UNITED FINANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Registered Office

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P.C. 112, Ruwi
Sultanate of Oman

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UNITED FINANCE COMPANY SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNITED FINANCE COMPANY SAOG

We have audited the accompanying financial statements of **United Finance Company SAOG** (the Company) which comprise the balance sheet as at 31 December 2009 and income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The previous year financial statements as at 31 December 2008 were audited by another auditor whose report dated 28 January 2009 expressed an unqualified opinion on the financial statements.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other legal and regulatory requirements

Further, as required by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading (R&G) issued by the Capital Market Authority (CMA) of the Sultanate of Oman, we report that the accompanying financial statements have been properly prepared, in all material respects, in accordance with the R&G, with the Rules for Disclosure and Proformas issued by the CMA and with the Commercial Companies Law of 1974 as amended.

PricewaterhouseCoopers LLP

17 March 2010
Muscat, Sultanate of Oman

UNITED FINANCE COMPANY SAOG

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

31 December 2008 US$	**31 December 2009 US$**		Notes	**31 December 2009 RO**	31 December 2008 RO
38,509,164	**33,574,371**	Installment finance income		**12,926,133**	14,826,028
(14,105,029)	**(17,946,647)**	Interest expense		**(6,909,459)**	(5,430,436)
24,404,135	**15,627,724**	**Net installment finance income**		**6,016,674**	9,395,592
4,917,247	**2,160,145**	Other income	4	**831,656**	1,893,140
(7,019,052)	**(7,706,039)**	Other expenses	5	**(2,966,825)**	(2,702,335)
(589,678)	**(570,815)**	Depreciation	7	**(219,764)**	(227,026)
(8,447,686)	**(6,674,036)**	Impairment on installment finance debtors - net	8	**(2,569,504)**	(3,252,359)
13,264,966	**2,836,979**	**Profit before tax**		**1,092,237**	5,107,012
(1,633,706)	**(412,405)**	Income tax expense	6	**(158,776)**	(628,977)
11,631,260	**2,424,574**	**Profit for the year**		**933,461**	4,478,035
0.049	**0.010**	**Earnings per share for the year (basic and diluted)**	22	**0.004**	0.019

The notes on pages 8 to 35 form an integral part of these financial statements.

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UNITED FINANCE COMPANY SAOG

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

31 December 2008 US$	**31 December 2009 US$**		Notes	**31 December 2009 RO**	31 December 2008 RO
11,631,260	**2,424,574**	**Profit for the year**		**933,461**	4,478,035
		Other comprehensive income:			
(838,488)	**256,595**	Net movement in fair value of cash flow hedges	16	**98,789**	(322,818)
10,792,772	**2,681,169**	**Total comprehensive income for the year**		**1,032,250**	4,155,217

The income tax implication relating to net movement in fair value of cash flow hedges is disclosed in note 6.

The notes on pages 8 to 35 form an integral part of these financial statements.

Report of the Auditors - page 1.

UNITED FINANCE COMPANY SAOG

BALANCE SHEET AT 31 DECEMBER 2009

31 December 2008 US$	31 December 2009 US$		Notes	31 December 2009 RO	31 December 2008 RO
		ASSETS			
8,116,571	**9,496,008**	Property and equipment	7	**3,655,963**	3,124,880
1,519,491	**1,519,491**	Investment securities	10	**585,004**	585,004
129,870	**129,870**	Deposit with the Central Bank of Oman	11	**50,000**	50,000
402,218,527	**270,805,694**	Installment finance debtors	8	**104,260,192**	154,854,133
2,777,031	**3,577,914**	Deferred tax asset	6	**1,377,497**	1,069,157
1,233,800	**1,279,286**	Other receivables and prepaid expenses	9	**492,525**	475,013
1,946,748	**3,663,044**	Cash and cash equivalents	12	**1,410,272**	749,498
417,942,038	**290,471,307**	**Total assets**		**111,831,453**	160,907,685
		EQUITY AND LIABILITIES			
		Equity			
60,740,987	**60,740,987**	Share capital	13	**23,385,280**	23,385,280
5,569,675	**5,569,675**	Share premium reserve	14	**2,144,325**	2,144,325
4,976,587	**5,219,044**	Legal reserve	15(a)	**2,009,332**	1,915,986
3,531,127	**3,925,234**	Special reserve	15(b)	**1,511,215**	1,359,484
764,972	**764,972**	Foreign currency reserve	15(c)	**294,514**	294,514
(838,488)	**(581,893)**	Cumulative changes in fair values of derivatives	16	**(224,029)**	(322,818)
8,496,093	**4,210,005**	Retained earnings		**1,620,852**	3,270,996
83,240,953	**79,848,024**	**Total shareholders' equity**		**30,741,489**	32,047,767
		Liabilities			
838,488	**581,893**	Negative fair value of derivatives	16	**224,029**	322,818
242,181,200	**153,624,361**	Borrowings	18	**59,145,379**	93,239,762
53,831,169	**48,376,623**	Corporate deposits	19	**18,625,000**	20,725,000
34,726,200	**5,338,208**	Creditors and other payables	20	**2,055,210**	13,369,587
3,124,028	**2,702,198**	Taxation	6	**1,040,346**	1,202,751
334,701,085	**210,623,283**	**Total liabilities**		**81,089,964**	128,859,918
417,942,038	**290,471,307**	**Total equity and liabilities**		**111,831,453**	160,907,685
0.36	**0.34**	**Net assets per share**	23	**0.13**	0.14

The financial statements were approved by the Board of Directors on 27 January 2010 and were signed on their behalf by:

JAMAL SAID AL OJAILI
CHAIRMAN

MOHAMMED HANY HASSAN REFAT
DIRECTOR

The notes on pages 8 to 35 form an integral part of these financial statements.

UNITED FINANCE COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Share capital RO	Share premium reserve RO	Legal reserve RO	Special reserve RO	Foreign currency reserve RO	Cumulative changes in fair value of derivatives RO	Retained earnings RO	Total RO
		13	14	15(a)	15(b)	15(c)	16		
At 1 January 2009		**23,385,280**	**2,144,325**	**1,915,986**	**1,359,484**	**294,514**	**(322,818)**	**3,270,996**	**32,047,767**
Comprehensive income:									
Profit for the year		-	-	-	-	-	-	**933,461**	**933,461**
Other comprehensive income:									
Net movement in fair value of cash flow hedges		-	-	-	-	-	**98,789**	-	**98,789**
Total comprehensive income for the year		-	-	-	-	-	**98,789**	**933,461**	**1,032,250**
Transfer to legal reserve		-	-	**93,346**	-	-	-	**(93,346)**	-
Transfer to special reserve		-	-	-	**151,731**	-	-	**(151,731)**	-
Cash dividend paid		-	-	-	-	-	-	**(2,338,528)**	**(2,338,528)**
At 31 December 2009		**23,385,280**	**2,144,325**	**2,009,332**	**1,511,215**	**294,514**	**(224,029)**	**1,620,852**	**30,741,489**

The accounting policies on pages 8 to 35 form an integral part of these financial statements.

