

Interim report for 3 months ended 28th February, 2005

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Sahara Hospitality Co. (S.A.O.G.)

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DIRECTOR'S REPORT FOR THE FIRST QUARTER ENDED ON 28TH FEBRUARY 2005.

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 28th February 2005 and its related reports for the same period.

SHC continues to carry out its activities of provision of hospitality services at the Permanent Accommodation for Contractors of PDO (PACs) at two interior locations, Fahud and Nimr. It is a known factor that the satisfactory performance of PACs is largely depending on PDO's activities and the presence of related PDO sub-contractors in the area. Therefore, it is noted that the same had an adverse impact on company's performance of the first quarter of this financial year whereby in addition to low activities in the field, some contractors employees are continued to use own temporary accommodation facilities at site. The matter has been brought to the attention of senior PDO officials and positive results are being expected.

We are pleased to append below the financial information on operations for three months of current year in comparison to corresponding period of last year.

	3 months ended 28 Feb 2005 RO 000s	3 months ended 29 Feb 2004 RO 000s
Revenue	699	754
Gross Profit	339	366
Profit after tax	160	169
Basic earnings per share	0.086	0.097
Gross profit margin	48.5%	48.5%
Net profit margin	22.9%	22.4%

The Board of directors along with management has been contemplating plans and methods to improve the bottom line. In pursuings of such growth plans, company may acquire similar business and is looking for various opportunities that suit to our present activities and to become a well diversified company.

We are pleased to sate that the Company's Annual General Meeting was held on 20 March 2005 and the meeting has unanimously considered and approved all agenda



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items that has been circulated to shareholders in advance including financial statement for the financial year ended on 30 November 2005.

Finally, on behalf of the Board of directors, I would like to 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 my thanks to the Muscat Security Market, Capital Market Authority, and other government organization involved in private sector business developments.

I conclude this report by expressing our gratitude to the share holders, Petroleum Development Oman and clients 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 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Total assets @	10,337	10,870	(5)
Total liabilities @	3,119	3,922	(20)
Net assets @	7,218	6,948	4
* Net assets per share	1.237	1.191	4
** Current ratio @	1.153	1.068	8

	3 months ended 28 Feb., 2005 R.O' 000	3 months ended 29 Feb. 2005 R.O' 000	Change %
Gross Profit	339	366	(7)
*** Gross Profit margin @	48%	49%	(2)
Net Profit	160	169	(5)
**** Earnings per share	0.027	0.029	0

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

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

*** 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 Feb. 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 Feb., 2005.*

	Notes	28 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Fixed assets *		8,976	9,418	(5)
		8,976	9,418	(5)
Current assets				
Inventories	1	6	5	20
Trade receivables	2&9	1,010	1,319	(23)
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	200	-	100
Bank and cash		145	128	13
Other assets				
		1,361	1,452	(6)
Total assets		10,337	10,870	(5)
Current liabilities				
Trade and other creditors		69	32	116
Payable to related parties	8	467	684	(32)
Bank loans and overdrafts	4	625	625	0
Tax liability		19	18	6
		1,180	1,359	(13)
Long term liabilities				
Bank loans and overdrafts	4	1,864	2,489	(25)
Deferred Tax liability		75	74	1
Others		-	-	-
		1,939	2,563	(24)
Total liabilities		3,119	3,922	(20)
Net Assets		7,218	6,948	4
Shareholders' funds				
Share capital		5,833	5,833	0
Legal reserve		213	149	43
Retained earnings / (loss)		678	464	46
Proposed dividend		350	350	0
Profit and loss account		144	152	(5)
Total shareholders' equity		7,218	6,948	4

* 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 Feb., 2005.*

	Notes	3 months ended 28 Feb., 2005 R.O.' 000	3 months ended 29 Feb., 2004 R.O. '000	Change %
Turnover/Revenue	3	699	754	(7)
Gross Profit	3	339	366	(7)
Depreciation		(110)	(110)	0
Administration & general expenses		(20)	(21)	(5)
Operating profit		209	235	(11)
Finance charges	4	(31)	(47)	(34)
Investment income	6	-	-	-
Profit before taxation and minority Interests		178	188	(5)
Taxation		(18)	(19)	(5)
Net profit attributable to ordinary Shareholders		160	169	(5)
Dividend per share		-	-	-
* Net profit margin @		23%	22%	5

