

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 2010.

Economic environment

During 2010, the global economy has seen a considerable improvement in liquidity and confidence in the financial system thanks to interventions by governments and central banks. While there are still risks connected with solvency of large OECD financial institutions and even some countries and inflation remains a risk in Asia and the Middle East, Oman appears to be relatively insulated at this period of time.

The country's Eighth Five Year Plan and Budget 2011 envisage continued focus on developing infrastructure and manpower. Solid growth in oil production combined with healthy price realizations on crude exports give us substantial confidence in the revenue assumptions. The many infrastructure projects being announced in line with the plans are mobilizing and should result in growth in business confidence and consumer consumption. Overall, our reading of the economic climate is positive for our business.

Operating performance

The company continues to adopt a conservative approach to credit approvals as a result of a perception of heightened credit risk since Q4 2008. Within this policy, our approach has been to target customers perceived to meet our lower credit risk appetite. We have seen considerable success with this approach in 2010 with new business volumes increasing 91%. As a result, net investment in finance leases increased by 16.5% to Rials 80.6 million (Rials 69.2 million as on 31 December 2009).

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 2.33 million for the year ended 31 December 2010 (Rials 2.32 million in 2009). During the previous financial year, the company had recorded an after tax gain from sale of property held for sale of Rials 0.43 million. Excluding this item for comparison purposes, net profit in 2010 was 23.1% higher than the previous year.

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 2010.

Future outlook

While we expect some pick up in business in 2011, we will continue to deal with the increased challenges of competition as well as the customers who have been adversely

impacted by the economic slowdown. We do expect that the banking system will retain sufficient liquidity to meet our requirements.

Your company is equipped to face these challenges and is taking appropriate actions to manage the risk arising therefrom. 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 and to build reserves to achieve a strong capital base. Based on this, the Board recommends distribution of 21% dividend of which 5% will be in cash and 16% in stock.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2010 is as follows:

	2006	2007	2008	2009	2010
Cash dividend	5%	5%	10%	0%	5%
Stock dividend	25%	Nil	10%	20%	16%
Total	30%	5%	20%	20%	21%

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.

Donations and Grants

During the year, the company had donated a total of Rials 2,000 for charitable purposes out of the amount approved by the shareholders for distribution to charities. This includes an amount of Rials 1,000 each paid to Al Noor Association for the Blind and Oman Association for the Disabled.

Omanisation

Your company remains committed to Omanisation and as on 31st December 2010, the number of Omani staff was 71 out of the total staff strength of 104. The Omanisation percentage works out to 68% which is higher than the prescribed target of 65%.

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, 2011