Sahara Hospitality Company SAOG

Financial statements

30 November 2018

Registered office and principal place of business:

P. O. Box 311,
Postal Code 100, Muscat
Sultanate of Oman

Sahara Hospitality Company SAOG

Financial Statements
30 November 2018

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SAHARA HOSPITALITY COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements Sahara Hospitality Company SAOG (the Company) set-out on pages 5 to 8, which comprise the statement of financial position as at 30 November 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 30 November 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' 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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C.R. No. 1309366

Assessing the recoverability of trade debtors	
Refer to note 6 to the financial statements on page 21.	
The Key Audit Matter	**How the matter was addressed in our audit**
As at 30 November 2018, the Company's gross trade receivables amounted to RO 6 million, against which allowances for doubtful receivables of RO 1.4 million were recorded. The Company's allowances for doubtful receivables is based on management's estimate of the credit losses incurred, which is estimated by taking into account the credit history of the Company's customers and current market and customer-specific conditions, all of which involve a significant degree of management judgment. The Company's allowances for doubtful receivables include a specific element based on individual debtors and a collective element based on historical experience adjusted for certain current factors. We identified assessing the recoverability of trade receivables as a key audit matter because it involves significant management judgment in determining the recoverable amount of trade receivables.	Our audit procedures to assess the recoverability of trade receivables included the following: obtaining an understanding of and assessing the design and implementation of management's key internal controls relating to credit control, receivable collection and making allowances for doubtful receivables; assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices; assessing the assumptions and estimates made by the management for the allowances for doubtful receivables with reference to our understanding of the counter party's financial condition, the industry in which the debtors are operating, the ageing of overdue balances and historical and post year-end cash receipts from the counter party's and by performing a retrospective review of the historical accuracy of these estimates; assessing the historical accuracy of management's process for making allowances for doubtful receivables by examining the utilization or release of allowances recorded as at 30 November 2018 and new allowances made in the current year in respect of trade debtors as at 30 November 2018 and assessing the adequacy of the disclosure.

Related party transactions	
Refer to notes 5 to the financial statements on pages 20	
The Key Audit Matter	**How the matter was addressed in our audit**
IAS 24 - Related Party Disclosures ("IAS 24") requires qualitative and quantitative disclosures of transactions with related parties. The Company in the ordinary course of 'business enters into transactions with related parties, directors, key management personnel and their related entities. Given the significance of these transactions to these financial statements, we consider this to be a key audit matter.	We have reviewed the minutes of meetings of the management, the Board of Directors and details of related parties maintained by the Company, to determine that the Company has a process to identify all related parties transactions and balances. On a sample basis, we tested certain key significant transactions with related parties and assessed the adequacy of disclosures with respect to the requirements of IAS 24.

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Other Matter

The financial statements of the Company for the year ended 30 November 2017 were audited by another auditor who expressed an unmodified opinion on those statements dated 18 January 2018.

Other Information

Management is responsible for the other information. The other information comprises the chairman's report, corporate governance report and management discussion and analysis report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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, 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 IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, 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.

Auditors' 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 auditors' 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.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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 auditors' 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.

  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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 period and are therefore the key audit matters. We describe these matters in our auditors' 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 2018, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 1974, as amended.

KPMG

24 January 2019

Ravikanth Petluri

KPMG AUDIT · TAX · ADVISORY
P.O. Box 641 Ruwi · Postal Code 112
Sultanate of Oman

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SAHARA HOSPITALITY COMPANY SAOG

