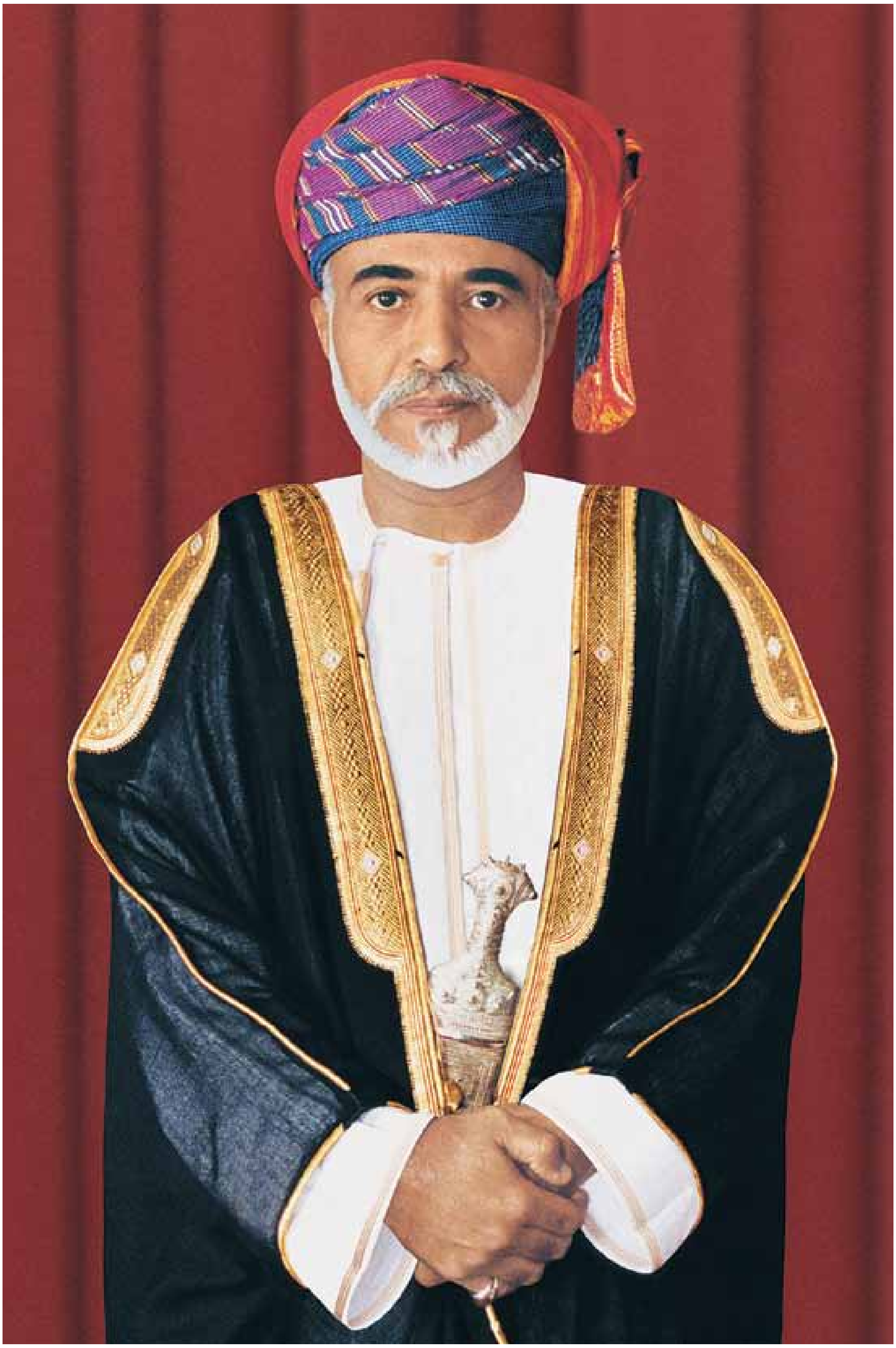

His Majesty Sultan Qaboos Bin Said

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COMPANY INFORMATION

Board of Directors

Mr. Khalid Hilal Al Ma'awali	Chairman
Mr. Humayun Murad	Deputy Chairman
Al Sayyida Rawan Ahmed Al Said	Director
Mr. Tariq R. Al Majid	Director
Mr. Kazuhito Inoue	Director
Mr. Ravi Shankar O.G	Director
Syed Saeed Reza	Director

Chief Executive Officer

Mr. Hira Lal Bharvani

Head of Finance & Corporate Affairs

Mr. Rameen Hamid Hashmi

Bankers

Bank Muscat SAOG	Oman International Bank SAOG	HSBC Bank Middle East
National Bank of Oman SAOG	Ahli Bank SAOG	Bank Melli Iran
Bank Dhofar SAOG	Habib Bank Limited	Bank of Baroda
Bank Sohar SAOG	Standard Chartered Bank	
Oman Arab Bank SAOC	National Bank of Abu Dhabi	

Lending Institution

International Finance Corporation, USA

Auditors

KPMG

Legal Advisor

Al Busaidy, Mansoor Jamal & Co.

Registered Office:

Office No.23 & 33 Rumaila 106, Wattayah, P.O.Box 106, Postal Code 118, Muscat-Sultanate of Oman,
Tel: 968-24661900, 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 : Salalah House, P.O. Box 2762, Postal Code 211, Salalah-Sultanate of Oman,
Tel: 968-23297354-6354-6954, Fax: 968-23298754, E-mail: orixsalalah@omanorix.com

Nizwa : P.O.Box 736, Postal Code 611, Nizwa-Sultanate of Oman,
Tel: 968-25412329-05, Fax: 968-25412350, E-mail: orixnizwa@omanorix.com

Ibra : P.O.Box 428, Postal Code 400 , Ibra-Sultanate of Oman,
Tel: 968-25571920-30, Fax: 968-25571940, E-mail: orixibra@omanorix.com

Barka : P.O.Box 719, Postal Code 320, Barka-Sultanate of Oman,
Tel: 968-26884833-3365, Fax: 968-26883352, E-mail: orixbarka@omanorix.com

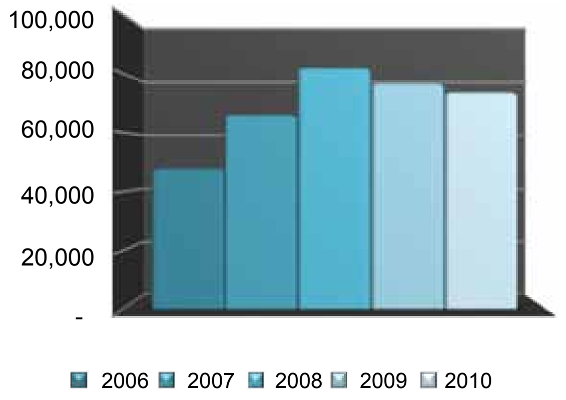
ORIX

FIVE YEARS' FINANCIAL SUMMARY

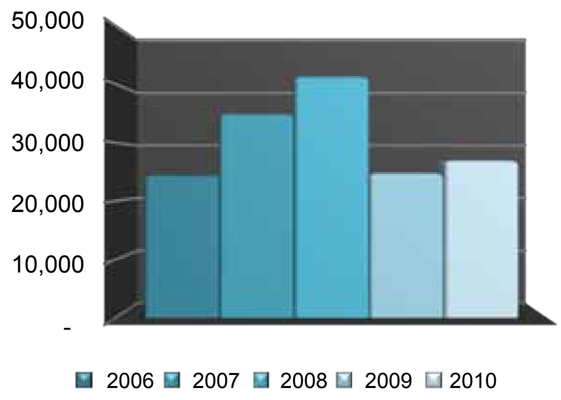
Operating Results	2010	2009	2008	2007	2006
Disbursement	**26,986**	24,815	41,447	34,999	24,404
Revenues	**7,318**	7,456	7,309	5,177	3,782
Operating Profit	**2,859**	2,636	3,264	1,848	1,361
Profit after tax	**2,267**	2,003	2,437	1,585	1,119
Interest expense	**2,478**	2,992	2,322	1,963	1,119
Provision for impairment of lease receivables	**234**	365	500	52	93
Infected Portfolio (overdue more than 89 days)	**2,733**	2,044	1,455	1,588	2,286
Dividend - Cash	**-**	880	-	1,150	-
- Stock	**3,355***	2,420	1,000	-	750
Financial Position					
Gross lease receivables	**73,873**	76,962	82,178	66,072	47,861
Shareholders' equity	**19,418**	18,031	16,028	14,747	7,852
Fixed assets	**216**	250	258	122	116
Long term debts	**20,270**	29,003	29,963	22,274	16,039
Total Borrowings	**37,841**	41,815	47,274	34,597	25,700
Financial Ratios					
Dividend	**25%***	30%	10%	11.50%	15%
Return on average equity	**12.11%**	11.76%	15.84%	15.06%	14.60%
Return on average assets	**3.59%**	3.01%	3.95%	3.39%	3.30%
Earning per share (RO)	**0.017**	0.018	0.022	0.023	0.017
Price earning ratio	**10**	13	11	8	12
Market value per share (RO)	**0.170**	0.231	0.255	1.826	2.100
Net assets per share (RO)	**0.145**	0.164	0.160	0.146	0.157
Debt/Equity ratio	**1.95**	2.32	2.95	2.35	3.27

