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***DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2012.***

SAHARA HOSPITALITY COMPANY (S.A.O.G)

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, 2012 along with related reports.

We are pleased to report that year-on-year basis there had been steady improvements in the business. The revenue for the period rose by 42% to RO 5,200,205 as against RO 3,656,589 in the corresponding period in the previous year. Net Profit after taxes was at RO 941,263 as against RO 823,826 recorded during the same period in the previous year.

The total shareholders fund increased from RO 11,024,956 at the end of May 2011 to RO 12,057,267 at the end of May 2012 and as a result of this growth, the net assets per share has been increased to R.O.2.067.

We are proud to state that Sahara Hospitality Company has been selected as one of the best performing SAOG Company amongst the Top 5 of the Small capital segment. The award was conducted by Alam Al-Iktisaad Wal A'mal (AIWA) and this is the second consecutive time Sahara was achieved such award.

We are pleased to report that the company has been awarded by PDO the renovation, management and operation of PDO Rima camp. This contract is for 20 years with 5 years renewal option, mobilisation is underway and provision of services is planned for July 1, 2012

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 share holders, 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 2012 R.O' 000	31 May 2011 R.O' 000	Change %
Total assets @	27,307	21,055	30
Total liabilities @	15,250	10,030	52
Net assets @	12,057	11,025	9
* Net assets per share	2.067	1.890	9
** Current ratio @	1.053	1.008	4

	6 months ended 31 May, 2012 R.O' 000	6 months ended 31 May, 2011 R.O' 000	Change %
Gross Profit	1,977	1,632	21
*** Gross Profit margin @	38%	45%	(15)
Net Profit	941	824	14
**** Earnings per share	0.161	0.141	14

* 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, 2012.

	Notes	31 May 2012 R.O' 000	31 May 2011 R.O' 000	Change %
Fixed assets *		22,073	18,424	20
		22,073	18,424	20
Current assets				
Inventories	1	10	14	(29)
Trade receivables	2&9	4,634	2,167	114
Receivable from related parties	8&9	--	--	--
Investments **	5,6,7&9	-	--	--
Bank and cash		590	450	31
Other assets		--	-	
		5,234	2,631	99
Total assets		27,307	21,055	30
Current liabilities				
Trade and other creditors		154	180	(14)
Payable to related parties	8	2,856	1,272	125
Bank loans and overdrafts	4	1,843	1,057	74
Tax liability		118	102	16
		4,971	2,611	90
Long term liabilities				
Payable to related parties	8	--	213	(100)
Bank loans and overdrafts	4	10,137	7,083	43
Deferred Tax liability		142	123	15
Others		--	--	--
		10,279	7,419	39
Total liabilities		15,250	10,030	52
Net Assets		12,057	11,025	9
Shareholders' funds				
Share capital		5,833	5,833	--
Legal reserve		1,183	998	19
Retained earnings / (loss)		4,194	3,453	21
Profit and loss account		847	741	14
Total shareholders' equity		12,057	11,025	9

* 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, 2012.**

	Notes	6 months ended 31 May, 2012 R.O.' 000	6 months ended 31 May, 2011 R.O.' 000	Change %
Turnover/Revenue	3	5,200	3,657	42
Gross Profit	3	1,977	1,632	21
Depreciation		(489)	(350)	40
Administration & general expenses		(167)	(162)	3
Operating profit		1,321	1,120	18
Finance charges	4	(256)	(188)	36
Investment income	6	--	--	--
Other income		--	--	--
Profit before taxation and minority Interests		1,065	932	14
Taxation		(124)	(108)	15
Net profit attributable to ordinary Shareholders		941	824	14
Dividend per share		--	--	--
* Net profit margin @		18%	23%	(22)

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, 2012.**

	6 months ended 31 May, 2012 R.O'. 000	6 months ended 31 May, 2011 R.O'. 000	Change %
Cash from operations	886	1,478	(40)
Tax paid	(212)	(217)	(2)
Interest paid	(256)	(188)	36
Net cash from operating activities	418	1,073	(61)
Net cash used in investing activities	(1,563)	(3,501)	(55)
Net cash used in financing activities	1,359	1,403	(3)
Net increase (decrease) in cash and cash equivalents	214	(1,025)	(121)
Cash and cash equivalents brought forward	376	1,475	(75)
Cash and cash equivalents carried forward	590	450	31

Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November , 2010	5,833	915	4,270	11,018
Dividend paid	--	--	(817)	(817)
Profit for current year	--	--	1,731	1,731
Transfer to legal reserve	--	173	(173)	--
As on 30 November, 2011	5,833	1,088	5,011	11,932
As on 30 November , 2011	5,833	1,088	5,011	11,932
Dividend paid	--	--	(816)	(816)
Profit for current year	--	--	941	941
Transfer to legal reserve	--	95	(95)	--
As on 31 May, 2012	5,833	1,183	5,041	12,057

Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 May 2012 R.O' 000	31 May.2011 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	10	14	(29)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	10	14	(29)

Finished goods at 31 May, 2012 represent days of sales (2011 days)

2 Trade receivables.

At 31 May, 2012 trade receivables can be analysed as follows:

	31 May.2012 R.O' 000	31 May.2011 R.O' 000	Change %
Trade receivables	4,658	2,188	113
Less: Provisions	(24)	(21)	14
	4,634	2,167	114

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, 2012 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	2,999	2,201	5,200
Segment Expenses	(1,922)	(1,301)	(3,223)
Segment Results	1,077	900	1,977

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2012 R.O' 000	31 May. 2011 R.O' 000	Change %
Bank loans	11,980	8,140	47
Overdrafts	--	--	--
	11,980	8,140	47
Less: Current maturities of bank loans and Bank overdrafts.	(1,843)	(1,057)	74
Long term element and bank loans	10,137	7,083	43

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 5.8% and 7.75% per annum.

The Bank overdraft facilities bear interest at 6.00% per annum and are renewable on 1st, March 2013.

The bank loan-1 is repayable within 10 years from 14th Jun, 2008

The bank loan -2 is repayable within 7 years from August, 2011

The bank loan – 3 is repayable within 7 years from March, 2012

The bank loan -4 is repayable within 10 years from September, 2012

The maturity of the bank loans.

	31 May. 2012 R.O' 000	31 May. 2011 R.O' 000	Change %
Due within 1 year	1,843	1,057	74
Due after more than 1 year	10,137	7,083	43
	11,980	8,140	47

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, 2012		31 May, 2011	
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, 2012		31 May, 2011	
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. 2012 R.O'. 000	Market value 31 May. 2011 R.O'. 000	Book value 31 May. 2012 R.O' 000	Book value 31 May. 2011 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, 2012

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 May. 2012 R.O' 000	31 May. 2011 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, 2012.

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, 2012				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 31 May. 2012	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 2012 R.O' 000	31 May 2011 R.O' 000	Change %
Service Provider – Cost of sales	3,560	1,900	87
Other Services & insurance	164	172	(5)
Capital Work in Progress – Construction	1,366	2,860	(52)
	5,090	4,932	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 May 2012 R.O' 000	31 May 2011 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	3,560	1,900	87
Other services – Catering and Supplies Co.LLC, Risk Management Services. LLC	164	172	(5)
Capital Work in Progress – Carillion Alawi & Catering and Supplies Co. LLC	1,366	2,860	(52)
	5,090	4,932	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 May. 2012 R.O' 000	31 May. 2011 R.O' 000	Change %
Cost of utilities – Catering and Supplies Co.	-	-	-
Catering services – Tarmac Alawi LLC	-	-	-
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	20	-	-	20
Provided during the period	4	-	-	4
(Released) during the period	--	-	-	-
(Written off) during the period	--	-	-	-
Provisions Balance as of 31 May, 2012	24	-	-	24

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	4,658	-	-	4,658
Provisions Balance as of 31 May, 2012	(24)	-	-	(24)
Book value of Assets as of 31 May, 2012	4,634	-	-	4,634

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, 2012 (Nos.)	31 May, 2011 (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	719,466
Azan Qais Abdulmunim Al Zawawi	596,372	509,578
Preferred Share Holders:	-	-