

Interim report for 3 months ended 28th February, 2006

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

Interim report for 3 months ended 28th February, 2006

***DIRECTORS' REPORT
FOR THE FIRST QUARTER ENDED ON 28TH FEBRUARY 2006.***

On behalf of the Board of Directors I am pleased to submit the unaudited Financial Statements of the company for the first quarter ended on 28th February 2006 along with related reports.

Although the business environment remained challenging in the previous year, focused efforts of the management has brought a significant improvement in the operations and consequentially on the financial results during the first quarter of the current financial year. Average occupancy levels in February 2006 reached 99.05% and 98.57% in the accommodations at Fahud and Nimr respectively. Based on the current trend, we anticipate sustaining the financial performance for the rest of the current financial year.

During the first quarter Gross revenue marked a growth of 27.9% at RO 893,733 as against RO 698,828 in the corresponding period in the previous year. Net profit before tax increased to RO 253,284 recording a growth of 42.74%. Business continues to perform well, driven by strong growth in the occupancy levels at both PACs coupled with stringent management controls and as a result, the outlook for the current financial year is very promising.

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 organizations who have been relentlessly supporting the growth of private sector business.

I conclude this report by expressing our gratitude to the shareholders, Petroleum Development Oman, our clients and other business associates for their valued support and cooperation.

For and on behalf of Board of Directors,

TALAL BIN QAIS AL ZAWAWI
CHAIRMAN

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

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Unaudited Summary of Performance.

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Total assets @	10,343	10,337	-
Total liabilities @	2,745	3,119	(12)
Net assets @	7,598	7,218	5
* Net assets per share	1.303	1.237	5
** Current ratio @	1.252	1.153	9

	3 months ended 28 Feb., 2006 R.O' 000	3 months ended 28 Feb. 2005 R.O 000	Change %
Gross Profit	408	339	20
*** Gross Profit margin @	46%	48%	(6)
Net Profit	226	160	41
**** Earnings per share	0.039	0.027	41

* 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., 2006.*

	Notes	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Fixed assets *		8,555	8,976	(5)
		8,555	8,976	(5)
Current assets				
Inventories	1	6	6	-
Trade receivables	2&9	1,416	1,010	40
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	200	(100)
Bank and cash		366	145	152
Other assets				
		1,788	1,361	31
Total assets		10,343	10,337	-
Current liabilities				
Trade and other creditors		68	69	(1)
Payable to related parties	8	707	467	51
Bank loans and overdrafts	4	625	625	-
Tax liability		28	19	47
		1,428	1,180	21
Long term liabilities				
Bank loans and overdrafts	4	1,239	1,864	(34)
Deferred Tax liability		78	75	4
Others			-	
		1,317	1,939	(32)
Total liabilities		2,745	3,119	(12)
Net Assets		7,598	7,218	5
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		288	213	35
Retained earnings / (loss)		924	678	36
Proposed dividend		350	350	-
Profit and loss account		203	144	42
Total shareholders' equity		7,598	7,218	5

* 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., 2006.*

	Notes	3 months ended 28 Feb., 2006 R.O.' 000	3 months ended 28 Feb., 2005 R.O. '000	Change %
Turnover/Revenue	3	894	699	28
Gross Profit	3	408	339	20
Depreciation		(109)	(110)	(1)
Administration & general expenses		(25)	(20)	25
Operating profit		274	209	31
Finance charges	4	(21)	(31)	(32)
Investment income	6		-	
Profit before taxation and minority Interests		253	178	42
Taxation		(27)	(18)	50
Net profit attributable to ordinary Shareholders		226	160	41
Dividend per share			-	-
* Net profit margin @		25%	23%	10

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 Feb., 2006.*

	3 months ended 28 Feb., 2006 R.O'. 000	3 months ended 28 Feb., 2005 R.O'. 000	Change %
Cash from operations	364	352	3
Tax paid	(94)	(80)	18
Interest paid	(23)	(31)	(26)
Net cash from operating activities	247	241	2
Net cash used in investing activities	(9)	(200)	(96)
Net cash used in financing activities	(156)	(156)	-
Net increase (decrease) in cash and cash equivalents	82	(115)	(171)
Cash and cash equivalents brought forward	284	260	9
Cash and cash equivalents carried forward	366	145	152

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

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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	197	350	678	7,058
Profit for the year	-	-	-	682	682
Transfer	-	68	350	(418)	-
Dividend paid	-	-	(350)	-	(350)
Directors' remuneration	-	-	-	(18)	(18)
As on 30 November , 2005	5,833	265	350	924	7,372
Profit for current year (3 months)	-	-	-	226	226
Transfer	-	23	-	(23)	-
As on 28 February, 2006	5,833	288	350	1,127	7,598

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Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	6	6	-
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	6	6	-

Finished goods at 28 Feb., 2006 represent days of sales (2005 days)

2 Trade receivables.

At 28 Feb., 2006 trade receivables can be analysed as follows:

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Trade receivables	1,429	1,023	40
Less: Provisions	(13)	(13)	-
	1,416	1,010	40

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., 2006 are as follows:

Identity of Segments

	Fahud	Nimr	Totals
Segment Revenue	515	379	894
Segment Expenses	284	202	486
Segment Results	231	177	408

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Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Bank loans	1,864	2,489	(25)
Overdrafts	-	-	-
	1,864	2,489	(25)
Less: Current maturities of bank loans and Bank overdrafts.	(625)	(625)	-
Long term element and bank loans	1,239	1,864	(34)

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. 2006

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

The maturity of the bank loans.

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Due within 1 year	625	625	-
Due after more than 1 year	1,239	1,864	(34)
	1,864	2,489	(25)

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., 2006		28 Feb., 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:

28 Feb., 2006		28 Feb., 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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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 Feb. 2006 R.O'. 000	Market value 28 Feb. 2005 R.O'. 000	Book value 28 Feb. 2006 R.O' 000	Book value 28 Feb. 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	N/A	N/A
Term deposits	N/A	200	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
		200			

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

** Cost of investment held on 28 Feb., 2006

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 Feb. 2006 R.O' 000	28 Feb. 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

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 28 Feb., 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 28 Feb., 2006				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 28 Feb. 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:

	28 Feb. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Service Provider – Cost of sales	465	343	36
Other Services & insurance	78	42	86
	543	385	41

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. 2006 R.O' 000	28 Feb. 2005 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	465	343	36
Other services – Catering and Supplies Co.LLC & Risk Management Services. LLC	78	42	86
	543	385	41

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. 2006 R.O' 000	28 Feb. 2005 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	11			11
Provided during the period	2			2
(Released) during the period	-			-
(Written off) during the period	-			-
Provisions Balance as of 28 Feb., 2006	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	1,429			1,429
Provisions Balance as of 28 Feb., 2006	(13)			(13)
Book value of Assets as of 28 Feb., 2006	1,416			1,416



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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 Feb., 2006 (Nos.)	28 Feb., 2005 (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:	-	-