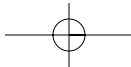
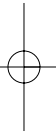
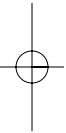
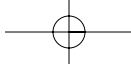




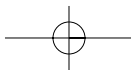
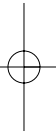
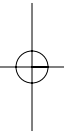
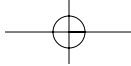
Oman ORIX Leasing Company SAOG

Annual
Report
2004



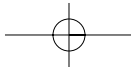
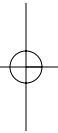
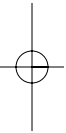
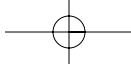


His Majesty Sultan Qaboos Bin Said





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COMPANY INFORMATION

Board of Directors

| | |
|---------------------------------|-----------------|
| Mr. Salem Nasser Al Ismaily | Chairman |
| Mr. Akbar Ali Habib | Deputy Chairman |
| Shaikh Khalid Hilal Al Ma'awali | Director |
| Mr. Darius Soli Framroze | Director |
| Mr. Yaser Gamali | Director |
| Mr. Tariq R. Al Majid | Director |
| Mr. Fumihiko Sato | Director |
| Mr. Humayun Murad | Director |
| Mr. Saeed Reza | Director |

General Manager

Mr. Sunil Kumar Pherwani

Bankers

Bank Dhofar SAOG
 Bank Muscat SAOG
 Bank Melli Iran
 Bank of Baroda
 Banque Banorabe S.A
 Emirates Bank International PJSC, UAE
 Gulf International Bank BSC, Bahrain
 Habib Bank Limited
 HSBC Bank Middle East
 National Bank of Oman SAOG
 National Bank of Abu Dhabi
 Oman Arab Bank SAOC
 Oman International Bank SAOG
 Standard Chartered Bank

Auditors

PricewaterhouseCoopers

Legal Advisor

Al Alawi, Mansoor Jamal & Co.

Registered Office:

3rd Floor, Rumaila 106, Wattayah, P.O.Box 106, Postal Code 118, Muscat-Sultanate of Oman,
 Tel: 968-24565612, Fax: 968-24565610, 24567940, E-mail: oolc@omanorix.com, Website: www.omanorix.com

Branch Offices:

Sohar: Al-Tareef, P.O. Box 166, Postal Code 321, Sohar-Sultanate of Oman,
 Tel: 968-26844630-31, Fax: 968-26844772, E-mail: orixsohar@omanorix.com
Salalah: Hamilton Plaza Hotel, P.O. Box 2762, Postal Code 211, Salalah-Sultanate of Oman,
 Tel: 968-23211946-47 Fax: 968-23211948, E-mail: orixsalalah@omanorix.com



SHAREHOLDERS' LIST & FIVE YEARS' SUMMARY AT A GLANCE

Name of Shareholder

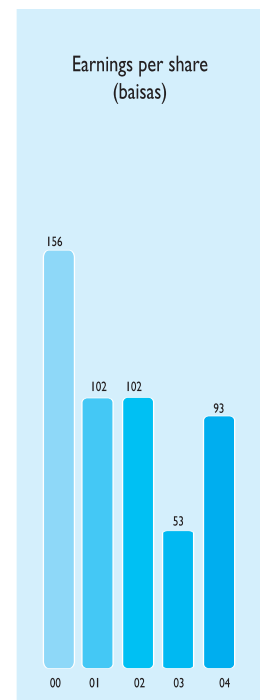
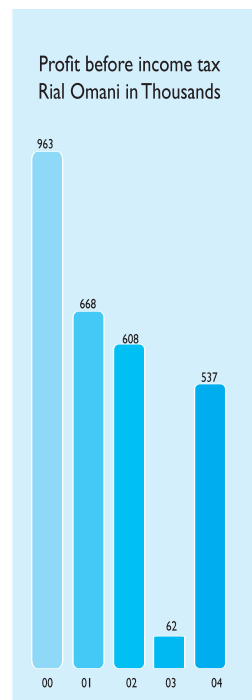
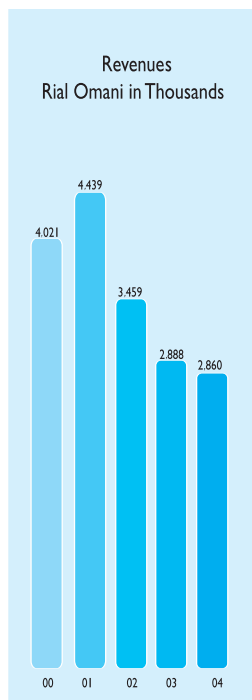
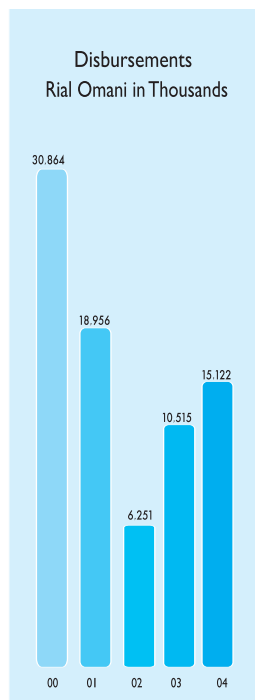
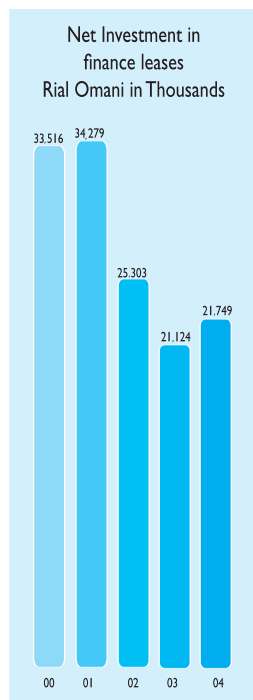
Percentage

| | |
|---------------------------------------------------|----------------|
| Majid Al Futtaim Trust LLC | 24.96% |
| Oman National Investment Corporation Holding SAOG | 21.15% |
| ORIX Leasing Pakistan Limited | 20.24% |
| A' Sharqia Investment Holding Company SAOG | 10.65% |
| Port Services Corporation SAOG | 5.06% |
| Oman International Bank SAOG | 5.00% |
| National Life Insurance Company SAOC | 4.17% |
| Arabian Entertainment Services Company | 2.90% |
| Others | 5.87% |
| Total | 100.00% |

Five Years' Summary at a Glance

Rial Omani in Thousands

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------------------------|--------|--------|--------|--------|--------|
| Net Investment in finance leases | 33,516 | 34,279 | 25,303 | 21,124 | 21,749 |
| Disbursements | 30,864 | 18,956 | 6,251 | 10,515 | 15,122 |
| Revenues | 4,021 | 4,439 | 3,459 | 2,888 | 2,860 |
| Profit before income tax | 963 | 668 | 608 | 62 | 537 |
| Earnings per share (baisas) | 156 | 102 | 102 | 53 | 93 |





REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders

On behalf of the directors, I am pleased to present the eleventh annual report together with the audited financial statements for the financial year ended December 31, 2004.

Review of results

Your Company earned net profit after tax of RO 0.465 million being 74% higher than profit of RO 0.267 million earned in the previous year. Operating profit before provisions amounted to RO 1.196 million (2003: RO 0.874 million), an improvement of 37% over 2003. The significant improvement in profitability was the combined effect of steady increase in business volume and lower financial charges.

Business volume increased by 44% to RO 15.122 million, as compared to RO 10.515 million in 2003 through a strong emphasis on controlled growth and a focus on credit quality. Consequently, lease portfolio increased to RO 24.976 million (2003: RO 23.702 million).

Total revenue was marginally lower at RO 2.86 million (2003: RO 2.89 million). However, the Company benefited from a substantial reduction in finance costs through restructuring of loans at lower rates. Financial charges for the year amounted to RO 0.607 million, 46% lower than RO 1.124 million for last year. Owing to growth in operations, operating costs were 19% higher at RO 0.990 million compared to RO 0.830 million for 2003.

