

Interim report for 9 months ended 31st August, 2018

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***DIRECTORS' REPORT
FOR THE THIRD QUARTER ENDED ON AUGUST 31, 2018***

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, 2018 along with related reports.

Revenue was RO 8,959,905 as against RO 9,482,256 in the corresponding period of previous year whereas net Profit after taxes for the period was RO 1,686,987 as against RO 1,846,489 in the previous year.

The total shareholders fund increased from RO. 19,466,197 as at the end of August 2017 to RO. 20,908,710 at the end of August 2018 and a result of this increase, the net assets per share has been increased to RO.3.414

We are pleased to highlight that Sahara Hospitality Company has completed on September 1, 2018, eighteen years continuous work at Fahud PAC without LTI.

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 2018 R.O' 000	31 August 2017 R.O' 000	Change %
Total assets @	27,411	26,636	3
Total liabilities @	6,502	7,170	(9)
Net assets @	20,909	19,466	7
* Net assets per share	3.414	3.337	7
** Current ratio @	2.531	2.370	7

	9 months ended 31 Aug, 2018 R.O' 000	9 months ended 31 Aug., 2017 R.O' 000	Change %
Gross Profit	3,276	3,475	(6)
*** Gross Profit margin @	37%	37%	-
Net Profit	1,687	1,846	(9)
**** Earnings per share	0.275	0.316	(9)

* 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 2018.

*** 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.2018 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, 2018.

	Notes	31 Aug. 2018 R.O' 000	31 Aug.2017 R.O' 000	Change %
Fixed assets *		17,448	18,444	(5)
		17,448	18,444	(5)
Current assets				
Inventories	1	19	22	(14)
Trade receivables	2&9	5,006	5,458	(8)
Receivable from related parties	8&9	218	261	(16)
Investments **	5,6,7&9	--	--	--
Bank and cash		4,720	2,451	93
Other assets		--	--	--
		9,963	8,192	22
Total assets		27,411	26,636	3
Current liabilities				
Trade and other creditors		915	588	56
Payable to related parties	8	1,553	1,372	13
Bank loans and overdrafts	4	1,179	1,179	--
Tax liability		289	317	(9)
		3,936	3,456	14
Long term liabilities				
Bank loans and overdrafts	4	2,457	3,636	(32)
Deferred Tax liability		109	78	40
Others		--	--	--
		2,566	3,714	(31)
Total liabilities		6,502	7,170	(9)
Net Assets		20,909	19,466	7
Shareholders' funds				
Share capital		6,125	5,833	5
Legal reserve		2,042	1,945	5
Retained earnings / (loss)		12,742	11,688	9
Total shareholders' equity		20,909	19,466	7

* 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., 2018.

	Notes	9 months ended 31 Aug 2018 R.O.'000	9 months ended 31 Aug 2017 R.O. '000	Change %
Turnover/Revenue	3	8,960	9,482	(6)
Gross Profit	3	3,276	3,475	(6)
Depreciation		(789)	(799)	(1)
Administration & general expenses		(369)	(334)	10
Operating profit		2,118	2,342	(10)
Finance charges	4	(134)	(170)	(21)
Investment income	6			
Other Income		1	--	100
Profit before taxation and minority Interests		1,985	2,172	(9)
Taxation		(298)	(326)	(9)
Net profit attributable to ordinary Shareholders		1,687	1,846	(9)
Dividend per share				
* Net profit margin @		19%	19%	--

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., 2018.

	9 months ended 31 Aug 2018 R.O'. 000	9 months ended 31 Aug 2017 R.O'. 000	Change %
Cash from operations	3,921	3,032	29
Tax paid	(326)	(324)	1
Interest paid	(134)	(170)	(21)
Net cash from operating activities	3,461	2,538	36
Net cash used in investing activities	(13)	(23)	(43)
Net cash used in financing activities	(1,759)	(1,759)	--
Net increase (decrease) in cash and cash equivalents	1,689	756	123
Cash and cash equivalents brought forward	3,031	1,695	79
Cash and cash equivalents carried forward	4,720	2,451	93

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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	1,945	10,717	18,495
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	2,477	2,477
Transfer to legal reserve	--	--	--	--
As on 30 November, 2017	5,833	1,945	12,319	20,097
As on 30 November , 2017	5,833	1,945	12,319	20,097
Dividend paid	292	--	(1,167)	(875)
Profit for current year	--	--	1,687	1,687
Transfer to legal reserve	--	97	(97)	--
As on 31 August, 2018	6,125	2,042	12,742	20,909

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 Aug 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	19	22	(14)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	19	22	(14)

Finished goods at 31 Aug., 2018 represent Days of sales (2018 days)

2 Trade receivables.

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

	31 Aug 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Trade receivables	6,496	6,893	(6)
Less: Provisions	(1,490)	(1,435)	4
	5,006	5,458	(8)

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., 2018 are as follows:

Identity of Segments	Fahud	Nimr	Rima	Totals
Segment Revenue	3,968	4,296	696	8,960
Segment Expenses	(2,518)	(2,652)	(514)	(5,684)
Segment Results	1,450	1,644	182	3,276

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Notes.

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

	31 Aug 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Bank loans	3,636	4,815	(24)
Overdrafts	--	--	
	3,636	4,815	(24)
Less: Current maturities of bank loans and Bank overdrafts.	(1,179)	(1,179)	--
Long term element and bank loans	2,457	3,636	(32)

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 rate 4.25% per annum.

The Bank overdraft facilities bear interest at 5.25% per annum and are renewable on 14th July, 2019

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

The maturity of the bank loans.

	31 Aug 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Due within 1 year	1,179	1,179	-
Due after more than 1 year	2,457	3,636	(32)
	3,636	4,815	(24)

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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., 2018		31 Aug., 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 Aug., 2018		31 Aug., 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.

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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 2018 R.O'. 000	Market value 31 Aug 2017 R.O'. 000	Book value 31 Aug 2018 R.O' 000	Book value 31 Aug 2017 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., 2018

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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 2018 R.O' 000	31 Aug 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

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

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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 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Service Provider – Cost of sales	5,534	5,828	(5)
Other Services & insurance	407	452	(10)
	5,941	6,280	(5)

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 2018 R.O' 000	31 Aug 2017 R.O' 000	Change %
Cost of Sales – Catering and Supplies Co. LLC.	5,534	5,828	(5)
Marketing and Services Co. LLC			
Other services –			
Catering and Supplies Co. LLC.	407	452	(10)
Risk Management Services LLC			
Carillion Alawi LLC			
	5,941	6,280	(5)

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

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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	45	-	-	45
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 Aug., 2018	1,490	-	-	1,490

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	6,496	-	-	6,496
Provisions Balance as of 31 Aug., 2018	(1,490)	-	-	(1,490)
Book value of Assets as of 31 Aug., 2018	5,006	-	-	5,006

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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., 2018 (Nos.)	31 Aug., 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:	-	-