

## ***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 2011.

### **Economic environment**

The local economic environment was positive during the year. Increased employment creation, increases in salaries and continuing higher oil prices lead us to conclude that the Omani economy will see growth over the short to medium term. Liquidity and confidence in the local financial system has seen considerable improvement during the year. While there is continuing volatility in the global environment, the Omani economy retains a relatively insulated position.

The country's Eighth Five Year Plan and Budget 2012 envisage continued focus on developing infrastructure and manpower. Continued growth in oil production combined with healthy price realizations on crude exports gives us substantial confidence in the revenue assumptions. The many infrastructure projects which are in the implementation phase will result in growth in business confidence and consumer consumption through employment generation in the short to medium term. Overall, our reading of the economic climate is cautiously 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 during 2011. As a result, net finance assets increased by 33.5% to Rials 107.52 million (Rials 80.6 million as on 31 December 2010).

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 3.55 million for the year ended 31 December 2011 (Rials 2.33 million in 2010). The net profit in 2011 was 52.1% higher than the previous year.

### **Management Discussion and Analysis**

The Management Discussion & Analysis which forms a part of this annual report provides a detailed insight into the financial statements and operations of the company for the year 2011.

### **Future outlook**

While we expect continued growth in business in 2012, we will continue to deal with the increased challenges of competition. 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.

Based on the Board's assessment of a positive business environment for the company's business, the Board has authorized a Rights Issue of Rials 7.5 million comprising of 75,000,000 shares to the existing shareholders at par value of 100 baizas per share. This issue is currently open for subscription; upon completion of this issue, the Paid-up Capital of the company will increase to Rials 25.05 million which will enable the company to satisfy its regulatory capital requirements for the foreseeable future as per current regulations.

### **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 7% dividend in cash (which equates to 10% on the paid-up capital of 31<sup>st</sup> December 2011). This dividend will be paid on the shares outstanding on the record date which will include the shares subscribed during the currently open Rights Issue.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2011 is as follows:

Amount in Rials million					
<b>Years</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Cash dividend	5%	10%	0%	5%	7%
Stock dividend	Nil	10%	20%	16%	Nil
<b>Total</b>	<b>5%</b>	<b>20%</b>	<b>20%</b>	<b>21%</b>	<b>7%</b>
<b>Capital on which dividend paid</b>	<b>9.06</b>	<b>11.47</b>	<b>12.61</b>	<b>15.13</b>	<b>25.05</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 (CMA). 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 1,000 for charitable purposes to Charity Committee of Social Development out of the amount approved by the shareholders for distribution to charities.

### **Omanisation**

Your company remains committed to Omanisation and as on 31st December 2011, the number of Omani staff was 91 out of the total staff strength of 120. The

Omanisation percentage works out to 75.8% which is higher than the prescribed target of 75%.

**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, depositors, 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 28, 2012