

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 2014.

Economic environment and outlook

During most of 2014 the overall macro-economic environment was positive due to the continued government focus on infrastructure investments and job creation. Although the entry of well capitalized banks and Islamic banks substantially increased competition, an overall growing market provided opportunity for growth for finance and leasing companies though at lower spreads.

Increasing volatility caused by the halving of crude oil prices in the second half of the year has worsened the macro-economic situation considerably. The country's Eighth Five Year Plan and Budget 2015 envisage continued focus on infrastructure projects and development of manpower. The many infrastructure projects which are in the implementation phase have resulted in maintenance of business confidence and expectation of employment generation in the short to medium term. However, the risks of a slowdown in the local economy have considerably increased due to the decreased oil prices.

Overall, our reading of the economic climate is mixed with a need to be cautious in doing fresh business with customers and effectively managing the existing portfolio.

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 credit risk appetite. As a result, net finance assets increased by 10.21% to Rials 160.87 million (Rials 145.96 million as on 31 December 2013).

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 5.20 million for the year ended 31 December 2014 (Rials 4.79 million in 2013), an increase of 8.55%.

Management Discussion and Analysis Report

The Management Discussion & Analysis Report which forms a part of this annual report provides more detailed insight into the financial statements and operations of the company for the year 2014.

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 12.5% dividend of which 10% will be in cash and 2.5% in stock.

The particulars of dividend distributed in the past 5 years including the dividend proposed for the year 2014 are as follows:

Amount in Rials million					
Years	2010	2011	2012	2013	2014
Cash dividend	5%	7%	10%	10%	10%
Stock dividend	16%	Nil	Nil	2.5%	2.5%
Total	21%	7%	10%	12.5%	12.5%
Capital on which dividend paid	15.13	25.05	25.05	25.05	25.68

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 US\$ 50,000 to Oman Charitable Organization towards contribution for the victims of the Gaza War and Rials 4,000 as contribution of fees for students studying in Fanja School for Basic Education out of the amount approved by the shareholders for distribution to charities.

Omanisation

Your company remains committed to Omanisation and as on 31st December 2014, the number of Omani staff was 128 out of the total staff strength of 153. The Omanisation percentage works out to 83.67% which is more than the prescribed target of 80%.

Your company has received an award and certificate of appreciation from the Ministry of Manpower in recognition of the company's continuous efforts towards employing national manpower and achieving the Omanisation ratio in addition to complying with labour laws and regulations.

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 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 Jandal Ali
Chairman

January 29, 2015