Your Company continued to follow prudent provisioning policy for overdue accounts and is in full compliance with the rules of provisioning under circular FM 13 as laid by the Central Bank of Oman (CBO) and International Financial Reporting Standards (IFRS). The charge for provision for doubtful lease receivables was RO 0.659 million (2003: RO 0.812 million) and the accumulated provision amounting to RO 3.227 million is 12.9% of investment in leases.

Last year the Board of Directors had created a non-distributable special reserve of RO 0.783 million to cover future potential lease losses under advice from CBO. The basis of calculation of the reserve amount was in accordance with CBO Circular No. FM/13 dated January 10, 2004. On the back of strong recoveries and adequate provision for doubtful receivables, the special reserve is no longer required and transferred to retained earnings.

The Company prepares financial statements in accordance with IFRS including International Accounting Standards (IAS). IAS 17 (Accounting for Leases) has been revised with effect from January 1, 2005. The change shifts the accounting of costs relating to consummating a lease from upfront recognition of income equal to these costs, to deferral of costs over the period of lease. The net effect is reduced profitability in the early part of the lease term and increase in the latter part. Over the life of a lease contract there is no change in profits. Your Company will present future financial statements in accordance with the revised IAS 17, which becomes effective from January 1, 2005.

Dividend

The Directors are pleased to recommend a cash dividend of 6% (2003: Nil) out of current year's profit subject to approval at the Annual General Meeting. The proposed dividend is in line with the Company's Dividend distribution policy.

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 (CMA) to promote transparency and full disclosure of material information. In this regard, your Company 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. During the year the Board adopted a Privacy Policy aimed at protecting customer information, in compliance with CBO's requirement.



REPORT OF THE BOARD OF DIRECTORS

A Procurement Manual and Manual for Related Party Transactions are in the process of preparation in compliance with CMA requirements.

Future Prospects

The Company recognizes the challenges of the future and has identified the steps, both immediate and long term, which are required for sustained growth. More emphasis will be laid on product diversification, geographical expansion through new branches and continued focus on high standards of services. The Company has recently been granted license by CBO to commence factoring business and a license to open a branch at Nizwa.

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 65% (2003: 61%) 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.

A handwritten signature in black ink, appearing to read "Salem Nasser Al Ismaily".

Salem Nasser Al Ismaily
Chairman



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Introduction

During 2004, the Company focussed on controlled growth, credit quality, reduction in borrowing costs and reduction in overdues. Good progress was made on these fronts with the volume of business being 44% higher than the previous year. Growth is expected to continue in 2005 through geographical diversification and increase in volume of corporate business.

The Company's operating and financial position is elaborated below. This should be read in conjunction with the financial statements and related notes for a better understanding.

Industry Trends & Development

Oman's Economy

The economy performed well during the review period with high oil prices and increasing non-oil revenues. High oil prices created a surge of liquidity reducing interest rates to historically low levels and improving the investment climate. The government announced a number of initiatives to take advantage of its sound financial position. Projects announced include investment in oil recovery programme, Southern Expressway, Sohar Steel Complex and Wave Resort, all of which will contribute to the economy in the coming years.

Leasing Sector

The Sultanate's leasing sector comprises of six companies providing financial leasing and instalment credit. They compete against loan financing provided by commercial banks and in-house instalment credit provided by major car and equipment dealers, which also offer operating leases.

Automobile and equipment dealers are a major source of referred business for the leasing sector. The Company, therefore, maintains excellent relationships with them while following prudent credit policies.

Opportunities & Threats

The new infrastructure projects announced will increase Government spending and, it is anticipated, will increase demand for financing of equipment and commercial vehicles. This, in addition to auto finance, would be the targeted areas of business.

The Company extends policy of risk diversification to all aspects of its activities including borrowings. It has facilities from 7 major banks and enjoys cordial relationships with them.

The challenges include rising indebtedness in the retail segment, decreasing oil production and increased competition, which the Company has duly addressed in its business plan and strategies.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Operating and Financial Performance

The financial performance of the Company for the last three years was as follows:

| | 2004 | 2003 | RO in '000 2002 |
|--------------------------------------------------|---------|---------|--------------------|
| Lease Income | 2,597 | 2,645 | 3,168 |
| Financial Expenses | (607) | (1,124) | (1,777) |
| Net Lease Income | 1,990 | 1,521 | 1,391 |
| Interest and other income | 263 | 243 | 291 |
| Operating income | 2,253 | 1,764 | 1,682 |
| Operating expenses | (1,057) | (890) | (885) |
| Profit before provision and tax | 1,196 | 874 | 797 |
| Provision for doubtful receivables | (659) | (812) | (189) |
| Profit before income tax | 537 | 62 | 608 |
| Taxation | (72) | 205 | (96) |
| Net Profit for the year | 465 | 267 | 512 |
| Investment in leases | 24,976 | 23,702 | 27,069 |
| Less: General Provision for doubtful receivables | 3,227 | 2,578 | 1,766 |
| Net investment in leases | 21,749 | 21,124 | 25,303 |
| Total Borrowing | 13,112 | 13,567 | 18,245 |
| Total Shareholders Funds | 6,986 | 6,521 | 6,237 |
| NFA of infected portfolio | 4,716 | 6,107 | 7,242 |
| Return on average equity | 6.89% | 4.18% | 8.37% |
| Return on average assets | 2.09% | 1.11% | 1.65% |
| Debt equity ratio | 1.88 | 2.08 | 2.93 |
| Earnings per share (Baisas) | 93 | 53 | 102 |

The highlights for the year 2004 were as follows:

- Net lease income grew by 31% over the previous year to RO 1.99 million.
- Profit before provisions was RO 1.19 million, which was 37% higher than 2003.
- Accumulated provisions for doubtful receivables were 12.92% of the investment in leases as against 10.88% in the previous year.
- Net financed amount of the infected portfolio was 23% lower than 2003.

Risk Management

The Company's business is such that in the normal course it is vulnerable to risks, described below. These are managed within a prudent framework of policies and reviewed on an ongoing basis by the Board of Directors, its committees and management.



MANAGEMENT DISCUSSION & ANALYSIS REPORT

Credit & Portfolio Risk

Oman ORIX Leasing Company SAOG follows a conservative credit policy, which ensures sound quality of the lease portfolio. The policy is reviewed at periodic intervals and revised in light of developments in the economy and regulatory framework. In addition, provisions are made on a prudent basis against doubtful receivables.

The Company has a sound system of receivables management with an automated process for follow up of delinquent accounts. The process is closely monitored by a team of collectors under the supervision of Head of Special Asset Management.

Asset / Liability Mismatch

The Company obtains long-term facilities wherever possible to minimize asset / liability maturity mismatch.

Interest Rate Risk

As with any financial institution, the Company is exposed to interest rate risk due to changes in market rates. The Company mitigates this risk by maintaining a constant spread on new business and borrowing at fixed rates wherever commercially viable.

Foreign Exchange Rate Risk

The Company is exposed to risk of fluctuation in exchange rates on its foreign currency borrowing. It mitigates the risk, to the extent possible, through forward cover of its repayment obligations.

Internal Audit and Compliance

Internal controls have been implemented to identify, evaluate and manage significant risks faced by the Company in the course of its business. The control processes are based on documented policies and procedures to cover financial, operational and compliance risks.

The internal audit function is outsourced to one of the leading firms of Chartered Accountants, M/s Moore Stephens. Quarterly findings, along with the management responses, are reported directly to the Audit Committee and thereafter to the Board of Directors. Further, the Company's operations are subject to examination by the Central Bank of Oman and the external auditors.

Outlook

The economy should benefit from continuing high oil prices and permit greater government expenditure on development projects and public services to diversify the economy and develop natural resources. The Company is geared to take advantage of resulting business opportunities in the consumer and corporate sectors to achieve growth in profits. Its plan to expand the branch network and product range during 2005 will also contribute to growth in profits.



CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2004

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 under the Code 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 out of which 4 Directors are nominees of institutional shareholders.
- b) The internal audit function is outsourced to one of the leading firms of Chartered Accountants, Moore Stephens, which undertakes its audit on a quarterly basis.

2. Board of Directors:

The composition of Board of Directors is as follows:

| Name of Directors | Position | | Category | Entity Represented |
|---------------------------------|-----------------|---------------|-----------------|--------------------|
| Salem Nasser Al Ismaily | Chairman | Non-executive | Nominee | NLIC |
| Akbar Ali Habib | Deputy Chairman | Non-executive | Nominee | ONICH |
| Shaikh Khalid Hilal Al Ma'awali | Director | Non-executive | Independent | None |
| Darius Soli Framroze | Director | Non-executive | Non-Shareholder | None |
| Yaser Gamali | Director | Non-executive | Nominee | MAFT |
| Tariq R. Al Majid | Director | Non-executive | Independent | None |
| Fumihiko Sato | Director | Non-executive | Independent | None |
| Humayun Murad | Director | Non-executive | Independent | None |
| Syed Saeed Reza | Director | Non-executive | Nominee | OLP |

The details of Directors who resigned during the year were as follows:

| Name of Directors | Position | | Category | Entity Represented |
|---------------------|----------|---------------|-------------|--------------------|
| Nagaaki Esaki | Director | Non-executive | Independent | None |
| Shakirullah Durrani | Director | Non-executive | Nominee | OLP |

| | | |
|-------|---|---------------------------------------------------|
| NLIC | = | National Life Insurance Company SAOC |
| ONICH | = | Oman National Investment Corporation Holding SAOG |
| MAFT | = | Majid Al Futtaim Trust LLC |
| OLP | = | ORIX Leasing Pakistan Limited |



CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2004

Board of Directors Meetings

During the year 5 meetings of Board of Directors were held on January 19, February 11, April 25, July 21, and October 28, 2004 respectively. The details of members' participation in the meetings along with their directorships in other companies are as follows:

| Name of Director | Position | Board meetings attended | Whether attended last AGM | Directorship in other Companies | Position in other Company |
|---------------------------------|-----------------|-------------------------|---------------------------|---------------------------------------------------|---------------------------|
| Salem Nasser Al Ismaily | Chairman | 3 | Yes | Bank Muscat SAOG | Director |
| | | | | Oman Oil Marketing Company | Director |
| | | | | Renaissance Services | Director |
| Akbar Ali Habib | Deputy Chairman | 5 | Yes | Al Ahlia Insurance Company SAOC | Acting Chairman |
| | | | | National Life Insurance Company SAOC | Chairman |
| | | | | Oman Investment & Finance Company | Deputy Chairman |
| | | | | Alliance Housing Bank | Director |
| Shaikh Khalid Hilal Al Ma'awali | Director | 5 | No | Port Services Corporation | Director |
| | | | | Al Batinah Hotels | Vice Chairman |
| | | | | Oman National Investment Corporation Holding SAOG | Director |
| Darius Soli Framroze | Director | 5 | Yes | Al Ahlia Insurance Company SAOC | Director |
| | | | | Al Anwar Holding Company SAOG | Director |
| | | | | Oman National Dairy Product Company SAOG | Director |
| | | | | WWW. Networks FZ Co, UAE | Director |
| Yaser Gamali | Director | 2 | No | ORIX Leasing Egypt SAE, Egypt | Director |
| | | | | GAMCOR PTY Limited, Australia | Director |
| | | | | MAF ORIX Finance PJSC, UAE | Director |
| Tariq R. Al Majid | Director | 3 | No | MAF ORIX Finance PJSC, UAE | Chairman |
| Fumihiko Sato | Director | 2 | No* | ORIX Leasing Pakistan Limited, Pakistan | Director |
| | | | | ORIX Investment Bank Pakistan Limited, Pakistan | Director |
| | | | | ORIX Leasing Egypt SAE, Egypt | Director |
| | | | | Saudi ORIX Leasing Company, KSA | Director |
| | | | | MAF ORIX Finance PJSC, UAE | Managing Director |
| Humayun Murad | Director | 5 | No | ORIX Leasing Pakistan Limited, Pakistan | Chief Executive |
| | | | | ORIX Investment Bank Pakistan Limited, Pakistan | Director |
| | | | | ORIX Leasing Egypt SAE, Egypt | Director |
| | | | | Saudi ORIX Leasing Company, KSA | Director |
| | | | | MAF ORIX Finance PJSC, UAE | Director |
| | | | | Pakistan Oman Investment Company, Pakistan | Director |
| Syed Saeed Reza | Director | 1 | No** | None | - |

* Temporary Director appointed on July 21, 2004.

** Appointed Director on July 21, 2004.

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



CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2004

3. Audit and other committees:

a) Audit Committee

The Audit Committee comprises of 3 non-executive Board members. During the year 5 meetings of the Audit Committee were held on February 11, April 25, July 21, October 27 and December 26, 2004 respectively. The details of the members and their attendance in the meeting held are as follows:

| Name of Directors | Position | Meeting attended | Date of appointment |
|---------------------------------|-----------|------------------|---------------------|
| Shaikh Khalid Hilal Al Ma'awali | Chairman* | 4 | 19-04-03 |
| Dairus Soli Framroze | Chairman | 5 | 19-04-03 |
| Yaser Gamali | Member | 2 | 19-04-03 |
| Fumihiko Sato | Member | 1 | 28-10-04 |

* Resigned on October 28, 2004.

The main role of Audit Committee is to;

- Assist the Board in appointment of external and internal auditors in the context of their independence, compensation and terms of engagement.
- Assist the Board in oversight of financial statements in general and with particular reference to review of Annual and quarterly financial statements.
- Oversee internal audit function and ensure adequacy of internal controls.
- Review risk management policies and specific transactions with related parties.
- Ensure the Company's compliance with legal and regulatory requirements.

b) Executive Committee

The Executive Committee consists of 4 members of the Board and the General Manager. During the year 1 meeting of the Executive Committee was held. The composition of the Committee and the number of meetings attended by each member are shown as under:

| Name of Directors | Position | Meeting attended | Date of appointment |
|----------------------|----------|------------------|---------------------|
| Akbar Ali Habib | Chairman | 1 | 26-12-01 |
| Yaser Gamali | Member | - | 19-04-03 |
| Tariq R. Al Majid | Member | 1 | 19-04-03 |
| Humayun Murad | Member | 1 | 26-12-01 |
| Sunil Kumar Pherwani | Member | 1 | 09-11-02 |

The role of Executive Committee includes;

- Review and recommendation of business plan to the Board
- Review and recommendation of 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.



CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2004

4. Internal Control Review:

The Company has implemented various internal control systems in its financial operation and business operations. The Board of Directors has set up an Audit Committee of the Board having 3 of the Board of Directors as its members. This Committee supervises the activities of the internal auditors. There are well-defined policies and procedures for all financial and business transactions of the Company. The Company has well documented procedures for its affairs to be managed with acceptable controls and the Board of Directors has found these controls to be in line with established practices.

5. 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.

6. Remuneration matters:

- The sitting fees and remuneration has been paid / provided to Board of Directors as follows:

| Name of Directors | Position | Amount in Rial Omani | | |
|---------------------------------|-----------------|----------------------|-----------------------|---------------|
| | | Sitting fees paid | Proposed Remuneration | Total |
| Salem Nasser Al Ismaily | Chairman | 750 | 5,000 | 5,750 |
| Akbar Ali Habib | Deputy Chairman | 1,500 | 4,000 | 5,500 |
| Shaikh Khalid Hilal Al Ma'awali | Director | 1,500 | 4,000 | 5,500 |
| Darius Soli Framroze | Director | 1,500 | 4,000 | 5,500 |
| Yaser Gamali | Director | 600 | 4,000 | 4,600 |
| Tariq R. Al Majid | Director | 900 | 4,000 | 4,900 |
| Fumihiko Sato | Director | 400 | 4,000 | 4,400 |
| Humayun Murad | Director | 1,500 | 4,000 | 5,500 |
| Syed Saeed Reza | Director | 200 | 4,000 | 4,200 |
| Nagaki Essaki | Ex-Director | 600 | - | 600 |
| Total | | 9,450 | 37,000 | 46,450 |

- During the year the Company incurred aggregate employment costs of RO 116,021/- in respect of its 5 senior most executives.

