

DIRECTORS' REPORT

On behalf of the Board of Directors, I have the 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 on November 30, 2009.

Financial Results

From the highlights of performance for the financial results for the year ended on November 30, 2009 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, 2008	Year ended 30 November, 2009
	R.O. 000s	R.O. 000s
Turnover	5137	6518
Net profit after Tax	1253	1529
Basic earning per share in R.O.	0.215	0.262

The company's performance for the financial year 2009 that has resulted in a net profit of RO 1,528,677 is the highest net profit recorded since its inception and commencement of commercial operations. This represents a further growth of 22% from last year's net profit of RO 1,253,019. 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 2009 achieving an average rates of 99.97% and 98.67% at Fahud and Nimr PAC facilities respectively.

The net assets per share improved from RO1.577 in 2008 to RO1.729 in financial year 2009. The basic earnings per share increased from RO 0.215 in 2008 to 0.262 in 2009.

Shares of the company

The Company's authorised share capital remains unchanged at RO 10,000,000, each share having a nominal value of Rial Omani one. At 30th November 2009, the issued and paid-up share capital consisted of 5,833,333 shares of RO 1 each.

Dividend

Based on the good results achieved by the company, and in accordance with the policies adopted by the Board of Directors, which aim at serving the interest of shareholders, strengthening the company's financial position and expanding its activities and benefiting from investment opportunities, the BOD is pleased to recommend to the AGM the distribution of cash dividend of 13% on the paid capital to shareholders. 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
2004	6%	0.060
2005	6%	0.060
2006	9%	0.090
2007	10%	0.100
2008	11%	0.110

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

As stated above, both PAC,s are currently operated in its full capacity. In view of such circumstances, Sahara Board has approved further extension of PAC facilities at Fahud, related construction works will start by January 2010 and additional accommodation rooms shall be fully operational by last quarter of 2010. This will improve financial performance of the company further adding value to share holder's fund.

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

With the exception of obtaining a new loan to meet new PAC extensions at Fahud, 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 and was fully repaid. However another loan of RO 5,220,000 was availed during 2008 to implement the expansion projects of current PAC's. The loan liability after repayments stands at RO 4,380,000 at the end of current financial year.

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, are due to retire at the ensuing Annual General Meeting after continuous services of 4 years term and not eligible for re-appointed.

Members are requested to consider the appointment of another audit firm M/s. KPMG 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 2009

Registered office and principal place of business:

P O Box No 311, Muscat
Postal Code 100
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 2009, statement of income, statement of changes in equity, 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) and Commercial Companies Law of the Sultanate of Oman, 1974 (as amended). 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 2009 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 CMA.

24 January 2010

BALANCE SHEET
at 30 November 2009

	Note	2009 RO	2008 RO
ASSETS			
Non-current assets			
Property, plant and equipment and total non-current assets	5	12,575,297	12,904,845
		-----	-----
Current assets			
Inventories	2 d)	19,289	10,590
Accounts and other receivables	6	2,113,935	1,893,823
Bank balances and cash	7	1,255,073	442,418
		-----	-----
Total current assets		3,388,297	2,346,831
		-----	-----
Total assets		15,963,594	15,251,676
		=====	=====
SHAREHOLDERS' FUNDS AND LIABILITIES			
Shareholders' funds			
Share capital	11	5,833,333	5,833,333
Legal reserve	12	746,277	593,409
Retained earnings		3,506,520	2,772,378
		-----	-----
Total shareholders' funds		10,086,130	9,199,120
		-----	-----
LIABILITIES			
Non-current liabilities			
Non-current portion of term loans	9	3,820,000	3,830,000
Deferred taxation	10	106,910	91,919
		-----	-----
Total non-current liabilities		3,926,910	3,921,919
		-----	-----
Current liabilities			
Current portion of term loans	9	560,000	705,474
Accounts and other payables	8	138,150	160,213
Taxation	10	189,489	145,551
Amounts due to related parties	13 c)	1,062,915	1,119,399
		-----	-----
Total current liabilities		1,950,554	2,130,637
		-----	-----
Total liabilities		5,877,464	6,052,556
		-----	-----
Total shareholders' funds and liabilities		15,963,594	15,251,676
		=====	=====
Net assets per share	14	1.729	1.577
		=====	=====

These financial statements were authorized for issue and approved by the Board of Directors on _____ 2010 and were signed on their behalf by:

Chairman

Director

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF INCOME
for the year ended 30 November 2009

