

DIRECTORS' REPORT

On behalf of the Board of Directors, I have pleasure in presenting Annual Report on the business and operations of Sahara Hospitality Company (S.A.O.G) (hereafter referred to as "SHC") for the year ended 30 November 2008.

Financial Results

From the highlights of performance for the financial results for the year ended 30 November 2008 in comparison to the previous year, as appended below, you will be pleased to note that your company has achieved attractive growth in performance during the year.

Key Financial Indicators	Year ended 30 November, 2007	Year ended 30 November, 2008
	R.O. 000s	R.O. 000s
Turnover	4322	5137
Net profit after Tax	1045	1253
Basic earning per share in R.O.	0.179	0.215

The company's performance for the financial year 2008 that has resulted in a net profit of RO 1,253,091 is the highest net profit recorded since its inception and commencement of commercial operations. This represents a further growth of 19.9% from last year's net profit of RO 1,045,441. It is to be noted that currently, company business mainly depend on PDO activities in the area and presence of contractors staff executing related works. We are pleased to report that occupancy levels, continued to be excellent in 2008 achieving an average rates of 99.97% and 98.67% at Fahud and Nimr PAC facilities respectively.

The net assets per share improved from RO1.462 in 2007 to RO1.577 in financial year 2008. The basic earnings per share increased from RO 0.179 in 2007 to 0.215 in 2008.

Shares of the company

The Company's authorised share capital of the Company remains unchanged at RO 10,000,000, each share having a nominal value of Rial Omani one. At 30th November 2008, the issued and paid-up share capital consisted of 5,833,333 shares of RO 1 each.

Dividend

Subject to shareholders approval, the Board of Directors are pleased to recommend a dividend of 11% (RO 0.110 per equity share) for the financial year 2008. This is in compliance with CMA guidelines and is consistent with company's prudent policy of rewarding shareholders a reasonable amount of profits earned during the year without adversely affecting the requirement of internally generating funds for operations and growth needs. The dividend, if approved, will be paid to those members whose names appear in the Register of Members as on the date of the ensuing Annual General Meeting. The following table shows dividend paid by the company during the last five years:

Financial Year	Percentage	(RO) Per share
2003	6%	0.060
2004	6%	0.060
2005	6%	0.060
2006	9%	0.090
2007	10%	0.100

Competitive Positions

The Permanent Accommodation for Contractors ("PACs") has gradually replaced almost all the temporary camps at the two interior locations Fahud and Nimr. Hence, the only competition to SHC is from the adjacent PACs having similar facilities that are being operated by another company. However, in view of the robust demand for

accommodation in both areas, competition is considered to be at low having shared available business by both operators.

Degree of reliance on Service Provider/ clients

SHC has entered into a service agreement with Catering and Supplies Company LLC ("CSC") wherein CSC provides all the services required for the operations of the PACs. CSC has the privilege to be a PDO contractor providing catering and accommodation and cleaning services continuously for more than three decades since 1969 and continues to provide similar services to PDO and other companies in the interior oilfields of Oman.

With regard to degree of reliance on our clients, all our clients are PDO contactors and their presence is inevitable in view of PDO oil related activities in the region and therefore, barring unforeseen circumstances, our current business is expected to continue on a very long term basis without any interruption.

Future Plans

Extension of the current PAC facilities by another 240 rooms, swimming pool, squash court and improvement of other recreation and support facilities is completed and has been commissioned for commercial operations from April 2008. This has led to accommodating additional clients resulting in an incremental revenue and positive impact on financial results.

Furthermore, the company is always on the lookout for growth initiatives. In this pursuit, the Board is studying few a projects including a specific business plan with one of the world's leaders in the lodging industry to establish long-term business relationship.

There are no other major changes expected in the next year on the financing structure of the company such as capital increase by issue of new shares or issue of bonds.

Internal Control system

The Company has continued proper implementation and upgradation of appropriate systems and procedures with adequate controls. An audit committee comprised of the Company's Directors oversees the internal control systems. These systems and procedures are reviewed at regular intervals through audit committee meetings. The Board of Directors reviewed the company's system of internal controls and opined that they operated satisfactorily during the year.

Secured Loans

The company at its initial stage had availed a long-term loan of RO 5 Million from a local commercial bank, repayable in 32 equal quarterly installments commencing 1 April 2001. We are pleased to report that the installments are being paid as planned and the liability at the end of current financial year stands at RO 145,474 which has been subsequently paid. Another loan was availed during the year to implement the expansion projects. While the sanctioned loan amount is RO 5.6 million, the company has availed RO 4,670,000 as at the balance sheet date.

Directors' Responsibility Statement

The Board of Directors of the company hereby confirms that:

- They are aware of their responsibility in preparing the financial statements in accordance with the International Financial Reporting Standards on Auditing and the relevant rules of the Sultanate of Oman.
- The Directors have selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit of the company for the financial year.
- There are no material effects on company's business or its products or its competitive abilities during the financial year consequent to any decision made by the government or international organization.
- There has not been any other financial impact on our financial results on account of unusual transactions during the financial year.

- The company has not enjoyed any sort of government protection or concession during this period under review.
- The company has not made any donation or grant to any party during the financial year.

Going concern

The Board believes that the Company's financial position and expected future performance will enable it to continue in operational existence.

Insurance

The properties of the company are adequately insured in line with business requirements. However, our core business being hospitality services that attracts high risks of Hygiene and HSE, adequate insurance coverage are being provided by the service provider in accordance with an agreement dated 24th July, 1999. The Company is also insured for Directors/officers and public/product liability insurance providing coverage for any incidents or contingencies.

Management Discussion and Analysis (MD&A)

The requirement shall continue to be an important function of the Board of Directors, who has carried out this exercise in detail in relation to this financial year.

The Management Discussion and Analysis Report as mandated under the code of Corporate Governance, is attached to the Directors' Report as **Annexure I**.

Corporate Governance

Your Company has been adhering to the principles of good Corporate Governance over the years. The Board of Directors support the broad principles of Corporate Governance, as issued by CMA. In addition to the basic governance issues, the Board lays great emphasis on transparency, accountability and integrity. A report on Code of Corporate Governance including the relevant auditor's certificate regarding compliance with conditions of Corporate Governance as stipulated by CMA is provided in **Annexure II**

Auditors' Report

There are no qualifications contained in the Auditors' Report, and therefore, no further explanations are to be provided by the Directors.

Auditors

The company's auditors, M/s. Moore Stephens, Chartered Accountants, Muscat branch, retire at the ensuing Annual General Meeting and offer themselves for re-appointment.

