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**DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2018**

On behalf of the Board of Directors, I am pleased to submit the unaudited Financial Statements of the company for the second quarter ended on May 31, 2018 along with related reports.

Revenue was RO 5,844,398 as against RO 6,444,204 in the corresponding period in the previous year whereas net Profit after taxes for the period was RO 1,084,328 as against RO 1,272,635 in the previous year.

The total shareholders fund increased from RO 18,892,343 at the end of May 2017 to RO 20,306,051 at the end of May 2018 and as a result of this growth, the net assets per share has been increased to R.O.3.315.

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

UNAUDITED SUMMARY OF PERFORMANCE.

	31 May 2018 R.O' 000	31 May 2017 R.O' 000	Change %
Total assets @	26,485	26,067	2
Total liabilities @	6,180	7,174	(14)
Net assets @	20,305	18,893	7
* Net assets per share	3.315	3.239	2
** Current ratio @	2.646	2.324	14

	6 months ended 31 May, 2018 R.O' 000	6 months ended 31 May, 2017 R.O' 000	Change %
Gross Profit	2,139	2,370	(10)
*** Gross Profit margin @	37%	37%	(0)
Net Profit	1,084	1,273	(15)
**** Earnings per share	0.177	0.218	(19)

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

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

*** 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 May. 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.

Unaudited consolidated Statement of Financial Position at 31 May, 2018.

	Notes	31 May 2018 R.O' 000	31 May 2017 R.O' 000	Change %
Fixed assets *		17,696	18,706	(5)
		17,696	18,706	(5)
Current assets				
Inventories	1	24	37	(35)
Trade receivables	2&9	4,609	5,479	(16)
Receivable from related parties	8&9	217	237	(8)
Investments **	5,6,7&9	--	--	--
Bank and cash		3,939	1,608	145
Other assets		--	--	--
		8,789	7,361	19
Total assets		26,485	26,067	2
Current liabilities				
Trade and other creditors		850	439	94
Payable to related parties	8	1,107	1,331	(17)
Bank loans and overdrafts	4	1,179	1,179	--
Tax liability		186	219	(15)
		3,322	3,168	5
Long term liabilities				
Bank loans and overdrafts	4	2,752	3,931	(30)
Deferred Tax liability		106	75	41
Others				
		2,858	4,006	(29)
Total liabilities		6,180	7,174	(14)
Net Assets		20,305	18,893	7
Shareholders' funds				
Share capital		6,125	5,833	5
Legal reserve		1,999	1,945	3
Retained earnings		12,181	11,115	10
Total shareholders' equity		20,305	18,893	7

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

** Investments include fixed term deposits.

**Unaudited consolidated Statement of Comprehensive Income
 For 6 months ended 31 May, 2018.**

	Notes	6 months ended 31 May, 2018 R.O'. 000	6 months ended 31 May, 2017 R.O'. 000	Change %
Turnover/Revenue	3	5,844	6,444	(9)
Gross Profit	3	2,139	2,370	(10)
Depreciation		(528)	(532)	(1)
Administration & general expenses		(246)	(224)	10
Operating profit		1,365	1,614	(15)
Finance charges	4	(91)	(116)	(22)
Investment income	6	--	--	--
Other income		1	--	100
Profit before taxation and minority Interests		1,275	1,498	(15)
Taxation		(191)	(225)	(15)
Net profit attributable to ordinary Shareholders		1,084	1,273	(15)
Dividend per share		--	--	--
* Net profit margin @		19%	20%	(5)

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.

* 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.

**Unaudited consolidated Statement of Cash Flows
 For the 6 months ended 31 May, 2018.**

	6 months ended 31 May, 2018 R.O'. 000	6 months ended 31 May, 2017 R.O'. 000	Change %
Cash from operations	2,791	1,836	52
Tax paid	(326)	(325)	0
Interest paid	(91)	(116)	(22)
Net cash from operating activities	2,374	1,395	70
Net cash used in investing activities	(1)	(18)	(94)
Net cash used in financing activities	(1,464)	(1,464)	--
Net increase (decrease) in cash and cash equivalents	909	(87)	(1,145)
Cash and cash equivalents brought forward	3,030	1,695	79
Cash and cash equivalents carried forward	3,939	1,608	145

