

Interim report for 3 months ended 29 February, 2008

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

Interim report for 3 months ended 29 February, 2008

DIRECTORS' REPORT FOR THE FIRST QUARTER ENDED ON 29th FEBRUARY 2008.

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 29th February 2008 along with its related reports.

SHC has reported good performance in the first quarter of 2008. Revenue was higher by 7.1% at RO 1,094,545 as against RO 1,021,623 in the corresponding period of previous year. Net profit after tax increased from RO 254,838 in first quarter 2007 to RO 301,162 in the same period of 2008, a growth of 18%.

We are pleased to report that the extension of the current PAC facilities consisting of 240 rooms, swimming pool, squash court and improvement of other recreation and support facilities is now completed and its commercial operations have started from February 2008. This will lead to accommodate additional clients, resulting in an incremental turnover and positive impact on financial results.

With regard to PDO project for new PACs at Marmul, Lekhwair and Bahja, we are pleased to state that technical and commercial percentage for on-line bidding have been submitted to PDO on January 26, 2008 and are waiting PDO response to determine the bid date.

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 29 February, 2008

Unaudited Summary of Performance.

	29 Feb 2008 R.O' 000	28 Feb 2007 R.O' 000	Change %
Total assets @	14,332	10,276	39
Total liabilities @	5,502	2,012	173
Net assets @	8,830	8,264	7
* Net assets per share	1.514	1.417	7
** Current ratio @	0.561	1.542	(64)

	3 months ended 29 Feb., 2008 R.O' 000	3 months ended 28 Feb., 2007 R.O' 000	Change %
Gross Profit	487	455	7
*** Gross Profit margin @	44%	45%	(2)
Net Profit	301	255	18
**** Earnings per share	0.052	0.044	18

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 29 Feb. by the number of ordinary shares in issue at 29 Feb..

** Current ratio represents the ratio of current assets to current liabilities at 29 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 29 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 29 February, 2008

Unaudited consolidated balance sheet
at 29 February., 2008.

	Notes	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Fixed assets *		12,463	8,245	51
		12,463	8,245	51
Current assets				
Inventories	1	7	7	-
Trade receivables	2&9	1,498	1,420	5
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		364	604	(40)
Other assets		-	-	-
		1,869	2,031	(8)
Total assets		14,332	10,276	39
Current liabilities				
Trade and other creditors		161	118	36
Payable to related parties	8	2,101	544	286
Bank loans and overdrafts	4	1,034	625	65
Tax liability		36	30	20
		3,332	1,317	153
Long term liabilities				
Bank loans and overdrafts	4	2,087	614	240
Deferred Tax liability		83	81	2
Others		-	-	-
		2,170	695	212
Total liabilities		5,502	2,012	173
Net Assets		8,830	8,264	7
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		498	389	28
Retained earnings / (loss)		2,228	1,812	23
Profit and loss account		271	230	18
Total shareholders' equity		8,830	8,264	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 3 months ended 29 February., 2008.

	Notes	3 months ended 29 Feb., 2008 R.O'. 000	3 months ended 28 Feb., 2007 R.O'. 000	Change %
Turnover/Revenue	3	1,095	1,022	7
Gross Profit	3	487	455	7
Depreciation		(94)	(110)	(15)
Administration & general expenses		(46)	(42)	10
Operating profit		347	303	15
Finance charges	4	(9)	(17)	(47)
Investment income	6		-	
Profit before taxation and minority Interests		338	286	18
Taxation		(37)	(31)	19
Net profit attributable to ordinary Shareholders		301	255	18
Dividend per share				
* Net profit margin @		28%	25%	12

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 3 months ended 29 February, 2008

Unaudited consolidated statement of cash
 For the 3 months ended 29 February, 2008.

	3 months ended 29 Feb., 2008 R.O'. 000	3 months ended 28 Feb., 2007 R.O'. 000	Change %
Cash from operations	629	472	33
Tax paid	(137)	(127)	8
Interest paid	(9)	(17)	(47)
Net cash from operating activities	483	328	47
Net cash used in investing activities	(1,558)	(112)	1,291
Net cash generated from/(used in) financing activities	1,190	(156)	(863)
Net increase / (decrease) in cash and cash equivalents	115	60	92
Cash and cash equivalents brought forward	249	544	(54)
Cash and cash equivalents carried forward	364	604	(40)

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Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November 2006	5,8333	364	1,812	8,009
Dividend paid			(525)	(525)
Profit for the year			1,045	1,045
Transfer to legal reserve		104	(104)	-
As on 30 November , 2007	5,833	468	2,228	8,529
Profit for current year (3 months)			301	301
Transfer to legal reserve		30	(30)	-
As on 29February, 2008	5,833	498	2,499	8,830

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Notes.

1. Inventories.

Inventories can be analysed as follows:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	7	7	-
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	7	7	-

Finished goods at 29 Feb., 2008 represent days of sales (2007 days)

2. Trade receivables.

At 29 Feb., 2008 trade receivables can be analysed as follows:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Trade receivables	1,512	1,434	5
Less: Provisions	(14)	(14)	-
	1,498	1,420	5

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 29 Feb., 2008 are as follows:

Identity of Segments	Fahud R.O' 000	Nimr R.O' 000	Totals R.O' 000
Segment Revenue	703	392	1,095
Segment Expenses	(406)	(202)	(608)
Segment Results	297	190	487

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Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Bank loans	3,121	1,239	152
Overdrafts			
	3,121	1,239	152
Less: Current maturities of bank loans and Bank overdrafts.	(1,034)	(625)	65
Long term element and bank loans	2,087	614	240

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 6% per annum and are renewable on 30, May 2008

The bank loans are repayable within 8 years from 1st April, 2001 and 10 years from June 2008.

The maturity of the bank loans.

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Due within 1 year	1,034	625	65
Due after more than 1 year	2,087	614	240
	3,121	1,239	152

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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:

29 Feb., 2008		28 Feb., 2007	
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:

29 Feb., 2008		28 Feb., 2007	
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 29 Feb. 2008 R.O'. 000	Market value 28 Feb. 2007 R.O'. 000	Book value 29 Feb. 2008 R.O' 000	Book value 28 Feb. 2007 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 29 Feb., 2008

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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:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 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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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 29 Feb., 2008.

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 29 Feb., 2008				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 29 Feb. 2008	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:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Service Provider – Cost of sales	569	539	6
Other Services & insurance	46	46	-
Capital work in progress - construction	2,286	-	100
	2,901	585	396

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:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	569	539	6
Other services – Catering and Supplies Co.LLC & Risk Management Services. LLC	46	46	-
Capital work in progress – Carillion Alawi LLC	2,286	-	100
	2,901	585	396

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:

	29 Feb. 2008 R.O' 000	28 Feb. 2007 R.O' 000	Change %
Cost of utilities – Catering and Supplies Co.	-	-	-
Catering services – Carillion 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	13	-	-	13
Provided during the period	1	-	-	1
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 29 Feb., 2008	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	1,512	-	-	1,512
Provisions Balance as of 29 Feb., 2008	(14)	-	-	(14)
Book value of Assets as of 29 Feb., 2008	1,498	-	-	1,498

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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:

	29 Feb., 2008 (Nos.)	28 Feb., 2007 (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:	-	-