Report of the Auditors – page 1.

UNITED FINANCE COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008

Notes	Share capital RO 13	Share premium reserve RO 14	Legal reserve RO 15(a)	Special reserve RO 15(b)	Foreign currency reserve RO 15(c)	Cumulative changes in fair value of derivatives RO 16	Retained earnings RO	Total RO
At 1 January 2008	15,903,865	-	1,468,182	553,438	294,514	-	3,307,159	21,527,158
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	4,478,035	4,478,035
Other comprehensive income:								
Net movement in fair value of cash flow hedges	-	-	-	-	-	(322,818)	-	(322,818)
Total comprehensive income for the year	-	-	-	-	-	(322,818)	4,478,035	4,155,217
Issue of bonus shares	3,260,348	-	-	-	-	-	(3,260,348)	-
Proceeds from rights issue	3,823,191	1,885,706	-	-	-	-	-	5,708,897
Conversion of bonds to equity shares	397,876	258,619	-	-	-	-	-	656,495
Transfer to legal reserve	-	-	447,804	-	-	-	(447,804)	-
Transfer to special reserve	-	-	-	806,046	-	-	(806,046)	-
At 31 December 2008	23,385,280	2,144,325	1,915,986	1,359,484	294,514	(322,818)	3,270,996	32,047,767

The notes on pages 8 to 35 form an integral part of these financial statements.

Report of the Auditors - page 1.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	31 December 2009 RO	31 December 2008 RO
Profit before taxation		**1,092,237**	5,107,012
Adjustments for:			
Depreciation	7	**219,764**	227,026
Loss/(gain) on property and equipment written off/sold during the year		**23,351**	(10,520)
Impairment on installments of finance debtors - Net	8	**2,569,504**	3,252,359
End of service benefits charge for the year	21	**51,938**	113,506
Operating profit before changes in operating assets and liabilities		**3,956,794**	8,689,383
Installment finance debtors:			
Disbursements during the year		**(15,173,135)**	(114,431,839)
Principal repayments during the year		**63,197,572**	62,588,770
Other receivables and prepayments		**(17,512)**	(41,700)
Creditors and other payables		**(11,261,842)**	(1,574,582)
End of service benefits paid	21	**(104,474)**	(19,922)
Income taxes paid (including advance tax)	6	**(629,521)**	(728,884)
Net cash from/(used in) operating activities		**39,967,882**	(45,518,774)
Investing activities			
Purchase of property and equipment	7	**(774,198)**	(1,036,298)
Acquisition of investment available for sale		**-**	(30,855)
Proceeds from sale of property and equipment		**-**	15,972
Net cash used in investing activities		**(774,198)**	(1,051,181)
Financing activities			
Long-term loans received		**5,550,000**	39,476,000
Long-term loans repaid		**(34,654,589)**	(15,900,830)
Net change in short-term loans		**(3,500,000)**	10,700,000
Increase in share capital		**-**	5,708,897
Corporate deposits		**(2,100,000)**	4,300,000
Redemption of convertible bonds		**-**	(121,341)
Repayment of non-convertible bonds		**-**	(563,336)
Dividends paid		**(2,338,528)**	-
Bank overdrafts		**(1,489,793)**	2,056,099
Net cash (used in)/from financing activities		**(38,532,910)**	45,655,489
Net change in cash and cash equivalents		**660,774**	(914,466)
Cash and cash equivalents at beginning of the year		**749,498**	1,663,964
Cash and cash equivalents at end of the year	12	**1,410,272**	749,498

The notes on pages 8 to 35 form an integral part of these financial statements.

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1 Legal status and principal activities

United Finance Company SAOG (the Company) is an Omani Joint Stock Company, licensed by the Central Bank of Oman and registered under the Commercial Companies Law of the Sultanate of Oman. The Company is principally involved in providing vehicle and equipment financing and is also licensed to provide composite loans, bridge loans, hire purchase, debt factoring and financing of receivables and leasing in Sultanate of Oman. The Company has its Head Office in Muscat with branches in Ibra, Ibri, Firq, Falaj Al Qabail, Salalah, Barka and Mawelah, all located within the Sultanate of Oman. The registered address of the Company is P.O. Box 3652, Postal Code 112, Ruwi, Sultanate of Oman. The Company has a primary listing on the Muscat and Bahrain stock exchanges.

2 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable regulations of the Central Bank of Oman, applicable requirements of the Commercial Companies Law and the Capital Market Authority of the Sultanate of Oman.

2.2 Basis of preparation

The financial statements are prepared under the historical cost convention, as modified by the measurement of fair value of derivative financial instruments.

The balance sheet is presented in descending order of liquidity as this presentation is more appropriate to the Company's operations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 3.

(a) Standards, amendments and interpretation effective in 2009 and relevant for the Company's operations:

For the year ended 31 December 2009, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2009.

The adoption of these standards and interpretations has not resulted in changes to the Company accounting policies and has not affected the amounts reported for the current year.

The following standards, amendments and interpretation to published standards are mandatory from accounting period beginning on or after 1 January 2009 and are relevant to the Company operation:

IFRS 7 'Financial instruments – Disclosures' (amendment) – (effective from 1 January 2009)
IFRS 8, Operating segments (effective from 1 January 2009).
IAS 1 (Revised), Presentation of financial statements (effective from 1 January 2009).

2 Significant accounting policies (continued)

2.2 Basis of preparation (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 July 2009 or later periods, but the Company has not early adopted them:

IFRS 1 and IAS 27 (Revised), 'Cost of an investment in a subsidiary, jointly-controlled entity or associate' (effective from 1 July 2009);

IFRS 3 (Revised), Business combinations (effective from 1 July 2009);

IFRS 5 (Amendment), Non-current assets held-for-sale and discontinued operations (and consequential amendment to IFRS 1, First-time adoption) (effective from 1 January 2010);

IFRS 9, 'Financial instruments part 1: Classification and measurement' (effective on or after 1 January 2013)

IAS 27 (Revised and Amendment), Consolidated and separate financial statements, (effective from 1 July 2009);

IAS 39, 'Financial instruments: Recognition and measurement – Eligible hedged items (effective from 1 July 2009);

IFRIC 9, Reassessment of embedded derivatives and IAS 39, 'Financial instruments – Recognition and measurements – embedded derivatives (effective on or after 1 July 2009);

IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009);

IFRIC 18, 'Transfers of assets from customers' (effective on or after 1 July 2009);

2.3 Foreign currency transactions

Functional and presentation currency

The accounting records are maintained in Rial Omani which is the functional and reporting currency for these financial statements. The United States Dollar amounts shown in the income statement and balance sheet have been translated from Rial Omani at an exchange rate of RO 0.385 to each US Dollar, and are shown for the convenience of the reader only.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.4 Recognition of interest income and expenses

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

The difference between the aggregate finance contract receivable and the cost of the financed assets plus initial direct costs is recorded as unearned finance income. Initial direct costs include amounts that are incremental and directly attributable to negotiating and arranging finance. They exclude general overheads such as those incurred by sales and marketing team.

