

## **Muscat Finance: Director's Report 2017**

**Dear Shareholders,**

On behalf of the Board of Directors I am pleased to present the Annual Report for the year ended December 31, 2017.

2017 was a challenging year due to the continued low oil prices, which impacted all sectors of the economy and slowed down growth. We continued our focus on sourcing better quality business.

### **Business Results**

We are pleased to inform that, during the year, the Company came out as a more resilient entity. We continued to maintain a cautious approach to asset growth and the net loans and advances shrunk by RO 6.33 million during the year. As the government borrowings increased to finance the government's growth plans due to the low oil prices, liquidity was constrained resulting in a sharp increase in borrowing costs. The payments cycle remains slow, especially in the contracting segment, which resulted in increased delinquencies. To absorb this effect, the Board continue to increase the provisions and the provision cover now stands at 80% for our non-performing loans. A detailed review of the operational results of the Company has been covered in the Management Discussion and Analysis Report.

### **Capital Management & Dividend**

Continuing with its policy of consistently rewarding its shareholders by way of dividends in cash and stock, the Board of Directors has recommended a cash dividend of 8% and a Stock Dividend of 5% for the year ended 31 December 2017. This will increase the Company's capital from RO 28.54 million to RO 29.97 million.

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

<b>Year</b>	<b>Cash Dividend %</b>	<b>Stock Dividend %</b>	<b>Total %</b>
2012	10.00	7.00	17.00
2013	8.00	8.00	16.00
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

\*proposed dividend

### **Change in the Composition of the Board**

A new Board was elected during the year. Mr. Chandrahasan Thozhukat is the new member elected to the Board, he replaces Mr. Juma Abdullah Khalfan Al Khamisi. The Board places on record its appreciation of the services rendered by Mr. Juma Abdullah Khalfan Al Khamisi for his valuable contribution to the Company.

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 omBBB Long Term and omA3 Short Term, with a Stable Outlook for our company in 2017.

### **HR and Our People**

The Company continues to strive to be an employer of choice and has provided study scholarships, along with professional training opportunities like ACCA study for its high performing staff in 2017.

Omanisation of the company is at 82.4%, which is above the regulatory requirement of 80%.

### **Corporate Social Responsibility**

The Company acknowledges its responsibility towards contributing to the community. In this regard, the Company during the year, made contribution towards the social causes to organizations engaged in charitable and community development activities.

The Company aims to continue the discharge of its social responsibilities in a manner that provides sustainable benefits to the community, year after year.

### **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 express our most sincere thanks and gratitude to the builder of Modern Oman, 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**

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