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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*Unaudited consolidated statement of cash
 For the 3 months ended 28 Feb.,2005.*

	3 months ended 28 Feb., 2005 R.O'. 000	3 months ended 29 Feb., 2004 R.O'. 000	Change %
Cash from operations	352	363	(3)
Tax paid	(80)	(78)	3
Interest paid	(31)	(47)	(34)
Net cash from operating activities	241	238	1
Net cash used in investing activities	(200)	-	100
Net cash used in financing activities	(156)	(156)	0
Net increase (decrease) in cash and cash equivalents	(115)	82	(240)
Cash and cash equivalents brought forward	260	46	465
Cash and cash equivalents carried forward	145	128	13

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Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Proposed Dividend RO. '000	Accumulated Profits RO. '000	Total RO. '000
As on 1 December 2004	5,833	132	350	464	6,779
Profit for the year				646	646
Transfer		65	350	(415)	-
Dividend paid			(350)		(350)
Directors' remuneration				(17)	(17)
As on 30 November , 2004	5,833	197	350	678	7,058
Profit for 1 st quarter				160	160
Transfer		16	-	(16)	-
As on 28 February, 2005	5,833	213	350	822	7,218

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Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	28 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	6	5	20
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	6	5	20

Finished goods at 28 Feb., 2005 represent days of sales (2004 days)

2. **Trade receivables.**

At 28 Feb., 2005 trade receivables can be analysed as follows:

	28 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Trade receivables	1,023	1,326	(23)
Less: Provisions	(13)	(7)	86
	1,010	1,319	(23)

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., 2005 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	391	308	699
Segment Expenses	202	158	360
Segment Results	189	150	339

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4. **Bank loans and overdrafts.**

These can be analysed as follows:

	28 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Bank loans	2,489	3,114	(20)
Overdrafts	-	-	-
	2,489	3,114	(20)
Less: Current maturities of bank loans and Bank overdrafts.	(625)	(625)	-
Long term element and bank loans	1,864	2,489	(25)

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 rates ranging between 4.45% per annum and are renewable on 1st Dec. 2005

The bank loans are repayable within 8 years from 1st April, 2001.

The maturity of the bank loans.

	28 Feb. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Due within 1 year	625	625	0
Due after more than 1 year	1,864	2,489	(25)
	2,489	3,114	(20)

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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., 2005		29 Feb., 2004	
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 Feb., 2005		29 Feb., 2004	
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 28 Feb. 2005 R.O' 000	Market value 29 Feb. 2004 R.O' 000	Book value 28 Feb. 2005 R.O' 000	Book value 29 Feb. 2004 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	200	-	200
Unquoted foreign shares	N/A	N/A	N/A
Other	N/A	N/A	N/A
	200	-	200

* Carried at lower of net asset value, net realisable value or market value.

** Cost of investment held on 28 Feb., 2005

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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:

	28 Feb. 2005 R.O' 000	29 Feb. 2004 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 Feb., 2005.

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., 2005				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 28 Feb. 2005	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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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. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Service Provider – Cost of sales	343	373	(8)
Other Services & insurance	42	38	11
	385	411	(6)

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. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	343	373	(8)
Other services – Catering and Supplies Co.LLC & Risk Management Services. LLC	42	38	11
	385	411	(6)

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. 2005 R.O' 000	29 Feb. 2004 R.O' 000	Change %
Cost of utilities – Catering and Supplies Co.	-		
Catering services – Tarmac 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	11	-	-	11
Provided during the period	2	-	-	2
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 28 Feb., 2005	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	1,023	200	-	1,223
Provisions Balance as of 28 Feb., 2005	(13)	-	-	(13)
Book value of Assets as of 28 Feb., 2005	1,010	200	-	1,210



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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 Feb., 2005 (Nos.)	29 Feb., 2004 (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:	-	-