Members are requested to consider the appointment of M/s. Moore Stephens for the ensuing financial year, on a remuneration to be decided by the Board of Directors.

Commitment

Once again, the Board of Directors and Management Team would reaffirm their commitment and enthusiasm with proper planning in carrying out the business with an objective to yield attractive returns to the shareholders.

Felicitations

On behalf of the Shareholders and Board of Directors, it gives me great sense of honor to express our sincere gratitude to His Majesty Sultan Qaboos Bin Said for His continued support to the private sector and I pray to the Almighty Allah to shower His everlasting blessings on His Majesty. Furthermore, I would extend our gratitude to His government for their co-operation and assistance with special mention of Ministry of Commerce & Industry, Muscat Security Market and Capital Market Authority.

I would like to conclude the report by thanking the Management of your company, my fellow Directors, the Service Provider, Petroleum Development of Oman, our clients and all those who participated in the successful conduct of your Company's business, for their relentless efforts and valuable contribution.

For and on behalf of the Board of Directors of
SAHARA HOSPITALITY CO. (S.A.O.G)

TALAL BIN QAIS AL ZAWAWI
CHAIRMAN

SAHARA HOSPITALITY COMPANY SAOG

FINANCIAL STATEMENTS

30 NOVEMBER 2008

Registered office and principal place of business:

P O Box No 311, Postal Code 113
Muscat
Sultanate of Oman

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAHARA HOSPITALITY COMPANY SAOG

Report on the financial statements

We have audited the accompanying financial statements of Sahara Hospitality Company SAOG, set out on pages 2 to 20, which comprise the balance sheet as at 30 November 2008, the statement of income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority (CMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 30 November 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements

The Company's financial statements also comply in all material respects with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the relevant disclosure requirement for public joint stock companies issued by the Capital Market Authority.

28 January 2009

BALANCE SHEET
at 30 November 2008

	Note	2008 RO	2007 RO
ASSETS			
Non-current assets			
Property, plant and equipment and total non-current assets	4	12,904,845	9,689,598
Current assets			
Inventories	2 d)	10,590	6,615
Accounts and other receivables	5	1,893,823	1,541,368
Bank balances and cash		442,418	249,384
Total current assets		2,346,831	1,797,367
Total assets		15,251,676	11,486,965
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	9	5,833,333	5,833,333
Legal reserve	10	593,409	468,107
Retained earnings		2,772,378	2,227,994
Total shareholders' funds		9,199,120	8,529,434
LIABILITIES			
Non-current liabilities			
Non-current portion of term loans	7 and 11	3,830,000	1,026,474
Deferred taxation	8	91,919	82,042
Total non-current liabilities		3,921,919	1,108,516
Current liabilities			
Current portion of term loans	7 and 11	705,474	905,000
Accounts and other payables	6	160,213	116,284
Taxation	8	145,551	136,688
Amounts due to related parties	11	1,119,399	691,043
Total current liabilities		2,130,637	1,849,015
Total liabilities		6,052,556	2,957,531
Total shareholders' funds and liabilities		15,251,676	11,486,965
Net assets per share	12	1.577	1.462

These financial statements on pages 2 to 20 were authorized for issue and approved by the Board of Directors on _____ 2009 and were signed on their behalf by:

Chairman

Director

The attached notes 1 to 18 form part of these financial statements.

STATEMENT OF INCOME
for the year ended 30 November 2008

	Note	2008 RO	2007 RO
Revenue	2 j)	5,137,489	4,322,146
Cost of sales	3 a) and 11	(3,363,033)	(2,891,296)
Gross profit		1,774,456	1,430,850
Administrative and general expenses	3 b)	(208,646)	(188,079)
Profit from operations		1,565,810	1,242,771
Other income		--	25
Finance charges	3 c), 7 and 11	(157,216)	(58,990)
Profit for the year before tax		1,408,594	1,183,806
Taxation	8	(155,575)	(138,365)
PROFIT FOR THE YEAR		1,253,019	1,045,441
		=====	=====
Basic earnings per share	13	0.215	0.179
		=====	=====
Dividend per share	14 b)	0.110	0.100
		=====	=====

The attached notes 1 to 18 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2008

	Share capital (note 9) RO	Legal Reserve (note 10) RO	Retained earnings RO	Total RO
At 30 November 2006	5,833,333	363,563	1,812,097	8,008,993
Dividend paid	--	--	(525,000)	(525,000)
Profit for the year	--	--	1,045,441	1,045,441
Transfer to legal reserve	--	104,544	(104,544)	--
	-----	-----	-----	-----
At 30 November 2007	5,833,333	468,107	2,227,994	8,529,434
	=====	=====	=====	=====
At 30 November 2007	5,833,333	468,107	2,227,994	8,529,434
Dividend paid	--	--	(583,333)	(583,333)
Profit for the year	--	--	1,253,019	1,253,019
Transfer to legal reserve	--	125,302	(125,302)	--
	-----	-----	-----	-----
At 30 November 2008	5,833,333	593,409	2,772,378	9,199,120
	=====	=====	=====	=====

The attached notes 1 to 18 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 30 November 2008

	2008 RO	2007 RO
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from revenue	4,819,779	4,211,882
Cash paid for cost of sales and administrative and general expenses	(2,758,768)	(2,621,750)
	-----	-----
Cash generated from operations	2,061,011	1,590,132
Finance charges	(157,216)	(58,990)
Taxation	(136,834)	(127,217)
	-----	-----
Net cash generated from operating activities	1,766,961	1,403,925
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3,594,594)	(1,709,517)
	-----	-----
Net cash used in investing activities	(3,594,594)	(1,709,517)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movements in term loans	2,604,000	536,000
Dividend paid	(583,333)	(525,000)
	-----	-----
Net cash generated from financing activities	2,020,667	11,000
	-----	-----
Net increase / (decrease) in cash and cash equivalents during the year	193,034	(294,592)
Cash and cash equivalents at the beginning of the year	249,384	543,976
	-----	-----
Cash and cash equivalents [note 2 f)] at the end of the year	442,418	249,384
	=====	=====

The attached notes 1 to 18 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
at 30 November 2008****1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Sahara Hospitality Company SAOG ("the Company") is a public joint stock company and its principal activity is to build, own and operate permanent accommodations ("the PACs") for contractors of Petroleum Development Oman LLC ("PDO") in Fahud and Nimr. PDO is committed under an agreement with the Company dated 30 May 1998 to provide land free of cost on which the PACs are situated.

