SAHARA HOSPITALITY COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2020

Registered address

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

SAHARA HOSPITALITY COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2020

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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 2020, 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 2020, 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.

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

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Allowance for credit losses on trade receivables (refer note 7)</td></tr>
<tr><td>As at 30 November 2020, the Company's trade receivables and the allowance for credit losses amounted to RO 6,301,143 and RO 1,690,669 respectively. As disclosed in note 7, this represent a significant balance in the Company's statement of financial position.

We considered this area as a key audit matter due to the materiality of the balances and the allowance for credit losses involves judgment and must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money.</td><td>Our audit procedures included, amongst others:
▪ 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.</td></tr>
<tr><td colspan="2">Related party transactions (refer note 6)</td></tr>
<tr><td>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.

We considered this area as a key audit matter due to the significance of the related party transactions disclosed in the financial statements.</td><td>Our audit procedures included, amongst others:
▪ Review of 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.</td></tr>
</table>

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

Other information included in the Company's 2020 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 2020 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 2020 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 the 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.

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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 2020 comply in all material respects, with the applicable provisions of the Commercial Companies Law of the 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
26 January 2021

SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2020

	Note	2020 RO	2019 RO
ASSETS			
Non-current assets			
Property, plant and equipment	4	**16,686,852**	17,739,190
Right-of-use assets	5	**103,108**	-
Investments at amortised cost	8	**-**	4,000,000
		16,789,960	21,739,190
Current assets			
Inventories		**30,925**	23,831
Amount due from related parties	6	**5,261**	33,431
Trade and other receivables	7	**4,842,366**	4,841,518
Cash and bank balances	8	**5,924,473**	1,511,436
		10,803,025	6,410,216
Total assets		**27,592,985**	28,149,406
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**6,737,500**	6,125,000
Legal reserve	10	**2,245,833**	2,041,667
Retained earnings		**15,420,017**	14,913,939
Total equity		**24,403,350**	23,080,606
Liabilities			
Non-current liabilities			
Non-current portion of term loans	11	**-**	982,724
Non-current portion of lease liabilities	5	**86,629**	-
Deferred taxation	12	**133,028**	114,320
Employees' end of service benefits		**11,356**	-
		231,013	1,097,044
Current liabilities			
Current portion of term loans	11	**982,724**	1,179,288
Current portion of lease liabilities	5	**19,025**	-
Amount due to related parties	6	**1,022,419**	1,486,325
Trade and other payables	13	**502,301**	842,826
Income tax payable	12	**432,153**	463,317
		2,958,622	3,971,756
Total liabilities		**3,189,635**	5,068,800
Total equity and liabilities		**27,592,985**	28,149,406
Net assets per share	14	**3.622**	3.768

These financial statements were approved and authorised for issue by the Board of Directors on ...26-01-2021 and signed on their behalf by:

CHAIRMAN **DIRECTOR**

The notes on pages 10 to 35 form part of these financial statements.

SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Note	2020 RO	2019 RO
Income from operations	15	**12,326,457**	13,039,985
Cost of operations	16	**(8,951,083)**	(9,425,072)
Gross profit		**3,375,374**	3,614,913
Other income	17	**177,856**	155,119
Administrative expenses	18	**(404,403)**	(362,021)
Allowance for credit losses (net)	6 &7	**(57,282)**	(11,551)
Profit from operations		**3,091,545**	3,396,460
Finance charges	19	**(92,940)**	(135,343)
Profit for the year before income tax		**2,998,605**	3,261,117
Income tax	12	**(450,861)**	(464,109)
Net profit and total comprehensive income for the year		**2,547,744**	2,797,008
Basic earnings per share	14	**0.386**	0.457

The notes on pages 10 to 35 form part of these financial statements.

SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
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	6,125,000	2,041,667	14,913,939	23,080,606
At 1 December 2019	**6,125,000**	**2,041,667**	**14,913,939**	**23,080,606**
Bonus shares	**612,500**	-	**(612,500)**	-
Profit for the year	-	-	**2,547,744**	**2,547,744**
Transfer to legal reserve	-	**204,166**	**(204,166)**	-
Dividend paid	-	-	**(1,225,000)**	**(1,225,000)**
At 30 November 2020	**6,737,500**	**2,245,833**	**15,420,017**	**24,403,350**

The notes on pages 10 to 35 form part of these financial statements.

