

Oman ORIX Leasing Company SAOG

Financial Statements

31 December 2002

Registered and principal place of business:

P O Box 106
Postal Code 118
Sultanate of Oman

Oman ORIX Leasing Company SAOG

Contents	Page
Report of the Board of Directors	1-2
Corporate Governance Report	3-7
Report of the Auditors	8
Balance Sheet	9
Income Statement	10
Statement of Changes in Equity	11
Cash Flow Statement	12
Notes	13-24

Report of the Board of Directors

Dear Shareholders

On behalf of the directors, I am pleased to present the ninth annual report together with the audited financial statements for the financial year ended December 31, 2002.

Financial results

	Rial Omani
Net profit for the year after charging all expenses and provision for potential doubtful receivables	607,798
Taxation	<u>95,614</u>
Net profit after tax	512,184
Accumulated profit brought forward	<u>198,900</u>
Profit available for appropriation	711,084
Transfer to legal reserve	<u>51,218</u>
Accumulated profit carried forward	<u><u>659,866</u></u>

Appropriations

The directors recommend that profits after the transfer to Legal Reserve of RO 51,218 and Director's remuneration be carried forward as retained earnings. A reserve was created under Central Bank of Oman's directive to cover the un-hedged exchange rate risk on a foreign currency loan. The reserve is no longer required as the loan has been repaid and, therefore, the balance of RO 231,362 has been taken into general reserve.

Dividend and directors' remuneration

The directors recommend that, in order to improve net worth and consolidate the Company's financial position, no dividend payment be made for the year 2002 (2001 – 5%) and all available profit be carried forward as retained earnings. The directors recommend no payment (2001: RO 33,000) as their remuneration.

Review of results

Profit before tax was marginally lower at RO 607,798 in comparison to profit of RO 667,979 earned in the previous year. The Directors were of the view that under the market conditions prevailing during the year, focus should be maintained on writing good quality business. Your Company has consciously attempted to acquire more long-term funds to match the asset side, thus steadily improving the ratio of long term versus short-term loans. However, since availability of long term funds is limited and their cost high, the Company took the decision to reduce the volume of new business and consequently, lease and hire purchase disbursements for the year were lower at RO 4.9 million in comparison to disbursements of RO 14.98 million for the previous year.

Lease income for the year was 25% lower at RO 3,168,368 (2001: RO 4,214,088). With reduced volumes, borrowings were also reduced and this was reflected in lower financial costs of RO 1,776,630 compared with RO 2,167,993 in the previous year, a reduction of 18%. Operating costs were at a total of RO 885,710 compared with RO 956,782 for 2001, a reduction of 7%.

Your Company follows a prudent provisioning policy for overdue accounts and has consistently been in full compliance with the rules of provisioning as laid by the Central Bank of Oman (CBO). In December 2002, the CBO revised the guidelines for provisions and under these the Company had an overprovision of RO 446,234. The Board of Directors decided to write back RO 250,000 from the excess amount and this adjustment was made in the fourth quarter. The net charge of provision for the year is RO 189,005 bringing the accumulated provision as at December 31, 2002 to RO 1,765,760, being 6.5% of net receivables.

Credit rating

Nile Rating, a member of the Fitch Group, issued entity ratings as at June 2002. The Company's long term obligations are rated as A-(oma) and short term as F1 (oma). The rating outlook is given as stable.

Compliance with regulatory requirements

On behalf of the Board of directors, I would like to express appreciation of measures adopted by the Capital Market Authority to promote transparency and full disclosure of material information. In this regard, your Company has always been keen to comply with regulatory requirements. It maintains high standards of integrity and is vigilant in promoting a culture that protects its corporate image and strives to uphold best corporate governance practices.

The Company implemented the Code of Corporate Governance issued during the year, which includes the following:

- a) The Board adopted a manual of Disclosure Policy & Procedures - Material Information.
- b) An Audit Committee has been formed, comprising of three non-executive directors.
- c) A Responsibilities & Authorities Manual is being developed on behalf of the Company by M/s KPMG to comply with Central Bank of Oman's requirements.

Future Prospects

Your Company is making vigorous efforts to develop new sources of funding and to bring down borrowing costs. These matters will continue to be the priorities for the immediate future and the result of the efforts are expected to show during 2003.

Staff

On behalf of all directors, I would like to thank the staff for their hard work and dedication. The Company fully realizes the importance of an efficient human resource base and will ensure that adequate resources are devoted to training and personnel development throughout the Company.

The Omanisation ratio currently stands at 60% (2001: 63%) as opposed to the required 45%.