	Note	2009 RO	2008 RO
Revenue	2 k)	6,518,794	5,137,489
Cost of sales	3 a) and 13	(4,233,802)	(3,363,033)
Gross profit		2,284,992	1,774,456
Administrative and general expenses	3 b)	(221,583)	(208,646)
Profit from operations		2,063,409	1,565,810
Other income	4	11,864	--
Finance charges (net)	3 c), 9 and 13	(342,114)	(157,216)
Profit for the year before tax		1,733,159	1,408,594
Taxation	10	(204,482)	(155,575)
PROFIT FOR THE YEAR		1,528,677	1,253,019
Basic earnings per share	15	0.262	0.215

The attached notes 1 to 19 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 November 2009

	Share capital (note 11) RO	Legal reserve (note 12) RO	Retained earnings RO	Total RO
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
	=====	=====	=====	=====
At 30 November 2008	5,833,333	593,409	2,772,378	9,199,120
Dividend paid	--	--	(641,667)	(641,667)
Profit for the year	--	--	1,528,677	1,528,677
Transfer to legal reserve	--	152,868	(152,868)	--
	-----	-----	-----	-----
At 30 November 2009	5,833,333	746,277	3,506,520	10,086,130
	=====	=====	=====	=====

The attached notes 1 to 19 form part of these financial statements.

CASH FLOW STATEMENT
for the year ended 30 November 2009

	2009 RO	2008 RO
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from revenue	6,259,959	4,819,779
Cash paid for cost of sales and administrative and general expenses	(3,762,753)	(2,758,768)
	-----	-----
Cash generated from operations	2,497,206	2,061,011
Finance charges (net)	(342,114)	(157,216)
Taxation paid	(145,553)	(136,834)
	-----	-----
Net cash generated from operating activities	2,009,539	1,766,961
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(404,493)	(3,594,594)
Proceeds from disposal of plant and equipment	4,750	--
	-----	-----
Net cash used in investing activities	(399,743)	(3,594,594)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net movements in term loans	(155,474)	2,604,000
Dividend paid	(641,667)	(583,333)
	-----	-----
Net cash (used in) / generated from financing activities	(797,141)	2,020,667
	-----	-----
Net increase in cash and cash equivalents during the year	812,655	193,034
Cash and cash equivalents at the beginning of the year	442,418	249,384
	-----	-----
Cash and cash equivalents [notes 2 f) and 7] at the end of the year	1,255,073	442,418
	=====	=====

The attached notes 1 to 19 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
at 30 November 2009****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 (notes 3 and 13). 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 CMA. 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 2008.

In particular, 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. 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', 'Income Statement' and 'Cash flow statement' have been described as 'Statement of Financial Position', Statement of Comprehensive Income and 'Statement of Cash Flows' respectively (optional amendments);
 - 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

- 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.

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.

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

Capital work in progress is not depreciated. Depreciation is charged to the statement of income 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****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) Account and other receivables

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 cash and bank balances with an original maturity of three months.

g) Impairment of assets*Financial assets*

At the 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 the 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****j) Financial liabilities**

All financial liabilities are initially measured at fair value and are subsequently measured at amortized cost.

k) 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.

l) Taxation

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

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the year when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the balance sheet date.

Deferred tax assets are recognized in relation to unused tax credits to the extent that it is probable that future taxable profits will be achieved

m) Leases

Operating lease payments are charged to the statement of income.

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 recommends 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 of the Sultanate of Oman, 1974 (as amended) while recommending the dividend.

p) Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3 EXPENSES	2009	2008
	RO	RO
a) Cost of sales		
Cost of provision of services by CSC [notes 1 and 13 a)]	3,392,885	2,608,547
Depreciation	590,286	514,896
Others	250,631	239,590
	-----	-----
	4,233,802	3,363,033
	=====	=====
b) Administrative and general expenses		
Salaries and related expenses	50,488	48,542
Directors' remuneration [note 13 a)]	56,446	43,064
Insurance	17,742	16,569
Provision for credit losses [note 6 a)]	3,270	--
Others	93,637	100,471
	-----	-----
	221,583	208,646
	=====	=====
c) Finance charges		
Interest and bank charges	344,761	209,425
Less: interest income	(2,647)	--
interest capitalized under capital work in progress	--	(52,209)
	-----	-----
	342,114	157,216
	=====	=====
4 OTHER INCOME	2009	2008
	RO	RO
Profit on disposal of plant and equipment	4,750	--
Reversal of amounts no longer payable	7,114	--
	-----	-----
	11,864	--
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

