

Interim report for 3 months ended 28th February, 2007

INDEX

	<u>Page</u>
Directors' Report	1
Unaudited summary of performance	2
Unaudited consolidated balance sheet	3
Unaudited consolidated profit & loss account	4
Unaudited consolidated statement of cash	5
Statement of changes in equity	6
Notes on financial statements	7-15



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

Interim report for 3 months ended 28th February, 2007

***DIRECTORS' REPORT
FOR THE FIRST QUARTER ENDED ON 28TH FEBRUARY 2007.***

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 2007 along with its related reports.

SHC has reported good performance in the 1st quarter of 2007. Revenue was higher by 14.3% at RO 1,021,623 as against RO 893,733 in the corresponding period of previous year. Net profit before tax increased from RO 253,284 in first quarter 2006 to RO 285,497 in the same period of 2007, a growth of 12.7%.

Business continues to perform well, driven by strong growth in the occupancy levels and there is further demand for accommodations at both Fahud and Nimr, Permanent Accommodation for Contractors (PAC). Under these circumstances, the above requirement was highlighted in the company's EGM held on February 25, 2007 and shareholders have unanimously considered and approved the proposal of the Board of Directors to construct additional facilities at each PACs. This will improve and strengthen the ongoing business further in the future, yielding additional benefits to the company.

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 for their ongoing support and assistance.

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

Interim report for 3 months ended 28th February, 2007

Unaudited Summary of Performance.

	28 Feb 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Total assets @	10,276	10,343	(1)
Total liabilities @	2,012	2,745	(27)
Net assets @	8,264	7,598	9
* Net assets per share	1.417	1.303	9
** Current ratio @	1.542	1.252	23

	3 months ended 28 Feb., 2007 R.O' 000	3 months ended 28 Feb. 2006 R.O 000	Change %
Gross Profit	455	408	12
*** Gross Profit margin @	45%	46%	(2)
Net Profit	255	226	13
**** Earnings per share	0.044	0.039	13

* 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.

Interim report for 3 months ended 28th February, 2007

Unaudited consolidated balance sheet
 at 28 Feb., 2007.

	Notes	28 Feb. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Fixed assets *		8,245	8,555	(4)
		8,245	8,555	(4)
Current assets				
Inventories	1	7	6	17
Trade receivables	2&9	1,420	1,416	-
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		604	366	65
Other assets				
		2,031	1,788	14
Total assets		10,276	10,343	(1)
Current liabilities				
Trade and other creditors		118	68	74
Payable to related parties	8	544	707	(23)
Bank loans and overdrafts	4	625	625	-
Tax liability		30	28	7
		1,317	1,428	(8)
Long term liabilities				
Bank loans and overdrafts	4	614	1,239	(50)
Deferred Tax liability		81	78	4
Others		-	-	-
		695	1,317	(47)
Total liabilities		2,012	2,745	(27)
Net Assets		8,264	7,598	9
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		389	288	35
Retained earnings / (loss)		1,287	924	39
Proposed dividend		525	350	50
Profit and loss account		230	203	13
Total shareholders' equity		8,264	7,598	9

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

** Investments include fixed term deposits.

Interim report for 3 months ended 28th February, 2007

Unaudited consolidated profit and loss account
 For the 3 months ended 28 Feb., 2007.

	Notes	3 months ended 28 Feb., 2007 R.O. '000	3 months ended 28 Feb., 2006 R.O. '000	Change %
Turnover/Revenue	3	1,022	894	14
Gross Profit	3	455	408	12
Depreciation		(110)	(109)	1
Administration & general expenses		(42)	(25)	68
Operating profit		303	274	11
Finance charges	4	(17)	(21)	(19)
Investment income	6	-	-	-
Profit before taxation and minority Interests		286	253	13
Taxation		(31)	(27)	15
Net profit attributable to ordinary Shareholders		255	226	13
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.