Acknowledgement

On behalf of all directors, I express our earnest gratitude to His Majesty Sultan Qaboos Bin Said, for his inspired leadership and progressive vision. We pray to Almighty God to help Oman and its people attain further peace and prosperity. I take this opportunity to thank His Majesty's Government, the Central Bank of Oman, the Capital Market Authority and the Muscat Securities Market for their encouragement and advice. I also express directors' gratitude to customers, bankers and shareholders for their continuing support and confidence in the Company.

Mushtaq Abdullah Al Saleh
Chairman

Corporate Governance Report

1. Company philosophy:

Oman ORIX Leasing Company SAOG maintains an environment of highest integrity and is vigilant in promoting a culture that not only protects its corporate name, but which strives to uphold the best practices of Corporate Governance.

The highlights of the significant principles, which the Company applies to comply with the Code, are as follows:

- a) The Board comprises of 9 non-executive Directors with one vacancy at present. Out of the 8 non-executive Directors 6 are nominees of institutional shareholders.
- b) The Board has adopted a manual of Disclosure Policy & Procedures - Material Information.
- c) An Audit Committee has been formed, comprising of 3 non-executive Directors.
- d) The internal audit function was in operation prior to the date of applicability of the Code. The function is outsourced to one of the leading firms of Chartered Accountants, PricewaterhouseCoopers, which undertakes its audit on a quarterly basis.

2. Board of Directors:

a) Composition of Board of Directors

S.No.	Name of Directors	Position	Category	Entity Represented	
1.	Mushtaq Abdullah Al Saleh	Chairman	Non-executive	Independent	Nil
2.	Warith Mubarak Al Kharusi	Dy. Chairman	Non-executive	Independent	Nil
3.	Hussain Saied Mohammed	Director	Non-executive	Nominee	NLIC
4.	Abdulaziz Mohamed Al Hinai	Director	Non-executive	Nominee	ODB
5.	Akbar Ali Habib	Director	Non-executive	Nominee	ONIC
6.	Shakirullah Durrani	Director	Non-executive	Nominee	OLP
7.	Humayun Murad	Director	Non-executive	Nominee	OLP
8.	Sami Haddad	Director	Non-executive	Nominee	IFC

NLIC	=	National Life Insurance Company
ODB	=	Oman Development Bank
ONIC	=	Oman National Investment Corporation Holding
OLP	=	ORIX Leasing Pakistan Limited
IFC	=	International Finance Corporation

b) Board of Directors meetings

During the year 5 meetings of Board of Directors were held on January 10, February 19, April 14, September 19, and November 9, 2002 respectively. The details of members' participation in the meetings along with their directorships in other companies are as follows:

S. No	Name of Directors	Position	Board meeting attended	Whether attended last AGM	Directorship in other Company's	Position in other Company
1.	Mushtaq Abdullah Al Saleh	Chairman	5	Yes	Gulf Hotels Co. Al-Khaleej Polypropylene	Director Director
2.	Warith Mubarak Al Kharusi	Deputy Chairman	5	Yes	National Investment Fund Co. Oman International Exchange Oman International Bank	Chairman Chairman Director
3.	Hussain Saied Mohammed	Director	5	Yes	Oman Holdings International	Director
4.	Abdulaziz Mohamed Al Hinai	Director	5	Yes	Export Credit Guarantee Agency Co. SAOC	Director
5.	Akbar Ali Habib	Director	5	Yes	Oman National Investment Corporation Holdings SAOG Gulf Hotel Co. Oman Investment & Finance Co.	Member of Steering Committee Director Director
6.	Shakirullah Durrani	Director	2	No	ORIX Leasing Pakistan Ltd. Pakistan ORIX Leasing Egypt SAE, Egypt Saudi ORIX Leasing Company, K.S.A. Frontier Ceramics Limited Pakistan National Fructose Company, Pakistan	Vice Chairman Director Director Chairman Chairman
7.	Humayun Murad	Director	5	Yes	ORIX Leasing Pakistan Ltd. Pakistan ORIX Investment Bank Pakistan Ltd. Pakistan ORIX Leasing Egypt SAE, Egypt Saudi ORIX Leasing Company. K.S.A. MAF ORIX Finance PJSC. U.A.E. Pakistan Poverty Alleviation Fund, Pakistan Pakistan Oman Investment Co. Pakistan	Chief Executive Director Director Director Director Director Director
8.	Sami Haddad	Director	Nil	No	Nil	Nil

Leave of absence was granted to Directors who could not attend the Board meeting.