5 PROPERTY, PLANT AND EQUIPMENT

Year 2009	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 2008	15,266,562	557,167	700,381	34,840	41,561	--	16,600,511
Additions during the year	--	9,235	6,499	80,000	207,704	26,000	329,438
Disposals during the year	--	--	--	(17,420)	--	--	(17,420)
Adjustments during the year	(68,700)	--	--	--	--	--	(68,700)
	-----	-----	-----	-----	-----	-----	-----
At 30 November 2009	15,197,862	566,402	706,880	97,420	249,265	26,000	16,843,829
	-----	-----	-----	-----	-----	-----	-----
Depreciation							
At 30 November 2008	2,873,640	227,928	548,580	34,840	10,678	--	3,695,666
Charge for the year	506,596	37,408	25,635	6,000	14,647	--	590,286
Relating to disposals	--	--	--	(17,420)	--	--	(17,420)
	-----	-----	-----	-----	-----	-----	-----
At 30 November 2009	3,380,236	265,336	574,215	23,420	25,325	--	4,268,532
	-----	-----	-----	-----	-----	-----	-----
Net book values							
At 30 November 2009	11,817,626	301,066	132,665	74,000	223,940	26,000	12,575,297
	=====	=====	=====	=====	=====	=====	=====
At 30 November 2008	12,392,922	329,239	151,801	--	30,883	--	12,904,845
	=====	=====	=====	=====	=====	=====	=====

The following notes apply:

- Adjustments to buildings during the year relates to reversal of excess supervision fees capitalized in the year 2008.
- Capital work in progress at the balance sheet date relates to design consultancy fees incurred towards expansion of PACs at Fahud.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

6 ACCOUNTS AND OTHER RECEIVABLES

	2009 RO	2008 RO
Accounts receivable	2,113,460	1,853,770
Less: allowance for credit losses [see notes a) and d) below]	(9,000)	(8,145)
	-----	-----
	2,104,460	1,845,625
Advances	--	40,000
Prepayments	9,475	8,198
	-----	-----
	<u>2,113,935</u>	<u>1,893,823</u>

The following further notes apply:

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

	2009 RO	2008 RO
At the beginning of the year	8,145	12,500
Allowance written off during the year	(2,415)	(4,355)
Provided during the year [note 3 b)]	3,270	--
	-----	-----
At the end of the year	<u>9,000</u>	<u>8,145</u>

b) Accounts receivable are assigned as security for the Company's borrowings (note 9).

c) At the balance sheet date, 59% of Company's accounts receivable is due from 5 customers (2008 – 77% from 5 customers). All the accounts and other receivables are unsecured (2008 - 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 1,481,875 (2008 – RO 1,225,255) are neither past due nor impaired.

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.

	2009 RO	2008 RO
Debts due between 4 to 6 months	583,556	595,896
Debts due for more than 6 months	39,029	24,474
	-----	-----
	<u>622,585</u>	<u>620,370</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

7 BANK BALANCES AND CASH

	2009 RO	2008 RO
Cash in hand	125	125
Bank balances	552,301	442,293
Short term deposits (see note below)	702,647	--
	-----	-----
	1,255,073	442,418
	=====	=====

The following note applies:

Short term deposits are placed with a local commercial bank and carry interest ranging between 0.50% to 1.00% per annum and have an original maturity period of 3 months.

8 ACCOUNTS AND OTHER PAYABLES

	2009 RO	2008 RO
Accounts payable	61,464	101,697
Proposed Directors' remuneration (see note below)	56,446	43,064
Accruals	20,240	15,452
	-----	-----
	138,150	160,213
	=====	=====

The following further note applies:

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

9 TERM LOANS

	2009 RO	2008 RO
Loan 1	--	145,474
Loan 2	4,380,000	4,390,000
	-----	-----
	4,380,000	4,535,474
Less: current portion	(560,000)	(705,474)
	-----	-----
Non-current portion	3,820,000	3,830,000
	=====	=====

The following further notes apply:

- a) Loan 1 was 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 loan was fully repaid during the year.
- b) Loan 2 is from a local commercial bank (a related party) subject to interest rate at 7.75% per annum (2008 - 7% per annum) and repayable in quarterly installments of RO 140,000 which commenced from June 2008.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

9 TERM LOANS (Continued)

- c) Loan 2 is 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.
- d) The maturity profile of the term loans is as follows:

	2009 RO	2008 RO
Less than 1 year	560,000	705,474
Between 1 - 2 years	560,000	560,000
Between 3 - 5 years	1,680,000	1,680,000
Between 6 - 8 years	1,580,000	1,590,000
	-----	-----
	4,380,000	4,535,474
	=====	=====

- e) At the balance sheet date, the fair value of the Company's non-current portion of term loans is RO 2,752,534 (2008 – RO 2,758,555).