Statement of financial position
as at 30 November

	Note	2018 RO	2017 RO
Assets			
Non-current assets			
Property, plant and equipment	*4*	**17,190,255**	18,223,741
Current assets			
Inventories		**25,121**	22,575
Balances due from a related party	*5*	**95,630**	208,495
Trade and other receivables	*6*	**4,670,343**	4,698,204
Cash and cash equivalents	*7*	**6,266,658**	3,030,901
Total current assets		**11,057,752**	7,960,175
Total assets		**28,248,007**	26,183,916
Equity and liabilities			
Equity			
Share capital	*8*	**6,125,000**	5,833,333
Legal reserve	*9*	**2,041,667**	1,944,445
Retained earnings		**13,511,822**	12,318,943
Total Equity		**21,678,489**	20,096,721
Liabilities			
Non-current liabilities			
Non-current portion of term loans	*11*	**2,162,012**	3,341,300
Deferred taxation	*12*	**113,528**	100,361
Total non-current liabilities		**2,275,540**	3,441,661
Current liabilities			
Current portion of term loans	*11*	**1,179,288**	1,179,288
Trade and other payables	*13*	**610,985**	573,078
Taxation	*12*	**420,566**	325,582
Amounts due to related parties	*5*	**2,083,139**	567,586
Total current liabilities		**4,293,978**	2,645,534
Total liabilities		**6,569,518**	6,087,195
Total shareholders' equity and liabilities		**28,248,007**	26,183,916
Net assets per share	*14*	**3.539**	3.445

These financial statements were authorized for issue and approved by the Board of Directors on 24-01-2019 and were signed on their behalf by:

The notes on pages 9 to 28 form an integral part of these financial statements.
The report of Auditors is set forth on page 1.

Chairman

Director

SAHARA HOSPITALITY COMPANY SAOG

Statement of comprehensive income
for the year ended 30 November

	Note	2018 RO	2017 RO
Revenue		**12,399,737**	12,323,453
Cost of sales	*16*	**(8,922,120)**	(8,865,062)
Gross profit		**3,477,617**	3,458,391
Other income		**1,485**	-
Administrative and general expenses	*17*	**(416,936)**	(404,234)
Profit from operations		**3,062,166**	3,054,157
Net financing cost		**(171,665)**	(219,888)
Profit for the year before tax		**2,890,501**	2,834,269
Taxation	*12*	**(433,733)**	(357,256)
Net profit and total comprehensive income for the year		**2,456,768**	2,477,013
Basic earnings per share	*15*	**0.401**	0.404

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SAHARA HOSPITALITY COMPANY SAOG

Statement of changes in equity
for the year ended 30 November

	Notes	Share capital RO	Legal reserve RO	Retained earnings RO	Total RO
Balance at 30 November 2016		5,833,333	1,944,445	10,716,930	18,494,708
Net profit and total comprehensive income for the year		-	-	2,477,013	2,477,013
Total comprehensive income		5,833,333	1,944,445	13,193,943	20,971,721
Transactions with owners:					
Dividend paid	10	-	-	(875,000)	(875,000)
At 30 November 2017		5,833,333	1,944,445	12,318,943	20,096,721
At 30 November 2017		5,833,333	1,944,445	12,318,943	20,096,721
Net profit and total comprehensive income for the year		-	-	2,456,768	2,456,768
Total comprehensive income		5,833,333	1,944,445	14,775,711	22,553,489
Transaction with owners:					
Bonus shares	8	291,667	-	(291,667)	-
Dividend paid	10	-	-	(875,000)	(875,000)
Total transaction with owners		**291,667**	-	(1,166,667)	(875,000)
Transfer to legal reserve		-	97,222	(97,222)	-
At 30 November 2018		**6,125,000**	**2,041,667**	**13,511,822**	**21,678,489**

The notes on pages 9 to 28 form an integral part of these financial statements.
The report of Auditors is set forth on page 1.

SAHARA HOSPITALITY COMPANY SAOG

Statement of cash flows
for the year ended 30 November

	2018 RO	2017 RO
Operating activities		
Cash receipts from customers	**12,540,465**	12,805,351
Cash paid to suppliers	**(6,739,439)**	(8,801,633)
Cash generated from operations	**5,801,026**	4,003,718
Net financing charges	**(171,665)**	(219,888)
Taxation paid	**(325,584)**	(324,727)
Cash flow from operating activities	**5,303,777**	3,459,103
Investing activities		
Purchase of property and equipment	**(15,217)**	(69,014)
Sale proceeds on disposal of property and equipment	**1,485**	-
Cash flow used in investing activities	**(13,732)**	(69,014)
Financing activities		
Net movements in term loans	**(1,179,288)**	(1,179,288)
Dividend paid	**(875,000)**	(875,000)
Cash flow used in from financing activities	**(2,054,288)**	(2,054,288)
Net change in cash and cash equivalents during the year	**3,235,757**	1,335,801
Cash and cash equivalents at the beginning of the year	**3,030,901**	1,695,100
Cash and cash equivalents at the end of the year	**6,266,658**	3,030,901

