

SAHARA HOSPITALITY COMPANY SAOG

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2022**

Registered address

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

SAHARA HOSPITALITY COMPANY SAOG

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2022

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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 2022, 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 2022, 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Allowance for expected credit losses on trade receivables (refer note 8)</i>	
<p>As at 30 November 2022, the Company's trade receivables and the allowance for expected credit losses amounted to RO 7,541,054 and RO 1,949,829 respectively. As disclosed in note 8, this represents a significant balance in the Company's statement of financial position and the allowance for ECL is a significant estimate made by the management.</p> <p>We considered this area as a key audit matter due to the materiality of the balances and the allowance for expected credit losses involves judgment and must reflect information about past events, current conditions and forecasts of future conditions.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Testing the accuracy of the aging of trade receivables; ▪ Assessing the operating effectiveness of the credit process; ▪ Verifying the data underlying the expected credit loss computation; ▪ Reviewing the methodology used and assessing the reasonableness of assumptions used in preparing the estimate of ECL. ▪ Assessing the adequacy and appropriateness of the disclosures in the financial statements.
<i>Related party transactions (refer note 7)</i>	
<p>The Company entered into transactions with related parties, directors, key management personnel and their related entities, in the ordinary course of business. IAS 24, Related Party Disclosures requires qualitative and quantitative disclosures of transactions with related parties.</p> <p>We considered this area as a key audit matter due to the significance of the related party transactions disclosed in the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Reviewing 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, testing certain significant transactions with related parties and assessing the adequacy of disclosures with respect to the requirements of IAS 24. ▪ Assessing the adequacy and appropriateness of the disclosures in the financial statements.

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

Other information included in the Company's 2022 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial statements and our auditor's report thereon.

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 identified above 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 that we obtained prior to the date of this 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, 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.

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, actions taken to eliminate threats or safeguards applied.

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

We report that the financial statements of the Company as at and for the year ended 30 November 2022, in all material respects, comply 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tom C Mathew.

CROWE MAK GHAZALI LLC



Tom C Mathew
Engagement Partner

Muscat, Sultanate of Oman
19 January 2023



SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF FINANCIAL POSITION AS AT 30 NOVEMBER 2022

	<u>Note</u>	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
ASSETS			
Non-current assets			
Property, plant and equipment	4	14,628,001	15,636,509
Right-of-use assets	5	61,866	82,487
Investment in term deposits	6	-	5,000,000
		<u>14,689,867</u>	<u>20,718,996</u>
Current assets			
Inventories		24,644	29,778
Amount due from related parties	7	21,334	5,568
Trade receivables	8	5,591,225	4,984,209
Other current assets	9	350,756	193,812
Investment in term deposits	6	5,000,000	-
Cash and bank balances	10	3,805,584	2,023,456
		<u>14,793,543</u>	<u>7,236,823</u>
Total assets		<u>29,483,410</u>	<u>27,955,819</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	11	7,923,300	7,546,000
Legal reserve	12	2,641,100	2,458,239
Retained earnings		16,586,544	15,714,673
Total equity		<u>27,150,944</u>	<u>25,718,912</u>
Liabilities			
Non-current liabilities			
Non-current portion of lease liabilities	5	45,529	66,604
Deferred taxation	13	149,443	134,514
Employees' end of service benefits		16,258	13,758
		<u>211,230</u>	<u>214,876</u>
Current liabilities			
Current portion of lease liabilities	5	21,075	20,024
Amount due to related parties	7	1,171,096	1,132,762
Trade and other payables	14	491,047	495,569
Income tax payable	13	438,018	373,676
		<u>2,121,236</u>	<u>2,022,031</u>
Total liabilities		<u>2,332,466</u>	<u>2,236,907</u>
Total equity and liabilities		<u>29,483,410</u>	<u>27,955,819</u>
Net assets per share	15	<u>3.427</u>	<u>3.408</u>

These financial statements were approved and authorised for issue by the Board of Directors on ...19/01/2023 and signed on their behalf by:


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 2022

	<u>Note</u>	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Income from operations	16	12,620,245	11,240,348
Cost of operations	17	(9,237,141)	(8,330,866)
Gross profit		<u>3,383,104</u>	<u>2,909,482</u>
Interest on term deposits		217,500	191,219
Administrative expenses	18	(499,750)	(410,675)
Allowance for expected credit losses (net)	7 & 8	(76,101)	(159,728)
Profit from operations		<u>3,024,753</u>	<u>2,530,298</u>
Finance charges	19	(7,874)	(31,074)
Profit for the year before income tax		<u>3,016,879</u>	<u>2,499,224</u>
Income tax	13	(452,947)	(375,162)
Net profit and total comprehensive income for the year		<u><u>2,563,932</u></u>	<u><u>2,124,062</u></u>
 Earnings per share	 15	 <u><u>0.324</u></u>	 <u><u>0.268</u></u>

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 2022

	<u>Share capital RO</u>	<u>Legal reserve RO</u>	<u>Retained earnings RO</u>	<u>Total RO</u>
At 1 December 2020	6,737,500	2,245,833	15,420,017	24,403,350
Bonus shares	808,500	-	(808,500)	-
Profit for the year	-	-	2,124,062	2,124,062
Transfer to legal reserve	-	212,406	(212,406)	-
Dividend paid	-	-	(808,500)	(808,500)
At 30 November 2021	<u>7,546,000</u>	<u>2,458,239</u>	<u>15,714,673</u>	<u>25,718,912</u>
At 1 December 2021	7,546,000	2,458,239	15,714,673	25,718,912
Bonus shares	377,300	-	(377,300)	-
Profit for the year	-	-	2,563,932	2,563,932
Transfer to legal reserve	-	182,861	(182,861)	-
Dividend paid	-	-	(1,131,900)	(1,131,900)
At 30 November 2022	<u>7,923,300</u>	<u>2,641,100</u>	<u>16,586,544</u>	<u>27,150,944</u>

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

SAHARA HOSPITALITY COMPANY SAOG

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 NOVEMBER 2022

		<u>2022</u>	<u>2021</u>
	<u>Note</u>	<u>RO</u>	<u>RO</u>
Cash flows from operating activities			
Profit for the year before taxation		3,016,879	2,499,224
Adjustments for:			
Allowance for expected credit losses (net)	7 & 8	76,101	159,728
Depreciation on property, plant and equipment	4	1,054,096	1,059,086
Depreciation on right-of-use assets	5	20,621	20,621
Finance charges		3,976	28,622
Interest on term deposits		(217,500)	(191,219)
Accrual of employee's end of service benefits		2,500	2,402
Property, plant and equipment written off		-	3,486
Cash flows before working capital changes		<u>3,956,673</u>	<u>3,581,950</u>
Decrease in inventories		5,134	1,147
Movement in related party balances		22,568	110,036
Increase in trade receivables and other current assets		(622,561)	(410,171)
Decrease in trade and other payables		(4,522)	(6,732)
Cash generated from operations		<u>3,357,292</u>	<u>3,276,230</u>
Income tax paid		(373,676)	(432,153)
Net cash from operating activities		<u>2,983,616</u>	<u>2,844,077</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(45,588)	(12,229)
Investment in term deposits		-	(1,000,000)
Interest on term deposits		-	106,007
Net cash from/(used in) investing activities		<u>(45,588)</u>	<u>(906,222)</u>
Cash flows from financing activities			
Term loan repayments		-	(982,724)
Dividend paid		(1,131,900)	(808,500)
Finance charges paid on term loan		-	(23,648)
Payment of principal amount of lease liabilities		(20,024)	(19,026)
Payment of finance charges on lease liabilities		(3,976)	(4,974)
Net cash used in financing activities		<u>(1,155,900)</u>	<u>(1,838,872)</u>
Net change in cash and cash equivalents during the year		<u>1,782,128</u>	<u>98,983</u>
Cash and cash equivalents at the beginning of the year		<u>2,023,456</u>	<u>1,924,473</u>
Cash and cash equivalents at the end of the year	10	<u>3,805,584</u>	<u>2,023,456</u>

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

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022

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 7 and 17). 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, if any.

Functional and presentation currency

The financial statements have been prepared in Rial Omani ("RO"), which is the functional and presentation currency of the Company. All figures have been rounded off to the nearest RO, unless otherwise stated.

