

Interim report for 9 months ended 31st August, 2017

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***DIRECTORS' REPORT
FOR THE THIRD QUARTER ENDED ON AUGUST 31, 2017***

On behalf of the Board of Directors, I am pleased to submit the unaudited Financial Statements of the company for the third quarter ended on August 31, 2017 along with related reports.

The performance of the Company for the period under review has been good with an increase in gross revenue at RO.9,482,256 as against RO. 9,283,267 recorded in the same period of last year. Net profit after taxes was at RO.1,846,490 as against RO. 1,917,063 recorded during the same period in the previous year.

The total shareholders fund increased from RO. 17,921,950 as at the end of August 2016 to RO. 19,466,198 at the end of August 2017 and a result of this increase, the net assets per share has been increased to RO.3.337

We are proud to inform all our shareholders that SHC has been recently selected by Alam Al-Iktisaad Wal A'mal (AIWA) magazine for the 6th time as one of the best performing SAOG Company amongst the Top 5 of the Small Capital Segment for the year 2016.

We are pleased to highlight that Sahara Hospitality Company has completed on September 1, 2017, seventeen years continuous work at Fahud PAC without LTI. In line with HSE plan and prevailing practices, SHC is planning to celebrate such achievement and reward deserving staff involved in the operations.

On behalf of the Board of directors, I express our most sincere gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and generous support to the private sector. Furthermore, I would extend our gratitude to his government for their co-operation and assistance with special mention of Ministry of Commerce & Industry, Muscat Security Market and Capital Market Authority.

I conclude this report by expressing our appreciation to our shareholders, Petroleum Development Oman, our bankers and customers for their valued support and cooperation.

For and on behalf of Board of Directors,

TALAL BIN QAIS AL ZAWAWI
CHAIRMAN

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UNAUDITED SUMMARY OF PERFORMANCE

	31 August 2017 R.O' 000	31 August 2016 R.O' 000	Change %
Total assets @	26,636	26,009	2
Total liabilities @	7,170	8,087	(11)
Net assets @	19,466	17,922	9
* Net assets per share	3.337	3.072	9
** Current ratio @	2.370	2.039	16

	9 months ended 31 Aug, 2017 R.O' 000	9 months ended 31 Aug., 2016 R.O' 000	Change %
Gross Profit	3,475	3,490	(0)
*** Gross Profit margin @	37%	38%	(3)
Net Profit	1,846	1,917	(4)
**** Earnings per share	0.316	0.329	(4)

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 31 Aug. by the number of ordinary shares in issue at 31 Aug..

** Current ratio represents the ratio of current assets to current liabilities at 31 Aug 2017.

*** Gross profit margin is calculated as follows:

$$\text{Gross Profit margin} = \frac{\text{Gross Profit}}{\text{Turnover}}$$

**** Earnings per share is calculated by dividing net profit after tax for the period ended 31 Aug.2017 by the average number of ordinary shares in issue for the period.

The ratios marked @ above are optional, but companies are encouraged to disclose such information.

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Unaudited consolidated Statement of Financial Position at 31 August, 2017.

	Notes	31 Aug. 2017 R.O' 000	31 Aug.2016 R.O' 000	Change %
Fixed assets *		18,444	19,473	(5)
		18,444	19,473	(5)
Current assets				
Inventories	1	22	27	(19)
Trade receivables	2&9	5,458	5,150	6
Receivable from related parties	8&9	261	322	(19)
Investments **	5,6,7&9	--	--	--
Bank and cash		2,451	1,037	136
Other assets		--	--	--
		8,192	6,536	25
Total assets		26,636	26,009	2
Current liabilities				
Trade and other creditors		588	237	148
Payable to related parties	8	1,372	1,540	(11)
Bank loans and overdrafts	4	1,179	1,179	--
Tax liability		317	249	27
		3,456	3,205	8
Long term liabilities				
Bank loans and overdrafts	4	3,636	4,815	(24)
Deferred Tax liability		78	67	16
Others		--	--	--
		3,714	4,882	(24)
Total liabilities		7,170	8,087	(11)
Net Assets		19,466	17,922	9
Shareholders' funds				
Share capital		5,833	5,833	--
Legal reserve		1,945	1,945	--
Retained earnings / (loss)		9,842	8,244	19
Profit and loss account		1,846	1,900	(3)
Total shareholders' equity		19,466	17,922	9

* Includes tangible fixed assets only. Intangible fixed assets must be disclosed separately.

** Investments include fixed term deposits.

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Unaudited consolidated Statement of Comprehensive Income

For the 9 months ended 31 Aug., 2017.