The notes on pages 9 to 28 form an integral part of these financial statements.

The report of Auditors is set forth on page 1.

1 Legal status and principle activities

Sahara Hospitality Company SAOG ("the Company") is a public joint stock company and its principal activity is to build, own and operate permanent accommodations ("the PACs") for contractors of Petroleum Development Oman LLC ("PDO") in Fahud, 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 5 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 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements are been prepared in accordance with International Financial Reporting Standards, and applicable requirements of the Commercial Companies Law and the Capital Market Authority of the Sultanate of Oman. The financial statements are prepared under the historical cost convention,

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

These financial statements are presented in Rial Omani (RO), which is the Company functional currency.

(a) *New standards, amendments and* interpretation effective for annual periods beginning 1 January 2017 and relevant for the Company's operations:

The following standards, amendments and interpretations, which became effective as of 1 January 2017:

- Disclosure Initiative (Amendments to IAS 7) (Effective from 1 January 2017)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (Effective from 1 January 2017)
- Annual Improvements to IFRSs 2014–2016 Cycle – various standards (Amendments to IFRS 12)

(b) New standards, amendments and interpretations issued but not yet effective:

A number of new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Company has not early adopted the new amended standards in preparing these financial statements.

IFRS 9 will require extensive new disclosures, in particular about credit risk and expected credit loss. As such, the Company has initiated the process of implementing the system and control changes that will be necessary to capture the required data.

IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Company is in the process of assessing the estimated impact that the initial application of IFRS 15 will have on its financial statements

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9 Financial Instruments

IFRS 9 (2014) supersedes IFRS 9 (2009), IFRS 9 (2010), IFRS 9 (2013) and IFRIC 9, which was incorporated into IFRS 9 (2010). Since the Company has already adopted a previous version of IFRS 9, the Company will continue applying that version until the mandatory effective date of IFRS 9 - i.e. annual periods beginning on or after 1 January 2018.

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

(i) Classification and measurement – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The Company has already adopted the classification requirements of IFRS 9 and as such there will be no material impact on opening equity as at 1 January2018 on account of changes in classification requirements of IFRS 9.

(ii) Impairment – Financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This requires considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model applies to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following basis:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible defaults events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset credit risk has not increase significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component.

The estimated ECLs will be calculated based on the actual credit loss experience over the past years while considering the customer type/payment records and grouped based on past due status. Historical default percentages which will be derived from historical data will be adjusted for forward looking information which is important for the Company to understand what actually drives the levels of default over the expected lives of the receivables.

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 9 Financial Instruments (continued)

(iii) Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

(iv) Disclosure and transition requirements

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs. The Company's preliminary assessment includes an analysis to identify data gaps against current processes and the Company is in preliminary stages of implementing the system and control changes that it believe and will be necessary to capture the required data. The Company will apply IFRS 9 prospectively and will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in retained earnings as at 1 January 2018.

Management are in the preliminary stage to assess the impact on the financial statement of the Company.

IFRS 15 Revenue from contracts with customer

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards and provides a single principle based framework to be applied to all contracts with customers that are in scope of the standard.

Under the new standard revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. The standard introduces a new five step model to recognize revenue as performance obligations in a contract are satisfied. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments.

In preparing to adopt IFRS 15, the Company has considered the following:

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 15 Revenue from contracts with customer (continued)

(i) Rendering of services

The Company is involved in providing services through service provider, the total consideration in the service contracts will be allocated to all services based on their agreed rates. The agreed rates will be determined based on the prices as per the contractual terms agreed with the service provider.

