

Financial Statements for the year ended 30th November 2006

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Financial Statements for the year ended 30th November 2006

***DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED ON 30 NOVEMBER 2006.***

SAHARA HOSPITALITY COMPANY (S.A.O.G)

On behalf of the Board of Directors I am pleased to submit the unaudited Financial Statements of the company for the financial year ended on 30 November 2006 along with related reports.

During the period under review, the company has made a remarkable achievement in the financial results deriving from high occupancy levels at its accommodation facilities at Fahud and Nimr. This performance is a culmination of concerted efforts put in by the management on improving the trend of occupancy levels exploiting high quality of services provided at both PAC facilities. The levels of capacity utilization continue to be at high and the performance outlook is very encouraging.

The revenue for the period under review rose by 33% to RO 3,878,371 as against RO 2,917,206 in the corresponding period in the previous year. Net Profit after taxes was RO 986,678 compared to RO 682,818 during the same period in the previous year, recording an impressive growth of 44.5%. Going forward and based on available information at this stage, business is expected to grow further in line with current year financial results.

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

Date: 23-12-2006

Financial Statements for the year ended 30th November 2006

UNAUDITED SUMMARY OF PERFORMANCE.

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Total assets @	10,225	10,146	1
Total liabilities @	2,216	2,755	(20)
Net assets @	8,009	7,391	8
* Net assets per share	1.373	1.267	8
** Current ratio @	1.455	1.162	25

	12 months ended 30 Nov., 2006 R.O' 000	12 months ended 30 Nov., 2005 R.O' 000	Change %
Gross Profit	1,731	1,403	23
*** Gross Profit margin @	45%	48%	(6)
Net Profit	987	683	45
**** Earnings per share	0.169	0.117	44

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 30 Nov. by the number of ordinary shares in issue at 30 Nov..

** Current ratio represents the ratio of current assets to current liabilities at 30 Nov..

*** 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 30 Nov. 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 30 November, 2006

	Notes	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Fixed assets *		8,238	8,656	(5)
		8,238	8,656	(5)
Current assets				
Inventories	1	7	5	40
Trade receivables	2&9	1,436	1,201	20
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		544	284	92
Other assets		-	-	-
		1,987	1,490	33
Total assets		10,225	10,146	1
Current liabilities				
Trade and other creditors		84	41	105
Payable to related parties	8	529	521	2
Bank loans and overdrafts	4	625	625	-
Tax liability		127	96	32
		1,365	1,283	6
Long term liabilities				
Bank loans and overdrafts	4	771	1,395	(45)
Deferred Tax liability		80	77	4
Others		-	-	-
		851	1,472	(42)
Total liabilities		2,216	2,755	(20)
Net Assets		8,009	7,391	8
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		364	265	37
Retained earnings / (loss)		924	678	36
Profit and loss account		888	615	44
Total shareholders' equity		8,009	7,391	8

* 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 12 months ended 30 November, 2006

	Notes	12 months ended 30 Nov., 2006 R.O.' 000	12 months ended 30 Nov., 2005 R.O. '000	Change %
Turnover/Revenue	3	3,878	2,917	33
Gross Profit	3	1,731	1,403	23
Depreciation		(437)	(441)	(1)
Administration & general expenses		(99)	(71)	39
Operating profit		1,195	891	34
Finance charges	4	(80)	(112)	(29)
Investment income	6	-	-	-
Profit before taxation and minority Interests		1,115	779	43
Taxation		(128)	(96)	33
Net profit attributable to ordinary Shareholders		987	683	45
Dividend per share		-	-	-
* Net profit margin @		25%	23%	9

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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Uuaudited consolidated statement of cash
 For the 12 months ended 30 November, 2006

	12 months ended 30 Nov., 2006 R.O'. 000	12 months ended 30 Nov., 2005 R.O'. 000	Change %
Cash from operations	1,423	1,201	18
Tax paid	(94)	(80)	18
Interest paid	(75)	(112)	(33)
Net cash from operating activities	1,254	1,009	24
Net cash used in investing activities	(19)	(10)	90
Net cash used in financing activities	(975)	(975)	-
Net increase (decrease) in cash and cash equivalents	260	24	983
Cash and cash equivalents brought forward	284	260	9
Cash and cash equivalents carried forward	544	284	92

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Statement of changes in equity

For the 12 months ended 30 November, 2006

	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 the year	-	-	-	987	987
Dividend paid	-	-	(350)	-	(350)
Transfer	-	99	-	(99)	-
As on 30 Nov., 2006	5,833	364	-	1,812	8,009

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Notes.

1. **Inventories.**

Inventories can be analysed as follows:

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	7	5	40
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	7	5	40

Finished goods at 30 Nov., 2006 represent days of sales (2005 days)

2 Trade receivables.

At 30 Nov., 2006 trade receivables can be analysed as follows:

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Trade receivables	1,449	1,212	20
Less: Provisions	(13)	(11)	18
	1,436	1,201	20

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 30 Nov., 2006 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	2,284	1,594	3,878
Segment Expenses	(1,276)	(871)	(2147)
Segment Results	1,008	723	1,731

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

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Bank loans	1,396	2,020	(31)
Overdrafts	-	-	
	1,396	2,020	(31)
Less: Current maturities of bank loans and Bank overdrafts.	(625)	(625)	-
Long term element and bank loans	771	1,395	(45)

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 14, July 2007

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

The maturity of the bank loans.

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Due within 1 year	625	625	-
Due after more than 1 year	771	1,395	(45)
	1,396	2,020	(31)

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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:

30 Nov., 2006		30 Nov., 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:

30 Nov., 2006		30 Nov., 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 30 Nov. 2006 R.O' 000	Market value 30 Nov. 2005 R.O' 000	Book value 30 Nov. 2006 R.O' 000	Book value 30 Nov. 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 30 Nov., 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:

	30 Nov. 2006 R.O' 000	30 Nov. 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 30 Nov., 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 30 Nov., 2006				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 30 Nov. 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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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:

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Cost of sales	2,044	1,442	42
Other Services & insurance	144	147	(2)
	2,188	1,589	38

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:

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Cost of Sales –			
Catering and Supplies Co. LLC. & Marketing and Services Co. LLC	2,044	1,442	42
Other services –			
Catering and Supplies Co. LLC. & Risk Management Services LLC	144	147	(2)
	2,188	1,589	38

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:

	30 Nov. 2006 R.O' 000	30 Nov. 2005 R.O' 000	Change %
Cost of utilities - Catering and Supplies Co. 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 30 Nov., 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	1,432	-	-	1,432
Provisions Balance as of 30 Nov., 2006	(13)	-	-	(13)
Book value of Assets as of 30 Nov., 2006	1,419	-	-	1,419

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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:

	30 Nov., 2006 (Nos.)	30 Nov., 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:	-	-