7. Details of non-compliance by the Company:

The Company has complied with all the regulatory requirements during the year 2004.

8. Means of communication with the shareholders and investors:

The Company publishes quarterly accounts in two national newspapers and also submits the same to Muscat Securities Market. Annual reports are mailed to all shareholders. The financial statements of the Company for the last 3 years are also available on the Company's website at www.omanorix.com.

CORPORATE GOVERNANCE REPORT

For the year ended 31 December 2004

9. Market price data:

a) High / low price and index

| Months, 2004 | Market Price (RO) | | Volume Traded | MSM Index | Relevant Sector |
|--------------|-------------------|-------|---------------|-----------|-----------------|
| | High | Low | | | |
| January | 1.800 | 1.800 | 100 | 291.3 | 145.9 |
| February | 1.770 | 1.770 | 22,750 | 295.9 | 149.1 |
| March | 1.770 | 1.770 | 1,900 | 296.2 | 144.6 |
| April | 1.800 | 1.770 | 1,800 | 306.3 | 147.5 |
| May | 1.750 | 1.730 | 270,690 | 320.9 | 144.7 |
| June | 1.780 | 1.780 | 500 | 345.8 | 146.9 |
| July | 1.780 | 1.650 | 450 | 344.1 | 154.0 |
| August | 1.780 | 1.780 | - | 341.4 | 152.5 |
| September | 1.820 | 1.820 | 100 | 349.3 | 153.1 |
| October | 1.820 | 1.820 | 77 | 344.5 | 155.9 |
| November | 1.820 | 1.820 | - | 337.0 | 151.1 |
| December | 1.750 | 1.750 | 1,483 | 337.5 | 152.0 |

b) Distribution of Shares

| Name of the Shareholder | No. of Shares | Percentage |
|---------------------------------------------------|------------------|----------------|
| Majid Al Futtaim Trust LLC | 1,248,031 | 24.96% |
| Oman National Investment Corporation Holding SAOG | 1,057,254 | 21.15% |
| ORIX Leasing Pakistan Limited | 1,012,227 | 20.24% |
| A' Sharqia Investment Holding Company SAOG | 532,500 | 10.65% |
| Port Services Corporation SAOG | 253,090 | 5.06% |
| Oman International Bank SAOG | 249,981 | 5.00% |
| National Life Insurance Company SAOC | 208,545 | 4.17% |
| Arabian Entertainment Services Company | 145,000 | 2.90% |
| Others | 293,372 | 5.87% |
| Total | 5,000,000 | 100.00% |

10. Professional profile of Statutory Auditors:

PricewaterhouseCoopers, the world's largest professional service organisation, provides industry-focused assurance, tax and advisory services for public and private clients. It employs more than 120,000 people in 139 countries. PricewaterhouseCoopers in Oman has over 60 employees including 3 partners and 7 managers.



Salem Nasser Al Ismaily
Chairman



Akbar Ali Habib
Deputy Chairman

The report of the Auditors on Corporate Governance is set forth on page 13.



PricewaterhouseCoopers LLP
P.O Box 3075, Ruwi 112
Suites 205-210 Hatat House
Wadi Adai, Muscat
Sultanate of Oman
Telephone +(968) 2456 3717
Facsimile +(968) 2456 4408

REPORT OF FACTUAL FINDINGS

TO THE SHAREHOLDERS OF OMAN ORIX LEASING COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no. 16/2003, dated 29 December 2003 with respect to the Board of Directors' corporate governance report of Oman ORIX Leasing Company SAOG (the company) and application of the corporate governance practices in accordance with CMA Code of Corporate Governance issued under circular no. 11/2002 dated 3 June 2002 and its amendments. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures, as stated in circular no. 16/2003, were performed solely to assist you in evaluating the company's compliance with the code as issued by the CMA.

We report our findings on the procedures performed below:

we found the Board of Directors' corporate governance report reflects the company's application of the provisions of the code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying corporate governance report.

Had we performed additional procedures or had we performed an audit in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' corporate governance report included in its annual report for the year ended 31 December 2004 and does not extend to any financial statements of Oman ORIX Leasing Company SAOG taken as a whole.

8 March 2005



PricewaterhouseCoopers LLP
P.O Box 3075, Ruwi 112
Suites 205-210 Hatat House
Wadi Adai, Muscat
Sultanate of Oman
Telephone +(968) 2456 3717
Facsimile +(968) 2456 4408

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

We have audited the accompanying balance sheet of **Oman ORIX Leasing Company SAOG** (the company) as at 31 December 2004 and the related income and cash flow statements for the year then ended. These financial statements set out on pages 15 to 32 are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the company for the year ended 31 December 2003 were audited by another auditor whose report dated 20 March 2004 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with International Standards on Auditing. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

In our opinion, the financial statements comply, in all material respects, with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman.

A handwritten signature in black ink that reads "PricewaterhouseCoopers". The signature is written in a cursive, flowing style.

14 February 2005

BALANCE SHEET

As at 31 December 2004

| | Note | 2004 RO'000 | 2003 RO'000 |
|-------------------------------------------|------|----------------|----------------|
| Assets | | | |
| Property and equipment | 2 | 143 | 172 |
| Net investment in finance leases | 3 | 21,749 | 21,124 |
| Receivables and prepayments | | 218 | 157 |
| Deferred tax asset | 4 | 388 | 304 |
| Statutory deposit | 5 | 30 | 30 |
| Cash and bank balances | 6 | 16 | 171 |
| Total assets | | 22,544 | 21,958 |
| Equity and liabilities | | | |
| Capital and reserves | | | |
| Share capital | 7 | 5,000 | 5,000 |
| Legal reserve | 8 | 437 | 390 |
| Special reserve | 9 | - | 783 |
| Proposed dividend | 10 | 300 | - |
| Retained earnings | | 1,249 | 348 |
| | | 6,986 | 6,521 |
| Liabilities | | | |
| Long-term loans | 11 | 9,588 | 7,016 |
| Bank overdrafts and short-term loans | 12 | 3,524 | 6,551 |
| Creditors, accruals and other liabilities | 13 | 2,203 | 1,582 |
| Tax payable | | 243 | 288 |
| | | 15,558 | 15,437 |
| Total equity and liabilities | | 22,544 | 21,958 |
| Net assets | | 6,986 | 6,521 |
| Net assets per share (Rials Omani) | | 1.397 | 1.304 |

The accounting policies on pages 19 to 21 and notes on pages 22 to 32 form an integral part of these financial statements.

The financial statements on pages 15 to 32 were approved by the Board of Directors on January 31, 2005 and were signed on their behalf by:



Salem Nasser Al Ismaily
Chairman



Akbar Ali Habib
Deputy Chairman

Report of the Auditors - page 14.



INCOME STATEMENT

For the Year ended 31 December 2004

| | Note | 2004 RO'000 | 2003 RO'000 |
|-----------------------------------------------------------|------|---------------------|----------------|
| Revenues | | | |
| Lease income | | 2,597 | 2,645 |
| Interest and other income | | 263 | 243 |
| | | <u>2,860</u> | <u>2,888</u> |
| Expenses | | | |
| Interest expense | | 607 | 1,124 |
| Selling, general and administrative expenses | 16 | 990 | 830 |
| Depreciation | 2 | 67 | 60 |
| | | <u>1,664</u> | <u>2,014</u> |
| Operating profit before provisions | | 1,196 | 874 |
| Provision for impairment of lease receivables | 3 | (659) | (812) |
| Operating profit after provisions before taxation | | 537 | 62 |
| Taxation | 14 | (72) | 205 |
| Net profit for the year | | <u>465</u> | <u>267</u> |
| Basic and diluted earnings per share (Rials Omani) | 17 | <u>0.093</u> | <u>0.053</u> |

The accounting policies on pages 19 to 21 and notes on pages 22 to 32 form an integral part of these financial statements.