**Recommended by the Board of Directors to Shareholders*

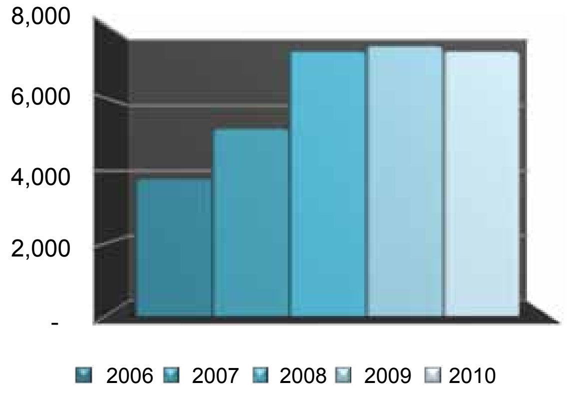
Gross Lease Receivables



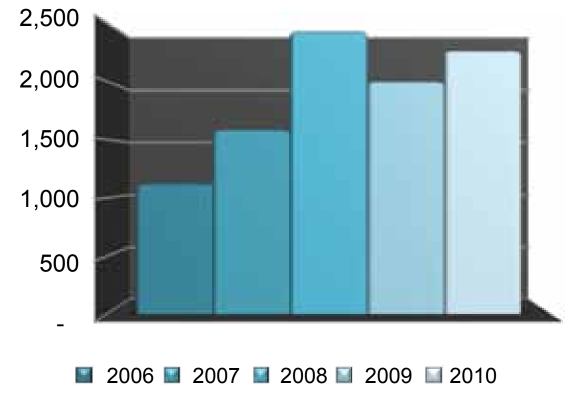
Disbursement



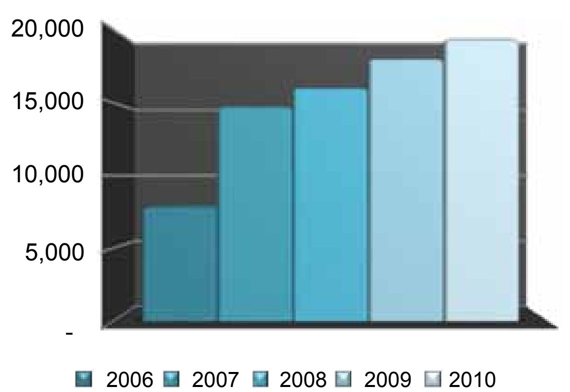
Revenues



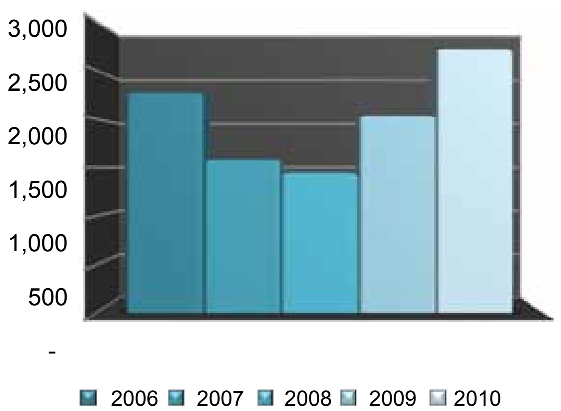
Profit after Tax



Shareholders' Equity



Infected Portfolio



BOARD OF DIRECTORS' REPORT

Dear Shareholders

On behalf of the directors, I am pleased to present the seventeenth annual report of Oman ORIX Leasing Company SAOG (the Company) together with the audited financial statements for the year ended December 31, 2010.

Overview of 2010

Your Company achieved better financial results in 2010 compared to 2009, however, a number of economic challenges continued. The demand for vehicles and equipments grew marginally in the post economic crisis of 2008-09. Your Company continued to focus on writing quality business while aiming for growth. New business volumes were RO 35.23 million, an increase of 6%, compared to RO 33.10 million for 2009. Net profit increased by 13% to RO 2.27 million against RO 2 million last year.

Gross lease receivables stood at RO 73.87 million against RO 76.96 million in 2009. With higher credit standards and a cautious marketing approach, the increase in the infected portfolio was contained. It stood at RO 2.73 million compared to RO 2.04 million last year.

Total revenues for the year decreased by 2% to RO 7.32 million compared to RO 7.5 million in 2009. Financial charges decreased by 17% to RO 2.48 million compared to RO 2.99 million for last year. The decrease is due to reduction in interest rates and overall borrowings. The Company managed to control operating costs, resulting in an increase by only 9% to RO 1.98 million compared to RO 1.82 million in 2009.

Your Company continued to follow prudent provisioning policy for doubtful receivables and is in full compliance with provisioning rules under Central Bank of Oman's Circular FM 13 and International Financial Reporting Standards. Accumulated provisions were RO 2.89 million (4.57% of investment in leases) compared to RO 3.04 million (4.63% of investment in leases) in 2009, representing 185% against provisioning requirements of Central Bank of Oman's.

Market Environment

As a result of higher than budgeted oil prices in 2010, the budgeted deficit is expected to be recovered in 2010. The average crude prices for the year are expected to be between US$ 75-80 per barrel, whereas the budgeted price was US$ 50 per barrel.

The foreign and local currency sovereign credit ratings of the Sultanate were affirmed by Standard & Poor as A long term and A-1 short term with stable outlook during 2010. The Government maintained its views on countering a recessionary cycle through increased government expenditure on development projects with emphasis on diversification of Sultanate's economy.

The Company considers it prudent to continue its policy of focusing on quality of credit while focusing on growth in its assets, thereby, increasing the return for its shareholders.

The Directors are pleased to recommend Stock Dividend of 25% (2009: stock dividend 22%, cash dividend 8%), subject to Annual General Meeting approvals.

Corporate Governance

Your Company has consistently adopted high standards of corporate governance and will continue to observe best practices. Further details are given in the Corporate Governance Report.

BOARD OF DIRECTORS' REPORT (continued)

Future Outlook

On the backdrop of the Government's commitment to support economic growth by continuing its expansionary fiscal policy, the economy is expected to grow by 6% in real terms in 2011. The Government has envisaged an amount of RO 8.13 billion for public expenditure, which will have a positive impact on economic development of Country through improvement in infrastructure and creation of new jobs and will create business opportunities. Your Company will be pro-active and will aim for sustainable growth in the year to come.

Staff and Training

Directors would like to thank all staff for their commitment 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 67% as opposed to the required 65%.

Acknowledgement

On behalf of the Board of Directors, I express my earnest gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership in creating a dynamic business environment coupled with progressive and prudent economic policies. I also would like to take this opportunity to express my sincere appreciation to the Central Bank of Oman and the Capital Market Authority for their valuable support and advice. Last but not least, we are grateful to our customers, shareholders, bankers and staff for their continuing support and confidence in the Company

Khalid Hilal Al Ma'awali

Chairman

MANAGEMENT TEAM

Hira Lal Bharvani
Chief Executive Officer

Shaheen Mohammed Al Balushi
AGM & Head of Recovery and Credit Administration

Issa Abdul Hussain Al Lawati
AGM & Head of Research and Training

Mohsin Moosa Al Faqeer
AGM & Head of Credit

Syed Shafqat Ali
Head of Information Technology

Rameen Hamid Hashmi
Head of Finance & Corporate Affairs

Jamila Manah Al Afifi
Head of Human Resources

Azher Ali Faizullah
Head of Internal Audit

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Objectives and Business

The Company's main objective is to provide medium term asset financing to productive sectors of the economy with emphasis on serving small and medium-size business enterprises (SMEs) as well as lease financing to the consumer sector. In addition to leasing, the Company also provides factoring facilities.

The Company's head office is located in Muscat and it has branches in Sohar, Salalah, Nizwa, Ibra and Barka. Total staff strength is 95.

Products

The Company provides financing of vehicles, equipment, plant and machinery to businesses in the form of financial leasing. It also provides short term finance to businesses by way of factoring of receivables. Consumers are provided financial leasing and installment credit in respect of vehicles.

Economic Environment

The government in its role as the prime mover of economy has continued to ensure the growth of economy at stable pace, despite the sluggish recovery from the global financial crisis by most of the global economies. New mega projects were announced and considerable investment in infrastructure was made to provide necessary impetus to the economy. In the World Competitiveness Report issued by the World Economic Forum in September 2010, The Sultanate was ranked as third amongst Arab Countries and 29th worldwide amongst 125 countries. The Government achieved most of the objects envisaged in 2005-2010 seventh five year plan and has announced a very ambitious Eighth five year plan for the period 2011-2015.

Financial Overview

Oman ORIX performed well in terms of profitability and maintaining quality of the portfolio in 2010. The Company was proactive in supporting the SME segment, while continuing to address financial needs of the retail segment, despite stiff competition. The financial highlights for the year are as follows:

1. The profit after tax for 2010 was RO 2.27 million, 13% higher than the previous year.
2. Interest income was RO 6.75 million compared to RO 6.90 million in 2009.
3. Financial Cost decreased to RO 2.48 million compared with RO 2.99 million in 2009, a decrease of 17%.
4. SGA expenses were contained at RO 1.98 million compared to RO 1.83 million in 2009.
5. Prudent provision coverage of 185% over Central Bank of Oman's requirements.
6. A decrease in Debt Equity Ratio to 1.95 from 2.32 in 2009.

Operational Overview

Management has been focusing on writing quality business and managing liquidity in an effective manner. Emphasis was also placed on improving efficiency and controlling costs. In response to market conditions, risk management measures were strengthened.

The Company's operational results are tabulated below and should be read in conjunction with the financial statements and related notes for better understanding:

Operational Overview (continued)

RO in "000

PARTICULARS		2010	2009	2008	2007	2006
Operating profit		**2,859**	2,636	3,264	1,848	1,361
Net profit		**2,267**	2,003	2,437	1,585	1,119
Total assets		**61,988**	64,211	68,760	54,531	39,150
Investment in leases		**63,244**	65,596	69,682	55,863	40,748
Total Shareholders' equity		**19,418**	18,031	16,028	14,747	7,852
Infected portfolio (outstanding principal)		**2,733**	2,044	1,455	1,588	2,286
Return on average equity		**12.11%**	11.76%	15.84%	15.06%	14.60%
Net assets per share (Rial Omani)		**0.145**	0.164	0.160	0.147	0.157
Dividends	- Cash	**-**	8%	-	11.5%	-
	- Stock	**25%***	22%	10%	-	15%

Note: *Recommended by the Board of Directors to Shareholders

Investment in leases decreased by 3.59% to RO 63.24 million compared to last year. Volume of new business for the year was RO 35.23 million on purchase cost basis compared to RO 33.10 million last year. Basic EPS, on weighted average number of shares, was 17 Baizas against 15 Baizas last year, return on average equity also increased to 12.11% compared with 11.76%.