* 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 3 months ended 28th February, 2007

Unaudited consolidated statement of cash
 For the 3 months ended 28 Feb., 2007.

	3 months ended 28 Feb., 2007 R.O'. 000	3 months ended 28 Feb., 2006 R.O'. 000	Change %
Cash from operations	472	364	30
Tax paid	(127)	(94)	35
Interest paid	(17)	(23)	(26)
Net cash from operating activities	328	247	33
Net cash used in investing activities	(112)	(9)	1144
Net cash used in financing activities	(156)	(156)	-
Net increase (decrease) in cash and cash equivalents	60	82	(27)
Cash and cash equivalents brought forward	544	284	92
Cash and cash equivalents carried forward	604	366	65

Interim report for 3 months ended 28th February, 2007

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 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
Profit for current year (3 months)	-	-	-	255	255
Transfer to legal reserve	-	25	-	(25)	-
As on 28 February, 2007	5,833	389	525	1,517	8,264

Interim report for 3 months ended 28th February, 2007

Notes.

1. Inventories.

Inventories can be analysed as follows:

	28 Feb. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	7	6	17
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	7	6	17

Finished goods at 28 Feb., 2007 represent days of sales (2006 days)

2 Trade receivables.

At 28 Feb., 2007 trade receivables can be analysed as follows:

	28 Feb. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Trade receivables	1,434	1,429	-
Less: Provisions	(14)	(13)	8
	1,420	1,416	-

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., 2007 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	635	387	1,022
Segment Expenses	(360)	(207)	(567)
Segment Results	275	180	455

Interim report for 3 months ended 28th February, 2007

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	28 Feb. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Bank loans	1,239	1,864	(34)
Overdrafts		-	
	1,239	1,864	(34)
Less: Current maturities of bank loans and Bank overdrafts.	(625)	(625)	-
Long term element and bank loans	614	1,239	(50)

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% and 10% per annum and are renewable on 15 Jul 2007

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

The maturity of the bank loans.

	28 Feb. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Due within 1 year	625	625	-
Due after more than 1 year	614	1,239	(50)
	1,239	1,864	(34)

Interim report for 3 months ended 28th February, 2007

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., 2007		28 Feb., 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:

28 Feb., 2007		28 Feb., 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.

Interim report for 3 months ended 28th February, 2007

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. 2007 R.O' 000	Market value 28 Feb. 2006 R.O' 000	Book value 28 Feb. 2007 R.O' 000	Book value 28 Feb. 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
Term deposits	N/A	200	N/A
Unquoted foreign shares	N/A	N/A	N/A
Other	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., 2007

Interim report for 3 months ended 28th February, 2007

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. 2007 R.O' 000	28 Feb. 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

Interim report for 3 months ended 28th February, 2007

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., 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 28 Feb., 2007				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 28 Feb. 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.

Interim report for 3 months ended 28th February, 2007

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. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Service Provider – Cost of sales	539	465	16
Other Services & insurance	46	78	(41)
	585	543	8

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. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	539	465	16
Other services – Catering and Supplies Co.LLC & Risk Management Services. LLC	46	78	(41)
	585	543	8

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. 2007 R.O' 000	28 Feb. 2006 R.O' 000	Change %
Cost of utilities – Catering and Supplies Co.	-	-	-
Catering services – Tarmac Alawi LLC	-	-	-
Provisions	-	-	-
Write-offs	-	-	-
Receivable from related parties	-	-	-

Interim report for 3 months ended 28th February, 2007

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	13	-	-	13
Provided during the period	1	-	-	1
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 28 Feb., 2007	14	-	-	14

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	1,434	-	-	1,434
Provisions Balance as of 28 Feb., 2007	(14)	-	-	(14)
Book value of Assets as of 28 Feb., 2007	1,420	-	-	1,420

Interim report for 3 months ended 28th February, 2007

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., 2007 (Nos.)	28 Feb., 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:	-	-