SAHARA HOSPITALITY COMPANY SAOG

SATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 NOVEMBER 2020

	Note	2020 RO	2019 RO
Cash flow from operating activities			
Cash receipts from customers		**12,415,349**	12,831,816
Cash paid to suppliers and employees		**(9,186,321)**	(9,131,225)
Cash generated from operations		**3,229,028**	3,700,591
Income tax paid		**(463,317)**	(420,566)
Net cash from operating activities		**2,765,711**	3,280,025
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(15,226)**	(1,575,396)
Investment at amortised cost/ fixed deposits		-	(4,000,000)
Interest on bank deposits		**177,856**	79,780
Net cash from/(used in) investing activities		**162,630**	(5,495,616)
Cash flows from financing activities			
Term loan repayments		**(1,179,288)**	(1,179,288)
Dividend paid		**(1,225,000)**	(1,225,000)
Net financing charges		**(87,016)**	(135,343)
Payment of principal amount of lease liabilites		**(18,076)**	-
Payment of finance charges of lease liabilites		**(5,924)**	-
Net cash used in financing activities		**(2,515,304)**	(2,539,631)
Net change in cash and cash equivalents during the year		**413,037**	(4,755,222)
Cash and cash equivalents at the beginning of the year		**1,511,436**	6,266,658
Cash and cash equivalents at the end of the year	8	**1,924,473**	1,511,436

The notes on pages 10 to 35 form part of these 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 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 International Financial Reporting Standards (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.

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

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 2019. The Company has adopted IFRS 16 Leases, for the first time for the annual reporting period beginning from 1 December 2019:

IFRS 16: Leases

a) *Overview*

In the current year, the Company has adopted IFRS 16 Leases, that is effective for annual periods beginning on or after 1 December 2019.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in the statement of financial position. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

b) *Impact*

The Company adopted IFRS 16 using the modified transition approach as of 01 December 2019. Under this method, the Standard is applied retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application and the previous year comparative amounts are not restated prior to the date of adoption of the Standard.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 December 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

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

Adoption of new IFRS (continued)

IFRS 16: Leases (continued)

b) *Impact (continued)*

Applying IFRS 16, for all leases:

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 December 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an impact assessment. The assessment has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

Impact on lessee accounting

IFRS 16 : Leases changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off the statement of financial position.

i) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments;

ii) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of comprehensive income;

iii) Separates the total amount of cash paid into a principal portion and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'administrative expenses' in the statement of comprehensive income.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

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

Adoption of new IFRS (continued)

IFRS 16: Leases (continued)

b) *Impact (continued)*

Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have any effect on the Company's financial statements.

Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings, if any. The impact on transition is summarised below:

	01.12.2019 RO
Right-of-use assets at 01 December 2019 (note 5)	
Office building	123,730
Lease liabilities at 01 December 2019 (note 5)	123,730

The Company's profit before tax for the year decreased by RO 2,546 due to adoption of IFRS 16.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 December 2019. The weighted-average rate applied is 5.25%.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. The Company does not have any transactions as a lessor.

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

Other standards, amendments and interpretations to existing IFRS effective 1 December 2019

The Company has adopted all other Standards and amendments for the first time for the annual reporting period beginning from 1 December 2019, while has accounted for and disclosed only the relevant and applicable Standards and amendments:

- Amendments to IFRS 9: 'Financial instruments' – Prepayment features with negative compensation;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle);
- Amendments to IAS 19: 'Employee benefits plan'- Amendment, Curtailment or Settlement;
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

The adoption of the above amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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 effective and mandatory for the reporting period ended 30 November 2020, and have not been early adopted by the Company:

- IFRS 17: 'Insurance Contracts';
- 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;
- Amendments to IFRS 3: 'Business Combinations' – Definition of a business;
- Amendments to IAS 1: 'Presentation of Financial Statements' and IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors ', – Definition of material;
- Conceptual Framework, Amendments to references to the Conceptual Framework in IFRS Standards.

Management believes that adoption of the above 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

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.

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.

3 Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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 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.

Financial instruments

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 three measurement categories of financial assets are:

- 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.

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Impairment of financial assets

The Company recognises allowances for expected credit losses (ECLs) on financial instruments, including financial assets measured at amortised cost and trade and other receivables. Credit losses are measured as the present value of all cash shortfalls.

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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.

Impairment provision for other receivables and receivables from related parties are also recognised based on a forward looking expected credit loss model.

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.

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.

3 Summary of significant accounting policies (continued)

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.

Employees' end of service benefits

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the statement of comprehensive income as incurred.