(ii) Disclosure and transition requirements

The Company plans to adopt IFRS 15 using the cumulative effect method, with effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). As a result, the Company will not apply the requirements of IFRS 15 to the comparative period presented.

Management are in the preliminary stage to assess the impact on the financial statement of the Company.

IFRS 16 Leases

Leases, establishes the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer lessee and the lessor and is effective from 1 January 2019, with early adoption permitted.

Management are in the preliminary stage to assess the impact on the financial statement of the Company.

2.2 Financial instruments

2.2.1 Financial assets at amortised cost

A debt investment is classified as 'amortised cost' only if both of the following criteria are met: the objective of the Company's business model is to hold the asset to collect the contractual cash flows; and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. The nature of any derivatives embedded in the debt investment are considered in determining whether the cash flows of the investment are solely payment of principal and interest on the principal outstanding and are not accounted for separately.

2.2.2 Equity instruments

All equity investments are initially and subsequently measured at fair value. Equity investments that are held for trading are measured at fair value through profit or loss. For all other equity investments, the Company can make an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value though profit or loss are expensed in the profit or loss.

Where the Company's management has elected to present unrealised and realised fair value gains and losses on equity investments in other comprehensive income, there is no subsequent recycling of fair value gains and losses to profit or loss. Dividends from such investments continue to be recognised in profit or loss as long as they represent a return on investment.

2 Summary of significant accounting policies (continued)

2.2 Financial instruments

2.2.3 Other

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

2.2.4 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.

2.2.5 Receivables and prepayments

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

2.2.6 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.

2.3.7 Payables and accruals

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

2.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

2 Summary of significant accounting policies (continued)

2.5 Impairment

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

(a) Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

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

(b) 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.

2 Summary of significant accounting policies (continued)

2.6 Property and equipment

Items of property 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 and equipment which increases the future economic benefits embodied in the item of property and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

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

Depreciation
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
Vehicles	5
Pre-fabricated buildings	7

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

2.7 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.

2.8 Revenue

Revenue represents invoice value of services rendered.

2.9 Directors' remuneration

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

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

2 Summary of significant accounting policies (continued)

2.10 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.

2.11 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 the shareholders.

2.12 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

2.13 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

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

Deferred tax is calculated providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither the accounting nor taxable profits, and difference relating to subsidiaries and jointly controlled entities to the extent that they probably will not reverse in foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 Earnings and net assets per share

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

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

3 Critical Accounting Estimates and Judgments

In preparing the financial statements, the Company is required to make estimates and assumptions which affect reported amounts of income and expenses, assets and liabilities. 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 the future could differ from such estimates. The assumptions considered by the Company to have significant risk of material adjustment in subsequent years primarily comprise assumptions with respect to the following:

a) Provisions for impairment of receivables

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and impairment charge according to the ageing and historical recovery rates.

b) Useful lives of plant and equipment.

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

Notes to the financial statements
for the year ended 30 November 2018

4 Property, plant and equipment

Year 2018	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
Cost						
At 30 November 2017	27,429,321	934,345	1,065,696	118,800	525,819	30,073,981
Additions during the year	-	5,345	9,872	-	-	15,217
Disposals	-	-	(54,724)	-	-	(54,724)
At 30 November 2018	**27,429,321**	**939,690**	**1,020,844**	**118,800**	**525,819**	**30,034,474**
Depreciation						
At 30 November 2017	9,825,644	607,845	926,863	114,276	375,612	11,850,240
Charge for the year (Note 16)	914,306	39,302	58,797	4,524	31,774	1,048,703
Disposals	-	-	(54,724)	-	-	(54,724)
At 30 November 2018	**10,739,950**	**647,147**	**930,936**	**118,800**	**407,386**	**12,844,219**
Net book values						
At 30 November 2018	**16,689,371**	**292,543**	**89,908**	-	**118,433**	**17,190,255**
At 30 November 2018	17,603,677	326,500	138,833	4,524	150,207	18,223,741