3. Audit and other committees:

a) Audit Committee

The Audit Committee was formed in September 2002 and comprises of 3 non-executive Board members. During the year one meeting of the Committee was held. The details of the members and their attendance in the meeting held are as follow:

S.No.	Name of Directors	Position	Meeting attended
1.	Warith Mubarak Al Kharusi	Chairman	1
2.	Hussain Saied Mohammed	Member	1
3.	Abdulaziz Mohamed Al Hinai	Member	1

The main role of Audit Committee is to;

- assist the Board in assuring the integrity and credibility of the Company's financial reporting process,
- assist in appointing head of internal audit and selecting and evaluating external auditors, and
- oversee Company's internal control structure to prevent corporate improprieties, reduce the risk of unreliable financial reporting and protect Company's assets from misappropriation, and ensure legal and regulatory compliance.

b) Executive Committee

The Executive Committee consists of 3 nominated members of the Board and the General Manager. The present Committee was appointed on September 19, 2002. The current composition of the Committee and the number of meetings attended by each member are shown as under:

S.No.	Name of Members	Position	Meetings attended	Date Of appointment
1.	Mushtaq Abdullah Al Saleh	Chairman	1	19-09-02
2.	Akbar Ali Habib	Member	3	26-12-01
3.	Humayun Murad	Member	3	26-12-01
4.	Sunil Kumar Pherwani	Member	Nil	09-11-02

The role of Executive Committee includes;

- review and recommend business plan to the Board,
- review and recommend write offs and rescheduling of receivables
- credit approvals as per the Company policy and
- any other issues delegated by the Board from time to time.

4. Process of nomination of Directors:

The company is managed by a Board of Directors consisting of 9 members, elected for a term of three years subject to re-election as follows:

- Those who wish to nominate themselves to the membership of the Company's Board must submit an application form pursuant to the pro-forma prepared by the Capital Market Authority at least 10 days before the general meeting at which the election of Directors will take place.
- The Company reviews the application forms to ensure that the candidates satisfy the required conditions as per the provisions of the Commercial Companies Law.

5. Remuneration matters:

- Remuneration payable to Directors in respect of the 2002 financial year is shown below.

S.No.	Components	Chairman	Directors	Total
1.	Remuneration	Nil	Nil	Nil
2.	Sitting fees	1	8	9
	Total	1	8	9
	Number	1	7	8

b) Top 5 Executives

S.No.	Components	Executives
1.	Salary, allowances and benefits	118
2.	Bonus	Nil
3.	Retirement Benefits	7
	Total	125
	Number	5

All the Executives are provided with free use of Company owned and maintained cars and other benefits in accordance with their entitlements as per the rules of the Company. All the expatriate executives are covered under medical insurance scheme. Bonuses, if any, are distributed to employees subject to approval of Board of Directors.

c) Service contract, notice period and severance fee

In general, the contract terms for expatriate employees are for 2 years, which can be renewed. The notice period required for termination of employment ranges from 1-3 months.

6. Means of communication with the shareholders and investors:

The Company publishes quarterly accounts in two national newspapers and annual reports are sent to all Shareholders.

7. Market price data:**a) High / low price and index**

S.No.	Months, 2002	Market Price (RO)		Volume Traded	MSM Index	Relevant Sector
		High	Low			
1.	January	1.740	1.740	Nil	160.958	114.420
2.	February	1.740	1.740	Nil	157.565	114.049
3.	March	1.740	1.740	Nil	165.733	116.692
4.	April	1.740	1.740	Nil	167.496	113.312
5.	May	1.740	1.740	Nil	181.978	113.821
6.	June	1.740	1.740	Nil	185.313	112.298
7.	July	1.740	1.740	Nil	187.884	112.601
8.	August	1.740	1.740	Nil	183.086	107.642
9.	September	1.740	1.740	Nil	180.161	107.552
10.	October	1.740	1.740	Nil	179.795	106.798
11.	November	1.570	1.570	500	186.972	110.036
12.	December	1.570	1.570	Nil	191.864	112.039

b) Distribution of Shares

S.No.	Name of the Shareholder	No. of Share	%age
1.	Oman National Investment Corporation Holding	1,057,304	21.15%
2.	ORIX Leasing Pakistan Limited, Pakistan	1,012,327	20.25%
3.	Oman National Insurance Company	513,004	10.26%
4.	International Finance Corporation, (multi-lateral)	500,001	10.00%
5.	National Bank of Oman – Trust	285,148	5.70%
6.	The Oryx Joint Investment Fund	259,070	5.18%
7.	Oman Development Bank	253,083	5.06%
8.	Oman International Bank	249,981	5.00%
9.	National Share Fund	249,690	4.99%
10.	National Life Insurance Company	208,545	4.17%
	Others	411,847	8.24%
	Total	5,000,000	100.00%

8. Professional profile of statutory Auditors:

KPMG is an international accounting firm operating in 159 countries from 821 offices and having more than 100,000 staff. KPMG in Oman has over 70 employees including 3 partners and 12 managers and trains the largest number of Omanis in the auditing and accounting profession.