10 TAXATION

	2009 RO	2008 RO
Statement of income		
Current year	189,491	145,698
Deferred taxation	14,991	9,877
	-----	-----
	204,482	155,575
	=====	=====
Balance sheet		
Current liability		
Taxation	189,489	145,551
	=====	=====
Non-current liability		
Deferred taxation [see note e) below]	106,910	91,919
	=====	=====

The following further notes apply:

- a) The Company is subject to income tax at the rate of 12% (2008 - 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:

	2009 RO	2008 RO
Income tax on accounting profits	204,379	165,431
Tax refund [see note c) below]	--	(10,343)
Expenses disallowed	101	341
Prior year charge	2	146
	-----	-----
Income tax expense	204,482	155,575
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

10 TAXATION (Continued)

- c) In the year 2008 a tax refund amounting to RO 10,343 was granted by the Taxation committee in relation to taxation assessments for the years 2000 to 2003.
- d) The taxation assessments of the Company for the years 2004 to 2008 have not yet been finalized by the Secretariat General of Taxation. The Members believe that additional liability, if any, will not be material to the Company's financial position at the balance sheet date.
- e) Recognised net deferred tax liability is attributable to the following items:

	2008 RO	Recognised in statement of income RO	2009 RO
Property, plant and equipment	(92,896)	(15,094)	(107,990)
Allowance for credit losses	977	103	1,080
	-----	-----	-----
Net deferred tax liability	(91,919)	14,991	(106,910)
	=====	=====	=====

11 SHARE CAPITAL

The Company's authorised share capital consists of 10,000,000 shares of RO 1 each (2008 – 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 (2008 – 5,833,333 shares of RO 1 each).

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

	2009 and 2008 %
Alawi Enterprises LLC	20
Catering and Supplies LLC	20
Chatron Commercial Corporation	12.33

12 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

13 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. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

13 RELATED PARTY TRANSACTIONS (Continued)

a) (Continued)

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

	2009 RO	2008 RO
Transactions with shareholders holding 10% or more interest in the Company		
Services rendered and recharged [notes 1 and 3 a)]	3,392,885	2,608,547
Cost of sales – others	101,941	99,295
Administrative and general expenses	70,288	53,942
Other sales and services	54,707	37,205
Transactions with other related parties		
Capital work in progress	--	3,352,992
Buildings – adjustments	68,700	--
Cost of sales – others	53,089	49,993
Administrative and general expenses	24,401	15,346
Other sales	180	5,199
Transactions with shareholders holding less than 10% interest in the Company		
Finance charges	344,749	209,248
Interest income	2,647	--

The key management personnel compensation for the year comprises:

	2009 RO	2008 RO
Directors' remuneration [notes 3 b) and 8]	56,446	43,064
	=====	=====

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:

	2009 RO	2008 RO
Shareholders holding 10% or more interest in the Company		
Catering and Supplies Co LLC	886,763	765,747
	-----	-----
Other related parties		
Carillion Alawi LLC	160,132	339,103
Marketing and Services Co LLC	16,042	14,549
Risk Management Services LLC	(22)	--
	-----	-----
	176,152	353,652
	-----	-----
	1,062,915	1,119,399
	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

14 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:

	2009	2008
Net assets (RO)	10,086,130 =====	9,199,120 =====
Number of shares outstanding	5,833,333 =====	5,833,333 =====
Net assets per share (RO)	1.729 =====	1.577 =====

15 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:

	2009	2008
Net profit for the year (RO)	1,528,677 =====	1,253,019 =====
Weighted average number of ordinary shares at the balance sheet date	5,833,333 =====	5,833,333 =====
Basic earnings per share (RO)	0.262 =====	0.215 =====

16 PROPOSED DIVIDEND

- a) A dividend in respect of year 2009 of RO 0.130 per share (2008 – RO 0.110 per share) amounting to a total of RO 758,333 (2008 – RO 641,667) 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 758,333 (2008 – RO 641,667) by the number of ordinary shares at the balance sheet date of 5,833,333 shares (2008 – 5,833,333 shares).
- c) During the year an amount of RO 2,283 pertaining to the year 2008 (2008 - RO 1,971 pertaining to the year 2007), representing unclaimed dividends, has been transferred to the Investors Trust Fund of the CMA.

17 CONTINGENCIES

	2009 RO	2008 RO
Performance guarantee	100,000	100,000
Tender guarantee	--	10,000
	----- 100,000 =====	----- 110,000 =====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

18 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.

19 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 9 e) to the financial statements.