There was an increase in infected accounts to RO 2.73 million (2009: RO 2.04 million) and represent 4.32% (2009: 3.12%) of portfolio. The management is confident that recoveries will be made in this regard and the number of infected accounts will decrease in future.

Oman ORIX believes in updating its operations in keeping with technological advances on regular basis. Existing procedures and policies are also reviewed on a regular basis to take account of recent developments. During the year, the Board adopted updated Human Resource Policy Manual, Credit Policy Manual, Finance & Corporate Affairs Policy Manual, Asset and Liability Management Policy Manual, Provision for Doubtful Receivables & Write-off of Receivables Manual, Business Continuity Manual, and Disaster Recovery Manual & Business Impact Analysis. The Board also adopted a Succession Policy.

Business Opportunities

Higher oil prices and sustained Government spending has improved business confidence. The Government has announced a dynamic 8th five year plan, aiming an average annual growth rate in GDP of 5% at constant prices. This is based on a conservative oil price of US$ 59 per barrel during the period of five year plan. This five year plan will aim to target most of the goals set by Government in its vision 2020 plan for the period 1996 to 2020. Investments of RO 42 billion have been planned in the five year plan. The plan has identified as an objective, implementation of an industrial strategy focusing specifically on the development of information technology, petrochemicals, free zones, assembly and re-export and tourism industry. New jobs will also be created and business opportunities will grow both in retail as well as corporate segments. The management of your company is confident to take advantage of an environment of investment and will aim at moderate growth in its portfolio. The Company also plans to offer other products to diversify its operations subject to market conditions and requisite approvals.

Challenges

Stiff competition with peers and with banks, especially in retail sector will continue to pose a challenge. This will put pressure on margins if portfolio quality is to be maintained.

Any delays in implementation of new projects as a result of the slow pace of economic recovery globally could result in new business opportunities being deferred.

Your Company remains vigilant to these and other challenges and will proactively continue to exercise caution in expanding business and in managing borrowing costs.

Risk Management

The Company recognises that strong risk management is critical for a growing business and risks are managed within a prudent framework of policies and reviewed on an ongoing basis by the Board of Directors, its committees and management. The key risks the Company faces and its response in addressing the same are summarised below:

Credit & Portfolio Risk

Credit risk is the potential of reduced earnings arising out of the inability or unwillingness of a customer to meet his obligation on time. The risk is inherent in the nature of the Company's business. It is mitigated by conservative credit policies, which are 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 an effective system of managing receivables with an automated process for follow up of delinquent accounts under the supervision of a senior official.

Liquidity Risk

Liquidity risk is the risk a shortage of liquid resources to meet obligations and execute business plans. To manage this risk, policies for the asset/ liability management are in place and an Asset/ Liability Management Committee monitors this area. The Company obtains long-term facilities wherever possible to minimize maturity mismatch between receivables and payables.

Interest Rate Risk

As with any financial institution, the Company is exposed to interest rate risk due to changes in borrowing rates. The Company mitigates this risk by borrowing at fixed rates wherever commercially viable and maintaining a constant spread on new business. Also, to mitigate the interest rate risks on floating rate borrowings, hedging contracts are deployed wherever practical.

Foreign Exchange Rate Risk

This risk is the result of fluctuating currency rates, arising from its open foreign currency positions in its borrowings, which may adversely impact the Company's financial performance. Foreign currency borrowings are hedged where practical through forward contracts or option structures that operate similarly to forward contracts.

ORIX

MANAGEMENT DISCUSSION & ANALYSIS REPORT (continued)

Outlook

Management will continue to approach business with a view to maintaining portfolio quality and control of delinquencies, during 2011. The Company will focus on reduction of borrowing costs, effective administrative cost control and improvement of operational efficiency. Management also aims to further strengthen collection processes to reduce the infected portfolio. The Company is also looking into introducing new products which will broaden the product suite offered by the Company to its valued customers. The Company will also aim to expand its geographical reach by establishing another branch, subject to market conditions.

Acknowledgement

I would like to express gratitude to His Majesty Sultan Qaboos bin Said for his wise leadership and vision which continues to lead the Sultanate to the long term development and prosperity.

I would also like to thank Central Bank of Oman, Capital Market Authority, stakeholders and business partners for their continued support and guidance.

I am also thankful to all my team members for their support, hard work and valuable contribution in delivering good results.

Hira Lal Bharvani

Chief Executive Officer

DIVIDEND POLICY

Objective

The Objective of this policy is to provide a reasonable insight to investors about the manner in which the Company would appropriate profits in future years.

Dividend payout

The Company shall endeavour to prudently balance the expectations of investors for short-term returns through dividend payout and long-term growth objectives of the Company through reinvestment of retained earnings.

The Board of Directors shall review the level of retained earnings periodically so as to ensure they are sufficient to meet the growth objectives of the Company and then only an appropriate percentage of the profits shall be used for cash payout.

Prior to declaring a dividend payout, the Company shall take into account regulatory requirements, covenants of lending institutions and any prevailing laws governing declaration of dividends.

The timing and quantum of future dividend payouts shall be based on the Company's future earnings potential, cash flows and other relevant factors.

The Board of Directors shall recommend the dividend payout, which shall be authorized by the shareholders at the Annual General Meeting, subject to regulatory approvals.

Dividend history

		2010	2009	2008	2007	2006
Dividends	- Cash	-	8%	-	11.5%	-
	- Stock	25%*	22%	10%	-	15%

*Recommended by the Board of Directors to shareholders.

ORIX

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2010

Company philosophy:

Oman ORIX Leasing Company SAOG maintains an environment of highest integrity and promotes a culture that upholds the best practices under the Code of Corporate Governance and protects its corporate name.

Fair and ethical business practices are the main focus of business and the Code of Conduct and Ethics issued by the Capital Markets Authority is followed at Board level and down through the organisation.

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

a) The Board comprises of 7 non-executive Directors, of which 1 is a nominee of an institutional shareholder and 6 are independent. During the year, an independent non-executive Director resigned from the Board, and a Temporary Director was appointed in his place.

b) During the year, the Board adopted updated manuals on Human Resource Policy, Credit Policy, Finance & Corporate Affairs Policy, Asset and Liability Management Policy, Provision for Doubtful Receivables & Write-off of Receivables, Business Continuity, and Disaster Recovery & Business Impact Analysis. The Board also adopted a Succession Policy.

c) The Company's internal audit function works in conjunction with a leading firm of Chartered Accountants. Audits are undertaken throughout the year.

Board of Directors:

The present Directors were appointed in the Annual General Meeting held on March 25, 2009 for three years. The composition of the Board is as follows:

S. No.	Name of Directors	Position	Category		Entity Represented
1.	Khalid Hilal Al Ma'awali	Chairman	Non - executive	Independent	None
2.	Humayun Murad	Deputy Chairman	Non - executive	Independent	None
3.	Al Sayyida Rawan Ahmed Al Said	Director	Non - executive	Independent	None
4.	Tariq R. Al Majid	Director	Non - executive	Independent	None
5.	Ravi Shankar O.G.	Director	Non - executive	Independent	None
6.	Kazuhito Inoue*	Director	Non - executive	Independent	None
7.	Syed Saeed Reza	Director	Non - executive	Nominee	OLP

*Temporary Director appointed on November 4, 2010

OLP = ORIX Leasing Pakistan Limited

CORPORATE GOVERNANCE REPORT (continued)

For the year ended December 31, 2010

The details of the Director who resigned during the year is as follows:

S. No.	Name of Director	Position	Category		Entity Represented
1.	Fumihiko Sato	Director	Non - executive	Independent	None

Board Meetings:

During the year 4 meetings of Board of Directors were held on January 26, April 22, July 27, and November 4, 2010 respectively. Details of members' participation in the meetings along with their directorships in other companies are as follows:

Name of Directors	Position	Board meetings attended	Whether attended last AGM	Directorship in other Companies	Position in other Company
Khalid Hilal Al Ma'awali	Chairman	4	Yes	Port Services Corporation SAOG	Director
				ONIC Holding Company SAOG	Deputy Chairman
Humayun Murad	Deputy Chairman	3	No	ORIX Leasing Pakistan Limited (Pakistan)	Chief Executive
				ORIX Leasing Egypt SAE (Egypt)	Director
				Saudi ORIX Leasing Company (KSA)	Director
				MAF ORIX Finance PJSC (UAE)	Director
				SK Leasing JSC, Kazakhstan	Director
				ORIX Properties Pakistan (Pvt) Limited (Pakistan)	Director
				Samba Bank Ltd, Pakistan	Director
				Pak Oman Assets Management Company Limited (Pakistan)	Director
Tariq R. Al Majid	Director	1	No	Golden Neon	Chairman
				Al Majid Central AC	Chairman
				United Tire Abu Dhabi	Chairman

CORPORATE GOVERNANCE REPORT (continued)

For the year ended December 31, 2010

Board Meeting (continued):

Name of Directors	Position	Board meetings attended	Whether attended last AGM	Directorship in other Companies	Position in other Company
Al Sayyida Rawan Ahmed Al Said	Director	4	Yes	Oman Oil Marketing Company SAOG	Director
				National Bank of Oman SAOG	Director
				National Investment Funds Company	Director
				Oman Investment Corporation	Director
				ONIC Holding Company SAOG	Director
				Royal & Sun Alliance Oman SAOC	Director
Ravi Shankar O.G.	Director	4	Yes	Royal & Sun Alliance Oman SAOC	Director
Kazuhito Inoue	Director	1	No	MAF ORIX Finance PJSC (UAE)	Director
				ORIX Leasing Pakistan Limited (Pakistan)	Director
				ORIX Properties Pakistan (Pvt) Limited (Pakistan)	Director
				ORIX Leasing Egypt SAE (Egypt)	Director
				Saudi ORIX Leasing Company (KSA)	Director
Syed Saeed Reza	Director	4	Yes	ORIX Properties Pakistan (Pvt) Limited, Pakistan	Director
Fumihiko Sato (note 2)	Director	3	No	-	-

Note 1: Leave of absence was granted to Directors who could not attend Board Meetings.

