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***DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2015.***

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, 2015 along with related reports.

Revenue was RO 6,041,464 as against RO 5,744,284 in the corresponding period in the previous year whereas net Profit after taxes for the period has been increased to RO 1,198,058 as against RO 879,996.

The total shareholders fund increased from RO 14,101,793 at the end of May 2014 to RO 15,544,158 at the end of May 2015 and as a result of this growth, the net assets per share has been increased to R.O.2.665

We are proud to state that Sahara Hospitality Company has been selected for the fourth time as one of best performing Company amongst the Oman's Top 5 of the Small capital segment and had received AIWA award. The research and analysis is conducted by Gulf Baader Capital Markets (GBCM) among the companies listed on Muscat Securities and the ranking process and results are validated by KPMG.

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 2015 R.O' 000	31 May 2014 R.O' 000	Change %
Total assets @	25,901	26,397	(2)
Total liabilities @	10,357	12,295	(16)
Net assets @	15,544	14,102	10
* Net assets per share	2.665	2.417	10
** Current ratio @	1.322	1.016	30

	6 months ended 31 May, 2015 R.O' 000	6 months ended 31 May, 2014 R.O' 000	Change %
Gross Profit	2,354	2,254	4
*** Gross Profit margin @	39%	39%	-
Net Profit	1,198	880	36
**** Earnings per share	0.205	0.151	36

* 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, 2015.

	Notes	31 May 2015 R.O' 000	31 May 2014 R.O' 000	Change %
Fixed assets *		20,598	21,498	(4)
		20,598	21,498	(4)
Current assets				
Inventories	1	9	9	--
Trade receivables	2&9	3,849	4,423	(13)
Receivable from related parties	8&9	143	--	100
Investments **	5,6,7&9	--	--	--
Bank and cash		1,302	467	179
Other assets		--	--	
		5,303	4,899	8
Total assets		25,901	26,397	(2)
Current liabilities				
Trade and other creditors		269	175	54
Payable to related parties	8	2,409	3,094	(22)
Bank loans and overdrafts	4	1,179	1,412	(17)
Tax liability		155	143	8
		4,012	4,824	(17)
Long term liabilities				
Payable to related parties	8	--	556	(100)
Bank loans and overdrafts	4	6,289	6,842	(8)
Deferred Tax liability		56	73	(23)
Others		--	--	--
		6,345	7,471	(15)
Total liabilities		10,357	12,295	(16)
Net Assets		15,544	14,102	10
Shareholders' funds				
Share capital		5,833	5,833	--
Legal reserve		1,794	1,562	15
Retained earnings		6,839	5,915	16
Profit and loss account		1,078	792	36
Total shareholders' equity		15,544	14,102	10

* 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, 2015.

	Notes	6 months ended 31 May, 2015 R.O'. 000	6 months ended 31 May, 2014 R.O'. 000	Change %
Turnover/Revenue	3	6,041	5,744	5
Gross Profit	3	2,354	2,254	4
Depreciation		(550)	(557)	(1)
Administration & general expenses		(262)	(461)	(43)
Operating profit		1,542	1,236	25
Finance charges	4	(185)	(240)	(23)
Investment income	6	--	--	--
Other income		--	--	--
Profit before taxation and minority Interests		1,357	996	36
Taxation		(159)	(116)	37
Net profit attributable to ordinary Shareholders		1,198	880	36
Dividend per share		--	--	--
* Net profit margin @		20%	15%	33

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, 2015.**

	6 months ended 31 May, 2015 R.O'. 000	6 months ended 31 May, 2014 R.O'. 000	Change %
Cash from operations	2,415	1,770	36
Tax paid	(325)	(289)	12
Interest paid	(185)	(240)	(23)
Net cash from operating activities	1,905	1,241	54
Net cash used in investing activities	(1)	(23)	(96)
Net cash used in financing activities	(1,464)	(1,816)	(19)
Net increase (decrease) in cash and cash equivalents	440	(598)	(174)
Cash and cash equivalents brought forward	862	1,065	(19)
Cash and cash equivalents carried forward	1,302	467	179

Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November , 2013	5,833	1,474	6,790	14,097
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	1,999	1,999
Transfer to legal reserve	--	200	(200)	--
As on 30 November, 2014	5,833	1,674	7,714	15,221
As on 30 November , 2014	5,833	1,674	7,714	15,221
Dividend paid	--	--	(875)	(875)
Profit for current year	--	--	1,198	1,198
Transfer to legal reserve	--	120	(120)	--
As on 31 May, 2015	5,833	1,794	7,917	15,544

Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 May 2015 R.O' 000	31 May.2014 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	9	9	--
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	9	9	--

Finished goods at 31 May, 2015 represent days of sales (2014 days)

2. Trade receivables.

At 31 May, 2014 trade receivables can be analysed as follows:

	31 May.2015 R.O' 000	31 May.2014 R.O' 000	Change %
Trade receivables	5,112	5,361	(5)
Less: Provisions	(1,263)	(938)	35
	3,849	4,423	(13)

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, 2015 are as follows:

Identity of Segments	Fahud	Nimr	Rima	Totals
Segment Revenue	2,590	2,968	483	6,041
Segment Expenses	(1,580)	(1,739)	(368)	(3,687)
Segment Results	1,010	1,229	115	2,354

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2015 R.O' 000	31 May. 2014 R.O' 000	Change %
Bank loans	7,468	8,254	(10)
Overdrafts	--	--	--
	7,468	8,254	(10)
Less: Current maturities of bank loans and Bank overdrafts.	(1,179)	(1,412)	(17)
Long term element and bank loans	6,289	6,842	(8)

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 4.75% per annum.

The Bank overdraft facilities bear interest at 5.00% per annum and are renewable on 14th July 2015.

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

The maturity of the bank loans.

	31 May. 2015 R.O' 000	31 May. 2014 R.O' 000	Change %
Due within 1 year	1,179	1,412	(17)
Due after more than 1 year	6,289	6,842	(8)
	7,468	8,254	(10)

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, 2015		31 May, 2014	
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, 2014		31 May, 2013	
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. 2015 R.O' 000	Market value 31 May. 2014 R.O' 000	Book value 31 May. 2015 R.O' 000	Book value 31 May. 2014 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, 2015

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. 2015 R.O' 000	31 May. 2014 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, 2015.

	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, 2015					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 May. 2015		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 2015 R.O' 000	31 May 2014 R.O' 000	Change %
Service Provider – Cost of sales	3,562	3,355	6
Other Services & insurance	512	592	(14)
	--	--	--
	4,074	3,947	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 2015 R.O' 000	31 May 2014 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC & - Marketing and Services Co. LLC.	3,562	3,355	6
Other services – Catering and Supplies Co.LLC, Risk Management Services. LLC	512	592	(14)
	--	--	--
	4,074	3,947	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. 2015 R.O' 000	31 May. 2014 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	1,233	-	-	1,233
Provided during the period	30	-	-	30
(Released) during the period	--	-	-	-
(Written off) during the period	--	-	-	-
Provisions Balance as of 31 May, 2015	1,263	-	-	1,263

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	5,112	-	-	5,112
Provisions Balance as of 31 May, 2015	(1,263)	-	-	(1,263)
Book value of Assets as of 31 May, 2015	3,849	-	-	3,849

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, 2015 (Nos.)	31 May, 2014 (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:	-	-