

Interim report for 9 months ended 31st August, 2016

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***DIRECTORS' REPORT
FOR THE THIRD QUARTER ENDED ON AUGUST 31, 2016***

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, 2016 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.9,283,267 as against RO.9,123,826 recorded in the same period of last year. Net profit after taxes was at RO.1,917,063 as against RO.1,841,895 recorded during the same period in the previous year.

The total shareholders fund increased from RO.16,187,996 as at the end of August 2015 to RO. 17,921,950 at the end of August 2016 and a result of this increase, the net assets per share has been increased to RO.3.072.

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

We are pleased to highlight that Sahara Hospitality Company has completed on September 1, 2016, sixteen 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 2016	31 August 2015	Change
	R.O' 000	R.O' 000	%
Total assets @	26,009	25,810	1
Total liabilities @	8,087	9,622	(16)
Net assets @	17,922	16,188	11
* Net assets per share	3.072	2.775	11
** Current ratio @	2.039	1.535	33

	9 months ended	9 months ended	Change
	31 Aug, 2016	31 Aug., 2015	%
	R.O' 000	R.O' 000	
Gross Profit	3,490	3,543	(1)
*** Gross Profit margin @	38%	39%	(3)
Net Profit	1,917	1,842	4
**** Earnings per share	0.329	0.316	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 2016.

*** 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.2016 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, 2016.

	Notes	31 Aug. 2016 R.O' 000	31 Aug.2015 R.O' 000	Change %
Fixed assets *		19,473	20,330	(4)
		19,473	20,330	(4)
Current assets				
Inventories	1	27	19	42
Trade receivables	2&9	5,150	4,461	15
Receivable from related parties	8&9	322	218	48
Investments **	5,6,7&9	--	-	--
Bank and cash		1,037	782	33
Other assets		--	-	--
		6,536	5,480	19
Total assets		26,009	25,810	1
Current liabilities				
Trade and other creditors		237	260	(9)
Payable to related parties	8	1,540	1,890	(19)
Bank loans and overdrafts	4	1,179	1,179	--
Tax liability		249	240	4
		3,205	3,569	(10)
Long term liabilities				
Payable to related parties		--	-	--
Bank loans and overdrafts	4	4,815	5,995	(20)
Deferred Tax liability		67	58	16
Others		--	-	--
		4,882	6,053	(19)
Total liabilities		8,087	9,622	(16)
Net Assets		17,922	16,188	11
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		1,945	1,858	5
Retained earnings / (loss)		8,244	6,839	21
Profit and loss account		1,900	1,658	15
Total shareholders' equity		17,922	16,188	11

* 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., 2016.

	Notes	9 months ended 31 Aug 2016 R.O.'000	9 months ended 31 Aug 2015 R.O. '000	Change %
Turnover/Revenue	3	9,284	9,124	2
Gross Profit	3	3,490	3,543	(1)
Depreciation		(803)	(822)	(2)
Administration & general expenses		(310)	(364)	(15)
Operating profit		2,377	2,357	1
Finance charges	4	(208)	(268)	(22)
Investment income	6	-	-	--
Other Income		5	-	100
Profit before taxation and minority Interests		2,174	2,089	4
Taxation		(257)	(247)	4
Net profit attributable to ordinary Shareholders		1,917	1,842	4
Dividend per share		--	-	
* Net profit margin @		21	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.

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

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., 2016.

	9 months ended 31 Aug 2016 R.O'. 000	9 months ended 31 Aug 2015 R.O'. 000	Change %
Cash from operations	2,407	2,277	6
Tax paid	(335)	(325)	3
Interest paid	(208)	(268)	(22)
Net cash from operating activities	1,864	1,684	11
Net cash used in investing activities	(204)	(5)	3980
Net cash used in financing activities	(1,760)	(1,759)	-
Net increase (decrease) in cash and cash equivalents	(100)	(80)	25
Cash and cash equivalents brought forward	1,137	862	32
Cash and cash equivalents carried forward	1,037	782	33

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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 , 2014	5,833	1,674	7,714	15,221
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	2,534	2,534
Transfer to legal reserve	--	253	(253)	--
As on 30 November, 2015	5,833	1,927	9,120	16,880
As on 30 November , 2015	5,833	1,927	9,120	16,880
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	1,917	1,917
Transfer to legal reserve	--	17	(17)	--
As on 31 August, 2016	5,833	1,944	10,145	17,922

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 Aug 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	27	19	42
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	27	19	42

Finished goods at 31 Aug., 2016 represent Days of sales (2015 days)

2 Trade receivables.

At 31 Aug., 2016 trade receivables can be analysed as follows:

	31 Aug 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Trade receivables	6,523	5,739	14
Less: Provisions	(1,373)	(1,278)	7
	5,150	4,461	15

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., 2016 are as follows:

Identity of Segments	Fahud	Nimr	Rima	Totals
Segment Revenue	3,236	5,321	727	9,284
Segment Expenses	(1,988)	(3,259)	(547)	(5,794)
Segment Results	1,248	2,062	180	3,490

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Notes.

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

	31 Aug 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Bank loans	5,994	7,174	(16)
Overdrafts	--	-	--
	5,994	7,174	(16)
Less: Current maturities of bank loans and Bank overdrafts.	(1,179)	(1,179)	--
Long term element and bank loans	4,815	5,995	(20)

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 5.00% per annum and are renewable on 31 May, 2017.

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

The maturity of the bank loans.

	31 Aug 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Due within 1 year	1,179	1,179	-
Due after more than 1 year	5,994	5,995	-
	7,173	7,174	-

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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., 2016		31 Aug., 2015	
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., 2016		31 Aug., 2015	
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 2016 R.O'. 000	Market value 31 Aug 2015 R.O'. 000	Book value 31 Aug 2016 R.O' 000	Book value 31 Aug 2015 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., 2016

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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 2016 R.O' 000	31 Aug 2015 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., 2016.

	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., 2016					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 Aug. 2016		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 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Service Provider – Cost of sales	5,656	5,396	5
Other Services & insurance	793	767	3
	6,449	6,163	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 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Cost of Sales – Catering and Supplies Co. LLC.	5,642	5,396	5
Marketing and Services Co. LLC			
Other services –			
Catering and Supplies Co. LLC.	807	767	5
Risk Management Services LLC			
Carillion Alawi LLC			
	6,449	6,163	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 2016 R.O' 000	31 Aug 2015 R.O' 000	Change %
Cost of utilities - Catering and Supplies Co. LLC.	-	-	
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	1,328	-	-	1,328
Provided during the period	45	-	-	45
(Released) during the period		-	-	--
(Written off) during the period		-	-	--
Provisions Balance as of 31 Aug., 2016	1,373	-	-	1,373

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	6,523	-	-	6,523
Provisions Balance as of 31 Aug., 2016	(1,373)	-	-	(1,373)
Book value of Assets as of 31 Aug., 2016	5,150	-	-	5,150

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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., 2016 (Nos.)	31 Aug., 2015 (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:	-	-