2010
Annual Report

United Finance Company SAOG

GROWTH FOR ALL

النمو للجميع

الشركة المتحدة للتمويل ش.م.ع.ع

His Majesty Sultan Qaboos Bin Said


الشركة المتحدة للتمويل ش.م.ع.ع.
النمو للجميع
GROWTH FOR ALL
UNITED FINANCE COMPANY
SAOG

Contents

Our Belief

To live is to grow.

To dream big, is to look into the future.

To be even, our smallest client is also our biggest asset.

Because, the more you achieve, the more we achieve.

The more you grow the more we grow.

And the more you succeed, the more we succeed.

To be the best finance company, is also to be your best friend.

To be a professional is to be a believer.

We believe that goals are only there, to be surpassed.

That tomorrow is ours, and today as well.

We believe in you, and in us.

We believe in growth for all.

Vision

To be **consistently the first choice** and the best finance company for our stakeholders and the community.

Mission

To create **"Growth for all"** by

Providing timely and customized financial solutions to individuals, corporates and SMEs

Enabling our employees to actualize

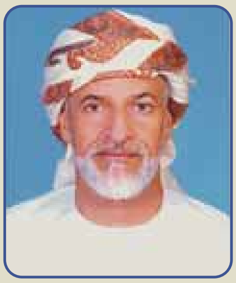
Partnering with our business associates for mutual growth

Being a responsible corporate citizen

Values

Commitment
Discipline
Teamwork
Timeliness
Empowerment

Board of Directors



Shaikh Sulaiman Ahmed Al Hoqani
Chairman

Mr. Behram Keki Divecha
Dy. Chairman

Mr. Nasser Ahmed Al Hoqani
Director

Mr. Eihab Maqbool Hameed Al Saleh
Director

Mr. Fayez Mustafa Mohammed Hassan
Director

Mr. Ranga Gorur
Director

Mr. Ahmed Mohamed Mansour
Director

Board Committee Members

Audit Committee

Mr. Nasser Ahmed Al Hoqani
Member

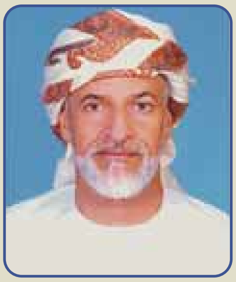
Mr. Eihab Maqbool Hameed Al Saleh
Chairman

Mr. Fayez Mustafa Mohammed Hassan
Member

Mr. Ranga Gorur
Member

Mr. Ahmed Mohamed Mansour
Member

Credit Committee



Shaikh Sulaiman Ahmed Al Hoqani
Chairman

Mr. Behram Keki Divecha
Member

Mr. Ranga Gorur
Member

Management Team

Mansoor Mubarak Al Amri
Chief Executive Officer

K.T. Ramasamy
AGM - Finance & I.T.

D. Stanley
Deputy Chief Executive Officer

Head Office

P.O.BOX 3652, P.C.112, Ruwi
E-Mail: ufc@ufcoman.com
Website: www.ufcoman.com
Tel: 24577300
Fax: 24561557

Branches

Branch	Branch Manager	Tel.	Fax.
Barka	Shobith Agarwal	26883996	26883931
Falaj Al Qabail	Jha Swapnil	26751696	26751475
Firq	Piyush Kumar Sinha	25410052	25410595
Ibra	Ashish Khanderiya	25570234	25570235
Ibri	Stany D'Souza	25692402	25688668
Mawaleh	Mansoor Al Barwani	24545597	24540591
Salalah	Allan Benjamin D'Costa	23289668	23289446

Bankers

BankMuscat
National Bank of Oman
Bank Dhofar
Bank Sohar
State Bank of India
Bank of Baroda
Qatar National Bank
Ahli Bank
HSBC Bank Middle East
The Arab Investment Company S.A.A Bahrain
BankMuscat International B.S.C, Bahrain

Statutory Auditors

Pricewaterhousecoopers

Chairman's Report

Shaikh Sulaiman Ahmed Al Hoqani
Chairman

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report of your company for the year ended 31st December 2010.