Provision for non-Omani employee terminal benefits, which is an unfunded defined benefit retirement plan, is made in accordance with Oman Labour Law and is based on the liability that would arise if the employment of all employees were terminated at the end of the reporting period.

3 Summary of significant accounting policies (continued)

Payables and accruals

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

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.

Leases

Policy effective from 1 December 2019 under IFRS 16

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

3 Summary of significant accounting policies (continued)

Leases (continued)

Policy effective from 1 December 2019 under IFRS 16 (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The right-of-use assets and the lease liability are presented as separate line items in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

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.

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 year.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of shares outstanding at the reporting date.

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 General Meeting shall determine and approve the remuneration and the sitting fees of the members of the Board of Directors in accordance with the Commercial Companies Law of the Sultanate of Oman and the rules set forth in the Regulations.

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.

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 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
At 1 December 2019	**28,892,628**	**972,811**	**1,099,812**	**118,800**	**525,819**	**31,609,870**
Additions	-	**5,977**	**9,249**	-	-	**15,226**
At 30 November 2020	**28,892,628**	**978,788**	**1,109,061**	**118,800**	**525,819**	**31,625,096**
Depreciation						
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
At 1 December 2019	**11,663,011**	**687,926**	**963,335**	**118,800**	**437,608**	**13,870,680**
Charge for the year	**963,088**	**41,689**	**32,565**	-	**30,222**	**1,067,564**
At 30 November 2020	**12,626,099**	**729,615**	**995,900**	**118,800**	**467,830**	**14,938,244**
Net book value						
At 30 November 2020	**16,266,529**	**249,173**	**113,161**	-	**57,989**	**16,686,852**
At 30 November 2019	17,229,617	284,885	136,477	-	88,211	17,739,190

The Company constructed the buildings on land belonging to PDO, in Fahud and Nimr 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.

5 Leases

The Company has leased the office premises and the leases run for a period of 5 years.

a) Right-of-use assets

	2020 RO	2019 RO
At 1 December 2019 (adjusted)	**123,730**	-
Less: depreciation for the year	**(20,622)**	-
	103,108	-

b) Lease liabilities

	2020 RO	2019 RO
Lease liabilities	**105,654**	-
Less: current maturity	**(19,025)**	-
Non-current liabilities	**86,629**	-

c) The movement in lease liabilities is as follows :

	2020 RO	2019 RO
At 01 December 2019	**123,730**	-
Finance charges	**5,924**	-
Payments during the year	**(24,000)**	-
	105,654	-

d) The maturity profile of the lease liabilities, based on the remaining period to maturity from the end of the reporting period is as follows:

	Present value of future minimum lease payments RO	Interest RO	Future minimum lease payments RO
Less than one year	**19,025**	**4,975**	**24,000**
Between one and five years	**86,629**	**9,371**	**96,000**
	105,654	**14,346**	**120,000**

e) Expenses for the year

	2020 RO	2019 RO
Depreciation on right-of-use assets (note 18)	**20,622**	-
Finance charges (note 19)	**5,924**	-
	26,546	-

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:

	2020 RO	2019 RO
i) Transactions with shareholders holding 10% or more interest in the Company		
Cost of operations - service cost	**7,354,010**	7,799,805
Cost of operations - others	**167,831**	171,388
Property, plant and equipment	**-**	83,230
General and administration expenses	**94,456**	106,680
Other sales and services	**288,147**	287,747
ii) Transactions with other related parties		
Cost of operations - others	**104,272**	112,528
General and administration expenses	**23,430**	22,309
Income from operations	**10,874**	98,178
iii) Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	**86,188**	134,069
Loan repayments	**1,179,288**	1,179,288
Directors' remuneration	**105,616**	131,092

b) Amount due from related parties

	2020 RO	2019 RO
Other related parties		
Carillion Alawi LLC	**53,316**	96,373
Provision for credit losses	**(48,055)**	(62,942)
	5,261	33,431

6 Related party transactions (continued)

b) Amount due from related parties (continued)

The movement in allowance for credit losses is as follows:

	2020 RO	2019 RO
At the beginning of the year	**62,942**	93,067
Transition adjustment on adoption of IFRS 9	-	(18,190)
Reversed during the year	**(14,887)**	(11,935)
At 30 November	**48,055**	62,942

c) Amount due to related parties

	2020 RO	2019 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Company LLC	**1,015,415**	1,463,154
Other related parties		
Marketing and Services Company LLC	**7,004**	23,171
	1,022,419	1,486,325

The amounts outstanding are unsecured and will be settled in cash.

