

**Interim report for 9 months ended 31<sup>st</sup> August, 2006**

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## Interim report for 9 months ended 31<sup>st</sup> August, 2006

### ***DIRECTOR'S REPORT FOR THE THIRD QUARTER ENDED ON 31<sup>ST</sup> AUGUST 2006.***

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

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 2006 along with related reports.

During the period under review, your company has in terms of financial performance and results, achieved extremely good results. Comparison with the same period of last year show an increase in gross revenue of 34% at RO 2,889,642 as against RO 2,150,910 in 2005 and a 25% increase in EBITDA. This reflects the results of the continuous efforts put in by management on improving the trend of occupancy levels at its accommodation facilities in Fahud and Nimr.

The net profit for the same period rose by 48% to RO 736,206 as against RO 496,376 in the corresponding period of the previous year. The level of capacity utilization in both accommodations at Fahud and Nimr is at its peak position and based on the prevailing trend we anticipate sustaining the financial performance for the rest of the current financial year.

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

## Interim report for 9 months ended 31<sup>st</sup> August, 2006

### UNAUDITED SUMMARY OF PERFORMANCE.

	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
<b>Total assets @</b>	10,094	10,088	-
<b>Total liabilities @</b>	2,336	2,884	(19)
<b>Net assets @</b>	7,758	7,204	8
* <b>Net assets per share</b>	1.330	1.235	8
** <b>Current ratio @</b>	1.315	1.055	25

	9 months ended 31 Aug., 2006 R.O' 000	9 months ended 31 Aug., 2005 R.O' 000	Change %
<b>Gross Profit</b>	1,296	1,037	25
*** <b>Gross Profit margin @</b>	45%	48%	(6)
<b>Net Profit</b>	736	496	48
**** <b>Earnings per share</b>	0.126	0.085	48

\* 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., 2006.

	Notes	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
<b>Fixed assets *</b>		8,345	8,763	(5)
		8,345	8,763	(5)
<b>Current assets</b>				
Inventories	1	4	5	(20)
Trade receivables	2&9	1,458	1,080	35
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		287	240	20
Other assets		-	-	-
		1,749	1,325	32
<b>Total assets</b>		10,094	10,088	-
<b>Current liabilities</b>				
Trade and other creditors		79	87	(9)
Payable to related parties	8	529	480	10
Bank loans and overdrafts	4	625	625	-
Tax liability		97	64	52
		1,330	1,256	6
<b>Long term liabilities</b>				
Bank loans and overdrafts	4	927	1,552	(40)
Deferred Tax liability		79	76	4
Others		-	-	-
		1,006	1,628	(38)
<b>Total liabilities</b>		2,336	2,884	(19)
<b>Net Assets</b>		<b>7,758</b>	<b>7,204</b>	<b>8</b>
<b>Shareholders' funds</b>				
Share capital		5,833	5,833	-
Legal reserve		339	246	38
Retained earnings / (loss)		924	678	36
Profit and loss account		662	447	48
<b>Total shareholders' equity</b>		<b>7,758</b>	<b>7,204</b>	<b>8</b>

\* 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., 2006.

	Notes	9 months ended 31 Aug., 2006 R.O' 000	9 months ended 31 Aug., 2005 R.O. '000	Change %
<b>Turnover/Revenue</b>	3	<b>2,889</b>	<b>2,151</b>	<b>34</b>
<b>Gross Profit</b>	3	<b>1,296</b>	<b>1,037</b>	<b>25</b>
Depreciation		(327)	(332)	(2)
Administration & general expenses		(77)	(61)	26
<b>Operating profit</b>		<b>892</b>	<b>644</b>	<b>39</b>
Finance charges	4	(60)	(84)	(29)
Investment income	6	-	-	-
<b>Profit before taxation and minority Interests</b>		<b>832</b>	<b>560</b>	<b>49</b>
<b>Taxation</b>		<b>(96)</b>	<b>(64)</b>	<b>50</b>
<b>Net profit attributable to ordinary Shareholders</b>		<b>736</b>	<b>496</b>	<b>48</b>
<b>Dividend per share</b>		-	-	-
<b>* Net profit margin @</b>		<b>25%</b>	<b>23%</b>	<b>10</b>

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.

**Interim report for 9 months ended 31<sup>st</sup> August, 2006**

Uuaudited consolidated statement of cash  
 For the 9 months ended 31 Aug., 2006.