	Notes	9 months ended 31 Aug 2017 R.O.'000	9 months ended 31 Aug 2016 R.O. '000	Change %
Turnover/Revenue	3	9,482	9,284	2
Gross Profit	3	3,475	3,490	(0)
Depreciation		(799)	(803)	(0)
Administration & general expenses		(334)	(310)	8
Operating profit		2,342	2,377	(1)
Finance charges	4	(170)	(208)	(18)
Investment income	6			
Other Income		--	5	(100)
Profit before taxation and minority Interests		2,172	2,174	(0)
Taxation		(326)	(257)	27
Net profit attributable to ordinary Shareholders		1,846	1,917	(4)
Dividend per share			--	
* Net profit margin @		19%	21%	(10)

Dividend per share has been calculated by dividing the total dividends paid and proposed during the period by the average number of shares in issue for the period.

$$* \text{ Net profit margin} = \frac{\text{Net profit for the period}}{\text{Turnover for period}}$$

Disclosure of ratios market @ is optional but is recommended.

Taxation The basis for determining the tax charge accruing for the period should be disclosed. The tax charge should be determined by applying an effective tax rate to the net profit before tax for the period.

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Unaudited consolidated Statement of Cash Flows

For the 9 months ended 31 Aug., 2017.

	9 months ended 31 Aug 2017 R.O'. 000	9 months ended 31 Aug 2016 R.O'. 000	Change %
Cash from operations	3,032	2,407	26
Tax paid	(324)	(335)	(3)
Interest paid	(170)	(208)	(18)
Net cash from operating activities	2,538	1,864	36
Net cash used in investing activities	(23)	(204)	(89)
Net cash used in financing activities	(1,759)	(1,760)	(0)
Net increase (decrease) in cash and cash equivalents	756	(100)	(856)
Cash and cash equivalents brought forward	1,695	1,137	49
Cash and cash equivalents carried forward	2,451	1,037	136

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Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November , 2016	5,833	1,928	9,119	16,880
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	2,490	2,490
Transfer to legal reserve	--	17	(17)	--
As on 30 November, 2016	5,833	1,945	10,717	18,945
As on 30 November , 2016	5,833	1,945	10,717	18,945
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	1846	1846
Transfer to legal reserve	--	--	--	--
As on 31 August, 2017	5,833	1,945	11,688	19,466

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	22	27	(19)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	22	27	(19)

Finished goods at 31 Aug., 2017 represent Days of sales (2016 days)

2 Trade receivables.

At 31 Aug., 2017 trade receivables can be analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Trade receivables	6,893	6,523	6
Less: Provisions	(1,435)	(1,373)	5
	5,458	5,150	6

3. Segment Reporting

Reporting of Segment Revenue, and Segment Result is required for all business and geographical segments, where the segment is responsible for more than 10% of the company's revenue or profit, and where the segment is subject to risks or returns that are different from those of other segments, or where the segment is defined as a reportable segment by International Accounting Standard 14. The Revenue and Result for the company's reportable segments for the period ending 31 Aug., 2017 are as follows:

Identity of Segments	Fahud	Nimr	Rima	Totals
Segment Revenue	3,862	4,894	726	9,482
Segment Expenses	(2,444)	(3,035)	(528)	(6,007)
Segment Results	1,418	1,859	198	3,475

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Notes.

4. **Bank loans and overdrafts.**
 These can be analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Bank loans	4,815	5,994	(20)
Overdrafts	--	--	
	4,815	5,994	(20)
Less: Current maturities of bank loans and Bank overdrafts.	(1,179)	(1,179)	--
Long term element and bank loans	3,636	4,815	(24)

The bank loans are secured by Nil lien over investments of the Company with a carrying value of RO. Nil and market value RO. Nil

The Bank loans bear interest at rates ranging between 4.25% and 4.75% per annum.

The Bank overdraft facilities bear interest at 5.25% per annum and are renewable on 6th May, 2018

The bank loan is repayable within 7 years from October,2014

The maturity of the bank loans.

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Due within 1 year	1,179	1,179	-
Due after more than 1 year	3,636	4,815	(24)
	4,815	5,994	(20)

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Notes.

5. Investment in associates and subsidiaries

Associates (See also Note 7)

Investments in Associates are accounted for using the equity method.

The Associates of Services/Manufacturing Company SAOG are as follows:

31 Aug., 2017		31 Aug., 2016	
Company	Holding %	Company	Holding %
N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A

During the period, shares in company were purchased for RO..... per share.

During the period shares in company were sold for RO..... per share resulting in a profit of RO. on disposal.

Subsidiaries (See also Note 7)

Investments in subsidiaries are accounted for using the equity method.

The subsidiaries of Services/Manufacturing Company SAOG are as follows:

31 Aug., 2017		31 Aug., 2016	
Company	Holding - %	Company	Holding - %
N/A	N/A	N/A	N/A

During the period.... shares in Company were sold for RO. per share resulting in a profit of RO. on disposal.

During the period shares in company were purchased for RO. per share.

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Notes.

6. Investments.

Investments include all long term and short term investments of the company, excluding only those associates and subsidiaries listed in Note 5. All marketable securities are carried at their open market value. Unquoted investments are carried at cost adjusted for any permanent diminutions in value.

