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***DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2008.***

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, 2008 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 under review rose by 12.6% to RO 2,392,118 as against RO 2,124,588 in the corresponding period of last year. Net Profit after tax was 26% on revenue as against 25% recorded in the same period of last year.

The contributions towards increased revenue derived mainly from extension of additional rooms at PAC Fahud and Nimr and partly from temporary business at PAC Fahud. Should such temporary set up continue to exist, current level of business shall be achieved resulting in excellent performance meeting our budget estimates.

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 Security Market, Capital Market Authority, and other government organization involved in private sector business development.

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

Date: 25th June, 2008

UNAUDITED SUMMARY OF PERFORMANCE.

	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Total assets @	14,404	10,434	38
Total liabilities @	5,834	2,424	141
Net assets @	8,570	8,010	7
* Net assets per share	1.469	1.373	7
** Current ratio @	0.709	1.635	(57)

	6 months ended 31 May, 2008 R.O' 000	6 months ended 31 May, 2007 R.O' 000	Change %
Gross Profit	1,073	942	14
*** Gross Profit margin @	45%	44%	1
Net Profit	624	526	19
**** Earnings per share	0.107	0.090	19

* 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 balance sheet
 at 31 May, 2008.**

	Notes	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Fixed assets *		12,717	8,169	56
		12,717	8,169	56
Current assets				
Inventories	1	5	7	(29)
Trade receivables	2&9	1,668	1,971	(15)
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		14	287	(95)
Other assets		-	-	-
		1,687	2,265	(26)
Total assets		14,404	10,434	38
Current liabilities				
Trade and other creditors		87	97	(10)
Payable to related parties	8	1,097	596	84
Bank loans and overdrafts	4	1,119	625	79
Tax liability		78	67	16
		2,381	1,385	72
Long term liabilities				
Bank loans and overdrafts	4	3,367	958	251
Deferred Tax liability		86	81	6
Others		-	-	-
		3,453	1,039	232
Total liabilities		5,834	2,424	141
Net Assets		8,570	8,010	7
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		530	416	27
Retained earnings / (loss)		1,645	1,287	28
Profit and loss account		562	474	19
Total shareholders' equity		8,570	8,010	7

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

** Investments include fixed term deposits.

**Unaudited consolidated profit and loss account
 For the 6 months ended 31 May, 2008.**

	Notes	6 months ended 31 May, 2008 R.O'. 000	6 months ended 31 May, 2007 R.O. '000	Change %
Turnover/Revenue	3	2,392	2,125	13
Gross Profit	3	1,073	942	14
Depreciation		(234)	(222)	5
Administration & general expenses		(97)	(94)	3
Operating profit		742	626	19
Finance charges	4	(36)	(32)	13
Investment income	6	-	-	-
Profit before taxation and minority Interests		706	594	19
Taxation		(82)	(68)	21
Net profit attributable to ordinary Shareholders		624	526	19
Dividend per share				
* Net profit margin @		26%	25%	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.

**Unaudited consolidated statement of cash
 For the 6 months ended 31 May, 2008.**

	6 months ended 31 May, 2008 R.O'. 000	6 months ended 31 May, 2007 R.O'. 000	Change %
Cash from operations	1,228	387	217
Tax paid	(137)	(127)	8
Interest paid	(36)	(32)	13
Net cash from operating activities	1,055	228	363
Net cash used in investing activities	(3,261)	(147)	2,118
Net cash used in financing activities	1,971	(338)	(683)
Net increase (decrease) in cash and cash equivalents	(235)	(257)	(9)
Cash and cash equivalents brought forward	249	544	(54)
Cash and cash equivalents carried forward	14	287	(95)

Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November 2006	5,833	364	1,812	8,009
Dividend paid	-	-	(525)	(525)
Profit for the year	-	-	1,045	1,045
Transfer to legal reserve	-	104	(104)	-
As on 30 November , 2007	5,833	468	2,228	8,529
Dividend paid	-	-	(583)	(583)
Profit for current year (6 months)	-	-	624	624
Transfer to legal reserve	-	62	(62)	-
As on 31 May, 2008	5,833	530	2,207	8,570

Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	5	7	(29)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	5	7	(29)

Finished goods at 31 May, 2008 represent days of sales (2007 days)

2. **Trade receivables.**

At 31 May, 2008 trade receivables can be analysed as follows:

	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Trade receivables	1,684	1,987	(15)
Less: Provisions	(16)	(16)	-
	1,668	1,971	(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 May, 2008 are as follows:

Identity of Segments

	Fahud	Nimr	Totals
Segment Revenue	1,550	842	2,392
Segment Expenses	889	430	1,319
Segment Results	661	412	1,073

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Bank loans	4,385	1,583	177
Overdrafts	101	-	100
	4,486	1,583	183
Less: Current maturities of bank loans and Bank overdrafts.	(1,119)	(625)	79
Long term element and bank loans	3,367	958	251

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 . and Nil

The Bank loans bear interest at rates ranging between 4.45% and 10% per annum.

The Bank overdraft facilities bear interest at 6% per annum and are renewable on 30 May, 2008.

The bank loans are repayable within 8 years from 1st April, 2001 and 10 years from June 2008.

The maturity of the bank loans.

	31 May. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Due within 1 year	1,018	625	63
Due after more than 1 year	3,367	958	251
	4,385	1,583	177

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, 2008		31 May, 2007	
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, 2008		31 May, 2007	
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. 2008 R.O'. 000	Market value 31 May. 200 R.O'. 000	Book value 31 May. 2008 R.O' 000	Book value 31 May. 200 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 31 May, 2008

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. 2008 R.O' 000	31 May. 2007 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, 2008.

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, 2008				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 31 May. 2008	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. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Service Provider – Cost of sales	1,237	1,117	11
Other Services & insurance	108	133	(19)
Capital Work in Progress – Construction	3,803	-	100
	5,148	1,250	312

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. 2008 R.O' 000	31 May. 2007 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	1,237	1,117	11
Other services – Catering and Supplies Co.LLC & Risk Management Services. LLC	108	133	(19)
Capital Work in Progress – Carillion Aalawi	3,803	-	100
	5,148	1,250	312

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. 2008 R.O' 000	31 May. 2007 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	12	-	-	12
Provided during the period	4	-	-	4
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 May, 2008	16	-	-	16

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	1,652	-	-	1,652
Provisions Balance as of 31 May, 2008	16	-	-	16
Book value of Assets as of 31 May, 2008	1,668	-	-	1,668

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, 2008 (Nos.)	31 May, 2007 (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:	-	-