Report of the Auditors - page 14.



STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

| | Share capital RO'000 | Legal reserve RO'000 | General reserve RO'000 | Special reserve RO'000 | Proposed dividend RO'000 | Retained earnings RO'000 | Total RO'000 |
|-------------------------------|----------------------------|----------------------------|------------------------------|------------------------------|--------------------------------|--------------------------------|-----------------|
| 2003 | | | | | | | |
| 1 January | 5,000 | 363 | 231 | - | - | 643 | 6,237 |
| Net profit for the year | - | - | - | - | - | 267 | 267 |
| Directors' remuneration | - | - | - | - | - | 17 | 17 |
| Transfer to legal reserve | - | 27 | - | - | - | (27) | - |
| Transfer to special reserve | - | - | (231) | 783 | - | (552) | - |
| 31 December | <u>5,000</u> | <u>390</u> | <u>-</u> | <u>783</u> | <u>-</u> | <u>348</u> | <u>6,521</u> |
| 2004 | | | | | | | |
| 1 January | 5,000 | 390 | - | 783 | - | 348 | 6,521 |
| Net profit for the year | - | - | - | - | - | 465 | 465 |
| Transfer to legal reserve | - | 47 | - | - | - | (47) | - |
| Proposed dividend | - | - | - | - | 300 | (300) | - |
| Transfer from special reserve | - | - | - | (783) | - | 783 | - |
| 31 December | <u>5,000</u> | <u>437</u> | <u>-</u> | <u>-</u> | <u>300</u> | <u>1,249</u> | <u>6,986</u> |

The accounting policies on pages 19 to 21 and notes on pages 22 to 32 form an integral part of these financial statements.

Report of the Auditors - page 14.



CASH FLOW STATEMENT

For the year ended 31 December 2004

| | 2004 RO'000 | 2003 RO'000 |
|-----------------------------------------------------------------------------------------------|----------------|----------------|
| Operating activities | | |
| Profit before taxation | 537 | 62 |
| Adjustments for: | | |
| Depreciation | 67 | 60 |
| Provision for end of service benefits | 16 | 17 |
| (Profit)/loss on sale of fixed assets | (3) | 7 |
| Provision for impairment of lease receivables | 659 | 812 |
| Interest expenses | 607 | 1,124 |
| Operating profit before working capital changes and payment of end of service benefits | 1,883 | 2,082 |
| End of service benefits paid | (10) | (2) |
| Changes in operating assets and liabilities | | |
| Investment in finance leases | (1,284) | 3,367 |
| Receivables and prepayments | (61) | 29 |
| Creditors, accruals and other liabilities | 561 | 72 |
| Interest paid | (553) | (1,140) |
| Income tax paid | (201) | (79) |
| Net cash flows from operating activities | 335 | 4,329 |
| Investing activities | | |
| Proceeds from sale of property and equipment | 3 | 1 |
| Purchase of property and equipment | (38) | (97) |
| Cash flows used in investing activities | (35) | (96) |
| Financing activities | | |
| Term loans | 2,572 | (6,137) |
| Bank overdrafts and short-term loans | (3,027) | 1,459 |
| Cash flows used in financing activities | (455) | (4,678) |
| Net change in cash and cash equivalents | (155) | (445) |
| Cash and cash equivalents at beginning of the year | 171 | 616 |
| Cash and cash equivalents at end of the year | 16 | 171 |

The accounting policies on pages 19 to 21 and notes on pages 22 to 32 form an integral part of these financial statements.

Report of the Auditors - page 14.



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The financial statements are prepared on the historical cost basis, and in accordance with International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman. The principal accounting policies are summarised below.

The financial statements are presented in Omani Rials, rounded to the nearest thousand.

The accounting policies have been 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.

Provision for impairment of lease receivables

Provisions for impairment of lease receivables comprise both specific provision as well as provision for potential losses not specifically identified but which experience indicates are present in the portfolio of finance leases. Specific provisions are created to reduce all impaired lease receivables to their expected realisable value. The amount of provision is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including amounts recoverable from collateral, discounted based on applicable interest rates.

Potential losses not specifically identified but which experience indicates are present in the portfolio of finance leases are recognised as an expense and are deducted from the total carrying amount of investment in finance leases as a general portfolio provision. When a lease account is uncollectible, it is written off against the related provision for doubtful lease receivables.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Cost represents their purchase cost, together with any incidental cost of acquisition. The cost of property and equipment is written off in equal instalments over their estimated useful economic lives of five years.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gain and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Cash equivalents

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



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivative financial instruments comprise interest rate swaps which are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. All derivatives are carried at their fair value in assets when favourable and in liabilities when unfavourable. Fair values are in general derived from quoted market prices, discounted cash flow models and options pricing models as appropriate. Gains and losses on derivative financial instruments are included in the income statement as they arise.

Certain derivative transactions, while providing effective economic hedges under the company's risk management policies, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses reported in the income statement.

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. Payment is made to the Omani Government Social Security Scheme under the Royal Decree 71/91 for Omani employees. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to 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.

Deferred income tax

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. Currently enacted tax rates are used to determine deferred taxation. The principal temporary differences arise from the provision for impairment of lease receivables.

Creditors

Liabilities are recognised for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

Financial instruments and financial risk management

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.

Financial risk factors

The Company's activities expose it to variety of financial risks, including effect of foreign currency exchange rates and interest rates, credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.



STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (continued)

Financial instruments and financial risk management (continued)

Financial risk factors (continued)

(i) 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. The Company has established procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining collateral such as title on leased assets, security deposits and personal guarantees.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the company's performance to developments affecting a particular industry or geographical location.

The Company follows a credit classification mechanism as a tool to manage the quality of credit risk of the lease portfolio. The Company presently maintains four credit classification categories under the guidelines of Central Bank of Oman, which differentiate between performing and non-performing portfolios and allocates provisions accordingly.

(ii) 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 most important sources of such rate risk are the Company's borrowings, and its leasing activities, where fluctuations in interest rates, if any, are reflected in the results of operations.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate changes during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time.

The Company has entered into a derivative contract in order to manage the interest rate risk arising in connection with a loan.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may result in unavailability of certain sources of funding.

(iv) 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 2004, forward contracts outstanding were in the aggregate amount of USD 10 million (approximately RO 3.85 million).

(v) Fair value estimate

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year and investment in finance leases are assumed to approximate to their fair values. The fair value of long term loans are derived from discounted cash flow models.

Comparative figures

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



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004

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. Property and equipment

| | Office equipment RO'000 | Motor vehicles RO'000 | Furniture and fittings RO'000 | Total RO'000 |
|-------------------------|-------------------------------|-----------------------------|-------------------------------------|-------------------|
| Cost | | | | |
| 1 January 2004 | 199 | 97 | 155 | 451 |
| Additions | 16 | 18 | 4 | 38 |
| Disposals | (8) | (12) | (1) | (21) |
| 31 December 2004 | <u>207</u> | <u>103</u> | <u>158</u> | <u>468</u> |
| Depreciation | | | | |
| 1 January 2004 | 126 | 58 | 95 | 279 |
| Charge for the year | 28 | 17 | 22 | 67 |
| Disposals | (8) | (12) | (1) | (21) |
| 31 December 2004 | <u>146</u> | <u>63</u> | <u>116</u> | <u>325</u> |
| Net book amount | | | | |
| 31 December 2004 | <u>61</u> | <u>40</u> | <u>42</u> | <u>143</u> |
| 31 December 2003 | <u>73</u> | <u>39</u> | <u>60</u> | <u>172</u> |

3. Net investment in finance leases

| | 2004 RO'000 | 2003 RO'000 |
|-----------------------------------------------|----------------|----------------|
| Lease contract receivables | 28,869 | 27,219 |
| Unearned lease income | (3,893) | (3,517) |
| Provision for impairment of lease receivables | (3,227) | (2,578) |
| | <u>21,749</u> | <u>21,124</u> |

(a) Income is suspended on lease contract receivables, which are overdue for more than 90 days and is included in the unearned lease income. As at 31 December 2004 lease contracts receivables on which income has been suspended amounted to approximately RO 4.716 million (2003: RO 6.107 million).