Notes to the financial statements
for the year ended 30 November 2018

4 Property, plant and equipment *(continued)*

Year 2017	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Total RO
Cost						
At 30 November 2016	27,394,521	929,835	1,035,992	118,800	525,819	30,004,967
Additions during the year	34,800	4,510	29,704	-	-	69,014
At 30 November 2017	27,429,321	934,345	1,065,696	118,800	525,819	30,073,981
Accumulated Depreciation						
At 30 November 2016	8,912,395	568,677	861,228	106,513	336,107	10,784,920
Charge for the year	913,249	39,168	65,635	7,763	39,505	1,065,320
At 30 November 2017	9,825,644	607,845	926,863	114,276	375,612	11,850,240
Net book values						
At 30 November 2017	17,603,677	326,500	138,833	4,524	150,207	18,223,741
At 30 November 2016	18,482,126	361,158	174,764	12,287	189,712	19,220,047

5 Related parties

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

The 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.

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

	2018	2017
	RO	RO
Transactions with shareholders holding 10% or more interest in the Company		
Services rendered and recharged	**7,265,334**	7,326,816
Direct costs – others	**247,884**	249,383
General and administration expenses	**106,680**	106,680
Other sales and services	**200,978**	171,622
Transactions with other related parties		
Direct costs – others	**117,861**	79,153
General and administration expenses	**22,450**	22,385
Other sales	**119,319**	219,816
Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	**170,675**	219,662
Loan repayments	**1,179,288**	1,179,288
Directors' remuneration	**108,068**	115,036

The balances due to related parties are interest free, unsecured and repayable on demand.

The balances due from a related party is as follows

	2018	2017
	RO	RO
Other related parties		
Carillion Alawi LLC	**188,697**	301,562
Provision for doubtful debts	**(93,067)**	(93,067)
	95,630	208,495

5 Related parties (Continued)

Provision movement

	2018 RO	2017 RO
At the beginning of the year	**93,067**	69,974
Provided during the year (Note 17)	**-**	23,093
At the end of the year	**93,067**	93,067

The balances due to related parties is as follows

	2018 RO	2017 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Company LLC	**2,058,984**	549,211
Other related parties		
Marketing and Services Company LLC	**24,155**	18,375
	2,083,139	567,586

6 Trade and other receivables

	2018 RO	2017 RO
Accounts receivable	**6,065,404**	6,026,273
Less: allowance for credit losses	**(1,406,933)**	(1,351,933)
	4,658,471	4,674,340
Prepayments	**11,872**	23,864
	4,670,343	4,698,204

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

	2018 RO	2017 RO
At the beginning of the year	**1,351,933**	1,320,026
Provided during the year (Note 17)	**55,000**	31,907
At the end of the year	**1,406,933**	1,351,933

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

	Neither past due nor impaired	Past due but not impaired				
	0-180 days	180-270 days	270-365 days	>365 days	Impaired	Total
	RO	RO	RO	RO	RO	RO
2018	3,999,844	327,042	169,791	161,794	1,406,933	6,065,404
2017	3,697,943	574,942	118,939	282,516	1,351,933	6,026,273

c) 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.

d) At the end of the reporting period, 10 customers (2017 – 10 customers) accounted for 54% (2017 – 59%) of the net accounts receivable.

7 Cash and cash equivalents

	2018 RO	2017 RO
Cash in hand	**125**	125
Bank balances	**6,266,533**	3,030,776
	6,266,658	3,030,901

8 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2017 – 10,000,000 of RO 1 each). At the end of the reporting period, the Company's issued and fully paid-up share capital consisted of 6,125,000 shares of RO 1 each (2017 – 5,833,333 shares of RO 1 each).

On 27 February 2018 a resolution passed by the Assembly General Meeting, to increase the share capital by RO 291, 667 through issuing bonus shares with nominal amount of RO 1 each. On 6 March 2018, Muscat Security Market approved the capital increase and those shares be listed in the parallel market.