The PACs are operated, in accordance with the terms and conditions of a service agreement dated 24 July 1999 ("the Contract"), by a related party, Catering and Supplies Company LLC ("CSC"). Under the terms of the Contract, CSC operates the PACs in return for agreed rates (see notes 3 and 11). The Contract provides that CSC will indemnify the Company in respect of any penalties payable by the Company arising due to CSC's failure to provide the services prescribed therein.

2 SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority. The financial statements have been prepared in Rials Omani.

In the current year, the Company has adopted all applicable new and revised Standards and Interpretations issued by IASB and the IFRIC that are effective for accounting periods beginning on or after 1 January 2007. The following Standards, in particular, have resulted in additional disclosure requirements:

- Revision to IAS 1 'Presentation of Financial Statements', requires an entity to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing its capital.
- IFRS 7 'Financial Instruments: Disclosures', requires the disclosure of the significance of financial instruments for an entity's financial position and performance. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk;

The above disclosure requirements however do not have an impact on the recognition and measurement of items in the financial statements.

Amendments to Standards IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures', issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those that were designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also require additional disclosures explaining the facts and circumstances relating to such reclassification. The above amendments have not impacted the presentation and disclosure of items in the Company's financial statements in the current year.

Certain amendments to existing standards have been published that are effective and mandatory for accounting periods commencing 1 January 2009 or 1 July 2009, which the Board of Directors have decided to adopt from the applicable period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****Basis of preparation (Continued)**

The amendments likely to be relevant to the Company are as follows:

- Amendments to IAS 1 'Presentation of Financial Statements' primarily require the following disclosures:
 - 'Balance sheet' and 'Cash flow statement' to be described as 'Statement of Financial Position' and 'Statement of Cash Flows' respectively (optional amendment);
 - All owner changes in equity should be presented in the statement of changes in equity separately from non-owner changes in equity;
 - A statement of financial position as at the beginning of the earliest comparative period must be prepared whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
- IFRS 8 'Operating Segments' primarily sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers.
- Amendments to IAS 23 'Borrowing Costs' primarily eliminate the option of immediate recognition as an expense for accounting for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.
- Amendments to IFRS 3 'Business Combinations' introduces significant changes on acquisition accounting, including the following:
 - Expensing certain acquisition related costs in the year in which they are incurred;
 - An option to recognize the entire goodwill of an acquired entity and not just the acquiring entity's portion of goodwill; and
 - Guidance on the accounting treatment for step by step acquisition and on partial disposal of subsidiary (with or without losing control).
- Amendments to IAS 32 'Financial Instruments: Presentation' addresses the classification of some puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.
- Amendments to IFRS 1 'First time Adoption of International Financial Reporting' and IAS 27 'Consolidated and Separate Financial Statements' provides guidelines for a first time adopter for measurement of a subsidiary in its separate financial statements.
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' primarily relates to accounting for non-controlling interests and loss of control in a subsidiary.
- There have been other amendments issued by IASB as part of its annual improvements project in the year 2008 that are applicable for accounting periods commencing 1 January 2009. The amendments have been categorized into two parts by IASB. Part I contains amendments that result in accounting changes for presentation, recognition or measurement purposes. Part II contains amendments that are terminology or editorial changes only, which is expected to have no or minimal effect on accounting.

The Board of Directors believe the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements.

a) Accounting convention

The financial statements are prepared under the historical cost convention.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of overheads. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of income as an expense as incurred.

c) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

	<i>Years</i>
Buildings	30
Equipment	15
Furniture and fixtures	7
Vehicles	5
Pre-fabricated buildings	7

Depreciation methods and useful lives as well as residual values are reassessed annually.

d) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first in first out basis.

e) Accounts receivable

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses of accounts and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due.

When an account or other receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying value of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

f) Cash and cash equivalents

For the purpose of cash flow statements, cash and cash equivalents consist of bank balances and cash.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****g) Impairment of assets***Financial assets*

At each balance sheet date, the management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non collectability of receivables.

An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

Non-financial assets

At each balance sheet date, the management assesses if there is any indication of impairment of non financial assets. If an indication exists, the management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of income. The management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of income.

h) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

i) Accounts and other payables

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

j) Revenue

Revenue comprises of amounts derived from the provision of services falling within the Company's ordinary activities. Revenue from services rendered is recognized in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. Revenue is not recognized if there are significant uncertainties regarding the recovery of consideration due or associated costs.

k) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine the deferred tax. The principal temporary differences arise from depreciation on property, plant and equipment and allowance for credit losses.

l) Leases

Operating lease payments are charged to the statement of income.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****m) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition and installation of tangible fixed assets are capitalised as part of the cost of these assets. Borrowing costs incurred beyond the acquisition and installation period are recognized in the statement of income. Other borrowing costs are recognized as expense in the period in which they are incurred.

n) Segment reporting

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

o) Dividends

The Board of Directors recommend to the shareholders the dividend to be paid out of Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the Dividend.

p) Directors' remuneration

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of income in the year to which they relate.

q) Estimates and judgements

In preparing the financial statements, the Board of Directors is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected. In particular estimates that involves uncertainties and judgements which have significant effect on the financial statements include allowance for credit losses.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

3 EXPENSES	2008	2007
	RO	RO
a) Cost of sales		
Cost of provision of services by CSC (see notes 1 and 11)	2,608,547	2,225,170
Depreciation	514,896	426,442
Others	239,590	239,684
	-----	-----
	3,363,033	2,891,296
	=====	=====
b) Administrative and general expenses		
Salaries and related expenses	48,542	29,430
Directors' remuneration (note 11)	43,064	33,794
Insurance	16,569	12,451
Others	100,471	112,404
	-----	-----
	208,646	188,079
	=====	=====
c) Finance charges		
Interest and bank charges	209,425	86,380
Less : interest income	--	(4,328)
interest capitalised under capital work in progress	(52,209)	(23,062)
	-----	-----
	157,216	58,990
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