Interest, which is doubtful of recovery, is unrecognised and excluded from income until it is received in cash. Penal charges and other fees are recognised when received in cash.

2 Significant accounting policies (continued)

2.5 Taxation

Income tax on the results for the year comprises current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the balance sheet date. Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

2.6 Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation. Cost represents purchase cost together with any incidental costs of acquisition. Land is not depreciated. The cost of property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

Motor vehicles	3 years
Furniture and office equipment	3 - 6 years
Buildings	2 - 20 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are recognised in the income statement.

2.7 Financial assets

The Company classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise installment finance debtors and cash and cash equivalents in the balance sheet (notes 2.8 and 2.11).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are initially recognised at fair value including transaction costs. Such financial assets are subsequently carried at fair value, unless fair value cannot be reliably determined in which case these financial assets are measured at cost less impairment. Changes in the fair value of available-for-sale financial assets are recognised in the statement of change in equity as "cumulative changes in fair value".

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2 Significant accounting policies (continued)

2.7 Financial assets (continued)

(b) Available-for-sale financial assets (continued)

On derecognition or impairment the cumulative gain or loss previously reported as "cumulative changes in fair value" within equity, is included in the income statement for the year.

Trade and settlement date accounting

Purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Derecognition of financial assets

A financial asset (in whole or in part) is derecognised where:

(a) the right to receive cash flows from the asset have expired; or
(b) the Company has transferred it rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
(c) either (i) the Company has transferred substantially all the risks and rewards of ownership, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control over the asset or a proportion of the asset.

2.8 Installment finance debtors

Installment finance debtors are stated at amortised cost using the effective interest rate method less any amounts written off, provision for impairment and unrecognised contractual income.

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, the impairment loss is recognised in the income statement.

For installment finance debtors carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2 Significant accounting policies (continued)

2.9 Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the impairment loss provision.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's risk exposures that considers credit risk characteristics such as asset type, industry, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the periods on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from period to period (such as changes in, property prices, payment status, repeated requests for reschedulement or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

When a receivable is uncollectible, it is written off against the related provision for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised under other income in the income statement.

Renegotiated installement finance debtors

Where possible, the Compay seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due subject to regulatory guidance. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(b) Assets classified as available-for-sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

2 Significant accounting policies (continued)

2.10 Derivative financial instruments (continued)

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

2.11 Cash and cash equivalents

All bank balances with maturity of three months or less from the date of placement are considered to be cash equivalents.

2.12 Borrowings and corporate deposits

Borrowings and corporate deposits are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing borrowings and corporate deposits are subsequently carried at amortised cost using the effective interest method.

2.13 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the balance sheet date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the income statement as incurred.

2.14 Creditors and other payables

Creditors and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

2.15 Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

2.16 Financial guarantees

In the ordinary course of business, the Company’s bankers issue financial guarantees to the Company’s customers on behalf of the Company that are stated as contingent liabilities in the Companys’ financial statements till it is cancelled or expires. In the event the bank invokes the guarantee, the Company pays the guarantee amount and debits the customers account, which would for part of the main balance sheet.

2 Significant accounting policies (continued)

2.17 Dividend distribution

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

2.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee that makes strategic decisions.

2.19 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

2.20 Fair value estimation

For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics. Unquoted equity investments are held at cost.

The fair value of interest rate swaps is arrived at by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed by the Company to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial period are discussed below.

Impairment losses on installment finance debtors

The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

The Company reviews its installment finance debtors to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debtors before the decrease can be identified with an individual debtor in that portfolio. This takes into consideration factors such as any deterioration in industry, collateral value and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

3 Critical accounting estimates and judgements (continued)

Impairment of available-for-sale financial assets

The Company follows the guidance of IAS 39 to determine when an available-for-sale equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4 Other income

	31 December 2009 RO	31 December 2008 RO
Insurance commission income	248,705	354,524
Foreclosure charges	184,362	479,783
Penal charges	91,875	86,831
Documentation fees	72,402	588,855
Bad debts recovered	52,843	89,588
Letter of credit and guarantee commission	16,755	49,410
Dividend income	-	91,898
Other	164,714	152,251
	831,656	1,893,140

5 Other expenses

	31 December 2009 RO	31 December 2008 RO
Staff costs (note 5.1)	2,236,234	1,848,008
Communication and traveling	146,733	160,477
Repairs and maintenance	116,942	99,684
Fees and charges	101,914	68,193
Rent	67,583	52,642
Directors' sitting fees	67,000	52,800
Statutory and legal expenses	39,486	41,028
Bank charges	29,867	131,301
Insurance	24,768	19,679
Water and electricity charges	21,148	21,354
Advertising and business promotion expenses	16,720	95,832
Other	98,430	111,337
	2,966,825	2,702,335

5.1 Staff costs

	31 December 2009 RO	31 December 2008 RO
Wages and salaries	1,403,168	1,318,961
End of service benefits (note 21)	51,938	113,506
Contributions towards the Public Authority for Social Insurance Scheme	27,113	23,865
Other benefits (note 5.2)	754,015	391,676
	2,236,234	1,848,008
Number of persons employed by the Company at the year end	150	169

5 Other expenses (continued)

5.2 Other benefits

	31 December 2009 RO	31 December 2008 RO
Ex-gratia benefits	378,400	-
Management incentives	223,682	-
Other	151,933	391,676
	754,015	391,676

The Company has recognised and paid management incentives for the year 2008 during the year 2009.

6 Taxation

(a) Charge in the income statement is as follows:

	31 December 2009 RO	31 December 2008 RO
Income statement:		
Current tax:		
Current year	435,809	999,525
Prior year	31,307	-
	467,116	999,525
Deferred tax:		
Current year	(308,340)	(390,283)
Prior year	-	19,735
	(308,340)	(370,548)
	158,776	628,977

(b) Breakup of tax liability and deferred tax asset are as follows:

	31 December 2009 RO	31 December 2008 RO
Current liability:		
Current year	435,809	999,525
Prior years	604,537	203,226
	1,040,346	1,202,751
Deferred tax asset:		
At 1 January	1,069,157	698,609
Movement during the year	308,340	370,548
At 31 December	1,377,497	1,069,157
The deferred asset comprises the following temporary differences:		
Loan loss provisions	1,377,497	1,069,157

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

6 Taxation (continued)

(c) The reconciliation of the tax on accounting profit at the applicable rate of 12% (2008 - 12%) after the basic exemption of RO 30,000 and the taxation charge in the financial statements is as follows:

	31 December 2009 RO	31 December 2008 RO
Profit before taxation	**1,092,237**	5,107,012
Taxation at the applicable tax rate	**127,469**	609,242
Add/(less) tax effect of:		
Tax adjustment relating to prior year	**31,307**	-
Reversal of deferred tax asset	**-**	19,735
Taxation expense	**158,776**	628,977

(d) The movement in the taxation liability is as follows:

	31 December 2009 RO	31 December 2008 RO
At 1 January	**1,202,751**	737,189
Provision for the year	**467,116**	999,525
Paid during the year	**(629,521)**	(533,963)
At 31 December	**1,040,346**	1,202,751

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

(e) All taxation assessments up to 2005 are agreed with the Oman taxation authorities.