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

3. Net investment in finance leases (continued)

(b) The movement of unearned lease income during the year was as follows:

| | 2004 RO'000 | 2003 RO'000 |
|----------------------------|----------------|----------------|
| 1 January | 3,517 | 4,106 |
| Addition during the year | 2,973 | 2,056 |
| Recognised during the year | <u>(2,597)</u> | <u>(2,645)</u> |
| 31 December | <u>3,893</u> | <u>3,517</u> |

(c) The movement in the provision for impairment of lease receivables during the year was as follows:

| | 2004 | 2003 |
|-----------------------------|--------------|--------------|
| 1 January | 2,578 | 1,766 |
| Provided during the year | 659 | 812 |
| Written off during the year | <u>(10)</u> | <u>-</u> |
| 31 December | <u>3,227</u> | <u>2,578</u> |

4. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2003 - 12%). Deferred tax assets and the deferred tax credit in the income statement are attributable to the following items:

| | 31 December 2003 RO'000 | Credited to income statement RO'000 | 31 December 2004 RO'000 |
|-------------------------------|-------------------------------|-------------------------------------------|-------------------------------|
| Tax in respect of provisions | 309 | 79 | 388 |
| Depreciation on fixed assets | <u>(5)</u> | <u>5</u> | <u>-</u> |
| Net deferred income tax asset | <u>304</u> | <u>84</u> | <u>388</u> |

5. Statutory deposit

The Company is required to maintain a deposit of RO 30,000 with the Central Bank of Oman in accordance with the applicable licensing regulations. During the year the deposit earned interest at the rate of 2.5% (2003 - 2.5%).

6. Cash and bank balances

| | 2004 RO'000 | 2003 RO'000 |
|------------------|----------------|----------------|
| Deposit | - | 121 |
| Current accounts | 15 | 49 |
| Cash in hand | <u>1</u> | <u>1</u> |
| | <u>16</u> | <u>171</u> |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

7. Share capital

Authorised and paid up capital

The authorised capital consists of 8 million (2003 - 8 million) shares of RO 1 each and paid up capital consists of 5 million (2003 - 5 million) shares of RO 1 each.

Shareholders

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

| | 2004 | | 2003 | |
|---------------------------------------------------|-------------|------|-------------|------|
| | Shares held | (%) | Shares held | (%) |
| Majid Al Futtaim Trust LLC | 1,248,031 | 24.9 | 1,248,031 | 24.9 |
| Oman National Investment Corporation Holding SAOG | 1,057,254 | 21.1 | 1,047,304 | 20.9 |
| ORIX Leasing Pakistan Limited | 1,012,227 | 20.2 | 992,327 | 19.8 |
| A' Sharqia Investment Holding Company SAOG | 532,500 | 10.6 | 532,500 | 10.6 |

8. 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 company's paid up share capital. This reserve is not available for distribution.

9. Special reserve

The Board of Directors established a non-distributable special reserve during the year ended 31 December 2003, by re-classifying an amount of RO 0.552 million from retained earnings and an amount of RO 0.231 million from general reserve. The basis of the calculation of the reserve amount was in accordance with Central Bank of Oman circular No. FM/13 dated 10 January 2003. This reserve was created to cover future potential lease losses. However, on the back of strong recoveries in 2004 and in view of the adequate provision for doubtful receivables, the special reserve is no longer required and has been transferred to retained earnings.

10. Proposed dividends

A cash dividend of 6% per ordinary share, amounting to a total of RO 300,000 (2003 – Nil), has been proposed by the Board of Directors and will be submitted for formal approval at the Annual General Meeting to be held in March 2005.



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

11. Long-term loans

| | 2004 RO'000 | 2003 RO'000 |
|-----------------------------------|----------------|----------------|
| Commercial banks | 9,588 | 6,895 |
| International Finance Corporation | - | 121 |
| | <u>9,588</u> | <u>7,016</u> |

The Company has entered into long-term loan agreements with commercial banks in the aggregated amount of RO 14.94 million (2003 - RO 17.29 million). These loans carry interest at rates ranging between 3.5% and 5.75% (2003 - 3.1% and 9.25%) per annum. These loans are secured by a pari-passu floating charge over the assets of the company and a lien on deposit.

The final instalment of a long-term loan from International Finance Corporation (IFC), which carried interest at 8.19% per annum, was paid on 8 April 2004.

The Company has entered into an interest rate swap contract with a principal amount outstanding at the balance sheet date of RO 2,887,000 (2003 - Nil). The fair value liability of the contract amounted to RO 8,077.

12. Bank overdrafts and short-term loans

The Company has borrowing facilities from commercial banks for an aggregate amount of approximately RO 6.75 million (2003 - RO 7.75 million), which are entirely secured against pari-passu floating charges over the assets of the Company. Interest on these bank borrowings ranged between 3% and 7% (2003 - 3.02% and 8%) per annum.

13. Creditors, accruals and other liabilities

| | | |
|--------------------------------|--------------|--------------|
| Leased assets payable | 1,765 | 1,241 |
| Interest and financial charges | 95 | 41 |
| Accruals for expenses | 163 | 114 |
| End of service benefits | 58 | 52 |
| Other liabilities | <u>122</u> | <u>134</u> |
| | <u>2,203</u> | <u>1,582</u> |

The movement in employees' end of service benefits during the year is as follows:

| | | |
|--------------------------------------------|-------------|------------|
| 1 January | 52 | 37 |
| Expense recognised in the income statement | 16 | 17 |
| Paid to employees during the year | <u>(10)</u> | <u>(2)</u> |
| 31 December | <u>58</u> | <u>52</u> |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

14. Taxation

| | 2004 RO'000 | 2003 RO'000 |
|-----------------------------------------------------|----------------|----------------|
| (a) The tax charge/(credit) for the year comprises: | | |
| Current income tax | 156 | 99 |
| Deferred tax | <u>(84)</u> | <u>(304)</u> |
| | <u>72</u> | <u>(205)</u> |

(b) The reconciliation of tax on the accounting profit at the applicable rates of 12% (2003 - 12%) after basic exemption of RO 30,000 and the tax expense in the financial statements is as follows:

| | | |
|-----------------------------------------------------------|------------|--------------|
| Tax on accounting profit of RO 537,000 (2003 – RO 62,000) | 61 | 4 |
| Tax paid in respect of prior years | 15 | - |
| Deferred tax in respect of prior years | - | (209) |
| Rounding off | <u>(4)</u> | <u>-</u> |
| | <u>72</u> | <u>(205)</u> |

(c) The Company's income tax assessments up to the years 2002 have been completed by the Secretariat General for Taxation at the Ministry of Finance ("the Department"). The Department has sought to disallow provision for impaired lease contract receivables as a deduction from the taxable income. The Company has filed appeals with the Tax Committee in respect of the years 1996 - 2002. The Company's income tax assessment for the year 2003 has not been finalised by the Department. During 2003, the Tax Committee rejected the Company's request for abeyance of the taxes until the appeals are decided and directed the Company to settle the taxes due in the amount of approximately RO 196,000 in compliance with the Tax Committee's decision. The Company has paid all taxes demanded. The directors are of the opinion that any additional 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 2004.