4 PROPERTY, PLANT AND EQUIPMENT

Year ended 30 November 2008	Buildings RO	Equipment RO	Furniture and fixtures RO	Vehicles RO	Pre-fabricated buildings RO	Capital work in progress RO	Total RO
Cost							
At 30 November 2007	10,028,074	432,927	545,621	34,840	41,561	1,787,345	12,870,368
Additions during the year	--	124,240	154,760	--	--	3,451,143	3,730,143
Transfers during the year	5,238,488	--	--	--	--	(5,238,488)	--
At 30 November 2008	15,266,562	557,167	700,381	34,840	41,561	--	16,600,511
Depreciation							
At 30 November 2007	2,418,630	193,525	529,034	34,840	4,741	--	3,180,770
Charge for the year	455,010	34,403	19,546	--	5,937	--	514,896
At 30 November 2008	2,873,640	227,928	548,580	34,840	10,678	--	3,695,666
Net book value							
At 30 November 2008	12,392,922	329,239	151,801	--	30,883	--	12,904,845
At 30 November 2007	7,609,444	239,402	16,587	--	36,820	1,787,345	9,689,598

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

5 ACCOUNTS AND OTHER RECEIVABLES	2008 RO	2007 RO
Accounts receivable	1,853,770	1,540,415
Less: allowance for credit losses [see notes a) and d) below]	(8,145)	(12,500)
	-----	-----
	1,845,625	1,527,915
Advances	40,000	--
Prepayments	8,198	13,453
	-----	-----
	1,893,823	1,541,368
	=====	=====

The following further notes apply:

a) The movement in allowance for credit losses is given below:

	2008 RO	2007 RO
At the beginning of the year	12,500	12,500
Allowance written off during the year	(4,355)	--
	-----	-----
At the end of the year	8,145	12,500
	=====	=====

b) Accounts receivable are assigned as security for the Company's borrowings (see note 7).

c) At the balance sheet date, 77% of Company's accounts receivable is due from 5 customers (2007 – 74% from 5 customers). All the accounts and other receivables are unsecured (2007-unsecured).

d) At the balance sheet date allowance for credit losses have been established for accounts receivable by the management, based on the Company's provisioning policy.

e) Accounts receivable amounting to RO 1,225,255 (2007 – RO 981,414) are neither past due nor impaired and are estimated as collectible based on historical experience.

f) At the balance sheet date, the following accounts receivable are past due but not impaired and are estimated as collectible based on historical experiences.

	2008 RO	2007 RO
Debts due between 4 to 6 months	595,896	525,076
Debts due for more than 6 months	24,474	21,425
	-----	-----
	620,370	546,501
	=====	=====

6 ACCOUNTS AND OTHER PAYABLES	2008 RO	2007 RO
Accounts payable	101,697	70,240
Proposed Directors' remuneration (see note below)	43,064	33,794
Accruals	15,452	12,250
	-----	-----
	160,213	116,284
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

6 ACCOUNTS AND OTHER PAYABLES (Continued)

The following further note applies:

The proposed Directors' remuneration is subject to the approval at the Annual General Meeting.

7 TERM LOANS	2008 RO	2007 RO
Loan 1	145,474	770,474
Loan 2	4,390,000	1,161,000
	<u>4,535,474</u>	<u>1,931,474</u>
Amounts due within one year of the balance sheet date disclosed as current liability	(705,474)	(905,000)
Non-current liability	<u>3,830,000</u>	<u>1,026,474</u>

The following further notes apply:

a) The maturity profile of the term loans is as follows:

	2008 RO	2007 RO
Less than 1 year	705,474	905,000
Between 1 - 2 years	560,000	705,474
Between 3 - 5 years	1,680,000	321,000
Between 6 - 8 years	1,590,000	--
	<u>4,535,474</u>	<u>1,931,474</u>

b) At the balance sheet date, the carrying value and fair value of the Company's non-current portion of term loans are as follows:

	Carrying value		Fair value	
	2008 RO	2007 RO	2008 RO	2007 RO
Loan 1	--	145,474	--	129,961
Loan 2	3,830,000	881,000	2,758,555	729,048
	<u>3,830,000</u>	<u>1,026,474</u>	<u>2,758,555</u>	<u>859,009</u>

c) Loan 1 is from a local commercial bank (a related party) repayable in 32 equal quarterly installments of RO 156,250 which commenced on 1 April 2001. The interest on the loan is 6 months LIBOR plus 0.5% (2007 - 6 months LIBOR plus 0.5%).

d) Loan 2 is also from a local commercial bank (a related party) repayable in 40 equal quarterly installments of RO 140,000 which commenced from June 2008. The annual effective rate of interest on the loan is 5.8% per annum (2007 - 5.8% per annum). The sanctioned loan amount is RO 5,600,000 against which RO 4,670,000 has been disbursed by the bank as at the balance sheet date.

e) The above term loans are secured by assignment of accounts receivable and insurance policies relating to the Company's buildings. The bank providing the term loan has confirmed that it has an undertaking from the Company that the Company's properties will not be mortgaged other than to the lending bank.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

8 TAXATION	2008 RO	2007 RO
Statement of income		
Current year	145,698	136,534
Deferred tax expense	9,877	1,831
	-----	-----
	155,575	138,365
	=====	=====
Balance sheet		
Current liability		
Taxation	145,551	136,688
	=====	=====
Non-current liability		
Deferred taxation [see note e) below]	91,919	82,042
	=====	=====

The following further notes apply:

- a) The Company is subject to income tax at the rate of 12% (2007 - 12%) of taxable income in excess of RO 30,000.
- b) The following is a reconciliation of income calculated based on accounting profit before tax at the applicable tax rate with the income tax expense:

	2008 RO	2007 RO
Profit before tax	1,408,594	1,183,806
	=====	=====
Income tax as per rates mentioned above	165,431	138,457
Tax refund [see note c) below]	(10,343)	--
Expenses disallowed	341	62
Prior year charge	146	--
Excess provided in prior year	--	(154)
	-----	-----
Income tax expense	155,575	138,365
	=====	=====

- c) The appeal filed by the Company with the Taxation Committee in a prior year with respect to the taxation assessments of the Company for the years 2000 to 2003 was heard and accepted by the Committee during the year. Accordingly a tax refund of RO 10,343 has been granted to the Company during the year.
- d) The Board of Directors are of the opinion that additional taxes, which may be assessed in respect of the unassessed years 2004 to 2007, if any, would not be material to the Company's financial position as at the balance sheet date.
- e) Recognised net deferred tax liability is attributable to the following items:

	30 November 2007 RO	Recognised in statement of income RO	30 November 2008 RO
Property, plant and equipment	(83,712)	(9,184)	(92,896)
Allowance for credit losses	1,670	(693)	977
	-----	-----	-----
Net deferred tax liability	(82,042)	(9,877)	(91,919)
	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

9 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2007 – 10,000,000 of RO 1 each). At the balance sheet date, the Company's issued and fully paid-up share capital consisted of 5,833,333 shares of RO 1 each (2007 - 5,833,333 shares of RO 1 each).