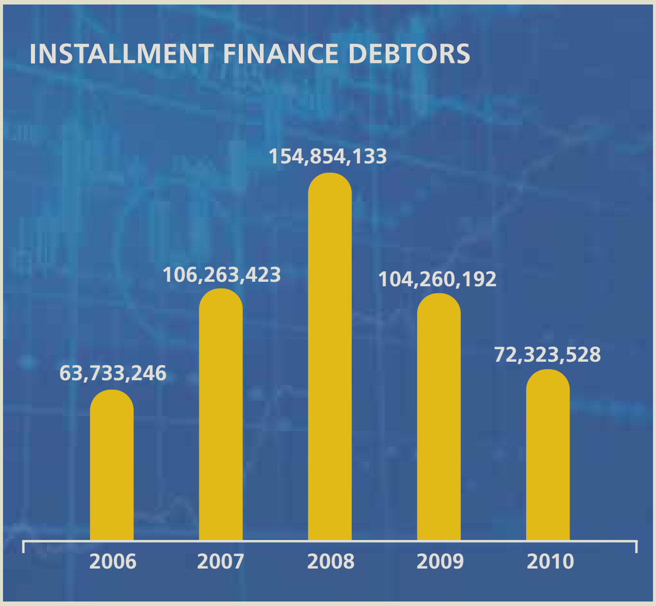
The Economic Environment

2010 was a year of consolidation for the Company. The global financial environment staged a turnaround and the markets witnessed a modest improvement in economic activity. Major industries across developed nations went in for reorganization of their operations to curtail costs and remain competitive despite the subdued demand for their products. The markets also witnessed mergers and consolidations to achieve economics of scale for sustenance. This, coupled with the sustained measures adopted by governments through infusion of funds into labour intensive industries, spending on infrastructure and regulation of interest rates aided in changing the market sentiment. These developments helped in providing opportunities for employment and improving the purchasing power of consumers triggering modest revival of demand. Overall growth rates were however restrained.

The Oman economy was fairly resilient to the global economic slowdown. With oil prices remaining stable above the budgeted level, the government continued its spending on building projects and development of infrastructure - providing the much-needed impetus to maintain the pace of the economic activity despite the slowdown witnessed across global markets. This offered opportunities for growth in construction activity and allied business, provided avenues for employment and aided in better capacity utilization. These factors together with an improvement in market liquidity and softening of interest rates, encouraged the business segment to explore avenues for expansion of their operations by exploiting the emerging market environment.

The year under review

Against the backdrop of subdued demand and competitive market conditions, the company adopted a conscious approach to improve its asset quality through tighter credit norms and restrained disbursements. This resulted in a decline in the loan portfolio of the company to RO 72.3m as at 31 Dec 2010. Bankers continued their support through renewal / enhancement of credit limits extended to the company. The company's concerted efforts on improving collection performance aided in bringing down the level of impaired loans by 26%.

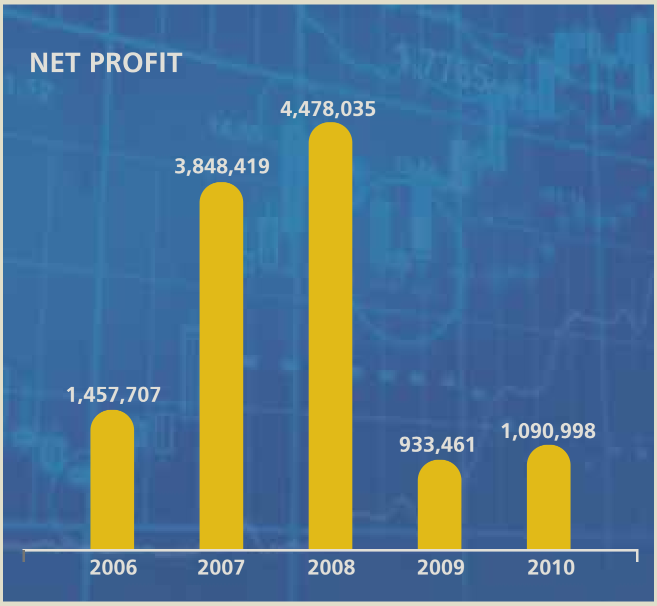


Despite the drop in loan portfolio, the company recorded a net profit of RO 1.09m through, reduction in interest cost, curtailing overheads and release of reserved interest.

The cash flow of customers in the business segment has eased with improvement in the market conditions and better capacity utilization. This has aided in collection of overdues from this segment of customers, resulting in reduction of impaired loans. The company made additional provisions of RO 1.18m million during the year as against RO 2.56 million made in 2009. The company maintains adequate provisions considering the securities available. In addition, the company maintains a Special Reserve of RO 1.64m to guard against delinquencies from unforeseen quarters. The market outlook is encouraging and the management is confident of significant reduction in impaired loans and write-back of provisions.

Dividend

The Board of Directors recommends retaining the net earnings to strengthen the net worth and distributable surplus of the company.



Looking Ahead

The government is embarking on several mega infrastructure projects covering expansion / construction of airports and seaports and dualisation of arterial roads connecting the various regions. The implementation of these projects is expected to accelerate growth and provide a steady path for development and progress in the ensuing years. The increased spending envisaged by the government is expected to provide opportunities to the business community for growth through expansion of their operations. These developments would open up employment prospects to the aspiring youth population. With oil prices remaining stable above the budgeted level, the economy is on a firm foundation and poised for steady growth.

UFC plans to optimize the business opportunities as they unfold and grow its loan book albeit at a modest pace without compromising on asset quality. The company would pursue its objective of spreading risk by increasing its retail portfolio and consciously reducing credit concentration to achieve a balanced portfolio. The company would continue its concerted efforts to improve collection efficiency to enhance asset quality. The company would also focus on optimum utilization of resources to achieve operational efficiency to improve profitability.