Note2: Resigned on October 21, 2010.

Audit and Other Committees:

a) Audit Committee

The Audit Committee comprises of 3 non-executive Board members. During the year 4 meetings of the Committee were held on January 25, April 22, July 27 and October 20, 2010 respectively. Details of the members and their attendance in meetings held are as follows:

S. No.	Name of Directors	Position	Meeting attended	Date of appointment
1.	Ravi Shankar O.G.	Chairman	4	25-03-09
2.	Syed Saeed Reza	Member	4	25-03-09
3.	Kazuhito Inoue	Member	None	04-11-10
	Fumihiko Sato	Member*	1	25-03-09

*Resigned on October 21, 2010

CORPORATE GOVERNANCE REPORT (continued)
For the year ended December 31, 2010

Audit and Other Committees (continued):

a) Audit Committee (continued)

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 adequacy of internal controls.
- Oversee the Company's compliance with legal and regulatory requirements.
- Review and recommendation of the Company's policies and procedures.

b) Executive Committee

The Executive Committee consists of 4 members of the Board. During the year 4 meetings of the Committee were held on January 26, April 22, July 27 and November 4, 2010 respectively. The 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.	Khalid Hilal Al Ma'awali	Chairman	4	25-03-09
2.	Al Sayyida Rawan Ahmed Al Said	Member	4	25-03-09
3.	Tariq R. Al Majid	Member	1	25-03-09
4.	Humayun Murad	Member	3	25-03-09

The role of Executive Committee includes:

1. Review and recommendation to write off of receivables
2. Credit approvals within a range specified by the Board
3. Review/ approval of Human Resource related matters
4. Any other issues delegated by the Board from time to time

Management Team

The Company follows a functional organizational structure. A brief overview of the key management personnel is given below:

The Chief Executive Officer (CEO), seconded by ORIX Leasing Pakistan, is responsible for management within the policy framework laid down by the Board. A team of experienced officers with expertise in relevant areas assists the CEO. Management members have extensive experience and their brief backgrounds are given below:

CORPORATE GOVERNANCE REPORT (continued)

For the year ended December 31, 2010

Management Team (continued):

Mr. Hira Lal Bharvani, CEO

He has over 22 years of professional experience relating to leasing and banking. Mr. Bharvani has held senior positions over 19 years with ORIX group. His previous positions include General Manager – Credit at ORIX Leasing Pakistan and SVP & Business Manager, Consumer Assets Division of MCB, Pakistan. Mr. Hira Lal is an MBA and LLB.

Mr. Shaheen Al Balushi, Head of Recovery and Credit Administration Function

He has been associated with OOLC since 1999. Prior to heading the recoveries function, he was instrumental in setting up the Company's Sohar office and managed it for 4 years. He has over 22 years of work experience, which includes previous employments with Ministry of Water Resources and Oman Newspaper House. Mr. Shaheen holds a MBA degree from United Kingdom and is an Arab Certified Public Accountant.

Mr. Issa Abdul Hussain Al Lawati, Head of Research and Training

He has been associated with OOLC since 2001. He has over 27 years of work experience to his credit, having held positions of responsibility, which include employment with Ministry of Information and Oman Newspaper House. He holds diploma in Business Administration and bachelor's degree.

Mr. Mohsin Moosa Ali Al Faqeer, Head of Credit

Mr. Mohsin joined OOLC in 2006. He has 23 years banking experience with Oman Development Bank at different positions and has experience of credit administration, financial control and operations. He holds a masters degree in Accounting & Development Finance from Birmingham University, UK.

Mr. Rameen Hashmi, Head of Finance and Corporate Affairs

Mr. Rameen is Chief Financial Officer of the Company. He joined OOLC in July 2008. He is also the Secretary to the Board. He has over 10 years professional work experience. Besides having worked as the CFO of major organizations, he also carries investment banking experience having worked as an AVP in investment banking division of a large commercial bank. He is an Associate Chartered Accountant.

Internal Control Review:

The Company has implemented comprehensive internal control systems and procedures in its financial and business operations. There are well-defined policies and procedures, which are documented, for all financial and business transactions of the Company. The Board of Directors considers these controls to be in line with prudent practices.

CORPORATE GOVERNANCE REPORT (continued)

For the year ended December 31, 2010

Process of Nomination of Directors:

The Company follows the provisions of the Commercial Companies Law of Oman, Capital Market Authority's (CMA's) directives and guidelines from the Central Bank of Oman in respect of nomination for the membership of the Board of Directors.

Remuneration Matters:

a. In aggregate, Directors were paid RO 11,600/- as sitting fees for Board, Executive Committee and Audit Committee meetings and the Board has proposed RO 50,000 towards Directors' Remuneration subject to the approval of the Shareholders at the AGM.

b. During the year, the Company incurred aggregate employment costs of RO 329,315 in respect of its 5 senior most executives.

c. The staff bonus pool is approved by the Board of Directors and is distributed amongst employees based on their individual performances. The contract and notice period of the top 5 executives are 2 years and 3 months respectively.

Details of Non-Compliance by the Company:

There are no non-compliance penalties or strictures imposed on the Company by MSM/ CMA or any statutory authority, on any matter during the last three years.

Means of Communication with Shareholders and Investors:

The quarterly financials of the Company are available in digital form on the website of Muscat Securities Market (MSM) viz., www.msm.gov.om. The quarterly, half yearly and annual results of the Company are published in two national newspapers, one English and one Arabic, and are also submitted to Muscat Securities Market. Annual reports are mailed to all shareholders. The financial statements of the Company for the last 3 years and important news and disclosures are also available on the Company's website, www.omanorix.com.

Management Discussion and Analysis is given as part of annual report, which assures fair presentation of the financial statements.

Market Price Data:

a) High / low price and index

S.No.	Month, 2010	Market Price (RO)		Volume Traded	MSM Index	Relevant Sector
		High	Low			
1.	January	0.220	0.208	13,304	6,532	9,437
2.	February	0.211	0.200	62,546	6,689	9,566
3.	March	0.232	0.170	1,185,962	6,689	9,608
4.	April	0.170	0.169	20,628	6,830	10,112
5.	May	-	-	-	6,294	8,925
6.	June	-	-	-	6,058	8,549
7.	July	0.153	0.153	201	6,295	8,788
8.	August	-	-	-	6,257	8,455
9.	September	-	-	-	6,473	8,816
10.	October	0.161	0.153	3,340	6,553	8,795
11.	November	-	-	-	6,592	8,474
12.	December	-	-	-	6,755	8,320

ORIX

CORPORATE GOVERNANCE REPORT (continued)

For the year ended December 31, 2010

Market Price Data: (continued)

b) Distribution of Shares

Name of the Shareholder	No. of Shares	%
Oman National Investment Corporation Holding SAOG	46,969,986	35.00%
Majid Al Futtaim Trust LLC, UAE	34,049,143	25.37%
ORIX Corporation, Japan	16,439,647	12.25%
ORIX Leasing Pakistan Limited, Pakistan	15,621,698	11.64%
Port Services Corporation SAOG	6,769,772	5.04%
Oman International Bank	6,709,476	5.00%
Others	7,640,278	5.70%
Total	**134,200,000**	**100%**

Statutory Auditor:

The Shareholders of the Company appointed KPMG as the auditors for the year 2010. KPMG is one of the leading accounting firms in Oman. The Oman practice of KPMG, which forms part of KPMG Lower Gulf, was established in 1974 and employs more than 130 people, including 3 partners, 6 directors and 17 managers.

KPMG Lower Gulf (UAE and Oman), is a member of the KPMG network of independent firms affiliated with KPMG international Co-operative. The KPMG network operates in 146 countries and employs 140,000 people worldwide, KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's)

During the year 2010, RO 17,055 was charged by external auditors against the services rendered by them to the Company (RO 9,000 for audit and RO 8,055 for tax services).

Acknowledgement:

The Board of Directors confirms the following:

- Financial statements are prepared by the Company in accordance with the applicable standards and rules.
- The Board reviewed the efficiency and adequacy of the internal control systems of the Company and its compliance with internal rules and regulations.
- There are no material factors that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Khalid Hilal Al Ma'awali
Chairman

Humayun Murad
Deputy Chairman

The report of Auditors on Corporate Governance is set forth on page 19.

KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman

Tel 968 24709181
Fax 968 24700839

Report to the Shareholders of Oman ORIX Leasing Company SAOG ("the Company") of Factual Findings in connection with the Corporate Governance Report of the Company and application of the Corporate Governance practices in accordance with Capital Market Authority Code of Corporate Governance

We have performed the procedures prescribed in the Capital Market Authority ("CMA") Circular No. 16/2003 dated 29 December 2003 ("the Procedures") with respect to the Corporate Governance Report of the Company ("the Report") and its application of the Corporate Governance practices in accordance with the CMA Code of Corporate Governance ("the Code") issued under Circular No. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA Administrative Decision 5/2007, dated 27 June 2007. The Report is set out on pages 12 to 18.

Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. The Procedures were performed solely to assist you in evaluating the Report.

We found the Report reflects, in all material respects, 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, we do not express any assurance on the Company's Corporate Governance Report. Had we performed additional procedures or had we performed an audit or review of this Report in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

This report is solely for the purpose set forth in the second paragraph above, and for inclusion, with the Report, in the Company's annual report, and is not to be used for any other purpose. This report relates only to the Report included in the Company's annual report for the year ended 31 December 2010 and does not extend to the financial statements or any other reports of Company, taken as a whole.

KPMG

27 January 2011

Ashok Hariharan

C.R. No. 1/30936/6

KPMG
4th Floor, HSBC Bank Building
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Sultanate of Oman

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

Report on the financial statements

We have audited the financial statements of Oman ORIX Leasing Company SAOG ("the Company") set out on pages 21 to 50, which comprise the statement of financial position as at 31 December 2010, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion the financial statements of the Company as at and for the year ended 31 December 2010, in all material respects comply with:

- the relevant disclosure requirements of the Capital Market Authority; and
- the Commercial Companies Law of 1974, as amended.

