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***DIRECTORS' REPORT
FOR THE SECOND QUARTER ENDED ON MAY 31, 2009.***

On behalf of the Board of Directors I am pleased to submit the unaudited Financial Statements of the company for the second quarter ended on May 31, 2009 along with related reports.

We are pleased to report that year-on-year basis there had been steady improvements in the business. The revenue for the period rose by 30% to RO 3,111,667 as against RO 2,392,118 in the corresponding period in the previous year. Net Profit after taxes was OR 718,970 compared to RO 624,393 during the same period in the previous year, recording a further growth of 15%. It is worth mentioning that despite the global financial crisis and recession period, our business continued to turn in an impressive performance during the period.

The above improvements are attributable to revised room rates that were applied in PACs during this year coupled with continued availability of additional accommodation facilities provided. Therefore and considering all such factors, management expects to sustain such growth during the remainder part of 2009.

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

UNAUDITED SUMMARY OF PERFORMANCE.

	31 May 2009 R.O' 000	31 May 2008 R.O' 000	Change %
Total assets @	15,358	14,404	7
Total liabilities @	6,082	5,834	4
Net assets @	9,276	8,570	8
* Net assets per share	1.590	1.469	8
** Current ratio @	1.452	0.709	105

	6 months ended 31 May, 2009 R.O' 000	6 months ended 31 May, 2008 R.O' 000	Change %
Gross Profit	1,389	1,058	31
*** Gross Profit margin @	45%	45%	-
Net Profit	719	624	15
**** Earnings per share	0.123	0.107	15

* Net assets (book value) per share is calculated by dividing the net assets (book value) at 31 May. by the number of ordinary shares in issue at 31 May..

** Current ratio represents the ratio of current assets to current liabilities at 31 May..

*** 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 31 May. 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.

**Unaudited consolidated balance sheet
 at 31 May, 2009.**

	Notes	31 May 2009 R.O' 000	31 May 2008 R.O' 000	Change %
Fixed assets *		12,623	12,717	(1)
		12,623	12,717	(1)
Current assets				
Inventories	1	17	5	240
Trade receivables	2&9	2,359	1,668	41
Receivable from related parties	8&9	-	-	-
Investments **	5,6,7&9	-	-	-
Bank and cash		359	14	2464
Other assets		-	-	-
		2,735	1,687	62
Total assets		15,358	14,404	7
Current liabilities				
Trade and other creditors		108	87	24
Payable to related parties	8	1,128	1,097	3
Bank loans and overdrafts	4	560	1,119	(50)
Tax liability		87	78	12
		1,883	2,381	(21)
Long term liabilities				
Bank loans and overdrafts	4	4,100	3,367	22
Deferred Tax liability		99	86	15
Others		-	-	-
		4,199	3,453	22
Total liabilities		6,082	5,834	4
Net Assets		9,276	8,570	8
Shareholders' funds				
Share capital		5,833	5,833	-
Legal reserve		665	530	25
Retained earnings / (loss)		2,131	1,645	30
Profit and loss account		647	562	15
Total shareholders' equity		9,276	8,570	8

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

** Investments include fixed term deposits.

**Unaudited consolidated profit and loss account
 For the 6 months ended 31 May, 2009.**

	Notes	6 months ended 31 May, 2009 R.O.' 000	6 months ended 31 May, 2008 R.O. '000	Change %
Turnover/Revenue	3	3,112	2,392	30
Gross Profit	3	1,389	1,058	31
Depreciation		(291)	(234)	24
Administration & general expenses		(115)	(82)	40
Operating profit		983	742	32
Finance charges	4	(170)	(36)	372
Investment income	6	-	-	-
Profit before taxation and minority Interests		813	706	15
Taxation		(94)	(82)	15
Net profit attributable to ordinary Shareholders		719	624	15
Dividend per share				
* Net profit margin @		23%	26%	(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.

* 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.