The Company's activities expose it to various financial risks, primarily being, 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) Interest rate risk

The Company is exposed to interest rate risk on its interest bearing assets (short term deposits) and 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 18,387 (2008 – RO 22,677) based on the level of borrowings at the balance sheet date.

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 its 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 2009	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	140,000	140,000	280,000	3,820,000	4,380,000
Amount due to related parties	765,995	296,920	--	--	1,062,915
Accounts and other payables	54,346	83,804	--	--	138,150
Taxation	--	189,489	--	--	189,489
	-----	-----	-----	-----	-----
	960,341	710,213	280,000	3,820,000	5,770,554
	=====	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 30 November 2009

19 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

d) Liquidity risk (Continued)

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
Taxation	--	145,551	--	--	145,551
	-----	-----	-----	-----	-----
	751,843	845,800	532,994	3,830,000	5,960,637
	=====	=====	=====	=====	=====

e) 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.

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 The current composition of the Board of Directors is given below:

Sr. No.	Name	Position/ Category	Last AGM held on 24/2/2009	Board meetings proxy/attended	Other Director-ship
1	Talal Bin Qais Al Zawawi	Chairman/ Independent Director	Absent	8	-
2	Abdulmunim Bin Qais Al Zawawi	Non-Executive/ Independent Director	Absent	8	-
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	7	-

* 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.

2.3 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 36 years of experience, of which 34 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 34 years, of which 10 years at executive management levels. Responsible for Finance and administrative functions.
- Keith Burns - Contract Manager
Experience of 34 years, of which 24 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 2009 as under:

Dates of the Meetings:

December 28, 2008
January 27, 2009
March 25, 2009
April 29, 2009
May 13, 2009
June 21, 2009
July 22, 2009
September 27, 2009

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	5
Ramesh Kumar	Member	Non-Executive/ Independent Director	5
K.T Rajagopalan	Member	Non-Executive/ Independent Director	4
Sasi Madathil	Member	Non-Executive/ Independent Director	3

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

During the financial year 2008-2009 under review, five Audit Committee Meetings were held on:

28 December 2008, 27 January, 2009, 25 March 2009,
 21 June 2009 and 27 September 2009.

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 during the year 2009. The nomination process is governed by company's Articles of Association, Article 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 56,446 as remuneration to the Directors for the financial year ended 2009. 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 2009 amount to RO 50,488

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 2009 based on the last trade made on 25.08.2009 was RO 1.800 per share in the market.

Performance from 01/12/2008 to 30/11/2009

Date	Open	High	Low	#	Volume	Turn-over	Last Trade	P. Close	Close	Net Change
25/08/2009	1.800	1.900	1.797	5	2850	5302	1.800 25/8/2009	1.996	1.900	4.81%↓

8.2 MSM index details of service sector, representing share price movements for the period 1/12/2008 to 30/11/2009 was as follows:

Performance from 01/12/2008 to 30/11/2009

Open	High	Low	Close	Change
2,914.560	2,926.140 Dec 1 , 2008 10.08 AM	0 Nov 24, 2009 11.51 AM	2765.280	5.12% 149.280↓

8.3 Shareholding pattern of the company as at the close of financial year was 56.662% by 6 founder shareholders (3,305,300 shares) and 43.338% by public (2,528,033 shares), which were owned by 25 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
- Azan Qais Abdulmunim Al Zawawi

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 33, 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 11 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 366 independent firms with 647 offices and over 21244 people across 98 countries.

10 Audit fees paid to the auditors.

Audit fees for the financial year ended on 30/11/2009 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 2010 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 2009 and does not extend to any financial statements of Sahara Hospitality Company SAOG, taken as a whole.

24 January 2010

 



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 November 30, 2009 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 2008, 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 in order to become a well-diversified company.

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 2008	1,253,019
Gain in net profit amount and margin on account of:	
Sales	1,381,305
Cost of sales	-870,769
Administrative and general expenses	-12,937
Financing costs	-184,898
Other income	11,864
Income Tax	-48,907
Net profit FY 2009	1,528,677

SHC has reported good performance during the period under review. Revenue was higher by 26.9% at RO. 6,518,794 as against RO. 5,137,489 in the corresponding period of previous year. Net profit before tax increased from RO.1,408,594 in 2008 to RO.1,733,159 in the same period of 2009, a further growth of 23%.

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)
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
2008	1,253,019	11%	9,199,120

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 nine years of operations successfully and without Loss Time Incidents (LTI) that includes over 7.3 million man hours worked and 3,178,261 kilometres driven safely. Furthermore, the Company provides all hospitality services in compliance with an appropriate food management system that include HACCP procedures which have 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.