KPMG

27 January 2011

Ashok Hariharan

STATEMENT OF FINANCIAL POSITION

As at 31 December

	Note	2010 RO'000	2009 RO'000
Assets			
Cash and bank balances	4	**321**	255
Factoring receivable		**654**	422
Net investment in finance leases	6	**60,354**	62,557
Other receivables and prepayments		**307**	311
Deferred tax asset	7	**86**	366
Property and equipment	8	**216**	250
Statutory deposit	5	**50**	50
Total assets		**61,988**	64,211
Equity			
Capital and reserves			
Share capital	9	**13,420**	11,000
Share premium		**-**	1,063
Legal reserve	10	**1,550**	1,323
Voluntary reserve		**-**	416
Retained earnings		**4,448**	4,229
Total equity		**19,418**	18,031
Liabilities			
Bank overdrafts and short term loans	11	**12,651**	6,017
Tax payable	16	**253**	638
Creditors, accruals and other liabilities	13	**4,476**	3,727
Current portion of long term loans	12	**9,341**	11,627
Corporate deposit	14	**4,920**	6,795
Long term loans	12	**10,929**	17,376
Total liabilities		**42,570**	46,180
Total equity and liabilities		**61,988**	64,211
Net assets per share (Rial Omani)	21	**0.145**	0.164

The financial statements on pages 21 to 50 were approved by the Board of Directors on January 27, 2011 and were signed on their behalf by:

Khalid Hilal Al Ma'awali
Chairman

Humayun Murad
Deputy Chairman

The notes on pages 25 to 50 form an integral part of these financial statements.
Report of the Auditors - page 20.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2010 RO'000	2009 RO'000
Lease income	3	**6,750**	6,900
Interest expense	11,12 & 14	**(2,478)**	(2,992)
Net lease income		**4,272**	3,908
Interest and other income		**568**	556
		4,840	4,464
Expenses			
Selling, general and administrative expenses	15	**(1,896)**	(1,745)
Depreciation	8	**(85)**	(83)
		(1,981)	(1,828)
Profit before provision for impairment		**2,859**	2,636
Provision for impairment of lease receivables, net of recoveries	3&6	**(234)**	(365)
Profit before taxation		**2,625**	2,271
Taxation	16	**(358)**	(268)
Total comprehensive income and net profit for the year		**2,267**	2,003
Basic earnings per share (Rial Omani)	20	**0.017**	0.015

The notes on pages 25 to 50 form an integral part of these financial statements.

Report of the Auditors – page 20.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Share capital	Share premium	Legal reserve	Voluntary reserve	Retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1 January 2009	10,000	1,063	1,123	416	3,426	16,028
Transfer to reserve	-	-	200	-	(200)	-
Total comprehensive income and net profit for the year	-	-	-	-	2,003	2,003
Stock dividend	1,000	-	-	-	(1,000)	-
31 December 2009	11,000	1,063	1,323	416	4,229	18,031
1 January 2010	**11,000**	**1,063**	**1,323**	**416**	**4,229**	**18,031**
Total comprehensive income and net profit for the year	**-**	**-**	**-**	**-**	**2,267**	**2,267**
Transfer to reserve	**-**	**-**	**227**	**-**	**(227)**	**-**
Transfer from reserves	**-**	**-**	**-**	**(416)**	**416**	**-**
Cash dividend	**-**	**-**	**-**	**-**	**(880)**	**(880)**
Stock dividend	**2,420**	**(1,063)**	**-**	**-**	**(1,357)**	**-**
31 December 2010	**13,420**	**-**	**1,550**	**-**	**4,448**	**19,418**

The notes on pages 25 to 50 form an integral part of these financial statements.

Report of the Auditors – page 20.

STATEMENT OF CASH FLOWS
For the year ended 31 December

	2010 RO'000	2009 RO'000
Operating activities		
Profit before taxation	**2,625**	2,271
Adjustments for:		
Depreciation	**85**	83
Provision for end of service benefits	**40**	26
Loss on sale of property and equipment	**-**	1
Provision for impairment of lease receivables	**234**	365
Receipts against written off contracts	**19**	5
Interest expense	**2,478**	2,992
Operating profit before working capital changes and payment of end of service benefits	**5,481**	5,743
End of service benefits paid	**(7)**	-
Changes in operating assets and liabilities		
Receipts from finance leases	**2,614**	2,999
Receivables and prepayments	**(247)**	(39)
Creditors, accruals and other liabilities	**26**	(288)
Income tax paid	**(463)**	(391)
Interest paid	**(2,433)**	(2,888)
Net cash flows from operating activities	**4,971**	5,136
Investing activities		
Proceeds from sale of property and equipment	**3**	1
Purchase of property and equipment	**(54)**	(77)
Cash flows used in investing activities	**(51)**	(76)
Financing activities		
Term loans paid	**(8,733)**	(960)
Short term loans received / (paid)	**6,650**	(8,500)
Corporate deposits	**(1,875)**	3,795
Dividend paid	**(880)**	-
Cash flows used in financing activities	**(4,838)**	(5,665)
Net change in cash and cash equivalents	**82**	(605)
Cash and cash equivalents at beginning of the year	**(512)**	93
Cash and cash equivalents at end of the year	**(430)**	(512)
Cash and cash equivalents comprise of:		
Cash and bank balances	**321**	255
Bank overdraft	**(751)**	(767)
Cash and cash equivalents	**(430)**	(512)

The notes on pages 25 to 50 form an integral part of these financial statements.

Report of the Auditors – page 20.

Notes
(forming part of the financial statements)

1 Legal status

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 of motor vehicles, equipments and plants and machinery. The Company derives all of its income from leasing and factoring operations within the Sultanate of Oman. The registered address of the Company is P.O. Box 106, Wattayah, Postal Code 118, Muscat, Sultanate of Oman.

The Company operates in the Sultanate of Oman with a network of five branches and employed 95 employees as of 31 December 2010 (2009: 94).

2 Basis of preparation and summary of significant accounting policies

2.1 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"), the disclosure requirements set out in the "Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading" issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

2.2 Basis of measurement

These financial statements are prepared on the historical cost convention.

These financial statements have been presented in Rial Omani which is the Company's presentational and functional currency. All figures have been rounded to the nearest thousand Rials.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.5 and 24.

The accounting policies are summarised below. These policies have been consistently applied to all the years presented in these financial statements, unless otherwise stated.

2.3 Foreign currency transactions

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

2.4 Leases and lease income

Lease in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. 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.

2 Basis of preparation and summary of significant accounting policies (continued)

2.4 Leases and lease income (continued)

The difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. The initial direct costs, which include amounts such as commissions and legal fees that are incremental and directly attributable to negotiating and arranging a lease, are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable. Lease payments relating to the year are applied against gross investment in the lease to reduce both the principal and the unearned finance income.

Finance income from leases is recognised based on a pattern reflecting a constant periodic rate of return on the Company's net investment in the finance leases.

2.5 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Provision for impairment of lease receivables

The Company assesses at each statement of financial position date whether there is objective evidence that a lease receivable or group of lease receivables is impaired. A lease receivable or group of lease receivables is impaired and an impairment loss is incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the lease receivable or group of lease receivables that can be reliably estimated. Objective evidence that a lease receivable or group of lease receivables is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the obligor;
- a breach of contract, such as a default in rental payment;
- the Company granting to the lessee, for economic or legal reasons relating to the lessee's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the lessee will enter bankruptcy or other financial reorganisation;
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of lease receivables since the initial recognition of those leases, although the decrease cannot yet be identified with the individual leases in the group, including adverse changes in the payment status of lessees in the debtor, or national or local economic conditions that correlate with defaults on the assets in the Company.

2 Basis of preparation and summary of significant accounting policies (continued)

2.5 Impairment (continued)

(i) Non-derivative financial assets (continued)

Provision for impairment of lease receivables (continued)

The Company first assesses whether objective evidence of impairment exists individually for lease receivables that are individually significant, and individually or collectively for lease receivables that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed lease receivable, whether significant or not, it includes the lease receivable in a group of lease receivables with similar credit risk characteristics and collectively assesses them for impairment. Lease receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income.

The calculation of the present value of the estimated future cash flows of a collateralised lease reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of lease receivables that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of lease receivables should reflect and be directionally consistent with changes in related observable data from period to period (for example, payment status or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of income.

2 Basis of preparation and summary of significant accounting policies (continued)

2.5 Impairment (continued)

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets other than investment property and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.6 Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise factoring receivables, net investment in finance lease and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

2 Basis of preparation and summary of significant accounting policies (continued)

2.6 Financial instruments (continued)

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise long term loans, bank overdrafts and short term loans, corporate deposit, creditors and other liabilities. 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 flows.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.7 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 charged to the statement of income in equal instalments over their estimated useful economic lives of five years.

Subsequent costs are included in the asset's carrying amount or recognised as separate, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial year in which they are incurred.

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.

Management annually reassess the useful lives, residual values and depreciation methods for property and equipment.

2 Basis of preparation and summary of significant accounting policies (continued)

2.8 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company employees at the statement of financial position date, having regard to the requirements of the Oman Labour Law 2003 as amended. 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 up to the statement of financial position date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability. The obligation is calculated using the projected unit credit method and is discounted to its present value.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of income as incurred.

2.9 Taxation

Income tax on the result for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax bases. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.10 Directors' remuneration and sitting fees

Directors' remuneration and sitting fees paid are calculated in accordance with the Article 101 of the Commercial Companies Law (CCL), which is explained by CMA's Administrative Decision 11/2005.

2.11 Operations segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management Committee to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the Management Committee include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Notes
(forming part of the financial statements)

2 Basis of preparation and summary of significant accounting policies (continued)

2.12 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2010, and have not been applied in preparing these financial statements. None of these will have an effect on the financial statements of the Company, with the exception of IFRS 9 Financial Instruments, published on 12 November 2009 as part of phase I of the IASB's comprehensive project to replace IAS 39, deals with classification and measurement of financial assets. The requirements of this standard represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company is currently in the process of evaluating the potential effect of this standard.