Mushtaq Abdullah Al Saleh
Chairman

Warith Mubarak Al Kharusi
Deputy Chairman

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF OMAN ORIX LEASING COMPANY SAOG

We have audited the balance sheet of Oman ORIX Leasing Company SAOG ("the Company") as of 31 December 2002 and the related statements of income and cash flows for the year then ended, set out on pages 9 to 24.

Respective responsibilities of the Board of Directors and Auditors

These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oman ORIX Leasing Company SAOG as at 31 December 2002 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board and the disclosure requirements of the Capital Market Authority, and comply, in all material respects, with the Commercial Companies Law of 1974, as amended.

19 February 2003

KPMG

Oman ORIX Leasing Company SAOG

Balance sheet

as at 31 December 2002

	Note	2002 RO'000	2001 RO'000
Assets			
Property and equipment	3	142	182
Assets subject to operating leases	4	-	73
Net investment in finance leases	5	25,303	34,279
Receivables and prepayments		186	210
Statutory deposit	6	30	30
Bank and cash	7	616	862
Total assets		26,277	35,636
Shareholders' funds and liabilities			
Shareholders' funds			
Share capital	8	5,000	5,000
Legal reserve	9	363	312
Foreign currency reserve	10	-	231
General reserve	11	231	-
Proposed dividend		-	250
Retained earnings		660	199
Total shareholders' funds		6,254	5,992
Liabilities			
Long-term loans	12	13,153	13,763
Bank overdrafts and short-term loans	13	5,092	13,646
Creditors, accruals and other liabilities	14	1,510	1,985
Income tax payable		268	250
Total liabilities		20,023	29,644
Total shareholders' funds and liabilities		26,277	35,636
Net assets		6,254	5,992
Net assets per share (Rials Omani)		1.251	1.198

The notes on pages 13 to 24 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on February 19, 2003 and signed on their behalf by:

_____ Chairman

_____ Director

The report of the Auditors is set forth on page 8.

Oman ORIX Leasing Company SAOG

Income statement

for the year ended 31 December 2002

	<i>Note</i>	2002 RO'000	2001 RO'000
Revenue			
Lease income		3,168	4,214
Interest income		31	59
Other income		260	166
		3,459	4,439
Expenses			
Interest expense		1,777	2,168
Selling, general and administrative expenses	<i>17</i>	802	859
Depreciation	<i>3</i>	62	53
Depreciation on assets subject to operating leases	<i>4</i>	21	44
		2,662	3,124
Operating profit before provisions		797	1,315
Provision for doubtful lease contract receivables	<i>5</i>	(189)	(647)
Operating profit after provision but before income tax		608	668
Income tax	<i>15</i>	(96)	(158)
Net profit for the year		512	510
Basic earnings per share (Baisas)	<i>19</i>	102	102

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Oman ORIX Leasing Company SAOG

Statement of changes in equity

for the year ended 31 December 2002

	Share capital RO'000	Legal reserve RO'000	Foreign currency reserve RO'000	General reserve RO'000	Proposed dividend RO'000	Retained earnings RO'000	Total RO'000
2002							
1 January	5,000	312	231	-	250	199	5,992
Net profit for the year	-	-	-	-	-	512	512
Directors' remuneration	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	(250)	-	(250)
Transfer to reserve	-	51	-	-	-	(51)	-
Other transfers	-	-	(231)	231	-	-	-
31 December	<u>5,000</u>	<u>363</u>	<u>-</u>	<u>231</u>	<u>-</u>	<u>660</u>	<u>6,254</u>
2001							
1 January	5,000	261	218	-	625	36	6,140
Net profit for the year	-	-	-	-	-	510	510
Directors' remuneration	-	-	-	-	-	(33)	(33)
Proposed dividend	-	-	-	-	250	(250)	-
Dividend paid	-	-	-	-	(625)	-	(625)
Transfer to reserve	-	51	13	-	-	(64)	-
31 December	<u>5,000</u>	<u>312</u>	<u>231</u>	<u>-</u>	<u>250</u>	<u>199</u>	<u>5,992</u>

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Oman ORIX Leasing Company SAOG

