

## **Muscat Finance: Director's Report 2016**

### **Dear Shareholders,**

On behalf of the Board of Directors I am pleased to present the Annual Report for the year ended December 31, 2016.

2016 was a challenging year due to the relatively low oil prices, which impacted all sectors of the economy and slowed down growth. We continued our focus on diversifying our business lines to reduce risk and ensuring that we increase shareholder value through higher profit margin.

### **Business Results**

We are pleased to inform that during the year the Company increased its net profits after tax to RO 5.138 million. In view of the weak economic environment, we adopted a prudent approach to asset growth and the net loans and advances shrunk by RO 4 million during the year. As the government borrowings increased to finance the government growth plans due to the low oil prices, liquidity was constrained resulting in a sharp increase in borrowing costs. There were delays in payments to our customers by their counterparties, especially in the contracting segment, which resulted in increased delinquencies. To absorb this effect, the Board made an additional ad-hoc provisioning of RO 200k during the year, which resulted in a 95% provision cover 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 10 % and a Stock Dividend of 7 % for the year ended 31 December 2016. This will increase the Company's capital from RO 26.67 million to RO 28.5 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>
2011	---	20.00	20.00
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

\*proposed dividend

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

During the year, Mr. Tanmay Mehta, Deputy Chairman resigned from the Board and the juristic person filled the vacancy with the appointment of Mr Pramod Kumar Hiran. The Board places on record its appreciation of the services rendered by Mr. Tanmay Mehta.

### **Sessions on Strategy**

In view of the current slowdown in the overall economy, the Board, to be proactive and better positioned, met twice exclusively to discuss the strategies to be adopted by the Company over the next five years.

### **Competition**

The company has five competitors in the leasing sector and has grown its net profits faster than the market in 2016 and has a 15% market share (\*) of debtors in the leasing industry. The industry faced challenges of liquidity, lower automobile sales, and increased delinquencies during the year.

### **Focus on Customer Service**

The Board had directed the management to do a customer satisfaction survey and also appointed a Customer Service Quality Supervisor to focus on the important aspect of customer service. I am pleased to announce that the result of our first survey showed that 83% of our customers said that they would recommend us to their friends or family. We are working on the various suggestions made by our customers with the aim of improving our service even further.

\*source MSM

### **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 2016.

## **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 2016. It held numerous functions and celebrations during the year, notably to celebrate the 46<sup>th</sup> National Day and an Iftar party for staff along with board members.

A company-wide implementation of KPIs was done, and the company initiated a process of rewarding employees based on their KPIs

Omanisation of the company is at 81.1%, 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 of RO 45,000/- towards 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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