

Interim report for 9 months ended 31st August, 2007

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DIRECTORS' REPORT FOR THE THIRD QUARTER ENDED ON 31 AUGUST 2007

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 third quarter ended on 31 August 2007 along with related reports.

The performance of the current year has undoubtedly been the best in the history of the Company and continues to grow and improve on all key financial parameters during this period of 2007. These have been mainly driven by higher occupancy, which is now just over 98% at both PACs, Fahud and Nimr.

The Company's performance shows that an increase in gross revenue of 12% at RO 3,238,092 against RO 2,889,642 in the same period of last year. The net profit for the same period rose by 10% to RO 809,950 as against RO 736,206 in the corresponding period of last year.

As reported, this is attributable to higher level of capacity utilization in both accommodations at Fahud and Nimr. In view of further demand for additional accommodation facilities, construction of 240 additional rooms, swimming pools, squash courts as well as extension of other support facilities is ongoing at both areas that scheduled to be operational by December, 2007. This will ensure continued performance in the future resulting in improving the share holder's value.

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

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UNAUDITED SUMMARY OF PERFORMANCE.

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Total assets @	10,993	10,094	9
Total liabilities @	2,699	2,336	16
Net assets @	8,294	7,758	7
* Net assets per share	1.422	1.330	7
** Current ratio @	1.418	1.315	8

	9 months ended 31 Aug., 2007 R.O' 000	9 months ended 31 Aug., 2006 R.O' 000	Change %
Gross Profit	1,435	1,296	11
*** Gross Profit margin @	44%	45%	(2)
Net Profit	810	736	10
**** Earnings per share	0.139	0.126	10

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 31 Aug. by the number of ordinary shares in issue at 31 Aug..

** Current ratio represents the ratio of current assets to current liabilities at 31 Aug..

*** 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 Aug. 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 31 Aug., 2007.

	Notes	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Fixed assets *		8,667	8,345	4
		8,667	8,345	4
Current assets				
Inventories	1	3	4	(25)
Trade receivables	2&9	2,092	1,458	43
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		231	287	(20)
Other assets			-	
		2,326	1,749	33
Total assets		10,993	10,094	9
Current liabilities				
Trade and other creditors		207	79	162
Payable to related parties	8	561	529	6
Bank loans and overdrafts	4	765	625	22
Tax liability		107	97	10
		1,640	1,330	23
Long term liabilities				
Bank loans and overdrafts	4	979	927	6
Deferred Tax liability		80	79	1
Others		-	-	-
		1,059	1,006	5
Total liabilities		2,699	2,336	16
Net Assets		8,294	7,758	7
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		445	339	31
Retained earnings / (loss)		1,287	924	39
Profit and loss account		729	662	10
Total shareholders' equity		8,294	7,758	7

* 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 9 months ended 31 Aug., 2007.

	Notes	9 months ended 31 Aug., 2007 R.O.'000	9 months ended 31 Aug., 2006 R.O. '000	Change %
Turnover/Revenue	3	3,238	2,889	12
Gross Profit	3	1,435	1,296	11
Depreciation		(333)	(327)	2
Administration & general expenses		(139)	(77)	81
Operating profit		963	892	8
Finance charges	4	(47)	(60)	(22)
Investment income	6	-	-	-
Profit before taxation and minority Interests		916	832	10
Taxation		(106)	(96)	10
Net profit attributable to ordinary Shareholders		810	736	10
Dividend per share		-	-	-
* Net profit margin @		25%	25%	-

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.

$$* \text{ Net profit margin} = \frac{\text{Net profit for the period}}{\text{Turnover for period}}$$

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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Uaudited consolidated statement of cash
 For the 9 months ended 31 Aug., 2007.

	9 months ended 31 Aug., 2007 R.O'. 000	9 months ended 31 Aug., 2006 R.O'. 000	Change %
Cash from operations	795	996	(20)
Tax paid	(127)	(94)	35
Interest paid	(47)	(63)	(25)
Net cash from operating activities	621	839	(26)
Net cash used in investing activities	(757)	(17)	4,353
Net cash used in financing activities	(177)	(819)	(78)
Net increase (decrease) in cash and cash equivalents	(313)	3	(10,533)
Cash and cash equivalents brought forward	544	284	92
Cash and cash equivalents carried forward	231	287	(20)

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Statement of changes in equity
 for the 9 months ended 31 August 2007.

	Share Capital RO. '000	Legal Reserve RO. '000	Proposed Dividend RO. '000	Accumulated Profits RO. '000	Total RO. '000
As on 1 December 2005	5,833	265	350	924	7,372
Profit for the year	-	-	-	987	987
Transfer to Legal Reserve	-	99	-	(99)	-
Proposed dividend	-	-	525	(525)	-
Dividend paid	-	-	(350)	-	(350)
As on 30 November , 2006	5,833	364	525	1,287	8,009
Dividend paid	-	-	(525)	-	(525)
Profit for current year (9 months)	-	-	-	810	810
Transfer to legal reserve	-	81	-	(81)	-
As on 31 August 2007	5,833	445	-	2,016	8,294

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	3	4	(25)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	3	4	(25)

Finished goods at 31 Aug., 2007 represent days of sales (2006 days)

2 Trade receivables.

At 31 Aug., 2007 trade receivables can be analysed as follows:

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Trade receivables	2,110	1,475	43
Less: Provisions	(18)	(17)	6
	2,092	1,458	43

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 Aug., 2007 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	2,022	1,216	3,238
Segment Expenses	(1,157)	(646)	(1,803)
Segment Results	865	570	1,435

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Notes.

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

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Bank loans	1,744	1,552	12
Overdrafts	-	-	-
	1,744	1,552	12
Less: Current maturities of bank loans and Bank overdrafts.	(765)	(625)	22
Long term element and bank loans	979	927	6

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 rate ranging between 4.45% and 10% per annum.

The Bank overdraft facilities bear interest at 6% per annum and are renewable on 29th May 2008
 The bank loans are repayable within 8 years from 1st April, 2001. and 10 years from 1st June 2008

The maturity of the bank loans.

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Due within 1 year	765	625	22
Due after more than 1 year	979	927	6
	1,744	1,552	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:

31 Aug., 2007		31 Aug., 2006	
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 Aug., 2007		31 Aug., 2006	
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 31 Aug. 2007 R.O' 000	Market value 31 Aug. 2006 R.O' 000	Book value 31 Aug. 2007 R.O' 000	Book value 31 Aug. 2006 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 Aug., 2007

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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:

	31 Aug. 2007 R.O' 000	31 Aug. 2006 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 31 Aug., 2007.

	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 Aug., 2007					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 Aug. 2007		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:

	31 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Cost of sales – Catering	1,701	1,503	13
Other Services, insurance & construction	749	131	472
	2,450	1,634	50

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 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Cost of Sales – Catering and Supplies Co. LLC.	1,701	1,503	13
Marketing and Services Co. LLC			
Other services –			
Catering and Supplies Co. LLC.	749	131	472
Risk Management Services LLC			
Carillion Alawi LLC			
	2,450	1,634	50

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 Aug. 2007 R.O' 000	31 Aug. 2006 R.O' 000	Change %
Cost of utilities - Catering and Supplies Co. 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	13	-	-	13
Provided during the period	5	-	-	5
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 Aug., 2007	18	-	-	18

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	2,110	-	-	2,110
Provisions Balance as of 31 Aug., 2007	(18)	-	-	(18)
Book value of Assets as of 31 Aug., 2007	2,092	-	-	2,092

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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:

	31 Aug., 2007 (Nos.)	31 Aug., 2006 (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:	-	-