

Muscat Finance: Director's Report 2019

Dear Shareholders,

On behalf of the Board of Director, I am pleased to present the Annual Report for the year ended December 31, 2019.

The liquidity position continued to remain under stress through 2019 which had a pronounced impact on some of our businesses more directly linked to cash circulation in the economy. This has resulted in increased NPAs in our Factoring Business. The pace of new projects remained muted through 2019, resulting in a constriction of lending opportunities. Your Company has been selective in identifying lending opportunities in sectors identified for growth in the Tanfidh program.

The Company continued its focus on collections efforts in 2019 which resulted in our non-Factoring NPAs being well managed through some stressful times. The Company will continue this focus in 2020 and intensify its efforts to use all legal remedies available to recover non-performing loans.

Muscat Finance is optimistic about the continued focus on non-hydrocarbon areas resulting in a diverse source of revenue streams and a more vibrant economy going forward.

Business Results

Muscat Finance has been selective in its lending approach as a result of which the portfolio growth has been below budgeted levels.

A detailed review of the operational results of the Company has been covered in the Management Discussion and Analysis Report.

Capital Management & Dividend

The Company's history of dividend payments over the last 5 years is as follows:

Year	Cash Dividend %	Stock Dividend %	Total %
2014	8.00	8.00	16.00
2015	10.00	6.00	16.00
2016	10.00	7.00	17.00
2017	8.00	5.00	13.00
2018	6.25	2.50	8.75
2019	-	-	-

Change in the Composition of the Board

During the year, one member of the Board resigned and the respective juristic persons have filled the vacancy by replacement. Mr Clive Hammond, has been replaced by Mr Naveen Kumar Goyal. The Board places on record its appreciation of the services of Mr Clive Hammond to the Company through the Board and its different Sub-Committees.

The Sub-Committee of the Board have also been reconstituted. The details are provided in the Report on Corporate Governance.

Rating Update

An independent credit rating agency, which has been rating our company in the past, has maintained a National Scale rating of omA- Long Term and omA2 Short Term, with a Stable Outlook for our company in 2019.

HR and Our People

Company is working under the guidance of ACCA Regional office so that we get a first batch of qualified Accountants.

Omanisation of the company is at 87.6%, which is above the regulatory requirement of 80%.

The Company under its on-going initiative towards human resource development has sponsored a set of Omani employees for CAT program where the progress is satisfactory.

The Company is now an ACCA approved Employer for Trainee Development-Gold and is working closely with the ACCA regional office to nurture talented Omani Graduates to become qualified accountants.

The company also tied up with Omantel to accept payment from Muscat Finance customers through Omantel's bill payment machine.

Corporate Social Responsibility

The company acknowledges its responsibility towards contributing to the community, stemming from its strong belief that the society at large is the reason for the success of Muscat Finance. In order to have better alignment between your company's culture and objectives and the needs of the society,

Muscat Finance appointed Destination Sustainability in 2019 to work on a CSR strategy.

For 2019, your company made contributions towards social causes to organisations engaged in charitable and community development activities.

Corporate Governance

Your Company has always supported the highest levels of Corporate Governance. Details of our Corporate Governance philosophy and processes are described in the Corporate Governance Report included in the Annual Report

Acknowledgement

On behalf of the Board, I would like to offer our best wishes and unfaltering loyalty and obedience to His Majesty Sultan Haitham Bin Tariq as he takes forward the legacy of Late His Majesty Sultan Qaboos Bin Said, whose Leadership and Vision provide the foundation for the economic, political and social progress of the Sultanate of Oman. I would also like to thank His Majesty's Government, the Central Bank of Oman, the Capital Market Authority, Ministry of Commerce and Industry and other Regulatory Authorities for their continued support and guidance.

The Board would like to thank all our customers for their continued patronage and support, to our local and overseas bankers for their active co-operation, and to all the shareholders for the confidence reposed in its Board.

Finally, the Board would like to appreciate and thank the management and the staff for all their good work and efforts.

On Behalf of the Board of Directors

Faisal bin Mohamed Al Yousef
CHAIRMAN
