

Interim report for 3 months ended 28 February, 2010

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***DIRECTORS' REPORT
FOR THE FIRST QUARTER ENDED ON FEBRUARY 28, 2010.***

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

On behalf of Board of Directors, I am pleased to submit the unaudited financial statements of the company for the first quarter ended on February 28, 2010 along with its related reports.

SHC has reported good performance in the first quarter of 2010. Revenue was higher by 13% at RO 1,669,779 as against RO 1,475,769 in the corresponding period of previous year. Net profit after tax increased from RO 336,910 in first quarter 2009 to RO 367,239 in the same period of 2010, a growth of 9%.

The total shareholders fund increased from RO 9,536,030 at the end of first quarter 2009 to RO 10,453,369 in the same period of 2010. As a result of this growth, the net assets per share increased from 1.634 to 1.792

We are pleased to report that further extension works of PAC facilities at Fahud have started and additional accommodation 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.

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. Also I would extend our gratitude to the Muscat Securities Market, Capital Market Authority and other government organizations involved in private sector business development.

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.

	28 February 2010 R.O' 000	28 Feb 2009 R.O' 000	Change %
Total assets @	15,900	15,820	1
Total liabilities @	5,447	6,284	(13)
Net assets @	10,453	9,536	10
* Net assets per share	1.792	1.635	10
** Current ratio @	2.001	1.532	31

	3 months ended 28 Feb., 2010 R.O' 000	3 months ended 28 Feb., 2009 R.O' 000	Change %
Gross Profit	722	659	10
*** Gross Profit margin @	43%	45%	(4)
Net Profit	367	337	9
**** Earnings per share	0.063	0.058	9

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 28 February. by the number of ordinary shares in issue at 28 February..

** Current ratio represents the ratio of current assets to current liabilities at 28 February..

*** 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 28 February. 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 balance sheet
 at 28 February 2010.

	Notes	28 February. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Fixed assets *		12,583	12,835	(2)
		12,583	12,835	(2)
Current assets				
Inventories	1	15	15	--
Trade receivables	2&9	2,129	2,222	(4)
Receivable from related parties	8&9	--	--	--
Investments **	5,6,7&9	--	--	--
Bank and cash		1,173	748	57
Other assets		--	--	--
		3,317	2,985	11
Total assets		15,900	15,820	1
Current liabilities				
Trade and other creditors		165	121	36
Payable to related parties	8	889	1,229	(28)
Bank loans and overdrafts	4	560	560	--
Tax liability		43	39	10
		1,657	1,949	(15)
Long term liabilities				
Bank loans and overdrafts	4	3,680	4,240	(13)
Deferred Tax liability		110	95	16
Others		--	--	--
		3,790	4,335	(13)
Total liabilities		5,447	6,284	(13)
Net Assets		10,453	9,536	10
Shareholders' funds				
Share capital		5,833	5,833	--
Legal reserve		783	627	25
Retained earnings / (loss)		3,507	2,773	26
Profit and loss account		330	303	9
Total shareholders' equity		10,453	9,536	10

* Includes tangible fixed assets only. Intangible fixed assets must be disclosed separately.

** Investments include fixed term deposits.

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Unaudited consolidated profit and loss account

For the 3 months ended 28 February 2010.

	Notes	3 months ended 28 Feb. 2010 R.O'. 000	3 months ended 28 Feb., 2009 R.O'. 000	Change %
Turnover/Revenue	3	1,670	1,476	13
Gross Profit	3	722	659	10
Depreciation		(155)	(145)	7
Administration & general expenses		(73)	(56)	30
Operating profit		494	458	8
Finance charges	4	(80)	(79)	1
Investment income	6	--	--	--
Profit before taxation and minority Interests		414	379	9
Taxation		(47)	(42)	12
Net profit attributable to ordinary Shareholders		367	337	9
Dividend per share				
* Net profit margin @		22%	23%	(4)

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.

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Unaudited consolidated statement of cash

For the 3 months ended 28 February, 2010.

	3 months ended 28 Feb. 2010 R.O'. 000	3 months ended 28 Feb., 2009 R.O'. 000	Change %
Cash from operations	491	342	44
Tax paid	(190)	(146)	30
Interest paid	(79)	(79)	--
Net cash from operating activities	222	117	90
Net cash used in investing activities	(164)	(76)	116
Net cash generated from/(used in) financing activities	(140)	265	(153)
Net increase / (decrease) in cash and cash equivalents	(82)	306	(127)
Cash and cash equivalents brought forward	1,255	442	184
Cash and cash equivalents carried forward	1,173	748	57

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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 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	--	--	--	--
Profit for current year (3 months)	--	--	367	367
Transfer to legal reserve	--	36	(36)	--
As on 28February, 2010	5,833	783	3,837	10,453

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	28 February. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	15	15	-
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	15	15	-

Finished goods at 28 February., 2010 represent days of sales (2009 days)

2 Trade receivables.

At 28 February., 2010 trade receivables can be analysed as follows:

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Trade receivables	2,140	2,232	(4)
Less: Provisions	(11)	(10)	10
	2,129	2,222	(4)

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 28 Feb., 2010 are as follows:

Identity of Segments	Fahud R.O' 000	Nimr R.O' 000	Totals R.O' 000
Segment Revenue	897	773	1,670
Segment Expenses	(518)	(430)	(948)
Segment Results	379	343	722

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Notes.

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

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Bank loans	4,240	4,800	(12)
Overdrafts	-	-	-
	4,240	4,800	(12)
Less: Current maturities of bank loans and Bank overdrafts.	(560)	(560)	-
Long term element and bank loans	3,680	4,240	(13)

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.

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Due within 1 year	560	560	--
Due after more than 1 year	3,680	4,240	(13)
	4,240	4,800	(12)

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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:

28 Feb.,2010		28 Feb. 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:

28 February., 2010		28 Feb., 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.

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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 28 February. 2010 R.O' 000	Market value 28 Feb. 2009 R.O' 000	Book value 28 February. 2010 R.O' 000	Book value 28 Feb. 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
Term deposits	N/A	N/A	N/A	N/A
Unquoted foreign shares	N/A	N/A	N/A	N/A
Other	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 28 Feb., 2010

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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:

	28 February. 2010 R.O' 000	28 Feb. 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

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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 28 February., 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 28 Feb., 2009				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 28 Feb. 2009	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:

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Service Provider – Cost of sales	894	775	15
Other Services & insurance	88	64	38
Capital work in progress - construction	112	-	100
	1,094	839	30

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:

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Cost of Sales:–			
Catering and Supplies Co.LLC & Marketing and Services Co. LLC. Other services & Insurance	894	786	14
Catering and Supplies Co.LLC & Risk Management Services. LLC	88	53	66
Capital work in progress – Carillion Alawi LLC	112	-	100
	1,094	839	30

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:

	28 Feb. 2010 R.O' 000	28 Feb. 2009 R.O' 000	Change %
Cost of utilities – Catering and Supplies Co.	-	-	-
Catering services – Carillion Alawi LLC	-	-	-
Provisions	-	-	-
Write-offs	-	-	-
Receivable from related parties	-	-	-

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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	2	-	-	2
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 28 Feb., 2010	11	-	-	11

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	2,140	-	-	2,140
Provisions Balance as of 28 February., 2010	(11)	-	-	(11)
Book value of Assets as of 28 February., 2010	2,129	-	-	2,129

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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:

	28 February., 2010 (Nos.)	28 Feb., 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:	-	-