

## Dear Shareholders,

On behalf of the board of Directors of National Hospitality Institute SAOG (**nhi**), I present to you the half-year report of unaudited financials for the 6-month period ended June 30<sup>th</sup> 2010.

## Financial Performance

The company has posted a consolidated net loss of Rials 125K for the half year period from revenue of Rials 282K. The revenues are 44% below the same period last year where results recorded were revenues of Rials 512K and net profit Rials 47K. As in the first quarter, there is still some impact on losses from start-up costs in the Indian subsidiary. However, the principle impact that caused last year's poor result and the further deterioration into this year's losses is the reduced allocation of trainees for government-sponsored courses and the delay in payment of government debt for work successfully completed.

## Re-stating the challenges

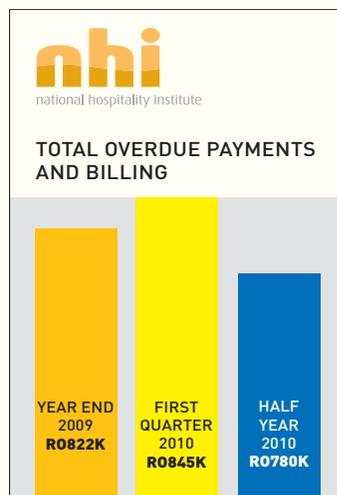
In my 2010 first quarter report to Shareholders I detailed the challenges being faced by **nhi** and highlighted several areas of concern on our facility to submit invoices for business already carried out, delayed payments and the ability to secure new business. That full statement of the crisis facing the company may still be viewed on our website under Q1 Chairman's Statement.

## 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.

In spite of this leadership and this track record of success **nhi** is in crisis because the processes and systems do not support the objectives: Many willing new young Omanis seeking employment and willing employers wanting to meet Omanisation targets, **nhi** training facilities remain empty or operate below capacity due to a slow process for allocating new trainees. Based on government data, the demand and supply ratio is sufficient to fill double the capacity of both **nhi** and the government-owned tourism college.



## What were the objectives?

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

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

Our management team accepted an invitation to make a presentation to the Majlis Dawla Training Committee, where they were given an opportunity to discuss all these challenges.

With this same agenda, in my capacity as Chairman, I have visited every concerned Ministry to outline the plight and status of our company. Without exception, I have been extended every courtesy and been given a fair hearing by their Excellencies the Ministers and the senior officials involved in the process of payment and trainee allocations. In all cases, I have been assured that **nhi** shall be given full support to secure urgent payment of all dues. We have reconfirmed that the supply and demand ratio for meaningful Omani employment in the industry is far greater than full capacity of existing training facilities.

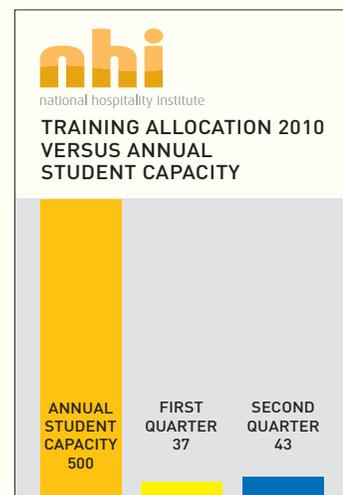
We have been assured that every effort shall be made to make full and continuous capacity trainee allocation to **nhi** so long as **nhi's** recognised standards are maintained and supply of trainees and demand of vacant jobs are sustained. As a result of meetings with decision makers, some changes to the process has been agreed, which if adhered to should reduce payment delays.

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 Q1 this figure increased to Rials 845 thousand. In Q2, this figure reduced to Rials 780 thousand.

On trainee allocation, in the first half of the year 80 trainees have been allocated to **nhi** (37 in Q1 and 43 in Q2). 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. We are pleased to note however that the process is improving and we are confident that we will report higher intake numbers in our third quarter report.



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, which will show in our 3<sup>rd</sup> quarter report, there is room for urgent further progress in getting **nhi** fully paid up to date and getting **nhi** training capacity filled. We shall follow up these matters with urgency with the concerned authorities and hope to report that all these matters are fully resolved by the end of this current 3<sup>rd</sup> quarter.

As the nation celebrates the 40<sup>th</sup> 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.



HH Sayyid Tarik bin Shabib bin Taimur Al Said  
Chairman

## UNAUDITED FINANCIAL RESULTS Consolidated Statement of financial position as at 30<sup>th</sup> June 2010

	2010	Rial '000	2009	Rial '000
<b>Non-current assets</b>				
Tangible fixed assets	94		105	
	94		105	
<b>Current assets</b>	853		1236	
<b>Current liabilities</b>	(236)		(418)	
<b>Net-current assets</b>	617		818	
	711		923	
<b>Non Current liabilities</b>	(75)		(64)	
<b>Net assets</b>	636		859	
<b>Shareholders' fund</b>				
Share capital	500		500	
Reserves	123		119	
Retained earnings	13		240	
<b>Total</b>	636		859	

## Consolidated Statement of income for the six months ended 30<sup>th</sup> June 2010

	2010	Rial '000	2009	Rial '000
<b>Revenue</b>	286		531	
Operating expenses	(271)		(325)	
Administrative expenses	(136)		(150)	
<b>Operating (loss) profit before finance income</b>	(121)		56	
Net finance charge	(4)		(9)	
<b>Net (loss) profit before income tax</b>	(125)		47	
Income tax	-		-	
<b>Net (Loss) Profit</b>	(125)		47	

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, PO Box 854, Hamriya PC 131, Sultanate of Oman

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