3 Segment analysis

The Company is engaged in leasing activities, all of which are carried out in Oman. Although the Company has personal and corporate customers, the entire lease portfolio is managed internally as one business segment. All the Company's funding and costs are common and are not shared between these two portfolios.

The financial information that can be separately recognised for personal and corporate portfolios are as follows:

	2010 RO'000		2009 RO'000	
	Personal	**Corporate**	Personal	Corporate
Revenue				
Lease income	**2,947**	**3,803**	3,091	3,809
Expenses				
Provision for impairment of lease receivable	**90**	**144**	180	185
Assets				
Net investment in finance leases and factoring receivables	**27,280**	**33,728**	29,195	33,784

The Chief Operating Decision Maker considers the business of the Company as one operating segment and monitors only revenue and provision for impairment for the above two operating segments.

Notes
(forming part of the financial statements)

4 Cash and bank balances

	2010 RO'000	2009 RO'000
Current accounts	**319**	253
Cash in hand	**2**	2
	321	255

5 Statutory deposit

The Company is required to maintain a deposit of RO 50,000 (2009 - RO 50,000) 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% (2009 – 2%) per annum.

6 Net investment in finance leases

	2010	2009
Gross investment in finance leases	**73,873**	76,962
Unearned lease income	**(10,501)**	(11,225)
	63,372	65,737
Provision for impairment of lease receivables	**(2,890)**	(3,039)
Unrecognised contractual income	**(128)**	(141)
	60,354	62,557

(a) As required by Central Bank of Oman, the Company maintains a reserved income account on lease contract receivables that are overdue for more than 89 days. As at 31 December 2010, lease contract receivables on which income has been reserved amounted to approximately RO 2.861 million (2009 - RO 2.185 million). This is part of the provision for impairment on lease receivables.

(b) The table below represents analysis of gross lease receivables and present value of lease receivables for each of the following periods:

	Up to 1 year RO'000	>1 year to 5 years RO'000	> 5 years RO'000	Total RO'000
At 31 December 2010				
Gross lease receivables	**29,911**	**43,790**	**172**	**73,873**
Present value of lease receivables	**24,603**	**35,751**	**-**	**60,354**
At 31 December 2009				
Gross lease receivables	29,839	47,006	117	76,962
Present value of lease receivables	24,278	38,279	-	62,557

Notes
(forming part of the financial statements)

6 Net investment in finance leases (continued)

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

	2010	2009
	RO'000	RO'000
1 January	**11,225**	12,304
Addition during the year	**5,980**	5,821
Recognised during the year	**(6,704)**	(6,900)
31 December	**10,501**	11,225

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

1 January	**3,039**	2,947
Provided during the year	**429**	520
Released during the year	**(176)**	(150)
Written off during the year	**(402)**	(278)
31 December	**2,890**	3,039

During the year 2010 the Company has recovered amount of RO 19,000 (2009: RO 5,000) from previously written off lease contracts. The Company decreased the provision for lease receivable impairment in the statement of income with the amount recovered of RO 19,000 (2009: RO 5,000) as per policy.

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

1 January	**141**	192
Addition during the year	**72**	41
Written back during the year	**(26)**	(27)
Written off during the year	**(59)**	(65)
31 December	**128**	141

7 Deferred tax asset

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 12% (2009 - 12%). Deferred tax assets and the deferred tax charge in the statement of income are attributable to provisions. Details of recognized deferred tax asset are as follows:

	1January 2010	Recognized in statement of income	31 December 2010
	RO'000	RO'000	RO'000
Property, plant and equipment	1	3	**4**
Provision for impairment of lease receivables	365	(283)	**82**
Deferred tax asset	366	(280)	**86**

Notes
(forming part of the financial statements)

8 Property and equipment

2010	Office equipment RO'000	Motor vehicles RO'000	Furniture and fittings RO'000	Total RO'000
Cost				
1 January 2010	**280**	**67**	**264**	**611**
Additions	**19**	**-**	**35**	**54**
Disposals	**(25)**	**(5)**	**(16)**	**(46)**
31 December 2010	**274**	**62**	**283**	**619**
Depreciation				
1 January 2010	**175**	**37**	**149**	**361**
Charge for the year	**33**	**12**	**40**	**85**
Disposals	**(24)**	**(5)**	**(14)**	**(43)**
31 December 2010	**184**	**44**	**175**	**403**
Net book amount				
31 December 2010	**90**	**18**	**108**	**216**
2009				
Cost				
1 January 2009	243	61	295	599
Additions	57	6	14	77
Disposals	(20)	-	(45)	(65)
31 December 2009	280	67	264	611
Depreciation				
1 January 2009	161	25	155	341
Charge for the year	34	12	37	83
Disposals	(20)	-	(43)	(63)
31 December 2009	175	37	149	361
Net book amount				
31 December 2009	105	30	115	250

9 Share capital

The authorised capital consists of 150 million ordinary shares of RO 0.100 each (31 December 2009: 150 million of RO 0.100 each) and paid up capital consists of 134.2 million ordinary shares of RO 0.100 each (31 December 2009: 110 million of RO 0.100 each). In accordance with circular no. FM-23 issued by Central Bank Of Oman on 11 June 2008 the paid up share capital of all licensed finance and leasing companies should be increased to RO 20 million before the end of June 2012. The Company plans to increase its paid up share capital in compliance with the above circular by June 2012.

Notes
(forming part of the financial statements)

9 Share capital (continued)

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

	2010		2009	
	Shares held	**(%)**	Shares held	(%)
Oman National Investment Corporation Holding SAOG	**46,969,986**	**35.0**	38,499,989	35.0
Majid Al Futtaim Trust LLC	**34,049,143**	**25.4**	27,909,134	25.4
ORIX Corporation, Japan	**16,439,647**	**12.3**	13,475,121	12.3
ORIX Leasing Pakistan Limited	**15,621,698**	**11.6**	12,804,671	11.6

10 Legal reserve

In accordance with Article 106 of the Commercial Companies Law of 1974, as amended 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. As per article 78 of the Commercial Companies Law of Oman 1974, the excess amount received from shareholders towards share issue expenses over actual expenses has been transferred to legal reserve. This reserve is not available for distribution.

11 Bank overdrafts and short term loans

The Company has borrowing facilities from commercial banks for an aggregate amount of approximately RO 24.3 million (2009 - RO 20.8 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 8% (2009 –5.5% and 8%) per annum.

The table below indicates the composition of the bank overdrafts and short term loans as at 31 December:

	2010	2009
	RO'000	RO'000
Bank overdraft	**751**	767
Short term loans	**11,900**	5,250
	12,651	6,017

12 Long-term loans

The Company has entered into long-term loan facility agreements with commercial banks in the aggregate amount of RO 25.50 million (2009 - RO 28.98 million). These loans carry interest at rates ranging between 5.75% and 7.50% (2009 – 3.25% and 7.65%) per annum and secured by a pari-passu floating charge over the assets of the Company.

The Company has entered into a long-term agreement with International Finance Corporation ("IFC") in February 2007, whereby IFC has provided a loan to the Company in the total amount of RO 2.7 million (US$ 7 million) for a term of 8 years. The loan is secured by a pari-passu charge over the assets of the Company.

Current portion of long term loans as at 31 December 2010 amount to RO 9.341 million (2009 – RO 11.627 million).

ORIX

Notes

(forming part of the financial statements)

13 Creditors, accruals and other liabilities

	2010	2009
	RO'000	RO'000
Leased assets payables	3,293	2,648
Interest and financial charges	257	212
Accruals for expenses	379	418
End of service benefits	153	120
Other liabilities	394	329
	4,476	3,727

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

At 1 January	120	94
Expense recognised in the statement of income	40	26
Paid to employees during the year	(7)	-
At 31 December	153	120

14 Corporate deposits

The Company accepts short term deposits from corporate customers in accordance with the Central Bank of Oman guidelines for a minimum period of 12 months. These deposits carry interest at rates ranging between 4% and 6% (2009 – 6.25% and 7.35%) per annum.

15 Selling, general and administrative expenses

Personnel costs	1,424	1,307
Communication costs	94	83
Professional fees and subscriptions	58	54
Occupancy costs	89	80
Advertising and sales promotion	34	42
Directors' sitting fees and travelling exp	15	15
Proposed Directors' remuneration	50	55
Other office expenses	132	109
	1,896	1,745

The total amount paid as directors' remuneration and sitting fees has been calculated at 5% of the net profits for the year after deducting reserves in accordance with Article 106 of the Commercial Companies Law of 1974, as amended and after notionally calculating 5% of the capital as dividends to the shareholders.

Notes
(forming part of the financial statements)

15 Selling, general and administrative expenses (continued)

Personnel costs

	2010	2009
	RO'000	RO'000
Wages and salaries	982	883
Other benefits	374	373
Contribution to the Public Authority for Social Insurance	28	25
End of service benefits	40	26
	1,424	1,307

16 Taxation

a) *Components of income tax expense:*

Current tax	78	279
Deferred tax	280	(11)
Income tax expense	358	268

b) *Reconciliation of tax expense*

The Company has provided for taxation in accordance with the income tax laws of the Sultanate of Oman at the rate of 12% of taxable profits in excess of RO 30,000. The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

Accounting profit before income tax	2,625	2,271
Income tax expense computed at applicable tax rates	311	269
Items not deductible in determining taxable profits	47	-
Tax exempt revenues	-	(1)
	358	268

c) *Status of the tax assessments*

The tax returns of the Company for the tax years 2007 to 2009 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 December 2010.

Notes
(forming part of the financial statements)

17 Dividend per share

Dividend is not accounted for until it has been approved at the Annual General Meeting. At the meeting on 29 March 2011, stock dividend of 25 shares for every 100 shares held (2009: a stock dividend of 22 shares for every 100 shares held and cash dividend of 8% amounting to RO 880,000) is to be proposed. The financial statements for the year ended 31 December 2010 do not reflect this resolution, which will be accounted for in shareholders' equity as an appropriation of retained profits in the year ending 31 December 2011. During the year unclaimed dividend amounting to RO 9,690 pertaining to year 2009 has been transferred to Investors Trust Fund with Capital Market Authority.