	9 months ended 31 Aug., 2006 R.O'. 000	9 months ended 31 Aug., 2005 R.O'. 000	Change %
<b>Cash from operations</b>	996	974	2
Tax paid	(94)	(80)	18
Interest paid	(63)	(87)	(28)
Net cash from operating activities	839	807	4
Net cash used in investing activities	(17)	(8)	113
Net cash used in financing activities	(819)	(819)	-
Net increase (decrease) in cash and cash equivalents	3	(20)	(115)
Cash and cash equivalents brought forward	284	260	9
<b>Cash and cash equivalents carried forward</b>	<b>287</b>	<b>240</b>	<b>20</b>

**Interim report for 9 months ended 31<sup>st</sup> August, 2006**

**Statement of changes in equity**  
 for the 9 months ended 31 August 2006.

	Share Capital RO. '000	Legal Reserve RO. '000	Proposed Dividend RO. '000	Accumulated Profits RO. '000	Total RO. '000
<b>As on 1 December 2004</b>	<b>5,833</b>	<b>197</b>	<b>350</b>	<b>678</b>	<b>7,058</b>
Profit for the year	-	-	-	682	682
Transfer	-	68	350	(418)	-
Dividend paid	-	-	(350)	-	(350)
Directors' remuneration	-	-	-	(18)	(18)
<b>As on 30 November , 2005</b>	<b>5,833</b>	<b>265</b>	<b>350</b>	<b>924</b>	<b>7,372</b>
Profit for the period	-	-	-	736	736
Dividend paid	-	-	(350)	-	(350)
Transfer	-	74		(74)	-
<b>As on 31 August, 2006</b>	<b>5,833</b>	<b>339</b>	<b>-</b>	<b>1,586</b>	<b>7,758</b>

## Interim report for 9 months ended 31<sup>st</sup> August, 2006

Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	4	5	(20)
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	4	5	(20)

Finished goods at 31 Aug., 2006 represent ..... days of sales (2005 .... days)

2 Trade receivables.

At 31 Aug., 2006 trade receivables can be analysed as follows:

	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Trade receivables	1,475	1,097	34
Less: Provisions	(17)	(17)	-
	1,458	1,080	35

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., 2006 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	1,696	1,193	2,889
Segment Expenses	(944)	(649)	(1,593)
Segment Results	752	544	1,296

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

	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Bank loans	1,552	2,177	(29)
Overdrafts	-	-	-
	1,552	2,177	(29)
Less: Current maturities of bank loans and Bank overdrafts.	(625)	(625)	-
Long term element and bank loans	927	1,552	(40)

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 4.45% per annum and are renewable on 1<sup>st</sup> Dec. 2006

The bank loans are repayable within 8 years from 1<sup>st</sup> April, 2001.

The maturity of the bank loans.

	31 Aug. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Due within 1 year	625	625	-
Due after more than 1 year	927	1,552	(40)
	1,552	2,177	(29)

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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., 2006		31 Aug., 2005	
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., 2006		31 Aug., 2005	
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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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. 2006 R.O' 000	Market value 31 Aug. 2005 R.O' 000	Book value 31 Aug. 2006 R.O' 000	Book value 31 Aug. 2005 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
Term deposits	N/A	N/A	N/A
Unquoted foreign shares	N/A	N/A	N/A
Other	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., 2006

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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. 2006 R.O' 000	31 Aug. 2005 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., 2006.

	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., 2006					
MSM Unquoted securities		N/A		N/A	N/A
Foreign unquoted securities *		N/A		N/A	N/A
Totals as of 31 Aug. 2006		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. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Cost of sales – Catering	1,503	1,035	45
Other Services & insurance	131	133	(2)
	1,634	1,168	40

### 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. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Cost of Sales –			
Catering and Supplies Co. LLC. &	1,503	1,058	42
Marketing and Services Co. LLC			
Other services –			
Catering and Supplies Co. LLC. &	131	110	19
Risk Management Services LLC			
	1,634	1,168	40

### 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. 2006 R.O' 000	31 Aug. 2005 R.O' 000	Change %
Cost of utilities - Catering and Supplies Co. LLC.	-	6	(100)
Provisions	-	-	
Write-offs	-	-	
Receivable from related parties	-	6	(100)

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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	11	-	-	11
Provided during the period	6	-	-	6
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 Aug., 2006	17	-	-	17

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	1,475	-	-	1,475
Provisions Balance as of 31 Aug., 2006	(17)			(17)
Book value of Assets as of 31 Aug., 2006	1,458	-	-	1,458

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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., 2006 (Nos.)	31 Aug., 2005 (Nos.)
<b>Common Share Holders</b>		
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
<b>Preferred Share Holders:</b>	-	-