Shareholders who own 10% or more of the Company's share capital are as follows:

	2008 and 2007
	%
Alawi Enterprises LLC	20
Catering and Supplies LLC	20
Chatron Commercial Corporation	12.33

10 LEGAL RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10% of the Company's profit for the year be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to at least one-third of the Company's paid-up share capital.

11 RELATED PARTY TRANSACTIONS

- a) A substantial number of transactions entered into by the Company during the year are with certain shareholders or with companies over which certain directors, officers and shareholders are able to exercise significant influence. Costs for provision of services for the operation of the PACs, which are payable to a related party, are determined based on contractually agreed terms (see note 1). Additionally, the Company and CSC share the profits from beverages sales at the PACs equally. The Company's share of beverages sales profits during the year amounted to approximately RO 62,259 (2007 – RO 53,172). In respect of other related party transactions, the terms are believed by the Board of Directors to be comparable with commercial terms that could be obtained from third parties on an arms length basis.

During the year the related party transactions, which are subject to shareholders' approval at the forthcoming Annual General Meeting, were as follows:

	2008	2007
	RO	RO
Transactions with shareholders holding 10% or more interest in the Company		
Services rendered and recharged (see notes 1 and 3)	2,608,547	2,225,170
Cost of sales – others	131,412	93,133
Purchases	59,031	63,239
Transactions with other related parties		
Capital work in progress	3,352,992	1,569,956
Cost of sales – others	70,537	77,124
Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	209,248	86,380
Interest income	--	4,328
Administrative and general expenses	--	15,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

11 RELATED PARTY TRANSACTIONS (Continued)

a) (Continued)

The key management personnel compensation for the year comprises:

	2008 RO	2007 RO
Directors' remuneration [see note 6]	43,064 =====	33,794 =====

b) The amount due to related parties are on normal terms of credit and consideration to be settled in cash.

c) Amount due to related parties are as follows:

	2008 RO	2007 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Co LLC	765,747 -----	533,407 -----
Other related parties		
Carillion Alawi LLC	339,103	138,780
Marketing and Services Co LLC	14,549	18,856
	-----	-----
	353,652	157,636
	-----	-----
	1,119,399 =====	691,043 =====

12 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets at the balance sheet date by the number of shares outstanding at the end of the year as follows:

	2008	2007
Net assets (RO)	9,199,120 =====	8,529,434 =====
Number of shares outstanding	5,833,333 =====	5,833,333 =====
Net assets per share (RO)	1.577 =====	1.462 =====

13 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net result for the year by the weighted average number of shares outstanding during the year as follows:

	2008	2007
Net profit for the year (RO)	1,253,019 =====	1,045,441 =====
Weighted average number of ordinary shares at the balance sheet date	5,833,333 =====	5,833,333 =====
Basic earnings per share (RO)	0.215 =====	0.179 =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

14 PROPOSED DIVIDEND

- a) A dividend in respect of year 2008 of RO 0.110 per share (2007 – RO 0.100 per share) amounting to a total of RO 641,667 (2007 – RO 583,333) is proposed by the Board of Directors. The dividend is subject to the approval at the Annual General meeting.
- b) Dividend per share is determined by dividing the dividend proposed for the year of RO 641,667 (2007 – RO 583,333) by the number of ordinary shares at the balance sheet date of 5,833,333 shares (2007 – 5,833,333 shares).
- c) During the year an amount of RO 1,971 pertaining to the year 2007 (2007 - RO 576 pertaining to the year 2006), representing unclaimed dividends, has been transferred to the Investors Trust Fund of the Capital Market Authority.

15 CONTINGENCIES	2008 RO	2007 RO
Performance guarantee	100,000	100,000
Tender guarantee	10,000	10,000
	-----	-----
	110,000	110,000
	=====	=====

16 SEGMENTAL REPORTING

The Company has only one business segment: hospitality. Additionally, all services are provided within the Sultanate of Oman. Accordingly, no disclosures in respect of segment information are made in these financial statements.

17 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial assets include accounts and other receivables, bank balances and cash. Financial liabilities include term loans, accounts and other payables, amount due to related parties and current taxation. The carrying amounts of financial assets and liabilities with a maturity of less than one year approximate to their fair values. The fair value of the non-current portion of term loans has been derived by discounting the repayment cash flows using a discount rate based upon the borrowing rate, which the Board of Directors expect would be available to the Company at the balance sheet date and is disclosed in note 7 to the financial statements.

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Market risk

Currency risk

The Company operates in the local market and the entire financial assets and liabilities are denominated in Rials Omani. Accordingly, the management believe that the Company is not exposed to any material currency risk.

Interest rates

The Company is exposed to interest rate risk on its interest bearing liabilities (term loans). The management manages the interest rate risk by constantly monitoring the changes in interest rates and ensuring that the term loans are on a fixed rate basis.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 23,000 (2007 – RO 10,000) based on the level of borrowings at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2008

17 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

c) Liquidity risk

The management maintains sufficient amount of cash and an adequate amount of committed credit facilities to meet it's obligations as they fall due for payment and is therefore not subject to significant liquidity risk.

The table below analyses the Company's financial liabilities as at the balance sheet date based on the contractual maturity date.

At 30 November 2008	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Term loans	285,474	140,000	280,000	3,830,000	4,535,474
Amount due to related parties	456,344	410,061	252,994	--	1,119,399
Accounts and other payables	10,025	150,188	--	--	160,213
Current taxation	--	145,551	--	--	145,551
	-----	-----	-----	-----	-----
	751,843	845,800	532,994	3,830,000	5,960,637
	=====	=====	=====	=====	=====
At 30 November 2007	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Term loans	156,250	156,250	592,500	1,026,474	1,931,474
Amount due to related parties	155,413	378,634	156,996	--	691,043
Accounts and other payables	10,709	105,575	--	--	116,284
Current taxation	--	136,688	--	--	136,688
	-----	-----	-----	-----	-----
	322,372	777,147	749,496	1,026,474	2,875,489
	=====	=====	=====	=====	=====

d) Capital management

The Company's objectives when managing capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the shareholders. The Company also ensures compliance with externally imposed capital requirements.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or raise additional capital.

18 CAPITAL COMMITMENTS

At the balance sheet date, there were no outstanding capital commitments (2007 - RO 3.49 million mainly in relation to the Company's expansion of existing PACs).