(f) During 2008, the Company paid an excess tax payment of RO 194,921 relating to year 2007, which is included in ‘Other receivables and prepaid expenses’ (note 9).

(g) There is no tax implication of the net movement in fair value of cash flow hedges.

7 Property and equipment

	Land RO	Buildings RO	Motor vehicles RO	Furniture and office equipment RO	Total RO
Cost					
1 January 2009	1,947,033	765,666	107,730	1,043,241	**3,863,670**
Additions	680,462	-	-	93,736	**774,198**
Disposal	-	-	(34,000)	(142,200)	**(176,200)**
31 December 2009	**2,627,495**	**765,666**	**73,730**	**994,777**	**4,461,668**
Depreciation					
1 January 2009	-	60,631	62,063	616,096	**738,790**
Charge for the year	-	38,283	16,072	165,409	**219,764**
Disposals	-	-	(14,447)	(138,402)	**(152,849)**
31 December 2009	**-**	**98,914**	**63,688**	**643,103**	**805,705**
Net book value					
31 December 2009	**2,627,495**	**666,752**	**10,042**	**351,674**	**3,655,963**

7 Property and equipment (continued)

	Land RO	Buildings RO	Motor vehicles RO	Furniture and office equipment RO	Total RO
Cost					
1 January 2008	879,914	761,550	98,998	915,959	2,656,421
Additions	1,067,119	4,116	46,445	138,618	1,256,298
Disposal	-	-	(37,713)	(11,336)	(49,049)
31 December 2008	1,947,033	765,666	107,730	1,043,241	3,863,670
Depreciation					
1 January 2008	-	22,325	65,351	467,685	555,361
Charge for the year	-	38,306	29,160	159,560	227,026
Disposals	-	-	(32,448)	(11,149)	(43,597)
31 December 2008	-	60,631	62,063	616,096	738,790
Net book value					
31 December 2008	1,947,033	705,035	45,667	427,145	3,124,880

As of 31 December 2009, the Company has yet to pay RO 220,000 (2008 – RO 220,000) pertaining to the year 2008 towards final payment of land purchased. The amount is included in 'Creditors and other payables' (note 20).

8 Installment finance debtors

All debts are due from individuals, partnership firms and corporate bodies operating within the Sultanate of Oman. The maturity profile of debts outstanding at the balance sheet date is disclosed under note 28.

(a) Installment finance debtors arising from financing activities

	31 December 2009 RO	31 December 2008 RO
Gross installment finance debtors	**125,983,791**	179,299,224
Unearned finance income	**(15,188,861)**	(26,162,733)
Net installment finance debtors	**110,794,930**	153,136,491
Debt factoring activity debtors	**952,388**	940,324
	111,747,318	154,076,815
Provision for impairment	**(10,224,365)**	(7,749,927)
Unrecognised contractual income	**(2,171,631)**	(1,594,100)
	99,351,322	144,732,788

Debt factoring activity debtors includes amounts advanced to clients in respect of debts factored; interest on the amounts advanced and related charges. In the event of default in settlement of debts factored by customers of the client, the Company has recourse to the client.

(b) Debtors arising from sale and leaseback activities

The future minimum lease payments receivable by the Company are as follows:

	31 December 2009 RO	31 December 2008 RO
Gross debtors arising from sale and leaseback activities	**-**	12,496
Less: Unearned finance income	**-**	(515)
Net debtors arising from sale and leaseback activities	**-**	11,981

8 Installment finance debtors (continued)

(c) Debtors arising from installment sale

	31 December 2009 RO	31 December 2008 RO
Gross debtors arising from installment sales	5,873,254	11,805,889
Profit relating to future periods	(826,737)	(1,667,710)
Net debtors arising from installment sales	5,046,517	10,138,179
Provision for impairment	(112,507)	(18,234)
Unrecognised contractual income	(25,140)	(10,581)
	4,908,870	10,109,364
Total installment finance debtors (a + b + c)	104,260,192	154,854,133

Profit arising from installment sales during the year amounting to RO 735,657 (2008 - RO 1,218,352) is included in the installment finance income.

(d) Analysis of the Company's installment finance debtors

An analysis of the Company's installment finance debtors as at 31 December 2009 is set out below:

	Corporate RO	Retail RO	Total RO
Debtors arising from financing activities	80,151,511	19,199,811	99,351,322
Debtors arising from sale and lease back transactions	-	-	-
Debtors arising from installment sales	4,559,646	349,224	4,908,870
	84,711,157	19,549,035	104,260,192

An analysis of the Company's installment finance debtors as at 31 December 2008 is set out below:

	Corporate RO	Retail RO	Total RO
Debtors arising from financing activities	112,601,833	32,112,721	144,714,554
Debtors arising from sale and lease back transactions	11,981	-	11,981
Debtors arising from installment sales	7,899,526	2,228,072	10,127,598
	120,513,340	34,340,793	154,854,133

(e) The table below represents analysis of gross installment finance debtors and present value of installment finance debtors for each of the following periods:

	Upto 1 Year RO	>1 year to 5 Years RO	Total RO
At 31 December 2009			
Gross installment finance debtors	66,292,907	66,516,526	132,809,433
Installment finance debtors net of unearned interest	57,884,225	58,909,610	116,793,835
At 31 December 2008			
Gross installment finance debtors	93,157,935	98,899,998	192,057,933
Installment finance debtors net of unearned interest	80,918,692	83,308,283	164,226,975

8 Installment finance debtors (continued)

(f) Movement in provision for loan impairment

The movement in the provision for impairment of finance debtors during the year was as follows:

	31 December 2009 Principal provision RO	31 December 2008 Principal provision RO
At 1 January	**7,768,161**	4,515,802
Impairment provision during the year	**4,773,586**	4,133,685
Written back / released during the year	**(2,204,082)**	(881,326)
Written off during the year	**(793)**	-
At 31 December	**10,336,872**	7,768,161

The movement in the unrecognised contractual income during the year was as follows:

	31 December 2009 Unrecognised contractual income RO	31 December 2008 Unrecognised contractual income RO
At 1 January	**1,604,681**	1,692,046
Unrecognised contractual income during the year	**783,153**	77,097
Written back / released during the year	**(147,420)**	(124,178)
Written off during the year	**(43,643)**	(40,284)
At 31 December	**2,196,771**	1,604,681

Contractual interest is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by Regulators against finance contract receivables from the month in which the receivables are impaired i.e. overdue by more than 89 days. As at 31 December 2009, the total balance of finance debtors on which interest is not being accrued or has not been recognised amounted to RO 33.65 million (2008 - RO 22.61 million, including finance debtors of RO 14.09 million classified by regulators).

