

INDEX

	Page
Chairman's Report	1
Unaudited summary of performance	2
Unaudited consolidated Statement of Financial Position	3
Unaudited consolidated Statement of Comprehensive Income	4
Unaudited consolidated Statement of Cash Flows	5
Statement of changes in Equity	6
Notes to financial statements	7 -15

***DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2010.***

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, 2010 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 13.36% to RO 3,527,385 as against RO 3,111,667 in the corresponding period in the previous year. Net Profit after taxes was RO 823,768 compared to RO 718,970 during the same period in the previous year, recording a further growth of 14.5%.

The total shareholders fund increased from RO 9,276,423 at the end of May 2009 to RO 10,151,565 at the end of May 2010. As a result of this growth, the net assets per share increased from 1.590 to 1.740

We are pleased to report that extension works at Fahud PAC are being progressed as per established timeline and such rooms shall be fully operational by last quarter of 2010. This will improve financial performance of the company and add value to share holder's fund. Furthermore, we are pleased report that Sahara Board has approved further extension of Nimr PAC facilities and related construction works shall start shortly to have those additional rooms ready for occupation by second quarter of 2011.

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 2010 R.O' 000	31 May 2009 R.O' 000	Change %
Total assets @	15,532	15,358	1
Total liabilities @	5,380	6,082	(12)
Net assets @	10,152	9,276	9
* Net assets per share	1.740	1.590	9
** Current ratio @	1.491	1.452	3

	6 months ended 31 May, 2010 R.O' 000	6 months ended 31 May, 2009 R.O' 000	Change %
Gross Profit	1,547	1,389	11
*** Gross Profit margin @	44%	45%	(2)
Net Profit	824	719	15
**** Earnings per share	0.141	0.123	15

* 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, 2010.

	Notes	31 May 2010 R.O' 000	31 May 2009 R.O' 000	Change %
Fixed assets *		12,960	12,623	3
		12,960	12,623	3
Current assets				
Inventories	1	11	17	(35)
Trade receivables	2&9	2,296	2,359	(3)
Receivable from related parties	8&9	--	--	--
Investments **	5,6,7&9	--	--	--
Bank and cash		265	359	(26)
Other assets		--	--	--
		2,572	2,735	(6)
Total assets		15,532	15,358	1
Current liabilities				
Trade and other creditors		105	108	(3)
Payable to related parties	8	959	1,128	(15)
Bank loans and overdrafts	4	560	560	--
Tax liability		101	87	16
		1,725	1,883	(8)
Long term liabilities				
Bank loans and overdrafts	4	3,540	4,100	(14)
Deferred Tax liability		115	99	16
Others		---	--	--
		3,655	4,199	(13)
Total liabilities		5,380	6,082	(12)
Net Assets		10,152	9,276	9
Shareholders' funds				
Share capital		5,833	5,833	--
Legal reserve		829	665	25
Retained earnings / (loss)		2,748	2,131	29
Profit and loss account		742	647	15
Total shareholders' equity		10,152	9,276	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, 2010.**

	Notes	6 months ended 31 May, 2010 R.O.' 000	6 months ended 31 May, 2009 R.O. '000	Change %
Turnover/Revenue	3	3,527	3,112	13
Gross Profit	3	1,547	1,389	11
Depreciation		(311)	(291)	7
Administration & general expenses		(150)	(115)	30
Operating profit		1,086	983	10
Finance charges	4	(154)	(170)	(9)
Investment income	6	--	--	--
Other income		1	--	100
Profit before taxation and minority Interests		933	813	15
Taxation		(109)	(94)	16
Net profit attributable to ordinary Shareholders		824	719	15
Dividend per share		--	--	--
* Net profit margin @		23%	23%	--

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, 2010.**

	6 months ended 31 May, 2010 R.O'. 000	6 months ended 31 May, 2009 R.O'. 000	Change %
Cash from operations	1,087	758	43
Tax paid	(190)	(145)	31
Interest paid	(154)	(170)	(9)
Net cash from operating activities	743	443	68
Net cash used in investing activities	(695)	(9)	7622
Net cash used in financing activities	(1,038)	(517)	101
Net increase (decrease) in cash and cash equivalents	(990)	(83)	1,093
Cash and cash equivalents brought forward	1,255	442	184
Cash and cash equivalents carried forward	265	359	(26)

Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November 2008	5,833	594	2,772	9,199
Dividend paid	--	--	(642)	(642)
Profit for the year	--	--	1,529	1,529
Transfer to legal reserve	--	153	(153)	--
As on 30 November , 2009	5,833	747	3,506	10,086
As on 30 November , 2009	5,833	747	3,506	10,086
Dividend paid	--	--	(758)	(758)
Profit for current year (6 months)	--	--	824	824
Transfer to legal reserve	--	82	(82)	--
As on 31 May, 2010	5,833	829	3,490	10,152

Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	31 May 2010 R.O' 000	31 May.2009 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	11	17	(35)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	11	17	(35)

Finished goods at 31 May, 2010 represent days of sales (2009 days)

2. **Trade receivables.**

At 31 May, 2010 trade receivables can be analysed as follows:

	31 May.2010 R.O' 000	31 May.2009 R.O' 000	Change %
Trade receivables	2,309	2,371	(3)
Less: Provisions	(13)	(12)	8
	2,296	2,359	(3)

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, 2010 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	1,852	1,675	3,527
Segment Expenses	(1,050)	(930)	(1,980)
Segment Results	802	745	1,547

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2010 R.O' 000	31 May. 2009 R.O' 000	Change %
Bank loans	4,100	4,660	(12)
Overdrafts	-	-	-
	4,100	4,660	(12)
Less: Current maturities of bank loans and Bank overdrafts.	(560)	(560)	-
Long term element and bank loans	3,540	4,100	(14)

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 7.25% per annum and are renewable on 20, December 2010.

The bank loans are repayable within 10 years from 14th Jun, 2009

The maturity of the bank loans.

	31 May. 2010 R.O' 000	31 May. 2009 R.O' 000	Change %
Due within 1 year	560	560	-
Due after more than 1 year	3,540	4,100	(14)
	4,100	4,660	(12)

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, 2010		31 May, 2009	
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, 2010		31 May, 2009	
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. 2010 R.O'. 000	Market value 31 May. 2009 R.O'. 000	Book value 31 May. 2010 R.O' 000	Book value 31 May. 2009 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, 2010

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. 2010 R.O' 000	31 May. 2009 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, 2010.

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, 2010				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 31 May. 2010	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 2010 R.O' 000	31 May 2009 R.O' 000	Change %
Service Provider – Cost of sales	1,875	1,632	15
Other Services & insurance	163	127	28
Capital Work in Progress – Construction	517	-	100
	2,555	1,759	45

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 2010 R.O' 000	31 May 2009 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	1,875	1,632	15
Other services – Catering and Supplies Co.LLC, Risk Management Services. LLC	163	127	28
Capital Work in Progress – Carillion Alawi & Catering and Supplies Co. LLC	517	-	100
	2,555	1,759	45

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. 2010 R.O' 000	31 May. 2009 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	9	-	-	9
Provided during the period	4	-	-	4
(Released) during the period	--	-	-	-
(Written off) during the period	--	-	-	-
Provisions Balance as of 31 May, 2010	13	-	-	13

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	2,309	-	-	2,309
Provisions Balance as of 31 May, 2010	(13)	-	-	(13)
Book value of Assets as of 31 May, 2010	2,296	-	-	2,296

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, 2010 (Nos.)	31 May, 2009 (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	719,466	719,466
Preferred Share Holders:	-	-