



**BOARD OF DIRECTORS REPORT ON**  
**THE AUDITED CONSOLIDATED RESULTS**  
**FOR THE YEAR ENDING 31<sup>st</sup> DECEMBER 2007**

On behalf of the Board of Directors of Muscat National Holding SAOG I have great pleasure in welcoming you to the 13<sup>th</sup> Annual General Meeting of the Company to present you our Annual Report on the Company's activities and the audited consolidated financial statements for the year ending 31<sup>st</sup> December 2007.

***General Business Environment Overview***

The increase in oil and gas revenue has enabled the Government to continue its economic development and the Sultanate is one of the fastest developing countries in the Middle East. This has provided insurance companies to reach sustainable growth throughout 2007. The main challenge for the market has been the onset of the adverse weather in June, not just the impact on local insurers but it has had a major effect on the international reinsurance market who support local companies. I have reported on many occasions that we have developed a strict underwriting control and this over a period of years has enabled us to create a robust reinsurance programme of top class 'A' rated security. As a consequence, of the losses resulting from the event are much lower than our main competitors and this has allowed us to negotiate a similar reinsurance programme at the end of 2007 for the coming year.

The upturn in the economy has allowed the local securities market to grow even further and it remained 'bullish' throughout the year thus enabling us to turn around the investment result this year.

***Achievements***

I am delighted to report that despite the aforementioned set back the company has achieved its best ever result in its history of a net profit of OMR 2.87M compared with a net profit of OMR 447K in 2006. Our Earnings Per Share has increased from OMR 0.089 to OMR 0.574.

***Insurance Operation***

As I have reported above the excellent support we have enjoyed from our reinsurers has enabled us to increase our underwriting result by approximately 19% from OMR 1.29M to OMR 1.53M. Gross Premiums have increased 10% and we have reached a new milestone of just over OMR 10M for the first time.



A similar increase in expenses resulted in staff development and increased costs of expatriate skilled labour. This however, was absolutely necessary to retain and to attract skilled quality staff. As advised we have enjoyed improved investment gains from the local market and this has enabled us to achieve a result of OMR 2.6M compared to OMR 279K in the previous year.

As a result of the excellent returns I am delighted to report that the Consolidated Net Equity has risen 25% from OMR 10.6 million to OMR 13.2 million. The Net Assets Per Share increased from OMR 2.121 to OMR 2.635.

### ***The Future***

We have recruited higher skilled staff particularly in marketing and we are hopeful in the new year that this will give us more impact on the market and enable us to seek out larger accounts for our future development. New companies continue to enter the market and it is important that we consolidate our position and market share.

### ***Donations***

The adverse weather conditions in June were of concern to everyone, as a result a donation of OMR 5K was made to the Oman Charitable Organisation ("OCO").

### ***Proposed Dividend***

The Board of Directors has proposed a cash dividend of 15%. The Company adopts a prudent dividend policy, however the dividend distribution is subject to the approval of the shareholders at the Annual General Meeting

The amount of dividends distributed in the last five years is as follows:-

Year	2002	2003	2004	2005	2006
Cash Dividend (OMR )					6%
Bonus Shares					

### ***Acknowledgement***

The Board of Directors conveys its thanks to our Customers, Reinsurers and Shareholders for their ongoing support.

The Board of Directors especially appreciates the continued support and determined efforts made by the Management and Staff of the Company.



On behalf of the Board, I would like to take this opportunity to express our most humble gratitude and loyalty to His Majesty Sultan Qaboos bin Said for the continued peace and stability, which his reign has brought us. We also wish His Majesty the strength and good health to allow him to continue to lead us on an enlightened path to future prosperity and development for Oman and its people.

**For and on behalf of the Board of Directors,**

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Reem Omar Zawawi  
Chairperson