7 Trade and other receivables

	2020 RO	2019 RO
Trade receivables	**6,301,143**	6,377,448
Less : allowance for credit losses	**(1,690,669)**	(1,618,500)
	4,610,474	4,758,948
Advances, deposits and prepayments	**231,892**	82,570
	4,842,366	4,841,518

a) At the end of the reporting period, 60% (2019: 56%) of the trade receivables are due from 10 customers (2019-10 customers).

b) At the end of the reporting period, the Company's trade receivables amounting to RO 3,646,426 (2019: RO 4,430,609) are neither past due, nor impaired.

c) At 30 November 2020, trade receivables amounting to RO 964,048 (2019: RO 328,339) are past due, but not impaired and are estimated collectible based on the historical experience of management.

d) On the basis of past experience, unimpaired receivables are expected to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables, accordingly the entire account receivables are unsecured.

7 Trade and other receivables (continued)

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

	2020 RO	2019 RO
Due between 180-270 days	**530,784**	254,594
Due between 270-365days	**433,264**	73,745
	964,048	328,339

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

	2020 RO	2019 RO
At the beginning of the year	**1,618,500**	1,406,933
Transition adjustment on adoption of IFRS 9	-	188,081
Allowance recognised during the year	**72,169**	23,486
At 30 November	**1,690,669**	1,618,500

8 Cash and bank balances

	2020 RO	2019 RO
Cash at bank - current accounts	**1,924,348**	1,511,311
Cash in hand	**125**	125
Cash and cash equivalents	**1,924,473**	1,511,436
Short term investments at amortised cost	**4,000,000**	-
	5,924,473	1,511,436

Short term investments at amortised cost represents the amount deposited in commercial banks in the Sultanate of Oman, with specific maturity dates of 18 June 2021 and 1 July 2021.

9 Share capital

a) The authorised share capital of the Company comprises 10,000,000 ordinary shares of RO 1 each (2019: 10,000,000 ordinary shares of RO 1each). The issued and fully paid-up share capital is RO 6,737,500 (2019: RO 6,125,000) comprising 6,737,500 shares of RO 1 each (2019: 6,125,000 shares of RO 1 each).

b) On 26 February 2020 a resolution was passed at the Annual General Meeting, to increase the share capital by RO 612,500 by issuing bonus shares with a nominal value of RO 1 each. On 3 March 2020, Muscat Securities Market approved the capital increase and those shares were listed in the parallel market.

9 Share capital (continued)

c) 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:

	2020		2019	
	Number of shares	**Shareholding percentage %**	Number of shares	Shareholding percentage %
Alawi Enterprises LLC	1,347,500	20.00	1,225,000	20.00
Catering and Supplies Company LLC	1,347,500	20.00	1,225,000	20.00
Chatron Commercial Corporation	1,134,985	16.85	1,031,805	16.85
Azan Qais Abdulmunim Al Zawawi	851,279	12.63	773,890	12.63

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.

11 Term loans

	2020 RO	2019 RO
Term loan	**982,724**	2,162,012
Less: current maturity	**(982,724)**	(1,179,288)
Non-current liabilities	-	982,724

a) The term loan was obtained from a local commercial bank (a related party), and carried an annual interest rate of 5.25% (2019: for the period from 1 December 2018 to 30 April 2019 4.25% per annum and increased to 5.25% thereafter). 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:

	2020 RO	2019 RO
Less than 1 year	**907,647**	1,264,382
Due between 2 and 3 years	-	1,006,329
	907,647	2,270,711

12 Taxation

	2020 RO	2019 RO
Statement of comprehensive income		
The tax charge for the year comprises:		
Current year tax	**432,153**	463,317
Deferred tax	**18,708**	792
	450,861	464,109

	2020 RO	2019 RO
Statement of financial position		
Current liability		
Current year tax	**432,153**	463,317
Non-current liability		
Deferred tax liability	**133,028**	114,320

a) The Company is liable to income tax at the rate of 15% (2019: 15%) on the taxable profit.

b) The Company's income tax assessments for tax years 2017 to 2019 have not been finalised by the Taxation Authority. 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 2020.

c) Deferred tax (assets)/liabilities and deferred tax charge/(credit) in the financial statements consists of:

	Accelerated depreciation RO	**Provisions RO**	**Total RO**
At 1 December 2019	**366,537**	**(252,217)**	**114,320**
Recognized in the statement of comprehensive income	**27,301**	**(8,593)**	**18,708**
At 30 November 2020	**393,838**	**(260,810)**	**133,028**