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

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

New standards, amendments and interpretations to existing IFRS effective 1 December 2021

The Company has adopted all new Standards and amendments for the first time for the annual reporting period beginning from 1 December 2021, while has accounted for and disclosed only the relevant and applicable Standards and amendments:

i) Amendments to IFRS 16 'Covid 19 Related Rent Concessions'

In March 2021, Standard setters of IFRS issued Covid 19 Related Rent Concessions (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2021. Recent amendment, effective from annual periods beginning on or after 1 April 2021, permits a lessee to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

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

ii) Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform;

These amendments are not relevant to the financial statements of the Company.

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 2022, and have not been early adopted by the Company:

Standards/Amendments to Standards	Effective for annual periods beginning on or after
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	01 January 2022
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Amendments to IAS 16: Property, Plant and Equipment—Proceeds before Intended Use	01 January 2022
Amendments to IFRS 3: Reference to the Conceptual Framework	01 January 2022

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

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

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

Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17	01 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	01 January 2023
Amendment to IAS 1: Disclosure of Accounting Policies	01 January 2023
Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Income from operations (continued)

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 the Company satisfies a performance obligation by transferring promised goods or services to a customer 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.

Where 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 comprehensive income as an expense as incurred.

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

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

	Years
Buildings	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 reviewed annually.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

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.

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 the financial assets of the Company in these financial statements are measured at amortised cost.

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

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.

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

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.

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

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.

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Foreign currency transactions and balances

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

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.

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 liabilities 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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Income tax (continued)

Deferred tax is calculated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their related tax base. 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 deductible temporary differences, 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.

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 determines and approves 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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

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.

Critical accounting estimates and judgements

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.

These estimates are reviewed on an ongoing basis. Accounting estimates are revised in the period in which revisions are made. Significant management estimates in these financial statements relate 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 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.

Useful lives, pattern of flow of economic benefits and impairment

Management determines the useful lives and related depreciation charge, the residual values and impairment of its fixed assets on regular basis. These are reviewed at the end of each reporting period and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets and the residual values, the same is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

3 Summary of significant accounting policies (continued)

Critical accounting estimates and judgements (continued)

Taxation

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of tax assessments of the Company.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

Determining the lease term of the contracts

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

SAHARA HOSPITALITY COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)**

4 Property, plant and equipment

Cost	<u>Buildings</u> RO	<u>Equipment</u> RO	<u>Furniture and fixtures</u> RO	<u>Motor vehicles</u> RO	<u>Pre-fabricated buildings</u> RO	<u>Total</u> RO
At 1 December 2020	28,892,628	978,788	1,109,061	118,800	525,819	31,625,096
Additions	-	6,705	5,524	-	-	12,229
Write off	-	(108,007)	(137,583)	-	-	(245,590)
At 30 November 2021	28,892,628	877,486	977,002	118,800	525,819	31,391,735
At 1 December 2021	28,892,628	877,486	977,002	118,800	525,819	31,391,735
Additions	-	6,351	39,237	-	-	45,588
At 30 November 2022	28,892,628	883,837	1,016,239	118,800	525,819	31,437,323
Depreciation						
At 1 December 2020	12,626,099	729,615	995,900	118,800	467,830	14,938,244
Charge for the year	963,088	41,356	26,574	-	28,068	1,059,086
Relating to write off	-	(104,545)	(137,559)	-	-	(242,104)
At 30 November 2021	13,589,187	666,426	884,915	118,800	495,898	15,755,226
At 1 December 2021	13,589,187	666,426	884,915	118,800	495,898	15,755,226
Charge for the year	963,087	38,776	30,626	-	21,607	1,054,096
At 30 November 2022	14,552,274	705,202	915,541	118,800	517,505	16,809,322

Net book value

At 30 November 2022	14,340,354	178,635	100,698	-	8,314	14,628,001
At 30 November 2021	15,303,441	211,060	92,087	-	29,921	15,636,509

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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

5 Leases

The Company has leased the office premises and the lease term is for a period of 6 years.

a) Right-of-use assets

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
At the beginning of the year	82,487	103,108
Less: depreciation for the year	(20,621)	(20,621)
At 30 November	<u>61,866</u>	<u>82,487</u>

b) Lease liabilities

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Lease liabilities	66,604	86,628
Less: current maturity	(21,075)	(20,024)
Non-current liabilities	<u>45,529</u>	<u>66,604</u>

c) The movement in lease liabilities is as follows :

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
At the beginning of the year	86,628	105,654
Finance charges	3,976	4,974
Payments during the year	(24,000)	(24,000)
	<u>66,604</u>	<u>86,628</u>