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	1,944	10,717	18,494
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	2,477	2,477
Transfer to legal reserve	--	--	--	--
As on 30 November, 2017	5,833	1,944	12,319	20,096
As on 30 November , 2017	5,833	1,944	12,319	20,096
Dividend paid	292	--	(1,167)	(875)
Profit for current year	--	--	1,084	1,084
Transfer to legal reserve	--	55	(55)	--
As on 31 May, 2018	6,125	1,999	12,181	20,305

Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 May 2018 R.O' 000	31 May.2017 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	24	37	(35)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	24	37	(35)

Finished goods at 31 May, 2018 represent days of sales (2018 days)

2. Trade receivables.

At 31 May, 2018 trade receivables can be analysed as follows:

	31 May.2018 R.O' 000	31 May.2017 R.O' 000	Change %
Trade receivables	6,084	6,899	(12)
Less: Provisions	(1,475)	(1,420)	4
	4,609	5,479	(16)

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 May, 2018 are as follows:

Identity of Segments

	Fahud	Nimr	Rima	Totals
Segment Revenue	2,601	2,782	461	5,844
Segment Expenses	(1,651)	(1,713)	(341)	(3,705)
Segment Results	950	1,069	120	2,139

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2018 R.O' 000	31 May. 2017 R.O' 000	Change %
Bank loans	3,931	5,110	(23)
Overdrafts	--	--	--
	3,931	5,110	(23)
Less: Current maturities of bank loans and Bank overdrafts.	(1,179)	(1,179)	--
Long term element and bank loans	2,752	3,931	(30)

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% per annum.

The Bank overdraft facilities bear interest at 5.25% per annum.

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

The maturity of the bank loans.

	31 May. 2017 R.O' 000	31 May. 2017 R.O' 000	Change %
Due within 1 year	1,179	1,179	-
Due after more than 1 year	2,752	3,931	(30)
	3,931	5,110	(23)

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 May, 2018		31 May, 2017	
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 May, 2018		31 May, 2017	
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.

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 May. 2018 R.O' 000	Market value 31 May. 2017 R.O' 000	Book value 31 May. 2018 R.O' 000	Book value 31 May. 2017 R.O' 000	Cost ** R.O' 000
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 May, 2018

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:

Realised
 Unrealised
 Dividends
 Interest on Term Deposits and Bonds

	31 May. 2018 R.O' 000	31 May. 2017 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

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 May, 2018.

	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 May, 2018					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 May. 2018		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.

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 May 2018 R.O' 000	31 May 2017 R.O' 000	Change %
Service Provider – Cost of sales	3,607	3,965	(9)
Other Services & insurance	296	354	(16)
	-	--	--
	3,903	4,319	(10)

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 May 2018 R.O' 000	31 May 2017 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC & - Marketing and Services Co. LLC.	3,607	3,965	(9)
Other services – Catering and Supplies Co.LLC, Risk Management Services. LLC	296	354	(16)
		--	--
	3,903	4,319	(10)

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 May. 2018 R.O' 000	31 May. 2017 R.O' 000	Change %
Cost of utilities	-	-	-
Catering services	-	-	-
Provisions	-	-	-
Write-offs	-	-	-
Receivable from related parties	-	-	-

Notes.

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	1,445	-	-	1,445
Provided during the period	30	-	-	30
(Released) during the period	--	-	-	--
(Written off) during the period	,--	-	-	,--
Provisions Balance as of 31 May, 2018	1,475	-	-	1,475

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	6,084	-	-	6,084
Provisions Balance as of 31 May, 2018	(1,475)	-	-	(1,475)
Book value of Assets as of 31 May, 2018	4,609	-	-	4,609

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 May, 2018 (Nos.)	31 May, 2017 (Nos.)
Common Share Holders		
Alawi Enterprises	1,225,000	1,166,667
Catering and Supplies Co. LLC	1,225,000	1,166,667
Chatron Commercial Corporation	1,031,805	982,672
Azan Qais Abdulmunim Al Zawawi	626,190	596,372
Preferred Share Holders:	-	-