Cash flow statement

for the year ended 31 December 2002

	2002 RO'000	2001 RO'000
Operating activities		
Interest and rental receipts	16,886	17,999
Interest paid	(1,827)	(2,115)
Cash paid to suppliers and employees	(861)	(849)
	<hr/>	<hr/>
Cash generated from operations	14,198	15,035
Income tax paid	(78)	(104)
Change in operating assets and liabilities		
Net investment in finance leases	(4,945)	(16,741)
	<hr/>	<hr/>
Cash flows from operating activities	9,175	(1,810)
	<hr/>	<hr/>
Investing activities		
Proceeds from sale of assets subject to operating lease	47	28
Proceeds from sale of property and equipment	4	-
Purchase of property and equipment	(25)	(82)
	<hr/>	<hr/>
Cash flows from investing activities	26	(54)
	<hr/>	<hr/>
Financing activities		
Directors' remuneration paid	(33)	(37)
Term loans	(610)	100
Dividend paid	(250)	(625)
	<hr/>	<hr/>
Cash flows from financing activities	(893)	(562)
	<hr/>	<hr/>
Net change in cash and cash equivalents	8,308	(2,426)
Cash and cash equivalents at beginning of the year	(12,784)	(10,358)
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	(4,476)	(12,784)
	<hr/> <hr/>	<hr/> <hr/>
Cash and cash equivalents comprise:		
Bank and cash	616	862
Bank overdrafts and short-term loans	(5,092)	(13,646)
	<hr/>	<hr/>
	(4,476)	(12,784)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 24 form an integral part of these financial statements.

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Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

1 Legal status and principal activities

Oman ORIX Leasing Company SAOG (“the Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The principal activity of the Company is leasing business.

2 Principal accounting policies

Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”), interpretations issued by the Standing Interpretations Committee of the IASB, requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority.

Basis of preparation

These financial statements have been prepared under the historical cost basis. The accounting policies have been consistently applied in dealing with items which are considered material in relation to the Company’s financial statements and are consistent with those used in the previous year.

Leases and lease income

Assets owned by the Company but subject to finance leases are included in the financial statements as “investment in finance leases” at an amount equivalent to the net investment in the leases.

The Company follows the “financing method” in accounting for recognition of lease income. At the commencement of a lease, the total unearned lease income consists of the excess of aggregate lease contract receivables over the cost of the leased assets. At the time a lease is executed, a portion of unearned lease income, which approximates the initial costs directly associated with negotiating and consummating the lease is taken into income. The remainder of the unearned lease income is taken into income over the term of the lease, starting with the month in which the lease is executed, so as to produce a systematic return on the net investment in the lease.

Assets subject to operating leases are included in the financial statements as tangible fixed assets. Income from operating lease is recognised on a straight-line basis over the year of the lease.

General provision for doubtful lease contract receivables

General provision is made in these financial statements for potential doubtful lease receivables which are not presently identifiable but which are inherent in any portfolio.

Property & equipment

Property and equipment are stated at cost less accumulated depreciation. The cost of property and equipment is written off in equal instalments over their estimated useful economic lives of five years.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

2 Principal accounting policies (*continued*)

Depreciation on assets subject to operating leases

Assets subject to operating leases are depreciated over 3-5 years, having regard to the estimated residual value of the leased assets.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flow.

Directors' remuneration

In accordance with the Commercial Companies Law of 1974, Directors' remuneration is shown as an appropriation of profit instead of an expense.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Employee benefits

Contribution to a defined contribution retirement plan, for Omani employees in accordance with the Oman Social Insurance Scheme, are recognised as expense in the income statement as incurred.

Provision for non-Omani employee terminal contributions, which is an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and is based on the liability that would arise if the employment of all employees were terminated at the balance sheet date.

Foreign currency

Transactions denominated in foreign currencies are converted into Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into Rials Omani at exchange rates ruling on the balance sheet date. Foreign exchange differences arising on translation are recognised in the income statement.

Taxation

Tax for the year comprises current tax and deferred tax in accordance with the laws that have been enacted by the balance sheet date. Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates applicable for the year, and any adjustment of tax payable for previous years.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

2 Principal accounting policies (continued)

Taxation (continued)

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes. The tax value of losses expected to be available for utilisation against future taxable income is set off against the deferred tax liability. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3 Property and equipment

	<u>Office equipment</u> RO'000	<u>Motor vehicles</u> RO'000	<u>Furniture and fittings</u> RO'000	<u>Total</u> RO'000
<i>Cost</i>				
1 January 2002	149	84	122	355
Additions	23	-	2	25
Disposals	(2)	(8)	(3)	(13)
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2002	170	76	121	367
<i>Depreciation</i>				
1 January 2002	75	35	63	173
Charge for the year	27	15	20	62
Disposals	(2)	(6)	(2)	(10)
	<hr/>	<hr/>	<hr/>	<hr/>
31 December 2002	100	44	81	225
<i>Net book value</i>				
31 December 2002	70	32	40	142
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
31 December 2001	74	49	59	182
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

