,654,396
Accounts and other payables	87,855	108,983	--	--	196,838
	1,901,079	539,799	589,644	5,699,876	8,730,398

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.

Notes to the financial statements

5 PROPERTY AND EQUIPMENT (Continued)

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

Notes to the financial statements

5 PROPERTY AND EQUIPMENT (Continued)

Year 2015	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
Cost						
At 30 November 2014	27,388,321	921,741	983,201	118,800	374,570	29,786,633
Additions during the year	--	6,275	7,014	--	--	13,289
Disposals during the year	--	(15,119)	(1,202)	--	--	(16,321)
At 30 November 2015	27,388,321	912,897	989,013	118,800	374,570	29,783,601
Depreciation						
At 30 November 2014	7,086,473	489,944	735,486	90,993	236,386	8,639,282
Charge for the year	912,944	55,543	64,611	7,760	47,572	1,088,430
Relating to disposals	--	(15,119)	(1,200)	--	--	(16,319)
At 30 November 2015	7,999,417	530,368	798,897	98,753	283,958	9,711,393
Net book values						
At 30 November 2015	19,388,904	382,529	190,116	20,047	90,612	20,072,208
At 30 November 2014	20,301,848	431,797	247,715	27,807	138,184	21,147,351