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

	2018		2017	
	Number of shares	% of holding	Number of shares	% of holding
Alawi Enterprises LLC	**1,225,000**	**20%**	1,166,667	20%
Catering and Supplies Company LLC	**1,225,000**	**20%**	1,166,667	20%
Chatron Commercial Corporation	**1,031,805**	**16.8%**	982,671	16.8%
Azan Qais Abdulmunim Al Zawawi	**626,190**	**10.2%**	596,371	10.2%

9 LEGAL RESERVE

Article 106 of the Commercial Companies Law of 1974, as amended requires that 10% of a Company's net profit for the year to be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to at least one-third of the Company's issued share capital. The reserve is not available for distribution.

10 DIVIDEND

(a) Subsequent to the reporting period The Board of Directors in its meeting held on 24 January 2019 has proposed a cash dividend of 200 baizas per share for the year 2018, amounting to RO 1,225,000 which is subject to the approval of the shareholders at the annual general meeting to be held on 27 February 2019.

(b) During the year 2017, a cash dividend of 150 baizas per share amounting to RO 875,000 and stock dividend of 5% was approved by the shareholders at the annual general meeting held on 27 February 2018 (2016: Cash dividend of 150 baizas per share amounting to RO 875,000 was approved by the shareholders at the annual general meeting held on 27 February 2017).

(C) During the year an amount of RO 578 and 550 baizas pertaining to unclaimed dividends for the year ended 30 November 2017 has been transferred to the Investors Trust Fund of the CMA

11 Term loans

	2018 RO	2017 RO
Term loan	**3,341,300**	4,520,588
Less: current portion	**(1,179,288)**	(1,179,288)
Non-current portion	**2,162,012**	3,341,300

The following further notes apply:

a) The term loan was obtained from a local commercial bank (a related party). The term loan is subject to interest at 4.25% per annum (2017 - 4.25% per annum) and repayable in equal monthly installments 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 accounts receivable from a customer and insurance policies relating to the Company's buildings. The Company has also provided an undertaking to the lending bank that the Company's properties will not be mortgaged to any other bank or third party.

b) The maturity profile of the term loans is as follows:

	2018 RO	2017 RO
Less than 1 year	**1,298,166**	1,348,135
Between 2 – 3 years	**2,250,022**	3,548,188
	3,548,188	4,896,323

12 TAXATION

	2018 RO	2017 RO
Statement of comprehensive income		
Current year	**420,566**	325,582
Prior year	**-**	305
Deferred tax charge	**13,167**	31,369
	433,733	357,256
Statement of financial position		
Current liability		
Current year	**420,566**	325,582
Non-current liability		
Deferred tax	**113,528**	100,361

12 TAXATION (Continued)

The following further notes apply:

a) The Company is subject to income tax rate of 15%.

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

	2018 RO	2017 RO
Profit as per the financial statements	**2,890,501**	2,834,269
Tax on above	**433,575**	336,512
Non-deductible expenses	**158**	-
Others	-	20,744
Income tax expense	**433,733**	357,256

c) The assessments of the company have been completed by the Tax Department up to the year 2012. The tax returns of the company for the years 2013 to 2016 have been taken up for assessments by the Tax Department. The tax returns for the years 2013 to 2017 have not yet been agreed with the Secretariat General for Taxation at Ministry of Finance. The Board of Directors are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 30 November 2018.

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

	Accelerated tax depreciation RO	Provisions RO	Total RO
At 30 November 2017	**(317,111)**	**216,750**	**(100,361)**
Credited / (charged) to the statement of income	**(21,417)**	**8,250**	**(13,167)**
At 30 November 2018	**(338,528)**	**225,000**	**(113,528)**
At 30 November 2016	(235,792)	166,800	(68,992)
Credited / (charged) to the statement of income	(81,319)	49,950	(31,369)
At 30 November 2017	(317,111)	216,750	(100,361)

13 Trade and other payables

	2018 RO	2017 RO
Trade payables	148,341	279,436
Proposed directors' remuneration	108,068	115,036
Accrued expenses	354,576	178,606
	610,985	573,078