4 Assets subject to operating leases

	2002 RO'000	2001 RO'000
<i>Cost</i>		
1 January	211	286
Disposals	(211)	(75)
	<hr/>	<hr/>
31 December	-	211
<i>Depreciation</i>		
1 January	138	138
Charge for the year	21	44
Disposals	(159)	(44)
	<hr/>	<hr/>
31 December	-	138
	<hr/> <hr/>	<hr/> <hr/>
<i>Net book value</i>		
31 December	-	73
	<hr/> <hr/>	<hr/> <hr/>

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

5	Net investment in finance leases	2002	2001
		RO'000	RO'000
	Lease contract receivables	31,175	42,108
	Unearned lease income	(4,106)	(6,210)
	General provision for doubtful lease contract receivables	(1,766)	(1,619)
	Net investment in finance leases	25,303	34,279
	Unearned lease income		
	1 January	6,210	6,181
	Addition during the year	1,016	4,179
	Recognized during the year	(3,120)	(4,150)
	31 December	4,106	6,210
	Provision for doubtful lease contract receivables		
	1 January	1,619	972
	Provided during the year	189	647
	Written off during the year	(42)	-
	31 December	1,766	1,619

Income is suspended on lease contract receivables, which are overdue for more than 90 days and is included in unearned lease income. At 31 December 2002 suspended income amounted to approximately RO 0.565 million (2001: RO 0.456 million).

As at 31 December 2002, the net finance amount of contracts on which income has been suspended amounted to approximately RO 7.242 million (2001: RO 8.254 million).

6 Statutory deposit

The Company is required to maintain a deposit of RO 30,000 with the Central Bank of Oman in accordance with the licensing regulations. During the year the deposit earned interest at the rate of 3.5% (2001: 5%) per annum.

7 Bank and cash

Deposit	362	603
Current accounts	253	259
Cash in hand	1	-
	616	862

During the year, the deposit placed with a local commercial bank earned interest at rates ranging between 1.25% and 7.5% (2001: 7.5%) per annum. The deposit is under lien against borrowing facilities (see note 13).

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

8 Share capital

Authorised and paid up capital

The authorised capital consists of 8 million (2001: 8 million) shares of RO 1 each.

Shareholders

Shareholders who own 10% or more of the Company's share capital are:

	2002		2001	
	Shares held	(%)	Shares held	(%)
Oman National Investment Corporation Holding SAOG	1,057,304	21.1	1,057,304	21.1
ORIX Leasing Pakistan Limited	1,012,327	20.2	1,012,327	20.2
Oman National Insurance Company SAOC	513,004	10.3	513,004	10.3
International Finance Corporation	500,001	10.0	500,001	10.0
	=====	==	=====	==

Proposed dividend

After 31 December 2002, the Board of Directors have proposed a cash dividend of Nil per share (2001: 5%), totalling RO Nil (2001: RO 250,000).

Directors' remuneration

For the year 2002, the Board of Directors have recommended no amount as Directors' remuneration (2001: RO 33,000).

9 Legal reserve

In accordance with Article 106 of the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year, are made to this legal 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.

10 Foreign currency reserve

This reserve was created as per the directives of the Central Bank of Oman for un-hedged foreign currency loan. During 2002, this reserve has been released and transferred to a general reserve, as the un-hedged foreign currency loan has been fully settled.

11 General reserve

This represents a distributable reserve established during the year ended 31 December 2002 by a transfer from foreign currency reserve.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

12	Long-term loans	2002 RO'000	2001 RO'000
	Commercial banks	12,791	13,160
	International Finance Corporation	362	603
		<u>13,153</u>	<u>13,763</u>

The Company has entered into long-term loan agreements with commercial banks in the aggregate amount of RO 19.54 million (2001: RO 18.1 million). These loans carry interest at the rates ranging between 4.3% and 10.25% (2001: 4.2% and 10.25%) per annum. These loans are secured against pari-passu floating charge over the assets of the Company.

The Company has entered into a long-term loan agreement with International Finance Corporation ("IFC"), a shareholder, whereby IFC has provided a loan to the Company in the total amount of RO 1.93 million. Interest is charged at 8-3/16% per annum. The loan is repayable in sixteen half yearly instalments of RO 120,625 commencing 1 December 1996. The loan is secured against pari-passu floating charge over the assets of the Company or negative pledge, provided no other long-term lender has a first charge on the assets of the Company.