18 Related party transactions

The Company has entered into transactions in the ordinary course of business with other related parties in which certain directors have a significant influence and with senior management. The terms and conditions of these transactions are mutually agreed. During the year, the following transactions were carried out with related parties:

		2010	2009
		RO'000	RO'000
(i)	**Insurance expense**	38	32
(ii)	**Interest expense**	464	810
(iii)	**Other income**	65	48
(iv)	**Remuneration to directors**		
	- Sitting fees	12	11
	- Remuneration	50	55
	-Travelling expenses paid	3	4
	Directors' sitting fees and remuneration	65	70
(v)	**Key management compensation**		
	- Salaries and other short-term employee benefits	320	294
	- Termination benefits	9	8
(vi)	**Liabilities**		
	- Insurance payable	135	61
	- Interest payable	17	47
	- Long term loans	1,941	3,904
	- Short term loans	2,922	1,906
(vii)	**Corporate deposit**	-	2,400

Notes
(forming part of the financial statements)

19 Commitments

	2010 RO'000	2009 RO'000
(a) Approved lease commitments	**1,534**	610

(b) In addition, at 31 December 2010, forward foreign currency contracts outstanding were in the aggregate amount of USD 4.31 million approximately RO 1.658 million (2009: USD 6.14 million approximately RO 2.361 million) with the same fair value.

20 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 arrived after giving effect to issue of bonus shares during the year.

	2010	2009
Profit for the year (RO'000)	**2,267**	2,003
Weighted average number of shares (Nos'000)	**134,200**	134,200
Basic earnings per share (RO)	**0.017**	0.015

During the year ended 31 December 2010, the Company issued 24.2 million bonus shares of RO 0.100 each to the existing shareholders, since the bonus issue was without consideration; the issue is treated as if it had occurred prior to the beginning of year 2009.

21 Net assets per share

The calculation of net assets per share is as below:

	2010	2009
Net asset value (RO'000)	**19,418**	18,031
Number of ordinary shares outstanding at 31 December (Nos'000)	**134,200**	110,000
Net assets per share (RO)	**0.145**	0.164

22 Financial risk management

22.1 Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest risk) 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. Risk management is carried out by the treasury function. Oversight is provided by the Asset Liability Management Committee which includes representation from Credit, Treasury and Risk management function. In addition, internal audit is responsible for the independent review of risk management and other control environment.

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.1 Market risk

(i) Foreign currency risk

Foreign currency risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. The foreign currency transactions are in US Dollars amounting to RO 1.658 million. The Company enters into forward exchange contracts to hedge any significant risks arising from foreign currency transactions.

(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 change during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

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

The Company uses sensitivity analysis to analyse and measure market risk on the funding cost of borrowings. The following table demonstrates the sensitivity to a possible change in interest rate on the Company's floating interest rate borrowings, if all other variables held constant, impact on Company's net profit would be:

	Carrying amount	Impact on net profit
Scenarios - Average Funding cost change by + 50 bps		
2010		
Borrowings (RO'000)	**37,841**	**(189)**
2009		
Borrowings (RO'000)	41,815	(209)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.1 Market risk (continued)

(ii) Interest rate risk (continued)

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

	0-6 months RO'000	6-12 months RO'000	1-2 years RO'000	2-3 years RO'000	Over 3 years RO'000	Fixed rate or non interest rate sensitive RO'000	Total RO'000
At 31 December 2010							
Assets							
Cash and bank	-	-	-	-	-	321	321
Statutory deposit	-	-	-	-	-	50	50
Net investment in finance leases	13,377	11,226	18,546	11,638	5,567	-	60,354
Factoring receivable	654	-	-	-	-	-	654
Other receivables and prepayments	-	-	-	-	-	307	307
Deferred tax asset	-	-	-	-	-	86	86
Property and equipment	-	-	-	-	-	216	216
Total	14,031	11,226	18,546	11,638	5,567	980	61,988
Equity							
Equity	-	-	-	-	-	19,418	19,418
Liabilities							
Bank overdrafts and short-term loans	8,851	3,800	-	-	-	-	12,651
Corporate deposit	1,867	53	3,000	-	-	-	4,920
Long term loans	5,048	4,293	6,762	3,415	752	-	20,270
Creditors, accruals and other liabilities	-	-	-	-	-	4,476	4,476
Tax payable	-	-	-	-	-	253	253
Total equity and liabilities	15,766	8,146	9,762	3,415	752	24,147	61,988
Gap in interest rate	(1,735)	3,080	8,784	8,223	4,815	(23,167)	
Cumulative gap in interest rate	(1,735)	1,345	10,129	18,352	23,167		

Notes
(forming part of the financial statements)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.1 Market risk (continued)

(ii) Interest rate risk (continued)

	0-6 months RO'000	6-12 months RO'000	1-2 years RO'000	2-3 years RO'000	Over 3 years RO'000	Fixed rate or non interest rate sensitive RO'000	Total RO'000
At 31 December 2009							
Assets							
Cash and bank	-	-	-	-	-	255	255
Statutory deposit	-	-	-	-	-	50	50
Net investment in finance leases	13,127	11,151	19,086	13,470	5,723	-	62,557
Factoring receivable	422	-	-	-	-	-	422
Other receivables and prepayments	-	-	-	-	-	311	311
Deferred tax asset	-	-	-	-	-	366	366
Property and equipment	-	-	-	-	-	250	250
Total	13,549	11,151	19,086	13,470	5,723	1,232	64,211
Equity							
Equity	-	-	-	-	-	18,031	18,031
Liabilities							
Bank overdrafts and short-term loans	6,017	-	-	-	-	-	6,017
Corporate Deposit	3,575	3,220	-	-	-	-	6,795
Long term loans	5,957	5,670	8,499	5,615	3,262	-	29,003
Creditors, accruals and other liabilities	-	-	-	-	-	3,727	3,727
Tax payable	-	-	-	-	-	638	638
Total equity and liabilities	15,549	8,890	8,499	5,615	3,262	22,396	64,211
Gap in interest rate	(2,000)	2,261	10,587	7,855	2,461	(21,164)	
Cumulative gap in interest rate	(2,000)	261	10,848	18,703	21,164		

Notes
(forming part of the financial statements)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.1 Market risk (continued)

(iii) Effective interest rate analysis of financial assets and financial liabilities

	Assets		Liabilities	
	Bank, cash and deposit	Investment in finance leases and factoring receivables	Bank overdrafts, short term loans and deposits	Long term loans
	RO'000	RO'000	RO'000	RO'000
2010				
0 – less than 6%	**371**	**-**	**15,820**	**2,558**
6% - less than 12%	**-**	**52,197**	**1,751**	**17,712**
12% and above	**-**	**11,829**	**-**	**-**
	371	**64,026**	**17,571**	**20,270**
2009				
0 – less than 6%	305	-	1,750	2,361
6% - less than 12%		53,169	11,062	26,642
12% and above	-	12,990	-	-
	305	66,159	12,812	29,003

22.1.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is crucial for the Company's business, therefore Management carefully manages its exposure to credit risk. The Company has established credit policies and procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining securities such as lien on title on leased assets, security deposits, personal guarantees and mortgages over properties.

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.

Exposure to credit risk is managed through regular analysis of the ability of lessees and potential lessees to meet repayment obligations.

The Company has clear policies in place to identify early warning signals and to initiate appropriate and timely remedial actions. Some of the early warning indicators are listed below:

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.2 Credit risk (continued)

- frequent dishonor of cheques
- inability to reach the customer over phone or in person
- lack of response to written communications
- utilised limits in excess of authorised limits as disclosed by BCSB data
- inability to obtain current financials
- adverse market feedback

(iii) Effective interest rate analysis of financial assets and financial liabilities

Classification of net investment in finance leases and factoring receivable

	2010		2009	
	Personal	**Corporate**	Personal	Corporate
	RO'000	**RO'000**	RO'000	RO'000
Neither past due nor impaired	**25,156**	**29,324**	27,759	30,133
Past due up to 89 days but not impaired	**2,476**	**4,209**	2,187	3,895
Impaired				
Past due 90-179 days	**298**	**364**	263	412
Past due 180-269 days	**152**	**328**	125	289
Past due 270-364 days	**67**	**217**	21	83
Past due more than 364 days	**377**	**1,058**	450	542
Total	**28,526**	**35,500**	30,805	35,354
Less: Provision for impairment of leases and unrecognised contractual income	**(1,246)**	**(1,772)**	(1,610)	(1,570)
Net Investment in finance lease and factoring receivables	**27,280**	**33,728**	29,195	33,784

Out of the total provision for impairment, RO 1.56 million (2009 - RO 0.950 million) is against specific impaired finance leases and RO 1.33 million (2009 - RO 2.089) is portfolio provision. Further information on the provisioning for impairment is given in Note 6 (d).

Rentals overdue by 1 day but less than 90 days are considered past due, unless other objective information is available to classify the receivable as impaired.

Notes
(forming part of the financial statements)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.2 Credit risk (continued)

Leases rescheduled

Rescheduled leases have been monitored for one year before setting to regular status. The policy is based on the Management's judgment that rentals continued to be regularly paid. These accounts are kept under continuous review.

Concentration of risks

(a) Individual customer concentration of net investment in finance leases by type of customer

Maximum exposure to credit risk

	2010	2009
	RO'000	RO'000
Personal	25	30
Corporate		
- Lease financing	326	636
- Factoring	258	189

The above amounts represent total receivables from the customers without taking into account of any security value. The 85% of portfolio is not past due. Impaired assets increased to 4.3% compared to 3.3% last year. In order to minimize the credit risk Company has been following high credit standards and obtains additional securities, if required.

(b) Geographical Concentration

The Company only does business within Sultanate of Oman and geographical exposure is within the Country.

(c) Economic sector concentration of net investment in finance leases and factoring receivables

Trading and construction	21,026	19,371
Manufacturing	52	100
Services	14,422	15,883
Consumer	28,526	30,805
	64,026	66,159

22 **Financial risk management** (continued)

22.1 **Financial risk factors** (continued)

22.1.3 **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.