ANNEXURE-II TO THE DIRECTORS' REPORT

REPORT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH CODE OF CORPORATE GOVERNANCE FOR MSM LISTED COMPANIES, ISSUED BY CIRCULAR No. 11/2002 AS AMENDED BY CIRCULAR No. 1/2003.

The Board and management are committed to the highest standards of corporate governance for Sahara Hospitality Co. (S.A.O.G) (hereafter referred to as ("SHC") or the ("Company"). This statement describes how the principles of Good Governance and provisions of the Code of Corporate Governance for MSM listed companies, issued by Circular No.11/2002 on 3 June 2002 as amended by circular No.1/2003 and Administrative Decision No. 5/2007 dated June 27, 2007 are applied by SHC.

1. Philosophy on the Code of Governance

The Company believes that sound corporate practices based on transparency, accountability and high level of integrity, in the functioning of the Company, is essential for the short and long term enhancement of the shareholders/ stakeholders value. SHC as a Company have always focused on good corporate practices which is a key driver of sustainable corporate growth and long term value creation for shareholders. The objective can be summarised as:

- To enhance shareholder value.
- To protect the interest of shareholders and other stakeholders including customers and society at large.

The Company is committed to:

- Ensure that the SHC Board of Directors meet regularly, provides effective leadership, exercises control over management and monitor executive performance.
- Provide free access to the Board to all relevant information, advice, resources as are necessary to enable it to carry out its role effectively.

2. Board of Directors

2.1 The Board consists of eight Directors having a suitable mix of professionalism knowledge and experience. Of these, two are executive Directors and others non-executive/independent Directors.

2.2/3 The current composition of the Board of Directors is given below:

Sr. No.	Name	Position/ Category	Last AGM held on 25/2/2008	Board meetings proxy/attended	Other Directorship
1	Talal Bin Qais Al Zawawi	Chairman/ Independent Director	Absent	7	-
2	Abdulmunim Bin Qais Al Zawawi	Non-Executive/ Independent Director	Absent	7	-
3	Ramesh Kumar	Non-Executive/ Independent Director	Present	8	-
4	Sasi Madathil	Non-Executive/ Independent Director	Present	8	-
5	Raymond Bejjani *	Executive Director	Present	8	-
6	K.S. Visruthan *	Executive Director	Present	8	-
7	Yaseen Hassan Abdullatif	Non-Executive/ Independent Director	Present	8	-
8	K.T. Rajagopalan	Non-Executive/ Independent Director	Present	8	-

* Mr. Raymond Bejjani (Chief Executive Officer) and Mr. K.S.Visruthan (Finance and Administration Manager) are the only Directors with Top management position in the company and their powers are defined in the Internal Regulations of the company.

Company Management

The names, designations, description of responsibilities in SHC and brief profile of the Company Management personnel is as follows:

- Raymond Bejjani – Vice Chairman & Chief Executive Officer
Co founder of the Company with 35 years of experience, of which 33 years in Oman in Catering and Commercial Services. Responsible for all the overall strategic management of the Company
- K.S.Visruthan – Director & Finance and Administration Manager
Experience of 33 years, of which 10 years at executive management levels. Responsible for Finance and administrative functions.
- Keith Burns - Contract Manager
Experience of 33 years, of which 23 years in Oman at senior Management levels. Directly responsible for all aspects of the Company's operations.

2.4 As per disclosures made by our Directors, it is learned that none of them are in the Board of Directors or Chairperson of other public companies

2.5 The Board meets at least once in three months to review the quarterly performance and financial results. All the necessary papers along with annexure, explanatory notes etc., if any, are circulated along with agenda to all directors about 7 to 10 days in advance or are tabled in the course of the Board meeting. The Directors shall, at least annually, conduct a review of the effectiveness of the company's systems of internal control through the Management Audit being conducted by the Company. Eight Meetings of the Board of Directors were held during the financial year ended 30th November 2008 as under:

Dates of the Meetings:

December 17, 2007
January 7, 2008
January 19, 2008
January 27, 2008
March 26, 2008
May 10, 2008
June 22, 2008
September 24, 2008

3. Audit committee

The primary objective of the Audit Committee is to monitor and provide effective supervision of the management's financial reporting progress with a view to ensuring timely and proper disclosures and transparency, integrity and quality of its reporting.

3.1 Broad functions of Audit Committee:

The Committee reviews and ensures that financial statements are correct, sufficient and credible with reference to the following points before submission to the Board.

- Reviewing risk management policies and reasons for defaulting payment obligations, if any.
- Changes in the Accounting Policies and Practices
- Qualifications in Draft Audit Report.
- Compliance with Accounting Standards.
- Going concern assumptions.

- Material transactions with promoters or management, their subordinates or relatives with potential conflicts with the interest of the Company at large.
- Discuss with Statutory Auditors on areas of concern and adequacy internal control systems.
- Recommendation for Auditor's appointment / removal.
- Review the Audit fees and other payments for professional services rendered by the auditors.
- Supervision of Internal Audit including the scope and consideration of significant audit findings / area of concern.
- Review the Company's management reports.
- Supervision of the adequacy of the internal control system.
- Monitoring financial fraud.

In order to effectively discharge their responsibility, the committee members have been empowered:

- To investigate any activity referred.
- To seek information from any employee of the Company.
- To invite Statutory / Internal Auditor.

3.2 Composition, Name of Members and Chairperson

The Board of Directors at their meeting held on 22nd February 2003 had constituted the Audit Committee comprising of three Non-Executive Directors. Following the election of the new Board of Directors, the Board at its first meeting held on March 8, 2007, re-constituted the audit committee comprising of four Non-Executive Directors.

The composition of the Audit Committee and attendance of the members during the year at its meetings are given hereunder:

Name of the Member	Position	Category	Attendance during the year
Yaseen Hassan Abdullatif	Chairman	Non-Executive/ Independent Director	4
Ramesh Kumar	Member	Non-Executive/ Independent Director	5
K.T Rajagopalan	Member	Non-Executive/ Independent Director	4
Sasi Madathil	Member	Non-Executive/ Independent Director	2

All members of the committee are knowledgeable in finance, industry and laws and regulations governing SAOG companies.

During the financial year 2007-2008 under review, five Audit Committee Meetings were held on:

17 December 2007, 27 January, 2008, 26 March 2008,
 22 June 2008 and 24 September 2008.

The Internal Auditor acted as the Secretary of the Audit Committee in all five meetings.

It is prerogative of the Audit Committee to invite Senior Executives, whom it considers appropriate to be present at the meeting. Almost in all the Audit Committee meetings, Senior Executives of the Company were invited.