13 **Bank overdrafts and short-term loans**

The Company has borrowing facilities from commercial banks for an aggregate amount of approximately RO 6.8 million (2001: RO 17.5 million), which are entirely secured against pari-passu floating charge over the assets of the Company (2001: RO. 15.5 million) and lien on deposit (see note 7). Interests on bank borrowings ranged between 3.25% and 10% (2001: 3.8% and 10%) per annum.

14 **Creditors, accruals and other liabilities**

Leased assets payable	559	633
Interest and financial charges payable	57	107
Directors' remuneration payable	-	33
Accruals for expenses	92	182
Staff terminal benefits payable	37	28
Other liabilities	765	1,002
	<u>1,510</u>	<u>1,985</u>

Staff terminal benefits

The movement in the net liability in respect of unfunded defined benefit retirement plan during the year is as follows:

1 January	28	17
Expense recognised in the income statement	21	13
Paid to employees during the year	(12)	(2)
	<u>37</u>	<u>28</u>
31 December	<u>37</u>	<u>28</u>

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

15	Income tax	2002 RO'000	2001 RO'000
	<i>Components of income tax:</i>		
	Current tax	99	185
	Increase in deferred tax asset	(3)	(27)
		<u>96</u>	<u>158</u>

Reconciliation of tax expense:

The Company is liable to income tax, in accordance with the income tax laws of the Sultanate of Oman, at 12% of taxable profits in excess of RO 30,000. The following is reconciliation of income taxes calculated at the applicable tax rate with the income tax expense:

Profit before income tax	608	668
Tax at the rate mentioned above	69	77
Tax effect of items that are deductible in determining taxable profit	-	(4)
Contingencies	27	
85		
Income tax expense	<u>96</u>	<u>158</u>

Deferred tax:

Temporary differences, which give rise to deferred tax assets:

Depreciation	3	12
Provision for doubtful lease receivables	(18)	(24)
	<u>(15)</u>	<u>(12)</u>

Status of tax assessments:

The Company's income tax assessments for the years up to 1997 have been completed by the Secretariat General for Taxation at the Ministry of Finance ("the Department"). The Department has sought to disallow provision for doubtful lease contract receivables as a deduction from the taxable income. The Company has filed an appeal with the Tax Committee contesting the Department's assessments in respect of the years 1996 and 1997. The Company's income tax assessments for the years 1998 to 2001 have not been finalised by the Department. The Directors are of the opinion that any taxes which may be assessed following the decisions of the Tax Committee would not be significant to the Company's financial position at 31 December 2002.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

16 Related party transactions

The Company has entered into transactions in the ordinary course of business with entities in which certain Directors have a significant influence. Interest charged on long-term loan and other transactions are on terms, which the Directors believe correspond to terms of normal arm's length transactions with third parties. The nature of significant related party transactions during the year were approximately as follows:

	2002 RO'000	2001 RO'000
Lease income related to:		
Shareholders holding 10% or more interest in the Company	1	1
	<u> </u>	<u> </u>
Interest expense related to:		
Shareholders holding 10% or more interest in the Company	43	63
	<u> </u>	<u> </u>
Office rent expense related to:		
Shareholders holding 10% or more interest in the Company	4	36
	<u> </u>	<u> </u>
Salaries and allowances paid to Directors:		
Chairman – remuneration	5	5
– sitting fees	1	1
Board of Directors – remuneration	28	32
– sitting fees	8	8
	<u> </u>	<u> </u>
	42	46
	<u> </u>	<u> </u>
Net investment in finance leases related to:		
Shareholders holding 10% or more interest in the Company	-	13
	<u> </u>	<u> </u>
Due to:		
Shareholders holding 10% or more interest in the Company	3	16
	<u> </u>	<u> </u>

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

	2002 RO'000	2001 RO'000
17 Selling, general and administrative expenses		
Personnel costs	517	527
Direct costs of leasing	66	88
Occupancy costs	44	44
Communication costs	51	66
Professional fees and subscriptions	53	46
Advertising and sales promotion	11	11
Directors' sitting fees	9	6
Other office expenses	51	71
	<u>802</u>	<u>859</u>

Personnel costs

Salaries and allowances	381	336
Other benefits	103	168
Contributions to defined contribution retirement plan	12	10
Increase in liability for unfunded defined benefit retirement plan	21	13
	<u>517</u>	<u>527</u>

The number of employees as at 31 December 2002 was 73 (2001: 73).