Sources of funding are regularly reviewed by the Asset Liability Management Committee to maintain diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products like corporate deposits, seeking fixed interest rates for longer tenure, etc.

Fund management has been carried out by treasury function. It includes managing and monitoring day to day cash flows and funding needs. This is achieved through maintaining approved credit facilities to cover net future funding needs and monitoring cash flows projections.

(a) **Cash flows**

The table below exhibits the cash flows payable by the Company under financial liabilities by remaining contractual maturity. The amounts show gross undiscounted cash flows.

	0-6 months	6-12 months	1-2 years	2-3 years	Over 3 years	Non-fixed maturity	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 31 December 2010							
Bank overdrafts and short-term loans	**8,966**	**3,815**	**-**	**-**	**-**	**-**	**12,781**
Corporate deposit	**1,972**	**109**	**3,080**	**-**	**-**	**-**	**5,161**
Long term loans	**5,633**	**4,719**	**7,238**	**3,560**	**765**	**-**	**21,915**
Creditors, accruals and other liabilities	**4,017**	**-**	**-**	**-**	**-**	**459**	**4,476**
Total liabilities	**20,588**	**8,643**	**10,318**	**3,560**	**765**	**459**	**44,333**
At 31 December 2009							
Bank overdrafts and short-term loans	6,034	-	-	-	-	-	6,034
Corporate deposit	3,779	3,268	-	-	-	-	7,047
Long term loans	6,866	6,363	9,376	6,004	3,416	-	32,025
Creditors, accruals and other liabilities	3,309	-	-	-	-	418	3,727
Total liabilities	19,988	9,631	9,376	6,004	3,416	418	48,833

The Company has approved lease commitments as at 31 December 2010 amounting to RO 1.534 million (2009 - RO 0.61 million) which would be disbursed within three months of financial year 2011.

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.3 Liquidity risk (continued)

(b) The maturity profile of assets and liabilities at the year end is based on the contractual repayments and the same as at 31 December 2010 is as follows:

	0-6 months RO'000	6-12 months RO'000	1-2 years RO'000	2-3 years RO'000	Over 3 years RO'000	Non-fixed maturity RO'000	Total RO'000
At 31 December 2010							
Assets							
Cash and bank	321	-	-	-	-	-	321
Statutory deposit	-	-	-	-	-	50	50
Net investment in finance leases	13,377	11,226	18,546	11,638	5,567	-	60,354
Factoring receivable	654	-	-	-	-	-	654
Receivables and prepayments	75	30	22	2	1	177	307
Deferred tax asset	-	-	-	-	-	86	86
Property and equipment	-	-	-	-	-	216	216
Total	14,427	11,256	18,568	11,640	5,568	529	61,988
Equity							
Equity	-	-	-	-	-	19,418	19,418
Liabilities							
Bank overdrafts and short-term loans	8,851	3,800	-	-	-	-	12,651
Corporate deposit	1,867	53	3,000	-	-	-	4,920
Long term loans	5,048	4,293	6,762	3,415	752	-	20,270
Creditors, accruals and other liabilities	4,017	-	-	-	-	459	4,476
Tax payable	78	-	-	-	-	175	253
Total equity and liabilities	19,861	8,146	9,762	3,415	752	20,052	61,988
Gap in maturity	(5,434)	3,110	8,806	8,225	4,816	(19,523)	
Cumulative gap in maturity	(5,434)	(2,324)	6,482	14,707	19,523		

Notes
(forming part of the financial statements)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.3 Liquidity risk (continued)

The maturity profile of the assets and liabilities as of 31 December 2009 was as follows:

	0-6 months RO'000	6-12 months RO'000	1-2 years RO'000	2-3 years RO'000	Over 3 years RO'000	Non-fixed maturity RO'000	Total RO'000
At 31 December 2009							
Assets							
Cash and bank	255	-	-	-	-	-	255
Statutory deposit	-	-	-	-	-	50	50
Net investment in finance leases	13,127	11,151	19,086	13,470	5,723	-	62,557
Factoring receivable	422	-	-	-	-	-	422
Receivables and prepayments	76	24	22	8	4	177	311
Deferred tax asset	-	-	-	-	-	366	366
Property and equipment	-	-	-	-	-	250	250
Total	13,880	11,175	19,108	13,478	5,727	843	64,211
Equity							
Equity	-	-	-	-	-	18,031	18,031
Liabilities							
Bank overdrafts and short-term loans	6,017	-	-	-	-	-	6,017
Corporate deposit	3,575	3,220	-	-	-	-	6,795
Long term loans	5,957	5,670	8,499	5,615	3,262	-	29,003
Creditors, accruals and other liabilities	3,309	-	-	-	-	418	3,727
Tax payable	279	-	-	-	-	359	638
Total equity and liabilities	19,137	8,890	8,499	5,615	3,262	18,808	64,211
Gap in maturity	(5,257)	2,285	10,609	7,863	2,465	(17,965)	
Cumulative gap in maturity	(5,257)	(2,972)	7,637	15,500	17,965		

Notes
(forming part of the financial statements)

22 Financial risk management (continued)

22.1 Financial risk factors (continued)

22.1.4 Operational risk

The Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities.

The Company has put in place the mechanism to minimise operational risk by way of effective internal control systems, systems review and an on-going internal audit programme. During the year one of the leading audit firms was appointed to provide internal audit services in addition to the in house internal audit function and evaluate the major risk areas. The internal auditors of the Company undertake comprehensive audits and report directly to the Audit Committee of the Board. The Audit Committee of the Board review the internal audit reports, the adequacy of the internal controls and report on the same to the Board.

23 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's main objective with respect to capital is to meet the requirements of the Central Bank of Oman, the Regulatory Authority.

In accordance with Article 106 of the Commercial Companies Law of Oman of 1974, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to at least one third of the Company's share capital.

The Company aims to maintain a gearing ratio within the limits prescribed by Central bank of Oman. At 31 December 2010, the gearing ratio with reference to total liabilities: equity was 2.192 (2009 – 2.561).

24 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on lease receivables

The Company reviews its lease receivable portfolio to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of lease receivables before the decrease can be identified with an individual receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics, peer statistics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

24 Critical accounting estimates and judgments (continued)

Fair value estimates

The fair value of financial assets and liabilities that are not traded in an active market is determined by using estimated discounted cash flows. The fair value of interest rate swaps is derived using valuation techniques including discounted cash flow method as appropriate. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date.

The nominal value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of borrowing for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

Fair value hierarchy

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data.

At reporting date, the Company does not have any financial instruments carried at fair value

ORIX Group Directory

JAPAN

ORIX Corporation

Momiji Lease Corporation

NS Lease Co. Ltd.

ORIX Kitakanto Corporation

ORIX Tokushima Corporation

ORIX Auto Corporation

ORIX Rentec Corporation

ORIX Trust & Banking Corporation

ORIX Asset Management & Loan Services Corp

Blue Wave Corporation

ORIX Interior Corporation

ORIX Real Estate Corporation

ORIX Real Estate Investment Advisors Corporation

ORIX Asset Management Corporation

ORIX Golf Management Corporation

ORIX Living Corporation

Cross Hotels Corporation

ORIX Life Insurance Corporation

ORIX Insurance Services Corporation

ORIX Credit Corporation

ORIX Capital Corporation

ORIX Wholesale Securities Corporation

ORIX Baseball Club Co. Ltd.

ORIX Commodities Corporation

ORIX Eco Services Corporation

ORIX Investment Corporation

ORIX Resource Recycling Services Corporation

ORIX M & A Solutions Corporation

Funabashi Eco Services Corporation

ORIX Insurance Planning Corporation

ORIX Computer System Corporation

Internet Research Institute, Inc.

ORIX Management Information Centre Corporation

ORIX Callcenter Corporation

ORIX Human Resources Corporation

ORIX Aircraft Corporation

ORIX Maritime Corporation

ORIX USA Corporation

The Americas

USA

ORIX USA Corporation

Asia, Oceania and Europe

China

ORIX (China) Investment Co., Ltd

ORIX China Corporation

China Railway Leasing Co. Ltd.

ORIX Rentec (Tianjin) Corporation

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.

ORIX Rentec Pte. Limited

Malaysia

ORIX Leasing Malaysia Berhad

ORIX Car Rentals Sdn Bhd

ORIX Auto Leasing Malaysia Sdn Bhd

Indonesia

PT ORIX Indonesia Finance

Philippines

ORIX Metro Leasing and Finance Corporation

ORIX Auto Leasing Philippines Corporation

Thailand

Thai ORIX Leasing Co. Ltd.

ORIX Auto Leasing (Thailand) Co. Ltd.

ACAP Advisory Public Company Ltd

Taiwan

ORIX Taiwan Corporation

ORIX Auto Leasing Taiwan Corporation

ORIX Taiwan Asset Management Company

South Korea

ORIX Rentec (Korea) Corporation

ORIX Capital Korea Corporation

Sri Lanka

Lanka ORIX Leasing Company Ltd.

ORIX Group Directory (Continue)

Pakistan

ORIX Leasing Pakistan Ltd.

ORIX Properties Pakistan Private Ltd.

India

ORIX Auto Infrastructure Services Limited

Infrastructure Leasing & Financial Services Ltd.

Oman

Oman ORIX Leasing Company SAOG

Egypt

ORIX Leasing Egypt SAE

Kingdom of Saudi Arabia

Saudi ORIX Leasing Company

UAE

MAF ORIX Finance PJSC

Kazakhstan

SK Leasing JSC.

Australia

ORIX Australia Corporation Ltd.

New Zealand

ORIX New Zealand Ltd.

Ireland

ORIX Ireland Ltd.

ORIX Aviation Systems Limited

Poland

ORIX Polska S.A.

Vietnam

ORIX Investment and Management Private Ltd.

Hong Kong

ORIX Asia Limited

United Kingdom

ORIX USA Corporation

France

ORIX USA Corporation

Germany

ORIX USA Corporation