The minutes of each of the Audit Committee Meetings are placed before the Board of Directors and discussed in the Board Meeting.

4. **Process of Nomination of Directors**

The member of the Board of Directors shall be chosen from shareholders or non-shareholders, provided the shareholder candidate holds minimum of 233,333 shares in the Company.

The term of office of the second Board of Directors were completed after third Annual General Meeting held on 25th February 2007 and a new Board of Directors was elected by the shareholders at Annual General meeting held on 25 February, 2007. The elected members are being continued in 2008. The nomination process is governed by company's Articles of Association, Articles 27, 28 and 29

5. **Remuneration matters**

5.1 The Board of Directors is pleased to recommend, subject to the approval of the shareholders, RO 43,064 as remuneration to the Directors for the financial year ended 2008. This was calculated based on 5% of the net annual profits after deducting the legal reserve and calculating the dividend to shareholders 5% of the capital.

With regard to officers, all management functions are provided by the service provider (founder shareholder) by virtue of an agreement dated 24th July, 1999 forming basis of the award of the contract by Petroleum Development Oman. Salaries and related costs charged for the financial year 2008 amount to RO 48,542.

Following on from the preceding paragraph disclosing re-charged costs and direct payments, there are no bonus, stock option, and gratuity and pension scheme in effect.

5.2 There exists no fixed component or performance linked incentives.

5.3 Same as above explanations. Since we do not have direct employees, disclosure on service contracts, notice period and severance fees are not applicable.

6. **Details of Non-compliance by the Company**

6.1 The Company has complied with various rules and regulations prescribed by the regulatory authorities during the period of its operations. So far we have not been penalised by way of notices and/or pecuniary penalties by MSM, CMA and any other statutory authority.

6.2 There was no non-compliance by the Company in respect of Code of Corporate Governance and our report on Corporate Governance has been produced, which forms part of the Directors report.

7. **Means of communication with the shareholders & investors**

7.1 As required by law, the Company has been publishing annual audited and quarterly un-audited financial results in two newspapers after being approved by the Board. The annual audited accounts and Chairman's report are despatched to all shareholders by mail.

7.2 The results are simultaneously posted on the website of the Company at www.sahara.com.om.

7.3 On this website, the investors can also find details of various services being provided by the Company.

7.4 The Company did not make any presentation to the institutional investors or to the analysts.

7.5 Management Discussion and Analysis Report forms part of this Annual Report.

7.6 The Company has a procedure for ensuring material information is identified and communicated to CMA and shareholders.

7.7 The Company has a procedure to ensure implementation of its disclosure policy and to monitor the company's compliance with laws and regulations.

8. Market price data

8.1 The following table, as provided by MSM, shows the share price movements and volume of sales of the company during current financial year. It is noted that no major movements in the trades were taken place during this period. The closing price of 2008 based on the last trade made on 10/2/2008 was RO 1.990 per share in the market.

Performance from 01/12/2007 to 30/11/2008

Date	Open	High	Low	#	Volume	Turn-over	Last Trade	P. Close	Close	Net Change
10/02/2008	2.000	2.000	1.990	11	3095	6179	1.990 10/2/2008	2.140	1.996	6.73%

8.2 MSM index details of service sector, representing share price movements for the period 1/12/2007 to 30/11/2008 was as follows:

Performance from 01/12/2007 to 30/11/2008

Open	High	Low	Close	Change
3,308.150	5,260.570 July 8, 2008 10.43 AM	2,677.500 Nov 17, 2008 10.00 AM	2,914.500	(11.9%) (393.590)

8.3 Shareholding pattern of the company as at the close of financial year was 58.37% by 6 founder shareholders (3,405,300 shares) and 41.62% by public (2,428,033 shares), which were owned by 29 shareholders.

The following are the shareholders holding 5% or more interest in the Company:

- Alawi Enterprises LLC, Oman
- Chatron Commercial Corporation, Panama
- Catering and Supplies company LLC, Oman
- Abdulmunim Bin Qais al Zawawi, Oman
- Ms. Lubna Qais Abdulmunim Al Zawawi, Oman
- NBO, Local Trust

8.4 There were no outstanding GDRs/ADRs/Warrants.

9. Professional profile of the statutory auditor

The Oman branch of Moore Stephens commenced practise in 1988. Over the years, the practice has developed considerably and now services a number of clients, including major listed companies, Groups, government organisations and Ministries providing either audit, tax or management consultancy services. The local staff strength is around 30, most of whom are qualified Chartered Accountants, internal auditors and information systems auditors.

Since Moore Stephens London was founded 100 years ago, the Moore Stephens International Limited network has grown to be one of the 12 largest international accounting and consulting groups worldwide. Moore Stephens International is regarded as one of the world's major accounting and consulting networks consisting of 335 independent firms with 621 offices and over 19,200 people across 95 countries.

10. **Audit fees paid to the auditors.**

Audit fees for the financial year ended on 30/11/2008 was RO.4,400/-.

11. **Acknowledgement by Board of Directors.**

The Board of Directors, based on the review of Audit Committee, believe that the financial statements are prepared in accordance with applicable standards and rules.

The board believes, based on the review of internal controls carried out by the audit committee, that the system of internal control is adequate to ensure compliance with laws and regulations.

Based on an examination of the internal audit work, discussion with management and scrutiny of previous management information, the audit committee have concluded that company's system of internal control have operated effectively during the year.

The Board have approved the budget of the company for the year 2009 and, on the strength of the budget and consideration of the expected cash flow, consider that the company will continue in operational existence for the foreseeable future.

Report of Factual Findings in connection with Corporate Governance report of the Company and application of the Corporate Governance practices in accordance with CMA Code of Corporate Governance (Code).

TO THE SHAREHOLDERS OF SAHARA HOSPITALITY COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying Corporate Governance report of the Company and its application of the Corporate Governance practices in accordance with the CMA's code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and its amendments as detailed under Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading approved by Administrative Decision No. 5/2007 dated 27 June 2007. Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. These procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

We report our findings below:

We found that the Company's Corporate Governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Corporate Governance report.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance report included in its annual report for the year ended 30 November 2008 and does not extend to any financial statements of Sahara Hospitality Company SAOG, taken as a whole.

28 January 2009



Moore Stephens
JAL

ANNEXURE-I TO THE DIRECTORS' REPORT

MANAGEMENT DISCUSSION & ANALYSIS REPORT

The management of Sahara Hospitality Company SAOG ("SHC") is pleased to present its analysis report covering the company's performance during the year ended 30th November 2008 and Management's views on future outlook.