Public Authority for Social Insurance Scheme ("the Scheme")

The Company contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Company and Omani employees are required to make monthly contributions to the Scheme based on fixed percentages of basic salaries.

Non Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of Oman Labour Law of 1973. This is an unfunded defined benefits retirement plan. Employees are entitled to benefits based on length of service and final remuneration. Accrued staff terminal benefits are payable on termination of employment.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

18 Analysis of significant assets and liabilities

a) Maturity analysis

	Assets		Liabilities	
	Bank and cash RO'000	Gross investment in finance leases RO'000	Bank overdrafts and short term loans RO'000	Long term loans RO'000
2002				
0-6 months	374	10,216	5,092	3,863
6-12 months	121	5,371	-	3,132
1-2 years	121	8,360	-	3,020
2-3 years	-	5,077	-	2,150
3-4 years	-	1,793	-	988
4-5 years	-	358	-	-
Over 5 years	-	-	-	-
	<u>616</u>	<u>31,175</u>	<u>5,092</u>	<u>13,153</u>
2001				
0-6 months	379	11,386	13,646	2,058
6-12 months	121	6,793	-	1,741
1-2 years	241	11,095	-	5,744
2-3 years	121	7,616	-	2,020
3-4 years	-	4,238	-	1,400
4-5 years	-	979	-	800
Over 5 years	-	1	-	-
	<u>862</u>	<u>42,108</u>	<u>13,646</u>	<u>13,763</u>

b) Interest rate analysis

2002				
0% - less than 6%	616	-	2,092	769
6% - less than 12%	-	531	3,000	12,384
12% and above	-	30,644	-	-
	<u>616</u>	<u>31,175</u>	<u>5,092</u>	<u>13,153</u>
2001				
0% - less than 6%	259	-	7,232	1,093
6% - less than 12%	603	414	6,414	12,670
12% and above	-	41,694	-	-
	<u>862</u>	<u>42,108</u>	<u>13,646</u>	<u>13,763</u>

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

18 Analysis of significant assets and liabilities (continued)

c) Customer concentration of gross investment in finance leases

	2002 RO'000	2001 RO'000
Personal	18,509	24,712
Corporate	12,666	17,396
	<u>31,175</u>	<u>42,108</u>

d) Geographical concentration

	Assets		Liabilities	
	Bank and Cash RO'000	Gross investment in finance leases RO'000	Bank overdrafts and short term loans RO'000	Long-term loans RO'000
2002				
Sultanate of Oman	616	31,175	5,092	12,021
Other countries	-	-	-	1,132
	<u>616</u>	<u>31,175</u>	<u>5,092</u>	<u>13,153</u>
2001				
Sultanate of Oman	862	42,108	13,646	12,390
Other countries	-	-	-	1,373
	<u>862</u>	<u>42,108</u>	<u>13,646</u>	<u>13,763</u>

e) Economic sector concentration of gross investment in finance leases

	2002 RO'000	2001 RO'000
Trading and Constructing	2,094	2,797
Manufacturing	354	386
Services	10,218	14,213
Consumer	18,509	24,712
	<u>31,175</u>	<u>42,108</u>

19 Basic earnings per share

The calculation of basic earnings per share is based on net profit for the year attributable to ordinary shareholders in the amount of approximately RO 512,000 (2001: RO 510,000) and on 5,000,000 (2001: 5,000,000) being the weighted average number of ordinary shares outstanding during the year.

Oman ORIX Leasing Company SAOG

Notes

forming part of the financial statements

20	Commitments	2002 RO'000	2001 RO'000
	Approved leased commitments	244	546
		<u><u> </u></u>	<u><u> </u></u>

21 Financial instruments

Financial assets of the Company include cash and bank balances, net investment in finance leases and receivables. Financial liabilities include creditors, bank overdrafts, and long-term loans.

Exposure to credit, interest rate, maturity mismatch and foreign currency risks arises in the normal course of the Company's business.

Credit risk

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. The Company has established procedures to manage credit exposure including credit approvals, credit limits, collateral and guarantee requirements.

Maturity mismatch risk

The Company faces a maturity mismatch risk as the weighted average life of assets are marginally above the weighted average life of liabilities. This risk is being mitigated by the Management by negotiating revolving credit facilities from commercial banks.

Foreign currency risk

The foreign currency transactions are in US Dollars. The Company enters into forward exchange contracts to hedge any significant risks arising from foreign currency transactions. At 31 December 2002, forward contracts outstanding were in the aggregate amount of USD 6.5 million (approximately RO 2.5 million).

Fair value

The Directors consider the fair values of all financial assets and liabilities to approximate their carrying amounts at 31 December 2002.

22 Comparative figures

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.