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 <u>RO</u>	Finance charges <u>RO</u>	Future minimum lease payments <u>RO</u>
Less than one year	21,075	2,925	24,000
Between one and five years	45,529	2,471	48,000
	<u>66,604</u>	<u>5,396</u>	<u>72,000</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

5 Leases (continued)

e) Expenses for the year

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Depreciation on right-of-use assets (note 18)	20,621	20,621
Finance charges (note 19)	3,976	4,974
	<u>24,597</u>	<u>25,595</u>

6 Investment in term deposits

These represent the amount deposited in commercial banks in the Sultanate of Oman, with specific maturity date of 11 January 2023. The fair values of these deposits are not significantly different from their carrying amounts.

7 Related party transactions

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

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

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

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

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
<i>i) Transactions with shareholders holding 10% or more interest in the Company</i>		
Cost of operations - Cost of services	7,720,523	6,802,281
General and administration expenses	72,299	64,344
Office rent	24,000	24,000
Payments made on behalf of a related party	634,375	589,530

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

7 Related party transactions (continued)

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

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
<i>ii) Transactions with other related parties</i>		
Cost of operations - other costs	134,028	138,775
Income from operations	48,795	13,997
<i>iii) Transactions with shareholders holding less than 10% interest in the Company</i>		
Finance charges	-	23,648
Loan repayments	-	982,724
Directors' remuneration	104,467	80,755

- b) Amount due from related parties

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
<i>Other related parties</i>		
Carillion Alawi LLC	46,058	28,308
Allowance for expected credit losses	(24,724)	(22,740)
	<u>21,334</u>	<u>5,568</u>

The movement in allowance for expected credit losses is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
At the beginning of the year	22,740	48,055
Allowance for the year	1,984	-
Reversed during the year	-	(25,315)
At 30 November	<u>24,724</u>	<u>22,740</u>

- c) Amount due to related parties

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
<i>Shareholders holding 10% or more interest in the Company</i>		
Catering and Supplies Company LLC	1,149,672	1,083,292
<i>Other related parties</i>		
Marketing and Services Company LLC	21,424	49,470
	<u>1,171,096</u>	<u>1,132,762</u>

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

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

8 Trade receivables

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Trade receivables	7,541,054	6,859,921
Less : allowance for expected credit losses	(1,949,829)	(1,875,712)
	<u>5,591,225</u>	<u>4,984,209</u>

- a) At the end of the reporting period, 63% (2021: 55%) of the trade receivables are due from 10 customers (2021: 10 customers).
- b) At the end of the reporting period, the Company's trade receivables amounting to RO 5,068,832 (2021: RO 4,145,825) are neither past due, nor impaired.
- c) At 30 November 2022, trade receivables amounting to RO 522,393 (2021: RO 838,384) are past due, but not impaired and are considered 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.

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

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Due between 180-270 days	412,109	497,728
Due between 270-365 days	61,401	260,379
Due more than 365 days	48,883	80,277
	<u>522,393</u>	<u>838,384</u>

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

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
At the beginning of the year	1,875,712	1,690,669
Allowance recognised during the year	74,117	185,043
At 30 November	<u>1,949,829</u>	<u>1,875,712</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

9 Other current assets

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Accrued interest	302,712	85,212
Other receivables	48,044	108,600
	<u>350,756</u>	<u>193,812</u>

10 Cash and bank balances

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Cash in hand	125	125
Cash at bank - current accounts	3,805,459	2,023,331
	<u>3,805,584</u>	<u>2,023,456</u>

11 Share capital

- a) The authorised share capital of the Company comprises 10,000,000 ordinary shares of RO 1 each (2021: 10,000,000 ordinary shares of RO 1 each). The issued and fully paid-up share capital is RO 7,923,300 (2021: RO 7,546,000) comprising 7,923,300 shares of RO 1 each (2021: 7,546,000 shares of RO 1 each).
- b) On 24 February 2022 a resolution was passed at the Annual General Meeting, to increase the issued share capital by RO 377,300 by issuing bonus shares with a nominal value of RO 1 each. On 03 March 2022, Muscat Stock Exchange approved the capital increase and those shares were listed in the parallel market.
- 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:

	<u>2022</u>		<u>2021</u>	
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %
Alawi Enterprises LLC	1,584,660	20.00	1,509,200	20.00
Catering and Supplies Company LLC	1,584,660	20.00	1,509,200	20.00
Chatron Commercial Corporation	1,334,742	16.85	1,271,183	16.85
Azan Qais Abdulmunim Al Zawawi	1,001,104	12.63	953,432	12.63

12 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. During the year, the Company has transferred the net profits to the legal reserve to the extent that the accumulated reserve has reached the statutory minimum of one-third of the share capital.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

13 Taxation

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Statement of comprehensive income		
The tax charge for the year comprises:		
Current year income tax	438,018	373,676
Deferred tax	14,929	1,486
	<u>452,947</u>	<u>375,162</u>
 Statement of financial position	 <u>2022</u> <u>RO</u>	 <u>2021</u> <u>RO</u>
Current liability		
Current year income tax	438,018	373,676
Non-current liability		
Deferred tax liability	<u>149,443</u>	<u>134,514</u>

- a) The Company is liable to income tax at the rate of 15% (2021: 15%) on the taxable profit.
- b) The Company's income tax assessment for tax year 2021 has not been finalised by the Tax Authority. Management is of the opinion that the amount of additional taxes, if any, that may become payable on finalisation of the pending tax assessment would not be significant to the Company's financial position as at 30 November 2022.
- c) The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Tax charge on accounting profit at applicable rates	452,532	374,884
Add/(less) tax effect of:		
Depreciation on property, plant and equipment	(26,346)	(25,967)
Allowance for expected credit losses	11,415	23,959
Interest on lease liabilities and depreciation of right-of-use asset	90	239
Others	327	561
	<u>438,018</u>	<u>373,676</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

13 Taxation (continued)

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

	<u>Accelerated depreciation</u> <u>RO</u>	<u>Allowance for expected credit losses</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 December 2021	419,283	(284,769)	134,514
Recognized in the statement of comprehensive income	26,343	(11,414)	14,929
At 30 November 2022	<u>445,626</u>	<u>(296,183)</u>	<u>149,443</u>

	<u>Accelerated depreciation</u> <u>RO</u>	<u>Allowance for expected credit losses</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 December 2020	393,838	(260,810)	133,028
Recognized in the statement of comprehensive income	25,445	(23,959)	1,486
At 30 November 2021	<u>419,283</u>	<u>(284,769)</u>	<u>134,514</u>

14 Trade and other payables

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Trade creditors	36,870	51,134
Proposed directors' remuneration	104,467	80,755
Accruals	313,385	330,934
Other payables	36,325	32,746
	<u>491,047</u>	<u>495,569</u>

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

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

15 Net assets, earnings per share

a) Net assets per share

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

	<u>2022</u>	<u>2021</u>
Net assets (RO)	<u>27,150,944</u>	<u>25,718,912</u>
Number of shares outstanding	<u>7,923,300</u>	<u>7,546,000</u>
Net assets per share (RO)	<u>3.427</u>	<u>3.408</u>

b) Basic earnings per share

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

	<u>2022</u>	<u>2021</u>
Net profit for the year (RO)	<u>2,563,932</u>	<u>2,124,062</u>
Weighted average number of ordinary shares	<u>7,923,300</u>	<u>7,923,300</u>
Basic earnings per share (RO)	<u>0.324</u>	<u>0.268</u>

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

16 Income from operations

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.

a) Location wise income

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
PAC in Fahud	5,765,886	4,979,614
PAC in Nimr	5,579,949	5,040,551
PAC in Rima	1,274,410	1,220,183
	<u>12,620,245</u>	<u>11,240,348</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

16 Income from operations (continued)

b) Product/service line

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Accommodation revenue	5,114,622	4,511,040
Food and beverages revenue	5,836,277	5,201,846
Other services revenue	1,669,346	1,527,462
	<u>12,620,245</u>	<u>11,240,348</u>

c) Timing of revenue recognition

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Revenue recognised at a point in time	5,954,173	5,344,216
Revenue recognised over the period	6,666,072	5,896,132
	<u>12,620,245</u>	<u>11,240,348</u>

17 Cost of operations

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Cost of services (refer note 7)	7,720,523	6,802,281
Depreciation on property, plant and equipment (note 4)	1,054,096	1,059,086
Others costs	462,522	469,499
	<u>9,237,141</u>	<u>8,330,866</u>