Main Objects and business of the Company

SHC hold a contract to build, own and operate Permanent Accommodation for Contractors ("PACs") of Petroleum Development Oman ("PDO"), one each at Fahud and Nimr. The project was completed and started its commercial operations on 1st September, 2000 and continues to be fully operational in compliance with contract terms and conditions.

The purpose of the PACs is to provide residential facilities to PDO contractor's staff at two interior locations in Fahud and Nimr. Initially SHC constructed 384 and 264 room facilities at Fahud and Nimr respectively. Later, during the year, additional 128 rooms at Fahud and 112 rooms at Nimr were built due to increased demand of facilities for residents. This is a specialised trade that is subject to high professional and quality standards, and involves a considerable amount of efforts and expertise to provide the required services available to people in the remotest areas of the country. Although, SHC's current core business is provision of hospitality services at the PACs, the Board continue to explore all avenues of similar and/or any other commercial activities in Oman and expand the business when suitable opportunities arise.

Methods through which the company achieves its business

As per the contract with PDO, SHC is expected to provide accommodation, messing, catering services, linen and laundry services, medical services and maintenance. However, SHC has entered into a service agreement with Catering and Supplies Company LLC (CSC) wherein CSC provides all the services required under the PDO contract for operation of the PACs.

Investment Opportunities and Obstacles

The Board of Directors and the Management continue to monitor growing Omani commercial, industrial and financial market sectors, and would avail any opportunity that is attractive and would yield additional benefits to the company. As reported last year, we had participated in the PDO bid for new PACs but were not successful in view of prevailing market conditions coupled with severe competition from new competitors. However, we are investigating further business opportunities and are currently reviewing few project plans with an international business group in order to establish long-lasting strategic business relationship.

Although, SHC's business future seems promising within the current scope of our contract in view of continuous oil & gas related activities at PAC locations, the Board of Directors would remain alert to enhance its market share and establish attractive business ventures as and when such opportunities arise.

Risks and Concerns

The success of SHC's business depends on providing excellent services and achievement of maximum level of occupancy. Currently both PACs are well occupied with contractor's staffs and based on current activities and increased room facilities the company expects improved results in the coming years. Obviously, all such factors are highly dependent on PDO activities in the area and should some unforeseen event happen then the Company may be exposed to operational risk.

Another risk factor is the lifespan of oil reserve in the area. Apart from proven oil reserve, PDO has also focused enhanced oil recovery (EOR) initiatives thereby to improve recovery rates at several oil fields. It has also implemented exploration and development (E & D) programme, aimed at increasing recoverable reserve over the long term, through the application of enhanced recovery techniques. Therefore, it is expected that the oil and gas related activities would continue at PAC locations over long term, thus maintaining commercial lifespan of our operations for many more years.

The PACs have been constructed on plots of land made available by PDO free of cost as governed by our contract terms. We have not obtained any long term lease for the land from the relevant authorities as the same was not felt to be a requirement. In the quite unlikely event that the leases become necessary, then we will have to complete the required formalities which will involve additional costs.

The PAC facilities are permanent accommodations for PDO contractor's staff working in the interior area of oil and gas industry. Accordingly, the facilities do not fall within the definition of a hotel or neither tourism nor the contractors who occupy these facilities are "tourists" and therefore we believe that the municipality tax are not applicable to PAC operations and related costs are not provided in our accounts.

Financial and Operational Performance

Financial performance

An overview of the financial performance is already given in the Directors report. The audit committee constituted by the Board of Directors periodically reviews the financial performance and reporting systems. The summary of movement in net profit amounts and margin for the year is as under:

	Amount RO
Net profit for FY 2007	1,045,441
Gain in net profit amount and margin on account of:	
Sales	815,343
Cost of sales	-471,737
Administrative and general expenses	-20,567
Financing costs	-98,226
Other income	-25
Income Tax	-17,210
Net profit FY 2008	1,253,019

SHC has reported good performance during the period under review. Revenue was higher by 18.86% at RO.5,137,489 as against RO.4,322,146 in the corresponding period of previous year. Net profit before tax increased from RO.1,183,806 in 2007 to RO.1,408,594 in the same period of 2008, a further growth of 18.9%.

The fundamentals of the company's financial health remain to be extremely positive with healthy cash flows. The following table shows time sequence of realised profits, dividends, net equity of the company for the last five years.

Year	Net Profit after Tax (RO)	Dividends	Net Equity(RO)
2003	733,308	6%	6,779,002
2004	646,383	6%	7,057,933
2005	664,382	6%	7,372,315
2006	986,678	9%	8,008,993
2007	1,045,441	10%	8,529,434

Operational Performance

The primary role of the SHC is to support PDO's activities within the interior oilfield operations by way of providing high standard of hospitality services. We believe that the performance of SHC is and has been to the full satisfaction of our clients and customers. We consider this to be a great achievement of our management, leading to a positive financial outcome, without compromising on high standards expected.

The HSE and Hygiene policies are being strictly applied and shall remain to be the top priority in our business. For this purpose great ongoing efforts are being exerted, our HSE and Hygiene department have been augmented with functional expertise in compliance with contractual obligations and remain fully committed to it.

We are proud to report that the company has completed eight years of operations successfully and without Loss Time Incidents (LTI) that includes over 6.3 million man hours worked and 2,767,815 kilometres driven safely. Furthermore, the Company provides all hospitality services in compliance with an appropriate food management system that include HACCP procedures which has been certified by an International Certification body.

Segment and Product-wise Reporting

SHC has only one segment of business, hospitality. In addition to this, all related services are being provided within the oil and gas fields in the interior of the Sultanate of Oman. Hence no additional discussions are warranted with regard to segment information.

Internal Control System and Adequacies

The company's internal control systems are well established. An audit committee comprised of the company's four non- executive directors regularly reviews all operational and financial matters of the company. It also reviews the significant observations of internal audit. The audit committee's observations are acted upon by the management. Based upon the work of internal audit, supervised by the audit committee, and their periodic reviews of management information and reports, the Board consider that the Company's internal control systems in place are appropriate and have operated effectively during the year.

Disclaimer:

The information and opinion expressed in this section of the Annual Report may contain certain "forward-looking statements", which the management believes are true to the best of its knowledge at the time of its preparation. The Company and the management shall not be held liable for any loss, which may arise as a result of any action taken on the basis of the information contained herein.