

Chairman's Statement

Dear Share holders,

On behalf of the board of Directors of National Hospitality Institute SAOG (NHI), I present to you the 3rd Quarter report of unaudited financials for the 9 month period ended September 30th 2010.

Financial Performance

The company has posted a consolidated net loss of Rials 159K for the 3rd quarter period from revenue of Rials 454 K. The revenues are 38% below the same period last year where results recorded were revenues of Rials 730 K and net profit Rials 24K. The principle impact that caused last year's poor result and the further deterioration into this year's losses is materially due to the reduced allocation of trainees for government-sponsored courses.

Re-stating the challenges

In my 2010 first quarter report to shareholders I detailed the challenges being faced by NHI and highlighted several areas of concern on our facility to submit invoices for business already carried out, delayed payments and the ability to secure new business. That full statement of the crisis facing the company may still be viewed on our website www.nhioman.com under Q1 Chairman's Statement. Whilst I am pleased to report a substantial improvement in the unbilled and paid business, there are still outstanding amounts of which we are in discussions with the relevant Ministry.

In brief the issues may be re-summarised as follows:

The priority of Omanisation has been clearly laid out in the inspiring speeches of His Majesty Sultan Qaboos. The government has made the development of Omani human resources a cornerstone of the 20/20 vision and strategy. All the concerned ministries and authorities, in partnership with the private sector, have allocated resources, effort and initiative to ensure Oman is setting a world-class standard of how to successfully develop a national workforce in a successful modern emerging economy.

The hospitality and tourism industry is one of the model examples of successful Omanisation and NHI, in partnership with the Ministry of Manpower, has been at the forefront of that success. We are proud to say that the vast majority of the excellent Omani employees seen working in the hospitality and tourism sector, both at home and abroad, are NHI alumni. NHI shares the credit for this with the alumni themselves, the employers, and the government, which funds the training.

As advised earlier, apart from initial training in India, we were shortlisted for the training of the volunteers at the Commonwealth Games in Delhi. This did not materialize and indeed no private sector company was awarded the contract. The operation has therefore remained marginal without prospects and the board is looking at the operation which is loss making and monitoring it closely. This will be reported again in my yearend report.

What were the objectives?

The Board had set a number of priorities to overcome the crisis in co-operative dialogue with the concerned government departments:

- Secure immediate payment to NHI of all outstanding debt, for all work successfully completed;
- Encourage change of the chronic processes for trainee allocation and payment;
- Quantify and confirm the scale of opportunity for Omanisation in the industry;
- Secure capacity trainee allocation that supports the supply and demand ratios of willing Omani jobseekers and employers;
- Request removal of any perceived conflict of interest between government operated and private sector training providers.

Once these measures of support are in place, NHI shall restore its position as a viable public company in the service of getting Omani job seekers prepared to make a meaningful contribution in the Hospitality and Tourism sectors.

What is the progress to date?

On payment, at the start of the year Rials 822 thousand of overdue debt and unbilled income was outstanding, due to the approval processes for completed training. In Q3 Rials 580K is outstanding of which Rials 229K is pre 2010 business. This is a great improvement from the beginning of the year and we thank the relevant authorities for their efforts.

On trainee allocation, in the third quarter 167 trainees have been allocated to NHI (37 in Q1 , 43 in Q2 and 87 in Q3). This is well below demand from employers requisitioning training from NHI for 350 identified jobs. In the whole of 2009 only 213 trainees were allocated to NHI, down from 413 in 2008, in spite of available trainee applicants and willing employers with identified jobs to fill NHI annual capacity for 500 trainees many times over.

On supply and demand, using government data concerning the industry, it is clear that 2,600 new trainees need to be trained every year to meet the growth of the sector.

While we are grateful for the assurances we have been given and we appreciate some progress to date, . ,there is room for urgent further progress in getting NHI fully paid up to date and getting NHI training capacity filled. We are following up these matters urgently with the concerned authorities and hope to report that all these matters are fully resolved by the end of this year.

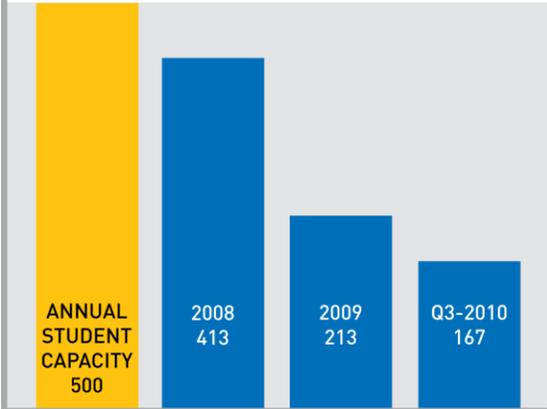
As the nation celebrates the 40th year of the glorious reign of His Majesty Sultan Qaboos, we can justly look back at the achievements of NHI and the contribution it has made to getting Omanis into meaningful jobs in the hospitality sector. Looking ahead, NHI must work closely with the authorities empowered to implement the nation's Omanisation objectives to ensure that together we rise to the challenge so clearly laid out before us through His Majesty's leadership.

Tarik Al Said
Chairman



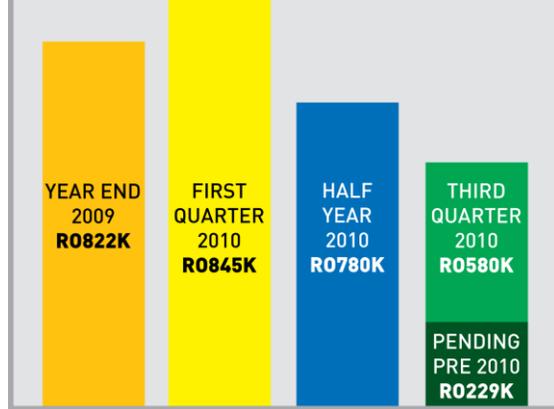
national hospitality institute

TRAINING ALLOCATION 2010 VERSUS ANNUAL STUDENT CAPACITY



national hospitality institute

TOTAL OVERDUE PAYMENTS AND BILLING



UNAUDITED FINANCIAL RESULTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30th SEPTEMBER 2010

	<u>2010</u> <u>Rial'000</u>	<u>2009</u> <u>Rial'000</u>
Non-current assets		
Tangible fixed assets	71	105
	<u>71</u>	<u>105</u>
Current assets	671	1216
Current liabilities	(64)	(418)
Net-current assets	<u>607</u>	<u>798</u>
	<u>678</u>	<u>903</u>
Non Current liabilities	(77)	(67)
Net assets	<u>601</u>	<u>836</u>
<u>Shareholders' fund</u>		
Share capital	500	500
Reserves	122	119
Retained earnings	(21)	217
Total	<u><u>601</u></u>	<u><u>836</u></u>

UNAUDITED FINANCIAL RESULTS

**CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED 30th SEPTEMBER 2010**

	<u>2010</u> <u>Rial '000</u>	<u>2009</u> <u>Rial'000</u>
Revenue	459	758
Operating expenses	(404)	(492)
Administrative expenses	(209)	(228)
Operating profit / (Loss) before finance income	(154)	38
Net finance charge	(5)	(14)
Net profit / (Loss) before income tax	(159)	24
Income tax	-	-
Net profit / (Loss)	(159)	24

- 1) The complete accounts will be sent by mail to any shareholder, who requests them either in Arabic or English, within 7 days of receipt of such request.
- 2) The address to which the shareholder should send his request is as follows: -

National Hospitality Institute SAOG
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