9 Other receivables and prepaid expenses

	31 December 2009 RO	31 December 2008 RO
Advances	**374,971**	335,542
Prepaid expenses	**95,697**	136,299
Other debtors	**21,857**	3,172
	492,525	475,013

10 Investment securities

	31 December 2009 RO	31 December 2008 RO
Al-Soor Financing (Kuwait)	**554,149**	554,149
National Bureau of Commercial Information	**30,855**	30,855
	585,004	585,004

11 Deposits with the Central Bank of Oman

The deposit represents a capital deposit with the Central Bank of Oman made in accordance with the Banking Law of 1974. The deposit is only repayable if the Company terminates its installment finance business within the Sultanate of Oman and settles all outstanding obligations and claims arising from that business.

12 Cash and cash equivalents

	31 December 2009 RO	31 December 2008 RO
Bank and cash balances	**1,341,250**	748,488
Call deposits	**69,022**	1,010
	1,410,272	749,498

13 Share capital

Share capital comprises 233,852,792 (31 December 2008 - 233,852,792) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (31 December 2008 - RO 50,000,000).

In May 2008, the Company issued 38,231,907 shares of RO 0.100 each, through a rights issue to its existing shareholders at a price of RO 0.150 per share. The proceeds towards capital amounting to RO 3,823,191 were credited to the share capital account.

In Januay 2008, in accordance with the terms and conditions set out in the prospectus document dated 7 August 2002, optional convertible bonds amounted to RO 656,495 were converted into equity shares at a conversion price of RO 0.165 per share. Accordingly 3,978,755 equity shares of RO 0.100 were allotted to the bondholders resulting in increase in share capital and share premium accounts by RO 397,876 and RO 258,619 respectively.

According to year end confirmations received from the Muscat Depository and Securities Registration Company SAOC (MDSRC) and from the Bahrain Stock Exchange, details of the major shareholders who own 10% or more of the Company's shares are as follows:

	No. of Shares	
	31 December 2009	31 December 2008
Oman Hotels and Tourism Company SAOG	**47,799,446**	47,799,446
The First National LLC	**25,460,021**	5,469,644

	% of holding	
	31 December 2009	31 December 2008
Oman Hotels and Tourism Company SAOG	**20.44**	20.44
The First National LLC	**10.88**	2.34

14 Share premium reserve

The share premium account represents share premium collected by the Company during 2008 at the time of rights issue and conversion of optional convertible bonds (note 13) amounting to RO 1,885,706 net of transaction cost and RO 258,619 respectively.

15 Reserves

(a) Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution.

15 Reserves (continued)

(b) Special reserve

During 2009 the Company appropriated RO 151,731 equivalent to 1% of all credit facilities disbursed during 2009, from retained earnings to special reserve in line with its policy to create a special reserve to cover any delinquencies arising from unforeseen contingencies in installment finance debtors .

During the year 2008, the Board of Directors recommended to increase the special reserve from RO 553,438 to RO 1,359,484.

As per the policy approved by the Board, the Company needs to create special reserve to the extent of 1% of disbursements of all new credit facilities starting from 2008 till it reaches 2% of the book size of the Company and subject to Article 106 of the Commercial Company Law's Regulations, which states that creation of any Optional reserve would be restricted to a maximum of 20% of the net profit of the year after legal reserve.

Board of Directors has no intention to release the special reserve in foreseeable future and it will not be available for distribution without the approval of Central Bank of Oman.

(c) Foreign currency reserve

During 2007, an amount of RO 294,514 had been created as foreign currency reserve as per the regulatory requirement. There is no reserve required as per the regulation as at 31 December 2009 (31 December 2008 - RO 192,600).

16 Derivative financial instruments

The Company entered into interest rate hedging arrangements with a commercial bank in Oman with a view to cap exposure to fluctuating interest rates. The loan amount covered as at the balance sheet date was RO 9,413,325 comprising of the following:

(i) Under the hedging agreement for a loan amount of RO 1,926,000 the Company pays a fixed interest rate of 3.320% per annum and receives a floating interest rate based on 3 month US $ LIBOR.

(ii) Under the hedging agreement for a loan amount of RO 1,926,000 the Company pays a fixed interest rate of 3.710% per annum and receives a floating interest rate based on 6 month US $ LIBOR.

As at 31 December 2009, cumulative changes in fair value of derivatives amounting to RO 224,029 (31 December 2008 - RO 322,818) relating to measuring the financial instrument at fair value is included in equity in respect of these contracts.

The table below shows the negative fair value of the derivative financial instrument, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

		Notional amounts by term to maturity		
	Negative fair value RO	**Notional amount Total RO**	**1 - 12 months RO**	**More than 1 up to 5 years RO**
31 December 2009				
Interest rate swaps	**224,029**	**9,413,325**	**7,487,325**	**1,926,000**
31 December 2008				
Interest rate swaps	322,818	13,054,043	3,637,829	9,416,214

17 Dividends paid and proposed

For the financial year 2009, stock dividend of 6.91% amounting to RO 1,615,923 comprising 16,159,230 shares of RO 0.100 each was proposed by the Board of Directors and will be credited to the shareholders account subject to approval of Central Bank of Oman and shareholders at the Annual General Meeting, to be held on 31 March 2010.

For the financial year 2008, a cash dividend of 10% amounting to RO 2,338,528 was proposed by the Board of Directors and approved at the Annual General Meeting dated 09 April 2009 of the Company and was paid during the year 2009.

Stock dividend of 20% proposed for the financial year 2007 amounting to RO 3,260,348 approved at the Annual General Meeting dated 31 March 2008 of the Company and was credited to the shareholders account during the year 2008.

18 Borrowings

	31 December 2009 RO	31 December 2008 RO
Long-term loans - RO	**13,122,376**	33,111,682
Long-term loans - US $	**1,926,000**	4,654,758
Current portion of long-term loans - RO	**17,672,565**	18,495,263
Current portion of long-term loans - US $	**1,926,000**	7,489,828
Short-term loans - RO	**23,000,000**	26,500,000
Bank overdrafts	**1,498,438**	2,988,231
	59,145,379	93,239,762

(a) The Company's bankers hold a pari passu charge over substantial portion of assets of the Company for the credit facilities granted. In addition, the Company is required to maintain certain performance and coverage ratios.

(b) The Company borrows from commercial banks and others at market interest rates.

(c) The interest rates on overdrafts and short-term loans are subject to change at the discretion of the banks, upon renewal of the facilities, which take place generally on an annual basis.

(d) The fair value of the long-term loans approximate their carrying value as it carries interest rates which approximates market interest rates.

(e) The related interest rate risk and maturity profile are given under note 28.

19 Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 12 months. The effective interest rate risk maturity profile is set out under note 28.

20 Creditors and other payables

	31 December 2009 RO	31 December 2008 RO
Interest payable	**538,086**	728,376
Advances received from customers	**430,863**	660,051
Trade creditors	**366,749**	10,817,261
Accrued expenses	**198,688**	372,812
End of service benefits (note 21)	**133,457**	185,993
Other	**387,367**	605,094
	2,055,210	13,369,587

21 End of service benefits

	31 December 2009 RO	31 December 2008 RO
At 1 January	185,993	92,409
Charge for the year	51,938	113,506
Payments made during the year	(104,474)	(19,922)
At 31 December	133,457	185,993

22 Basic earning per share

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares.