**Unaudited consolidated statement of cash
 For the 6 months ended 31 May, 2009.**

	6 months ended 31 May, 2009 R.O'. 000	6 months ended 31 May, 2008 R.O'. 000	Change %
Cash from operations	758	1,228	(38)
Tax paid	(145)	(137)	6
Interest paid	(170)	(36)	372
Net cash from operating activities	443	1,055	(58)
Net cash used in investing activities	(9)	(3,261)	(100)
Net cash used in financing activities	(517)	1,971	(126)
Net increase (decrease) in cash and cash equivalents	(83)	(235)	(65)
Cash and cash equivalents brought forward	442	249	78
Cash and cash equivalents carried forward	359	14	2,464

Statement of changes in equity

	Share Capital RO. '000	Legal Reserve RO. '000	Retained Earnings RO. '000	Total RO. '000
As on 30 November 2007	5,833	468	2,228	8,529
Dividend paid			(583)	(583)
Profit for the year			1,253	1,253
Transfer to legal reserve		125	(125)	-
As on 30 November , 2008	5,833	593	2773	9,199
Dividend paid			(642)	(642)
Profit for current year (6 months)			719	719
Transfer to legal reserve		72	(72)	-
As on 31 May, 2009	5,833	665	2,778	9,276

Notes.

1. Inventories.

Inventories can be analysed as follows:

	31 May 2009 R.O' 000	31 May.2008 R.O' 000	Change %
Raw materials	-	-	-
Work in progress	-	-	-
Finished goods	17	5	240
Spares and consumables	-	-	-
Less: Provisions	-	-	-
	17	5	240

Finished goods at 31 May, 2009 represent days of sales (2008 days)

2. Trade receivables.

At 31 May, 2009 trade receivables can be analysed as follows:

	31 May.2009 R.O' 000	31 May.2008 R.O' 000	Change %
Trade receivables	2,371	1,684	41
Less: Provisions	(12)	(16)	(25)
	2,359	1,668	41

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 31 May, 2009 are as follows:

Identity of Segments	Fahud	Nimr	Totals
Segment Revenue	1,866	1,246	3,112
Segment Expenses	(1075)	(648)	(1723)
Segment Results	791	598	1,389

Notes.

4. **Bank loans and overdrafts.**

These can be analysed as follows:

	31 May. 2009 R.O' 000	31 May. 2008 R.O' 000	Change %
Bank loans	4,660	4,385	6
Overdrafts	-	101	(100)
	4,660	4,486	4
Less: Current maturities of bank loans and Bank overdrafts.	(560)	(1,119)	(50)
Long term element and bank loans	4,100	3,367	22

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 5.8% and 7.75% per annum.

The Bank overdraft facilities bear interest at 7.75% per annum and are renewable on 8, October, 2009.

The bank loans are repayable within 10 years from 14th June 2008.

The maturity of the bank loans.

	31 May. 2009 R.O' 000	31 May. 2008 R.O' 000	Change %
Due within 1 year	560	1,018	(45)
Due after more than 1 year	4,100	3,367	22
	4,660	4,385	6

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:

31 May, 2009		31 May, 2008	
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:

31 May, 2009		31 May, 2008	
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.

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 31 May. 2009 R.O'. 000	Market value 31 May. 2008 R.O'. 000	Book value 31 May. 2009 R.O' 000	Book value 31 May. 2008 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 31 May, 2009

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:

	31 May. 2009 R.O' 000	31 May. 2008 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 31 May, 2009.

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 31 May, 2009				
MSM Unquoted securities	N/A		N/A	N/A
Foreign unquoted securities *	N/A		N/A	N/A
Totals as of 31 May. 2009	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.

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:

	31 May 2009 R.O' 000	31 May 2008 R.O' 000	Change %
Service Provider – Cost of sales	1,632	1,237	32
Other Services & insurance	127	108	18
Capital Work in Progress – Construction	-	3,803	(100)
	1,759	5,148	(66)

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:

	31 May 2009 R.O' 000	31 May 2008 R.O' 000	Change %
Cost of Sales –Catering and Supplies Co.LLC& - Marketing and Services Co. LLC.	1,632	1,237	32
Other services – Catering and Supplies Co.LLC, Risk Management Services. LLC & Alawi Ent.	127	108	18
Capital Work in Progress – Carillion Aalawi	-	3,803	(100)
	1,759	5,148	(66)

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:

	31 May. 2009 R.O' 000	31 May. 2008 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	8	-	-	8
Provided during the period	4	-	-	4
(Released) during the period	-	-	-	-
(Written off) during the period	-	-	-	-
Provisions Balance as of 31 May, 2009	12	-	-	12

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	2,371	-	-	2,371
Provisions Balance as of 31 May, 2009	(12)	-	-	(12)
Book value of Assets as of 31 May, 2009	2,359	-	-	2,359

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:

	31 May, 2009 (Nos.)	31 May, 2008 (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:	-	-