15. 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 transactions involving related parties or holders of 10% or more of the Company's shares, or their family members, and the amounts involved during the period were as follows.

| | | |
|------------------------------------------|------------|--------------|
| Lease income | 15 | - |
| Interest expense | 130 | 323 |
| Insurance expense | 20 | 7 |
| Directors' sitting fees and remuneration | 46 | 14 |
| Due from: | | |
| Net investment in finance leases | 190 | - |
| Due to: | | |
| Interest payable | 9 | 21 |
| Long term loan | 2,000 | 2,620 |
| Short term loan | <u>427</u> | <u>1,003</u> |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

16. Selling, general and administrative expenses

| | 2004 RO'000 | 2003 RO'000 |
|-------------------------------------|----------------|----------------|
| Personnel costs | 642 | 527 |
| Direct costs of leasing | 76 | 69 |
| Occupancy costs | 30 | 41 |
| Communication costs | 62 | 52 |
| Professional fees and subscriptions | 50 | 58 |
| Advertising and sales promotion | 10 | 11 |
| Proposed directors' remuneration | 37 | - |
| Directors' sitting fees | 9 | 13 |
| Other office expenses | 74 | 59 |
| | <u>990</u> | <u>830</u> |

Personnel costs

| | | |
|-----------------------------------------------------------|------------|------------|
| Wages and salaries | 391 | 367 |
| Other benefits | 222 | 131 |
| Contribution to the Public Authority for Social Insurance | 13 | 12 |
| End of service benefits | 16 | 17 |
| | <u>642</u> | <u>527</u> |
| Number of employees as at 31 December | <u>75</u> | <u>69</u> |

17. Basic earnings per share

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

| | | |
|-----------------------------------|--------------|--------------|
| Net profit for the year | 465 | 267 |
| Weighted average number of shares | 5,000 | 5,000 |
| Basic earnings per share | <u>0.093</u> | <u>0.053</u> |

18. Commitments

| | | |
|-----------------------------|------------|------------|
| Approved leased commitments | <u>153</u> | <u>295</u> |
|-----------------------------|------------|------------|



NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004 (continued)

19. Analysis of significant assets and liabilities

a) Geographical concentration

| | Assets | | Liabilities | |
|----------------------|---------------|------------------------------------|--------------------------------------|-----------------|
| | Bank and cash | Gross investment in finance leases | Bank overdrafts and short term loans | Long term loans |
| | RO'000 | RO'000 | RO'000 | RO'000 |
| 2004 | | | | |
| Sultanate of Oman | 16 | 28,869 | 3,524 | 5,417 |
| Bahrain | - | - | - | 2,888 |
| United Arab Emirates | - | - | - | 1,283 |
| | <u>16</u> | <u>28,869</u> | <u>3,524</u> | <u>9,588</u> |
| 2003 | | | | |
| Sultanate of Oman | 171 | 27,219 | 6,551 | 4,970 |
| Bahrain | - | - | - | - |
| United Arab Emirates | - | - | - | 2,046 |
| | <u>171</u> | <u>27,219</u> | <u>6,551</u> | <u>7,016</u> |

b) Customer concentration of gross investment in finance leases

| | 2004 RO'000 | 2003 RO'000 |
|-----------|----------------|----------------|
| Personal | 17,225 | 16,244 |
| Corporate | <u>11,644</u> | <u>10,975</u> |
| | <u>28,869</u> | <u>27,219</u> |

c) Economic sector concentration of gross investment in finance leases

| | 2004 | 2003 |
|--------------------------|---------------|---------------|
| Trading and construction | 2,330 | 1,839 |
| Manufacturing | 373 | 308 |
| Services | 8,941 | 8,828 |
| Consumer | <u>17,225</u> | <u>16,244</u> |
| | <u>28,869</u> | <u>27,219</u> |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004 (continued)

20. 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.

| | 0 - 6 months R0'000 | 6 - 12 months R0'000 | 1 - 2 years R0'000 | 2 - 3 years R0'000 | Over 3 years R0'000 | Fixed rate or non interest rate sensitive R0'000 | Total R0'000 |
|-------------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---------------------------|-----------------------------------------------------------|-----------------|
| As at 31 December 2004 | | | | | | | |
| Assets | | | | | | | |
| Property and equipment | - | - | - | - | - | 143 | 143 |
| Net investment in finance leases | - | - | - | - | - | 21,749 | 21,749 |
| Receivables and prepayments | - | - | - | - | - | 218 | 218 |
| Deferred tax asset | - | - | - | - | - | 388 | 388 |
| Statutory deposit | - | - | - | - | - | 30 | 30 |
| Cash and bank | - | - | - | - | - | 16 | 16 |
| Total assets | | | | | | 22,544 | 22,544 |
| Liability | | | | | | | |
| Equity | - | - | - | - | - | 6,986 | 6,986 |
| Long term loans | 1,654 | 1,654 | 2,308 | 1,084 | - | 2,888 | 9,588 |
| Bank overdrafts and short-term loans | 3,524 | - | - | - | - | - | 3,524 |
| Creditors, accruals and other liabilities | - | - | - | - | - | 2,203 | 2,203 |
| Tax payable | - | - | - | - | - | 243 | 243 |
| Total liabilities | 5,178 | 1,654 | 2,308 | 1,084 | | 12,320 | 22,544 |
| Gap in interest rate | (5,178) | (1,654) | (2,308) | (1,084) | - | 10,224 | |
| Cumulative gap in interest rate | (5,178) | (6,832) | (9,140) | (10,224) | (10,224) | | |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

20. Financial instruments and financial risk management (continued)

(a) Interest rate risk (continued)

| | 0 - 6 months R0'000 | 6 - 12 months R0'000 | 1 - 2 years R0'000 | 2 - 3 years R0'000 | Over 3 years R0'000 | Fixed rate or non interest rate sensitive R0'000 | Total R0'000 |
|----------------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---------------------------|-----------------------------------------------------------|-----------------|
| As at 31 December 2003 | | | | | | | |
| Assets | | | | | | | |
| Property and equipment | - | - | - | - | - | 172 | 172 |
| Net investment in finance leases | - | - | - | - | - | 21,124 | 21,124 |
| Receivables and prepayments | - | - | - | - | - | 157 | 157 |
| Deferred tax asset | - | - | - | - | - | 304 | 304 |
| Statutory deposit | - | - | - | - | - | 30 | 30 |
| Cash and bank | - | - | - | - | - | 171 | 171 |
| Total assets | - | - | - | - | - | 21,958 | 21,958 |
| Liability | | | | | | | |
| Equity | - | - | - | - | - | 6,521 | 6,521 |
| Long term loans | 2,062 | 1,571 | 2,454 | 929 | - | - | 7,016 |
| Bank overdrafts and short-term loans | 5,384 | 1,167 | - | - | - | - | 6,551 |
| Creditors, accruals and other liabilities | - | - | - | - | - | 1,582 | 1,582 |
| Tax payable | - | - | - | - | - | 288 | 288 |
| Total liabilities | 7,446 | 2,738 | 2,454 | 929 | - | 8,391 | 21,958 |
| Gap in interest rate | (7,446) | (2,738) | (2,454) | (929) | - | 13,567 | |
| Cumulative gap in interest rate | (7,446) | (10,184) | (12,638) | (13,567) | (13,567) | | |

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2004 (continued)