	31 December 2009	31 December 2008
Profit for the year (RO)	933,461	4,478,035
Weighted average number of shares	233,852,792	233,852,792
Basic earnings per share for the year (RO)	0.004	0.019

23 Net assets per share

The calculation of net assets per share is as below:

	31 December 2009	31 December 2008
Net asset value (RO)	30,741,489	32,047,767
Number of ordinary shares outstanding	233,852,792	233,852,792
Net asset per share (RO)	0.13	0.14

24 Segmental information

The Company operates in the finance industry and its operations are confined to the Sultanate of Oman. Management has determined the operating segments based on the reports reviewed by the Management Committee that makes strategic decisions.

The committee considers the business from a product perspective only as geographically, all of the business is located locally in Oman.

The reportable operating segments derive their revenue primarily from corporate and retail. The insurance and factoring segments are not meeting the quantitative thresholds required by IFRS - 8, therefore they are reported only for reconciliation purposes as well as the unallocated items.

The Management Committee assesses the performance of the operating segments based on a measure of profit before tax.

24 Segmental information (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2009 is as follows:

	Reportable segments				
	Corporate RO	Retail RO	Others (Insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Installment finance income	10,599,429	2,326,704	-	-	12,926,133
Interest expense	-	-	-	(6,909,459)	(6,909,459)
Net installment finance income	**10,599,429**	**2,326,704**	**-**	**(6,909,459)**	**6,016,674**
Other income	-	-	262,086	569,570	831,656
Segmental expenses					
Other expenses	-	-	-	(2,966,825)	(2,966,825)
Depreciation	-	-	-	(219,764)	(219,764)
Profit before tax and provision for impairment	**10,599,429**	**2,326,704**	**262,086**	**(9,526,478)**	**3,661,741**
Provision for impairment	(1,529,914)	(1,039,590)	-	-	(2,569,504)
Segmental profit for the year before tax	**9,069,515**	**1,287,114**	**262,086**	**(9,526,478)**	**1,092,237**
Income tax expense	-	-	-	(158,776)	(158,776)
Segmental profit for the year	**9,069,515**	**1,287,114**	**262,086**	**(9,685,254)**	**933,461**
Total assets	**84,711,157**	**19,549,035**	**-**	**7,571,261**	**111,831,453**
Total liabilities	**-**	**-**	**-**	**81,089,964**	**81,089,964**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

24 Segmental information (continued)

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2008 is as follows:

	Reportable segments				
	Corporate RO	Retail RO	Others (Insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Installment finance income	11,564,302	3,261,726	-	-	14,826,028
Interest expense	-	-	-	(5,430,436)	(5,430,436)
Net installment finance income	11,564,302	3,261,726	-	(5,430,436)	9,395,592
Other income	-	-	371,973	1,521,167	1,893,140
Segmental expenses					
Other expenses	-	-	-	(2,702,335)	(2,702,335)
Depreciation	-	-	-	(227,026)	(227,026)
Profit before tax and provision for impairment	11,564,302	3,261,726	371,973	(6,838,630)	8,359,371
Provision for impairment	(1,205,771)	(2,046,588)	-	-	(3,252,359)
Segmental profit for the year before tax	10,358,531	1,215,138	371,973	(6,838,630)	5,107,012
Income tax expense	-	-	-	(628,977)	(628,977)
Segmental profit for the year	10,358,531	1,215,138	371,973	(7,467,607)	4,478,035
Total assets	120,513,340	34,340,793	-	6,053,552	160,907,685
Total liabilities	-	-	-	128,859,918	128,859,918

25 Related parties

Related parties represent associated companies, major shareholders, Directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

(a) Transactions included in statement of income are as follows:

	31 December 2009 RO	31 December 2008 RO
Directors' sitting fees	**67,000**	52,800
Installment finance income		
Directors	**7,298**	5,958
Other related parties	**177,802**	169,208
	185,100	175,166

(b) Transactions relating to installment finance debtors during the year are as follows:

	31 December 2009	31 December 2008
Disbursements:		
Directors	**-**	193,811
Other related parties	**84,480**	2,521,027
	84,480	2,714,838
Collections:		
Directors	**193,809**	258,146
Other related parties	**1,875,197**	1,569,916
	2,096,006	1,828,062

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25 Related parties (continued)

(c) Amounts due from related parties:

	31 December 2009 RO	31 December 2008 RO
Guarantees received from:		
Directors	**392,456**	5,835,634
Other related parties	**5,524**	-
	397,980	5,835,634
Installment finance debtors due from:		
Directors	**-**	193,809
Other related parties	**911,331**	2,746,642
	911,331	2,940,451
Advance to Directors and key management personnel	**-**	2,000

No provision is required in respect of loans given to the related parties during the year 2008 and 2009.

(d) Amounts due to other related parties:

	31 December 2009 RO	31 December 2008 RO
At 1 January	**5,500,000**	2,500,000
Receipts during the year	**7,000,000**	5,000,000
Paid during the year	**(7,500,000)**	(2,000,000)
At 31 December	**5,000,000**	5,500,000

(e) Compensation of the key management personnel is as follows:

	31 December 2009 RO	31 December 2008 RO
Salaries and allowances	**424,343**	204,548
Ex-gratia benefits paid	**378,400**	-
End of service benefits	**19,045**	12,975
	821,788	217,523

Salaries and allowances for 2009 include management incentives of RO 218,682 for the year 2008 (2008 - Nil).

26 Contingent liabilities

At 31 December 2009, there were contingent liabilities of RO 1,522,221 (2008 - RO 1,529,177) in respect of financial guarantees given to banks in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

27 Fair value information

The fair values of the Company’s financial instruments are not materially different from the carrying values.

28 Financial instruments and financial risk management

(a) Interest rate risk

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as on 31 December 2009:

	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Property and equipment	-	-	-	-	-	3,655,963	3,655,963
Investment securities	-	-	-	-	-	585,004	585,004
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	50,000
Installment finance debtors	19,808,906	20,754,279	27,560,035	16,092,931	20,044,041	-	104,260,192
Deferred tax asset	-	-	-	-	-	1,377,497	1,377,497
Other receivables and prepaid expenses	-	-	-	-	-	492,525	492,525
Cash and cash equivalents	1,341,250	-	-	-	-	69,022	1,410,272
Total assets	**21,150,156**	**20,754,279**	**27,560,035**	**16,092,931**	**20,044,041**	**6,230,011**	**111,831,453**
Equity and Liabilities							
Equity	-	-	-	-	-	30,741,489	30,741,489
Negative fair value of derivatives	-	224,029	-	-	-	-	224,029
Borrowings	35,506,341	8,590,662	12,006,006	3,042,370	-	-	59,145,379
Corporate deposits	5,000,000	5,000,000	1,000,000	7,625,000	-	-	18,625,000
Creditors and other payables	1,520,738	401,015	-	-	133,457	-	2,055,210
Taxation	-	-	-	-	-	1,040,346	1,040,346
Total equity and liabilities	**42,027,079**	**14,215,706**	**13,006,006**	**10,667,370**	**133,457**	**31,781,835**	**111,831,453**
Interest rate sensitivity gap	**(20,876,923)**	**6,538,573**	**14,554,029**	**5,425,561**	**19,910,584**	**(25,551,824**	
Cumulative gap	**(20,876,923)**	**(14,338,350)**	**215,679**	**5,641,240**	**25,551,824**		

