

Directors' Report

Economic environment

Prior to the significant turmoil arising out of the global economic problems of the last 3-4 months, Oman's economic environment was quite vibrant with all the major economic activities contributing to growth. The economy registered a strong performance during the greater part of the year 2008 due to high oil prices, strong domestic demand and continuing steady growth of the non oil sectors. The financial services sector registered a growth of 34%.

The impact of the global financial crisis can be seen now in Oman also. The country's budget for 2009 shows flat growth in oil revenue for the year 2009 (with some downside risk if crude prices stay at sub \$45 levels). The government has proposed to increase expenditure to cushion the downside effects of the global turmoil, with public services expenditure set to increase by 11% and other development expenditure set to increase by 10%. However it is expected that 2009 will be a year of substantially lower growth than the last 2 years.

Operating performance

During the year 2008, the Company continued its strong performance under all the parameters. New business grew by a record 54% largely due to increased business in both retail and SME sectors. The net profit has grown to RO 1.99 million representing 38% growth over the previous year (RO 1.43 million in 2007 - restated).

The sustained focus on building a quality portfolio backed by a strong and committed recovery mechanism has helped in bringing reduction in the level of non performing assets to RO 6.32 million as on 31 December 2008 (RO 6.38 million as on 31 December 2007). Your Company continues to maintain a prudent provisioning policy and is in full compliance with provisioning norms prescribed by the Central Bank of Oman and the International Financial Reporting Standards.

Management Analysis and Discussions

The Management Discussion & Analysis which forms part of this annual report provides a detailed insight into the financial statements and operations of the company for the year 2008

Future outlook

High oil prices supported by prudent economic policies have helped accelerate the growth of the country's economy during 2008. During the last 3 months of 2008, the situation has worsened significantly. The global liquidity and credit crunch, drop in vehicle sales and free fall in crude prices are early indications of a substantial global slowdown in economies. The impact of such a significant slow down cannot but be felt in Oman also.

The government has proposed to increase its expenditure in the 2009 budget to reduce the downside effects of the global turmoil and to keep the pace of its ongoing investments. While this does cushion the overall economy from the damaging effects

of a sharp decline, the decline in customer and business confidence has reduced spending and private investment. Consequently, both vehicle and equipment sales have declined and are expected to register negative growth this year.

Your company is equipped to face this challenging period and is taking appropriate actions to manage the risk arising out of reduced margins, liquidity constraints and increased customer risk. The well-defined policies and procedures, strong channels of communication and customer relationships, experienced and result oriented management and staff will enable the company to deal with the challenges of a rapidly changing global and local economy.

Rights Issue

As approved by the shareholders, your company completed the rights issue of shares in December 2008. Under difficult market circumstances, the rights issue still collected an amount of RO 3.37 million which has resulted in increasing the paid-up capital from RO 9.06 million to RO 11.46 million.

Dividend Policy

The Company's dividend distribution policy aims at providing shareholders a reasonable return commensurate with the size of their investment in the Company and to build reserves to achieve a strong capital base. Based on this, the Board recommends distribution of 20% dividend of which 10% will be in cash and 10% in stock.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2008 is as follows:

	2004	2005	2006	2007	2008
Cash dividend	Nil	Nil	5%	5%	10%
Stock dividend	Nil	Nil	25%	Nil	10%
Total	Nil	Nil	30%	5%	20%

Corporate Governance

Your Company has been complying with all the requirements of the code of corporate governance, as specified by the Capital Market Authority, Oman. A detailed report on corporate governance is set out along with a certificate from the Statutory Auditors in compliance with CMA regulations.

Regulatory framework

The revised "Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading" introduced by the Capital Market Authority came into force with effect from 1st October 2007. This is seen as a significant step towards achieving greater transparency in disclosures made by public joint stock companies to their stakeholders and the public. The Company has complied with the rules and guidelines prescribed therein.

Donations and Grants

During the year, the Company had donated (out of the amount approved for distribution for charity by the shareholders) RO 1,000 to Al Noor Association for the Blind and RO 2,000 to Bait Al Zubair Foundation for constructing a workshop for the use of manufacturing mobility aids for the disabled children.

Omanisation

Your company remains committed to Omanisation and as on 31st December 2008, the number of Omani staff was 67 out of the total staff strength of 102. The Omanisation percentage works out to 66% which is considerably higher than the prescribed target of 50%.

Acknowledgement

I am joined by all the members of the Board of Directors and the Management in expressing deep gratitude to His Majesty Sultan Qaboos Bin Said for his dynamic and progressive leadership. We also extend our sincere gratitude to the authorities at the Central Bank of Oman, Capital Market Authority, Muscat Securities Market, our bankers, vehicle and equipment dealers, customers and shareholders for the support extended for the growth of the Company.

On behalf of the Board of Directors I also thank the management and staff for their dedication and hard work.

Taya Bin Jandal Bin Ali
Chairman