18 Administrative expenses

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Directors' remuneration	104,467	80,755
Salaries and related expenses	67,511	67,472
Office expenses	81,377	78,744
Repairs and maintenance	88,636	50,986
Legal and professional charges	15,529	47,064
Depreciation on right of use assets (note 5)	20,621	20,621
Property, plant and equipment written off	-	3,486
Insurance	23,239	22,587
Other sundry expenses	98,370	38,960
	<u>499,750</u>	<u>410,675</u>

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

19 Finance charges

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Interest on term loans	-	23,648
Finance charges on lease liabilities (note 5)	3,976	4,974
Bank charges	3,898	2,452
	<u>7,874</u>	<u>31,074</u>

20 Contingencies and commitments

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Performance guarantees	-	101,761

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.

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. The Company was not geared as at 30 November 2022.

23 Financial instruments and related risk management

The Company's financial assets include investment in term deposits, trade receivables, accrued interest, other receivables, amount due from related parties, cash and bank balances. Financial liabilities include lease liabilities, trade and other payables and amount due to related parties.

The Company's activities expose it to various financial risks, primarily 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)**

23 Financial instruments and related risk management (continued)

a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices that will affect the Company's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest rate risk and other price risk. 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. Management believes that there would not be a material impact on the profitability if these foreign currencies weaken or strengthen against the RO, with all other variables held constant.

ii) Interest rate risk

As the Company does not have any significant floating rate interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

b) Credit risk

Credit risk arises from bank balances, as well as credit exposures to outstanding receivables.

The expected loss rates are based on the payment profiles of parties 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.

Bank balances are with banks having good credit ratings.

Concentration risk

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

Although 63% of the Company's trade receivables are mainly from 10 customers (2021: 55% of trade receivables 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.

SAHARA HOSPITALITY COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

23 Financial instruments and related risk management (continued)

c) Liquidity risk

Management maintains sufficient bank balances and cash 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 twelve months from the end of the reporting period, except the lease liabilities.

24 Events after the reporting date - Dividend

- a) Subsequent to the end of the reporting period, the Board of Directors in its meeting held on 19 January 2023 has proposed a cash dividend of 250 baizas per share amounting to RO 1,980,825 for the year 2022, which is subject to the approval of the shareholders at the annual general meeting to be held on 22 February 2023.
- b) For the year 2021, cash dividend of 150 baizas per share amounting to RO 1,131,900 and stock dividend of 5% per share of the issued share capital of the Company (being 5 bonus shares for each 100 shares) was approved by the shareholders at the annual general meeting held on 24 February 2022.

25 Reconciliation of liabilities arising from financing activities

30 November 2022	<u>Lease liabilities</u> <u>RO</u>	<u>Dividend payable</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At the beginning of the year	86,628	-	86,628
Dividend paid	-	(1,131,900)	(1,131,900)
Payment of principal amount	(20,024)	-	(20,024)
Payment of finance charges	(3,976)	-	(3,976)
Total changes from financing cash flows	(24,000)	(1,131,900)	(1,155,900)
Non-cash changes (accrual of finance costs and dividend payable during the year)	3,976	1,131,900	1,135,876
	<u>66,604</u>	<u>-</u>	<u>66,604</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022 (continued)

25 Reconciliation of liabilities arising from financing activities (continued)

30 November 2021	Term loan <u>RO</u>	Lease liabilities <u>RO</u>	Dividend payable <u>RO</u>	Total <u>RO</u>
At the beginning of the year	982,724	105,654	-	1,088,378
Dividend paid	-	-	(808,500)	(808,500)
Payment of principal amount	(982,724)	(19,026)	-	(1,001,750)
Payment of finance charges	-	(4,974)	-	(4,974)
Total changes from financing cash flows	(982,724)	(24,000)	(808,500)	(1,815,224)
Non-cash changes (accrual of finance costs and dividend payable during the year)	-	4,974	808,500	813,474
	-	86,628	-	86,628

26 Subsequent events

There were no events occurring, subsequent to 30 November 2022, and before the date of the approval that are expected to have a significant impact on these financial statements.

27 Comparative figures

Certain comparative figures of the previous year have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current years' financial statements. Such regroupings or reclassifications did not affect previously reported net profit or shareholders' equity.