28 Financial instruments and financial risk management (continued)

(a) Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as on 31 December 2008:

	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Property and equipment	-	-	-	-	-	3,124,880	3,124,880
Investment securities	-	-	-	-	-	585,004	585,004
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	50,000
Installment finance debtors	36,132,206	22,207,066	41,067,471	32,718,109	22,729,281	-	154,854,133
Deferred tax asset	-	-	-	-	-	1,069,157	1,069,157
Other receivables and prepaid expenses	-	-	-	-	-	475,013	475,013
Cash and cash equivalents	748,488	-	-	-	-	1,010	749,498
Total assets	36,880,694	22,207,066	41,067,471	32,718,109	22,729,281	5,305,064	160,907,685
Equity and Liabilities							
Equity	-	-	-	-	-	32,047,767	32,047,767
Negative fair value of derivatives	-	322,818		-	-	-	322,818
Borrowings	41,223,662	15,499,664	21,176,857	15,339,579	-	-	93,239,762
Corporate deposits	7,600,000	3,500,000	2,000,000	7,625,000	-	-	20,725,000
Creditors and other payables	12,640,497	543,097	-	-	-	185,993	13,369,587
Taxation	-	-	-	-	-	1,202,751	1,202,751
Total equity and liabilities	61,464,159	19,865,579	23,176,857	22,964,579	-	33,436,511	160,907,685
Interest rate sensitivity gap	(24,583,465)	2,341,487	17,890,614	9,753,530	22,729,281	(28,131,447)	
Cumulative gap	(24,583,465)	(22,241,978)	(4,351,364)	5,402,166	28,131,447		

28 Financial instruments and financial risk management (continued)

(b) Liquidity risk

The amounts disclosed in table below analyses the Company's assets and liabilities as on 31 December 2009 into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Non-Fixed maturity RO	Total RO
Assets							
Property and equipment	-	-	-	-	-	3,655,963	**3,655,963**
Investment securities	-	-	-	-	-	585,004	**585,004**
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	**50,000**
Installment finance debtors	19,808,906	20,754,279	27,560,035	16,092,931	20,044,041	-	**104,260,192**
Deferred tax asset	-	-	-	-	-	1,377,497	**1,377,497**
Other receivables and prepaid expenses	297,604	-	-	-	-	194,921	**492,525**
Cash and cash equivalents	1,410,272	-	-	-	-	-	**1,410,272**
Total assets	**21,516,782**	**20,754,279**	**27,560,035**	**16,092,931**	**20,044,041**	**5,863,385**	**111,831,453**
Equity and Liabilities							
Equity	-	-	-	-	-	30,741,489	**30,741,489**
Negative fair value of derivatives	-	224,029	-	-	-	-	**224,029**
Borrowings	35,506,341	8,590,662	12,006,006	3,042,370	-	-	**59,145,379**
Corporate deposits	5,000,000	5,000,000	1,000,000	7,625,000	-	-	**18,625,000**
Creditors and other payables	1,520,738	401,015	-	-		133,457	**2,055,210**
Taxation	435,809	-	-	-	-	604,537	**1,040,346**
Total equity and liabilities	**42,462,888**	**14,215,706**	**13,006,006**	**10,667,370**	**-**	**31,479,483**	**111,831,453**
Gap in maturity (excluding off balance sheet)	**(20,946,106)**	**6,538,573**	**14,554,029**	**5,425,561**	**20,044,041**	**(25,616,098)**	
Cumulative gap in maturity	**(20,946,106)**	**(14,407,533)**	**146,496**	**5,572,057**	**25,616,098**		
Assets off balance sheet							
Unearned finance income	5,648,626	3,921,252	4,800,132	1,937,469	869,315	-	**17,176,794**
Total assets (including off balance sheet)	**27,165,408**	**24,675,531**	**32,360,167**	**18,030,400**	**20,913,356**	**5,863,385**	**129,008,247**
Liabilities off balance sheet							
Interest payable on loans	1,495,096	917,715	1,507,684	445,875	-	-	**4,366,370**
Total equity and liabilities (including off balance sheet)	**43,957,984**	**15,133,421**	**14,513,690**	**11,113,245**	**-**	**31,479,483**	**116,197,823**
Gap in maturity	**(16,792,576)**	**9,542,110**	**17,846,477**	**6,917,155**	**20,913,356**	**(25,616,098)**	**12,810,424**
Cumulative gap in maturity	**(16,792,576)**	**(7,250,466)**	**10,596,011**	**17,513,166**	**38,426,522**	**12,810,424**	

28 Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

The amounts disclosed in table below analyses the Company's assets and liabilities as on 31 December 2008 into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Non-Fixed maturity RO	Total RO
Assets							
Property and equipment	-	-	-	-	-	3,124,880	3,124,880
Investment securities	-	-	-	-	-	585,004	585,004
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	50,000
Installment finance debtors	36,132,206	22,207,066	41,067,470	32,718,110	22,729,281	-	154,854,133
Deferred tax asset	-	-	-	-	-	1,069,157	1,069,157
Other receivables and prepaid expenses	280,092	-	-	-	-	194,921	475,013
Cash and cash equivalents	749,498	-	-	-	-	-	749,498
Total assets	37,161,796	22,207,066	41,067,470	32,718,110	22,729,281	5,023,962	160,907,685
Equity and Liabilities							
Equity	-	-	-	-	-	32,047,767	32,047,767
Negative fair value of derivatives	-	322,818		-	-	-	322,818
Borrowings	41,223,662	15,499,664	21,176,857	15,339,579	-	-	93,239,762
Corporate deposits	7,600,000	3,500,000	2,000,000	7,625,000	-	-	20,725,000
Creditors and other payables	12,640,497	543,097	-	-	-	185,993	13,369,587
Taxation	999,525	-	-	-	-	203,226	1,202,751
Total equity and liabilities	62,463,684	19,865,579	23,176,857	22,964,579	-	32,436,986	160,907,685
Gap in maturity (excluding off balance sheet)	(25,301,888)	2,341,487	17,890,613	9,753,531	22,729,281	(27,413,024)	
Cumulative gap in maturity	(25,301,888)	(22,960,401)	(5,069,788)	4,683,743	27,413,024		
Assets off balance sheet							
Unearned finance income	7,165,954	5,927,810	13,007,827	1,975,170	204,970	-	28,281,731
Total assets (including off balance sheet)	44,327,750	28,134,876	54,075,297	34,693,280	22,934,251	5,023,962	189,189,416
Liabilities off balance sheet							
Interest payable on loans	1,319,686	975,326	1,133,230	445,759	-	-	3,874,001
Total equity and liabilities (including off balance sheet)	63,783,370	20,840,905	24,310,087	23,410,338	-	32,436,986	164,781,686
Gap in maturity	(19,455,620)	7,293,971	29,765,210	11,282,942	22,934,251	(27,413,024)	24,407,730
Cumulative Gap in maturity	(19,455,620)	(12,161,649)	17,603,561	28,886,503	51,820,754	24,407,730	

29 Risk management

The Company's activities expose it to variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk); and liquidity risk and operational risk. The Company continuously strive to face challenges and exploit the opportunities the market offers through a process of proactively assessing market forces and economic factors to maintain a competitive edge by devising appropriate strategies to mitigate and manage risk.

