

## ***Directors' Report***

On behalf of the Board of Directors, I take pleasure in placing before you the results of the Company for the year ended 31 December 2009.

### **Economic environment**

The past year witnessed significant volatility in global markets arising from the uncertainties caused by the global financial crisis. Unprecedented market interventions by Governments and Central Banks of the OECD countries has resulted in resolving the deep crisis of confidence in the banking and financial system which prevailed in the first half of the year. Liquidity has now returned to most financial markets and it is now clear that considerable public sector support will continue to remain in western markets.

Nearer at hand, while we continue to see a correction in neighbouring UAE, the Omani economy has been much more stable. Continued commitment of the Government to investments in infrastructure has ensured that the sharp drop in private investment has been compensated to some extent. Sales of equipment and vehicles dropped during the year but appear to have now stabilized at lower levels. With the Government committing continued investments in line with the plans, business momentum is expected to increase to some extent from the low levels of 2009.

### **Operating performance**

During the year, the company limited its new business disbursements due to the economic situation and the constraints on increasing bank funding. Moreover, given higher credit risk due to the economic situation, your company adopted a more conservative approach to credit approvals. New business volumes have consequently dropped by 57% compared to the previous year and the net investment in finance leases decreased by 10% to Rials 69.5 million against the previous year (Rials 76.9 million as on 31 December 2008).

Your company continues to follow a prudent provisioning policy based on its assessment of the risks inherent to its portfolio and is in full compliance with provisioning norms prescribed by the Central Bank of Oman and the International Financial Reporting Standards.

Overall, the Company achieved a net profit of Rials 2.32 million for the year ended 31 December 2009 (Rials 1.99 million in 2008) which includes after tax profit of Rials 428K towards sale of property held for sale.

### **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 2009.

### **Future outlook**

While we expect some pick up in business in 2010, we will continue to deal with the increased challenges of competition as well as the customers who have been adversely impacted by the existing economic slowdown. We, however, expect that the banking system will retain sufficient liquidity.

Your company is equipped to face these challenges and is taking appropriate actions to manage the risk arising from these challenges. 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.

### **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% stock dividend.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2009 is as follows:

	2005	2006	2007	2008	2009
Cash dividend	Nil	5%	5%	10%	0%
Stock dividend	Nil	25%	Nil	10%	20%
<b>Total</b>	<b>Nil</b>	<b>30%</b>	<b>5%</b>	<b>20%</b>	<b>20%</b>

### **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 stake holders and the public. The Company has complied with the rules and guidelines prescribed therein.

### **Donations and Grants**

During the year, the company had donated a total of Rials 19,995 for charitable purposes out of the amount approved by the shareholders for distribution to charities. This includes an amount of Rials 19,300 paid to Oman Charitable Organisation towards contribution for the Gaza victims.

### **Omanisation**

Your company remains committed to Omanisation and as on 31st December 2009, the number of Omani staff was 64 out of the total staff strength of 99. The Omanisation percentage works out to 65% 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**  
**January 26, 2010**