Investment can be analysed as follows:

	Market value 31 Aug 2017 R.O'. 000	Market value 31 Aug 2016 R.O'. 000	Book value 31 Aug 2017 R.O' 000	Book value 31 Aug 2016 R.O'. 000	Cost ** R.O'00 0
Marketable securities					
MSM					
Banking	N/A	N/A	N/A	N/A	N/A
Investment	N/A	N/A	N/A	N/A	N/A
Insurance	N/A	N/A	N/A	N/A	N/A
Services	N/A	N/A	N/A	N/A	N/A
Industrial	N/A	N/A	N/A	N/A	N/A
Government bonds	N/A	N/A	N/A	N/A	N/A

Marketable securities – Foreign by sector.

Banking	N/A	N/A	N/A	N/A	N/A
Industrial	N/A	N/A	N/A	N/A	N/A
Bonds	N/A	N/A	N/A	N/A	N/A

Unquoted and other investments.

Unquoted Omani shares					
Investment funds units*	N/A	N/A	N/A	N/A	N/A
Term deposits	N/A	N/A	N/A	N/A	N/A
Unquoted foreign shares	N/A	N/A	N/A	N/A	N/A
Other	N/A	N/A	N/A	N/A	N/A

* Carried at lower of net asset value, net realisable value or market value.

** Cost of investment held on 31 Aug., 2017

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Notes.

6. Investments (continued)

Investment income

Realised

Realised investment income represents gains and losses on disposal of investments and other realised investment related gains and losses.

Unrealised.

Marketable securities are recorded at their open market value. Movements in the carrying values of marketable securities are taken to unrealised investment income.

Interest

Interest receivable for term deposits and bonds is included in investment income.

Investment income can be analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000
Realised	N/A	N/A
Unrealised	N/A	N/A
Dividends	N/A	N/A
Interest on Term Deposits and Bonds	N/A	N/A

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Notes.

7. Details of Significant Investments.

Details of all the reporting company's investments, including associates and subsidiaries, for which either, the reporting company's holding represents 10% or more of the issuer's share capital, or, the reporting company's holding exceeds 10% of the market value of the reporting company's investment portfolio, are provided as follows as of 31 Aug., 2017.

	Holding %	Number of Securities	Market value RO. 000	Book value RO. 000	Cost RO. 000
MSM quoted securities		N/A	N/A	N/A	N/A
Foreign listed securities*		N/A	N/A	N/A	N/A
Market value as at 31 Aug., 2017					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 Aug. 2017		0		0	0

* Provide the name of location of the issuer, the class of security, and the name of the market in which the security is listed.

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Notes.

8 Related parties and Holders of 10% of the company's shares.

The nature of significant transactions involving related parties or holders of 10% or more of the company's shares, or their family members, and the amounts involved during the period were as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Service Provider – Cost of sales	5,828	5,656	3
Other Services & insurance	452	793	(43)
	6,280	6,449	(3)

Expense Items.

Items of expense which were paid to related parties or holders of 10% or more of the company's shares, or their family members, during the period can be further analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Cost of Sales – Catering and Supplies Co. LLC.	5,828	5,642	3
Marketing and Services Co. LLC			
Other services –			
Catering and Supplies Co. LLC.	452	807	(44)
Risk Management Services LLC			
Carillion Alawi LLC			
	6,280	6,449	(3)

Loans, Advances, Receivable Due, Provisions & Write-offs.

Loans, advances or receivables due from related parties or holders of 10% or more of the company's shares, or their family members, minus all provisions and write-offs which have been made on those accounts at any time, are further analysed as follows:

	31 Aug 2017 R.O' 000	31 Aug 2016 R.O' 000	Change %
Cost of utilities - Catering and Supplies Co. LLC.	-	-	
Provisions	-	-	
Write-offs	-	-	
Receivable from related parties	-	-	

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9. Provisions.

Changes to the level of provisions during the period can be analysed as follows:

Provisions for:	Advances & Receivables	Value of Investments	Other	Total
Beginning balance of provisions	1,390	-	-	1,390
Provided during the period	45	-	-	45
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 Aug., 2017	1,435	-	-	1,435

The book value of assets before and after provisions can be shown as follows:

Book value of Assets:	Advances & Receivables	Investments	Other	Total
Value of Assets before provisions	6,893	-	-	6,893
Provisions Balance as of 31 Aug., 2017	(1,435)	-	-	(1,435)
Book value of Assets as of 31 Aug., 2017	5,458	-	-	5,458

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Notes.

10. Shareholders.

All those shareholders of the company who own 10% or more of the company's shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	31 Aug., 2017 (Nos.)	31 Aug., 2016 (Nos.)
Common Share Holders		
Alawi Enterprises	1,166,667	1,166,667
Catering and Supplies Co. LLC	1,166,667	1,166,667
Chatron Commercial Corporation	982,672	982,672
Azan Qais Abdulmunim Al Zawawi	596,372	596,372
Preferred Share Holders:	-	-