The Board of Directors set the overall risk parameters and tolerances and the significant risk management policies. The Audit Committee of the Board reviews and reports to the Board of Directors on the Company's risk profile and risk taking activities. The Management Committee chaired by Chief Executive Officer has the primary responsibility of sanctioning risk taking activities and risk management policies within the overall risk parameters and tolerances defined by the Board of Directors. The Risk Management Committee (the committee) comprising of the risk management officials and chaired by the Chief Financial Officer provides the forum for review and approval of risk measurement methodologies, risk control processes and the approval of new products. Review of risks arising from external factors is also evaluated. The committee also reviews all the risk policies and limits that require the formal approval of the Management Committee. The risk management control process is based on a detailed structure of policies, procedures and limits and comprehensive risk measurement and management systems for the control, monitoring and reporting of risks. Periodic reviews by the internal and external auditors and regulatory authorities subject the risk management processes to additional scrutiny that help to further strengthen the risk management environment.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is crucial for the Company's business; therefore management carefully manages its exposure to credit risk. Well defined policies and processes are in place at both the business units and corporate level that are intended to ensure that risks are assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counter party, and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography. The Company attempts to control credit risk through continuously reviewing and improving its credit policies to meet the demanding needs of market, setting and monitoring credit exposures, limiting transactions with specific counter parties and assessing their creditworthiness and restricting exposure to any particular industry or individuals or groups of customers in a particular region / location. In addition, to mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of the borrowers. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use.

29 Risk management (continued)

Maximum exposure to credit risk

The table below gives the maximum exposure to credit risk. The maximum exposures are shown at gross before the effect of mitigation through the use of collateral agreements:

	Gross maximum exposure 31 December 2009 RO	Gross maximum exposure 31 December 2008 RO
Installment finance debtors	**104,260,192**	154,854,133
Other receivables	**492,525**	475,013
Available-for-sale financial assets	**585,004**	585,004
Bank balances and deposits	**1,460,272**	799,498
Total	**106,797,993**	156,713,648
Contingent liabilities	**1,522,221**	1,529,177
Commitments	**-**	85,094
Derivative financial instruments	**9,413,325**	13,054,043
Total	**10,935,546**	14,668,314
Total credit risk exposure	**95,862,447**	171,381,962

Concentrations of credit risk

Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to installment finance debtors to any single counterparty as of 31 December 2009. An industry sector analysis of the Company's installment finance debtors before taking into account collateral held is as follows:

	31 December 2009 RO	31 December 2008 RO
Personal / Car loans	**20,588,560**	28,750,118
Business loan - Services	**24,883,704**	41,127,424
- Trading	**6,099,772**	9,259,646
- Manufacturing	**6,219,885**	7,770,192
- Construction contracts	**14,692,011**	30,900,033
- Construction equipments	**24,859,183**	35,686,480
- Other	**6,917,077**	1,360,240
	104,260,192	154,854,133

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29 Risk management (continued)

Credit quality per class of financial assets

The credit quality of financial assets is regularly monitored by the Company. The Company's finance debtors' receivables which are past due but not impaired after deduction of unearned finance income amounted to RO 18.15 million (2008 - RO 22.08 million).

Aging analysis of past due but not impaired installment finance debtors after deduction of unearned finance income is set out as below:

	31 December 2009	31 December 2008 [fmoosa0021]
	RO	RO
1 to 89 days	18,153,772	22,081,230

Aging analysis of due/past due and impaired installment finance debtors after deduction of unearned finance income is set out as below:

	31 December 2009	31 December 2008 [fmoosa0022]
	RO	RO
0 to 89 days	2,954,511	14,091,200
90 to 364 days	18,298,280	2,594,554
365 days and above	12,395,676	5,921,361
Total	33,648,467	22,607,115

All loans extended by the Company are against security of assets financed and in certain cases if required against additional security. All loans are additionally secured by personal guarantees of the borrowers.

Renegotiate installment finance debtors

Renegotiated finance debtors as at 31 December 2009 was RO 10.22 million (2008 - RO 9.31 million). Out of these finance debtors amounting to RO 4.21 million (2008 - RO 1,546) were impaired at the time of renegotiation.

(b) Market risk

Market risk is the risk of loss due to adverse changes in interest rates and foreign exchange rates. The Company does not actively participate in trading in debts, equity securities, and foreign exchange or derivative instruments.

Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The Company manages this risk by matching the re-pricing of assets and liabilities and through risk management strategies. The loans extended by the Company are for periods varying from one to over five years are at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the Company's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The Company mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates.

The Company has entered into derivative contracts in order to manage and reduce the interest rate risk arising in relation to credit facilities.

29 Risk management (continued)

Interest rate risk (continued)

The interest rates on borrowings with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short-term loans. The Company uses sensitivity analysis to analyse and measure interest rate on the variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that change in 100 basis points in the average funding cost would change net interest income by RO 38,000 (2008- RO 130,540). The Company's exposure to interest rate risk is shown under note 28.

Foreign exchange risk

Currency risk arises from the possibility of changes in the value of financial assets due to changes in the foreign currency rates. The Company liabilities comprise of borrowings in US Dollars in addition to local currency borrowings. As there is an exchange parity agreement between Oman and the United States of America, the exchange rates have remained stable over the years. However, in line with the requirements of the Central Bank of Oman an exchange variance reserve is maintained on the foreign currency exposure in excess of 40% of the net worth of the Company to mitigate any probable risk arising out of any unforeseen fluctuation in exchange rates.

(c) Liquidity risk

Liquidity risk is that an entity will encounter when it is unable to meet its obligations at any given time. The Company's conservative liability management policies are designed to ensure that even in adverse situations the Company should be in a position to meet its obligations. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. The objectives are met through the application of prudent liquidity controls.

The maturity profile of assets and liabilities is set out under note 28.

(d) Capital management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve, foreign currency reserve and retained earnings, and is measured at RO 30.75 million as at 31 December 2009 (31 December 2008 - RO 32.04 million). The Company is already in compliance with the Central Bank of Oman's minimum capital requirement of RO 20 million.

30 Comparative figures

Certain corresponding figures for 2008 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders' equity.

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