	Accelerated depreciation RO	Provisions RO	Total RO
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	366,537	(252,217)	114,320

13 Trade and other payables

	2020 RO	2019 RO
Trade payables	**20,645**	277,919
Proposed directors' remuneration	**105,616**	131,092
Accrued expenses	**376,040**	433,815
	502,301	842,826

The proposed Directors' remuneration is subject to the approval of 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:

	2020	2019
Net assets (RO)	**24,403,350**	23,080,606
Number of shares outstanding	**6,737,500**	6,125,000
Net assets per share (RO)	**3.622**	3.768

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:

	2020	2019
Net profit for the year (RO)	**2,547,744**	2,797,008
Weighted average number of ordinary shares	**6,598,219**	6,125,000
Basic earnings per share (RO)	**0.386**	0.457

As there are no dilutive potential shares, the diluted earnings per share is identical to the basic earning 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 2020 (continued)

15 Income from operations (continued)

Disaggregation of revenue from contracts with customers (continued)

a) Location wise income

	2020 RO	2019 RO
PAC in Fahud	**5,519,356**	5,530,307
PAC in Nimr	**5,636,042**	6,387,536
PAC in Rima	**1,171,059**	1,122,142
	12,326,457	13,039,985

b) Product/ service line

	2020 RO	2019 RO
Accommodation revenue	**4,840,918**	5,032,624
Food and beverages revenue	**5,988,891**	6,405,651
Others services revenue	**1,496,648**	1,601,710
	12,326,457	13,039,985

c) Timing of revenue recognition

	2020 RO	2019 RO
Revenue recognised at a point in time	**7,485,539**	8,007,361
Revenue recognised over the period	**4,840,918**	5,032,624
	12,326,457	13,039,985

16 Cost of operations

	2020 RO	2019 RO
Cost of services (refer note 6)	**7,521,841**	7,971,193
Depreciation on property, plant and equipment	**1,067,564**	1,026,461
Others costs	**361,678**	427,418
	8,951,083	9,425,072

17 Other income

	2020 RO	2019 RO
Interest income	**177,856**	155,119

18 Administrative expenses

	2020 RO	2019 RO
Directors' remuneration	**105,616**	131,092
Salaries and related expenses	**50,632**	-
Office expenses	**84,856**	97,080
Repairs and maintenance	**62,607**	51,100
Depreciation on right of use assets (note 5)	**20,622**	-
Office rent	-	24,000
Insurance	**23,276**	22,322
Other sundry expenses	**56,794**	36,427
	404,403	362,021

19 Finance charges

	2020 RO	2019 RO
Interest on term loans	**85,150**	133,502
Finance charges on lease liabilities (note 5)	**5,924**	-
Bank charges	**1,866**	1,841
	92,940	135,343

20 Contingencies and commitments

	2020 RO	2019 RO
Performance guarantees	**114,761**	81,761

21 Segmental reporting

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

22 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.

22 Capital management (continued)

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.

23 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 comprehensive income will approximate to RO 4,914 (2019: RO 10,810) based on the term loan balance at the end of the reporting period.

23 Financial instruments and related risk management (continued)

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.

c) Liquidity risk

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.

Based on the contractual maturity date, the financial liabilities are payable within a period of six months from the end of the reporting period.

d) Concentration risk

Concentration of credit risk indicates the relative sensitivity of Company's performance to developments affecting a particular industry.

Although 60% of the Company's trade receivables is mainly from 10 customers, the Company considers that it is well positioned to carry out transactions with other parties and that the business risk associated with concentration on a single customer or group of companies is manageable.

24 Dividend

a) Subsequent to the end of the reporting period, the Board of Directors in its meeting held on 26 January 2021 has proposed a cash dividend of 120 baizas per share amounting to RO 808,500 and stock dividend of 12% per share of the issued share capital of the Company (being 12 bonus share for each 100 shares) for the year 2020, which is subject to the approval of the shareholders at the annual general meeting to be held on 24 February 2021.

b) For the year 2019, 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) was approved by the shareholders at the annual general meeting held on 26 February 2020 (2018: cash dividend of 200 baizas per share amounting to RO 1,225,000).

25 Subsequent events

Due to COVID 19 pandemic and its widespread impact on the global economy, the financial impact on the business remains uncertain. Management of the Company is planning to take reasonable measures to protect its interests and minimize the impact on the business. However, due to uncertainty beyond Management's control, the financial impact of the situation cannot be ascertained.