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

14 Net assets per share

Net assets per share is calculated by dividing the net assets at the financial position date by the number of shares outstanding at the end of the year as follows:

	2018	2017
Net assets (RO)	21,678,489	20,096,721
Number of shares outstanding	6,125,000	5,833,333
Net assets per share (RO)	3.539	3.445

15 Basic earnings per share

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

	2018	2017
Net profit for the year (RO)	2,456,768	2,477,013
Weighted average number of ordinary shares at the financial position date	6,125,000	6,125,000
Basic earnings per share (RO)	0.401	0.404

The earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year. For the purpose of computation of the weighted average number of shares outstanding during the year, bonus shares are assumed to have been issued at the start of the earliest period presented in accordance with the provisions of IAS 33, 'Earnings per share'. The Company does not have any dilutive potential ordinary shares in issue at the year end, thus, the diluted earnings per share is identical to the basic earnings per share.

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Notes to the financial statements
for the year ended 30 November 2018

16 Cost of sales

	2018 RO	2017 RO
Cost of services		
Catering and Supplies. (note 5)	**7,513,218**	7,576,199
Depreciation	**1,048,703**	1,065,320
Others	**360,199**	223,543
	8,922,120	8,865,062

17 Administrative and general expenses

	2018 RO	2017 RO
Directors' remuneration (note 5)	**108,068**	115,036
Salaries and related expenses	**97,080**	97,080
Net Allowance for credit losses (note 6,5)	**55,000**	55,000
Repairs and maintenance	**75,494**	52,958
Office services	**24,000**	24,000
Insurance	**22,436**	22,402
Miscellaneous	**34,858**	37,758
	416,936	404,234

18 Contingencies and commitments

	2018 RO	2017 RO
Performance guarantee	**36,706**	-
Bid Bond	-	10,000

19 Segmental reporting

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

20 Financial risk and capital management

The Company's activities expose it to various financial risks, primarily being, interest rate risk, credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Interest rate risk

The Company is exposed to interest rate risk on its interest bearing liabilities (term loan). The Management manages the interest rate risk by constantly monitoring the changes in interest rates and ensuring that the term loan is on a fixed rate basis.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 16,707 (2017 – RO 22,603) based on the term loan balance at the end of the reporting period.

b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

c) Liquidity risk

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

The Management maintains sufficient bank balances and cash and has availed term loan to meet its obligations as they fall due for payment and is therefore not subject to significant liquidity risk.

The table below analyses the Company's financial liabilities as at the financial position date based on the contractual maturity date.

At 30 November 2018	Carrying amount RO	Contractual amount Less than 3 months RO	4 to 6 months RO	7 months to 1 year RO	More than 1 year RO
Term loan	3,341,300	329,229	326,104	642,833	2,250,022
Amounts due to related parties	2,083,139	2,083,139	--	--	--
Accounts and other payables	610,985	534,442	26,538	50,005	--
	6,035,424	**2,946,810**	**352,642**	**692,838**	**2,250,022**

d) **Liquidity risk**

At 30 November 2017	Carrying amount RO	Contractual amount Less than 3 months RO	4 to 6 months RO	7 months to 1 year RO	More than 1 year RO
Term loan	4,520,588	341,717	338,595	667,824	3,548,188
Amounts due to related parties	567,586	567,586	--	--	--
Accounts and other payables	573,078	483,855	24,026	65,197	--
	5,661,252	1,393,158	362,621	733,021	3,548,188

e) **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.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a commercially defensible capital structure to reduce the cost of 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. At 30 November, the Company's gearing ratio is as follows:

	2018 RO	2017 RO
Total borrowings	**3,341,300**	4,520,588
Less: cash and cash equivalents	**(6,266,658)**	(3,030,901)
Net debt	**(2,925,358)**	1,489,687
Total equity	**21,678,489**	20,096,721
Total capital employed	**18,753,131**	21,586,408
Gearing ratio	**(16%)**	6.90%