20. Financial instruments and financial risk management (continued)

(b) Liquidity risk

The maturity profile of assets and liabilities at the year end is based on the contractual repayments. The maturity profile of the assets and liabilities as of 31 December 2004 was as follows:

| | 0 - 6 months R0'000 | 6 - 12 months R0'000 | 1 - 2 years R0'000 | 2 - 3 years R0'000 | Over 3 years R0'000 | Non Fixed Maturity R0'000 | Total R0'000 |
|--------------------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---------------------------|---------------------------------|-----------------|
| As at 31 December 2004 | | | | | | | |
| Assets | | | | | | | |
| Property and equipment | - | - | - | - | - | 143 | 143 |
| Net investment in finance leases | 7,744 | 3,658 | 5,538 | 4,096 | 3,940 | - | 24,976 |
| Provision for impairment of lease receivables | - | - | - | - | - | (3,227) | (3,227) |
| Receivables and prepayments | - | - | - | - | - | 218 | 218 |
| Deferred tax asset | - | - | - | - | - | 388 | 388 |
| Statutory deposit | - | - | - | - | - | 30 | 30 |
| Cash and bank | 16 | - | - | - | - | - | 16 |
| Total assets | 7,760 | 3,658 | 5,538 | 4,096 | 3,940 | (2,448) | 22,544 |
| Liability | | | | | | | |
| Equity | - | - | - | - | - | 6,986 | 6,986 |
| Long term loans | 1,654 | 2,015 | 3,030 | 1,806 | 1,083 | - | 9,588 |
| Bank overdrafts and short-term loans | 3,524 | - | - | - | - | - | 3,524 |
| Creditors, accruals and other liabilities | 2,145 | - | - | - | - | 58 | 2,203 |
| Tax payable | 243 | - | - | - | - | - | 243 |
| Total liabilities | 7,566 | 2,015 | 3,030 | 1,806 | 1,083 | 7,044 | 22,544 |
| Gap in maturity | 194 | 1,643 | 2,508 | 2,290 | 2,857 | (9,492) | - |
| Cumulative gap in maturity | 194 | 1,837 | 4,345 | 6,635 | 9,492 | - | - |



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2004 (continued)

20. Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of the assets and liabilities as of 31 December 2003 was as follows:

| | 0 - 6 months R0'000 | 6 - 12 months R0'000 | 1 - 2 years R0'000 | 2 - 3 years R0'000 | Over 3 years R0'000 | Non Fixed Maturity R0'000 | Total R0'000 |
|--------------------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|---------------------------|---------------------------------|-----------------|
| As at 31 December 2003 | | | | | | | |
| Assets | | | | | | | |
| Property and equipment | - | - | - | - | - | 172 | 172 |
| Net investment in finance leases | 8,243 | 3,876 | 5,906 | 3,122 | 2,555 | - | 23,702 |
| Provision for impairment of lease receivables | - | - | - | - | - | (2,578) | (2,578) |
| Receivables and prepayments | - | - | - | - | - | 157 | 157 |
| Deferred tax asset | - | - | - | - | - | 304 | 304 |
| Statutory deposit | - | - | - | - | - | 30 | 30 |
| Cash and bank | 171 | - | - | - | - | - | 171 |
| Total assets | <u>8,414</u> | <u>3,876</u> | <u>5,906</u> | <u>3,122</u> | <u>2,555</u> | <u>(1,915)</u> | <u>21,958</u> |
| Liability | | | | | | | |
| Equity | - | - | - | - | - | 6,521 | 6,521 |
| Long term loans | 2,062 | 1,571 | 2,454 | 929 | - | - | 7,016 |
| Bank overdrafts and short-term loans | 5,384 | 1,167 | - | - | - | - | 6,551 |
| Creditors, accruals and other liabilities | 1,530 | - | - | - | - | 52 | 1,582 |
| Tax payable | 288 | - | - | - | - | - | 288 |
| Total liabilities | <u>9,264</u> | <u>2,738</u> | <u>2,454</u> | <u>929</u> | <u>-</u> | <u>6,573</u> | <u>21,958</u> |
| Gap in maturity | (850) | 1,138 | 3,452 | 2,193 | 2,555 | (8,488) | |
| Cumulative gap in maturity | <u>(850)</u> | <u>288</u> | <u>3,740</u> | <u>5,933</u> | <u>8,488</u> | | |



ORIX GROUP DIRECTORY

A. JAPAN

ORIX Corporation
 ORIX Alpha Corporation
 ORIX Auto Leasing Corporation
 Senko Leasing Co. Ltd.
 IFCO Inc.
 Momiji Lease Corporation
 Nittetsu Lease Co. Ltd.
 Nittetsu Leasing Auto Co. Ltd.
 Sun Leasing Co. Ltd.
 ORIX Rentec Corporation
 ORIX Trust & Banking Corporation
 ORIX Asset Management & Loan Services Corp
 ORIX Asset Management Corporation
 ORIX Estate Corporation
 Blue Wave Corporation
 ORIX Real Estate Corporation
 ORIX Golf Corporation
 Nihan Jisho Corporation
 ORIX Facilities Corporation
 ORIX Life Insurance Corporation
 ORIX Financial Alliance Corporation
 ORIX Insurance Services Corporation
 ORIX Credit Corporation
 ORIX Capital Corporation
 ORIX Securities Corporation
 ORIX Baseball Club Co. Ltd.
 ORIX Commodities Corporation
 ORIX Eco Services Corporation
 ORIX Interior Corporation
 ORIX Investment Corporation
 ORIX M & A Solutions Corporation
 Kuribayashi Leasing Co. Ltd.
 The Chugin Lease Company Ltd.
 Yamaguchi Lease Co. Ltd.
 Hokugin Lease Co. Ltd.
 Nissay Leasing Co. Ltd.
 The Minato Leasing Co. Ltd.
 The Torigin Leasing Co. Ltd.
 Hyakugi Leasing Company Ltd.

Tokugin ORIX Co. Ltd.
 Shigagin Leasing Capital Co. Ltd.
 Sengin Sogo Leasing Co. Ltd.
 Kagawagin Leasing Co. Ltd.
 Yamaguchi Mortgage Co. Ltd.
 Casco Co. Ltd.
 ORIX Insurance Planning Corporation
 Aozora Card Co. Ltd.
 ORIX Computer System Corporation
 ORIX Create Corporation
 ORIX Management Information Centre Corporation
 ORIX Call Centre Corporation
 ORIX Human Resources Corporation
 ORIX Maritime Corporation
 ORIX Aircraft Corporation

B. NORTH AMERICA

USA

ORIX USA Corporation

Bermuda

Stockton Holdings Ltd.

C. ASIA & OCEANIA

Singapore

ORIX Leasing Singapore Ltd.
 ORIX Investment and Management Private Ltd.
 ORIX Car Rentals Pte. Ltd.
 ORIX Capital Resources Ltd.
 ORIX Ship Resources Private Ltd.

China (Hong Kong)

ORIX Asia Ltd.



ORIX GROUP DIRECTORY

Taiwan

ORIX Taiwan Corporation
ORIX Auto Leasing Taiwan Corporation

Philippines

ORIX Metro Leasing and Finance Corporation

Thailand

Thai ORIX Leasing Co. Ltd.
ORIX Auto Leasing (Thailand) Co. Ltd.

Malaysia

ORIX Leasing Malaysia Berhad
ORIX Car Rentals Sdn Bhd
ORIX Auto Leasing Malaysia Sdn Bhd

Indonesia

PT ORIX Indonesia Finance

India

ORIX Auto and Business Solutions Limited
IL & FS Investmart Limited
IL & FS Education & Technology Services Limited
Infrastructure Leasing & Financial Services Ltd.

Sri Lanka

Lanka ORIX Leasing Company Ltd.

Australia

ORIX Australia Corporation Ltd.
Austral Mercantile Collections Pty Ltd.

New Zealand

ORIX New Zealand Ltd.

D. MIDDLE EAST & NORTH AFRICA

Pakistan

ORIX Leasing Pakistan Ltd.
ORIX Investment Bank Pakistan Ltd.

Oman

Oman ORIX Leasing Company SAOG

Egypt

ORIX Leasing Egypt SAE

Kingdom Of Saudia Arabia

Saudi ORIX Leasing Company

UAE

MAF ORIX Finance PJSC

E. EUROPE

UK

ORIX Europe Ltd.
ORIX Corporate Finance Ltd.

Ireland

ORIX Ireland Ltd.
ORIX Aviation Systems Limited

Poland

ORIX Polska SA