Omanisation

UFC achieved an Omanisation percentage of 65% in 2010, which is in compliance with the level prescribed by regulators. The Company continued its pursuit to impart training to its Omani staff to equip them with the required skills and knowledge to take up higher responsibilities and assignments.

Acknowledgement

I am joined by my colleagues on the Board in expressing our gratitude to the Central Bank of Oman, Capital Market Authority, Ministry of Commerce and Industry, Ministry of Manpower, Royal Oman Police and other Regulatory Authorities and thank them for their support and guidance. We also take this opportunity to extend our sincere thanks to our bankers, shareholders and other stakeholders for their unstinted support.

I would also like to thank my colleagues on the Board for their effective guidance and contributions in steering the Company. I would like to place on record my appreciation and thank the management and staff for their individual and collective efforts in improving the level of performance and competence and achieving better operational efficiency.

The Board of Directors and Management extend their felicitations to His Majesty Sultan Qaboos bin Said on the occasion of 40th National Day and express their highest gratitude and respectfully acknowledge his dynamic leadership and utmost caring to nurture the local economy.

May God bless all of us.

Shaikh Sulaiman Ahmed Al Hoqani
Chairman

Management discussion and analysis for the year 2010

Mansoor Mubarak Al Amri
Chief Executive Officer

Economic Overview

2010 witnessed a revival in market conditions driven by the economic recovery across the globe. The measures pursued by governments aided in reversing the fortunes of major financial markets and industrial houses. Banks and financial institutions staged a turnaround with improved performance and registered good profits. Revival of stock markets triggered investor confidence. These developments opened up avenues for employment resulting in a modest increase in demand driven by a rise in consumer sentiment. With developing economies back on track and positive economic data flowing in from developed countries the global financial markets are poised for growth.

Driven by buoyant oil prices, the Oman economy adopted a resilient path to counter the economic conditions that prevailed across global markets. The government continued its investment in infrastructure development to foster economic growth. The government also pursued its thrust on diversification into the non-oil segment through promotion of tourism and manufacturing and allied industries to reduce its reliance on oil revenues. These initiatives aided in changing the market sentiment and providing employment opportunities. Private sector participation in the development activities initiated by the government and related avenues helped further the pace of economic activity. Improvement in market liquidity and softening of interest rates were added incentives to the business segment to expand operations.

The financial sector witnessed significant easing of market liquidity and drop in interest rates. Revival in development activity during 2010 aided in absorbing the excess capacity and generating modest improvement in demand for capital goods. Cash flows of the business community improved and encouraged them to embark on new projects. The turnaround in market conditions prompted banks to expand credit, albeit, at a modest pace. However, considering the restrained demand for capital goods and the competitive lending rates prevalent in the market, finance companies exercised restraint in growing their book size.

With oil prices remaining much above the budgeted levels and the government initiative to go ahead with investment in mega infrastructure projects scheduled to commence in 2011, the economy is poised for sustained growth in the years ahead. Investment in non-oil segments is expected to increase contribution to the GDP and reduce reliance on oil revenues. The construction industry in particular, and other allied industries engaged in supplies for construction activities are poised for growth. These developments would provide opportunities for employment and ample avenues for expansion of operations in all spheres.

Industry Overview

2010 witnessed improvement in market conditions with easing of liquidity and softening of interest rates. With government pursuing developmental projects that were put on hold in the previous year, market sentiment improved and the pace of economic activity gained momentum. Construction activity in particular gained pace triggering demand for equipment and supplies. This aided in better utilization of idle equipment and improvement in hiring rates. Cash flows of entities engaged in construction and allied activities improved and helped them clear their debt obligations. Despite revival in market conditions, there was only a modest improvement in demand for capital goods.

Banks and Finance companies adopted a restrained approach in expanding credit considering the strained cash flow of the business segment. Limited demand for equipment and vehicles and competitive lending rates prompted finance companies to go slow on lending. The growth in loan portfolio of finance and leasing companies remained flat.

With improvement in the pace of economic activity and the emerging opportunities for expansion and growth, the business community is expected to perform well and witness improvement in their cash flows. This would facilitate clearing their debt obligations in time and contribute to better collection performance. Management would continue its stringent collection efforts and is confident of significantly bringing down the level of impaired loans in the ensuing year.

Opportunities & Threats

The infrastructure and developmental projects announced by the government have instilled confidence and encouraged private sector participation. These initiatives are expected to trigger the pace of economic activity and pave the way for growth in all spheres. Infrastructure projects covering development of transport, water supply, power transmission, airports and seaports are expected to give a boost to the construction sector. The allied industries involved in the supply chain to the construction sector are also poised for significant growth. Coupled with adequate liquidity and subdued interest rates the market environment is conducive for expanding business horizons. Sustained stability in growth prospects promise opportunities for employment and increased consumer spending to further growth.

Considering the positive developments in the local market, the outlook is encouraging. Banks, we believe, would cash in on the emerging opportunities that unfold by expanding credit. Finance companies would also capitalize on the emerging market scenario by aligning their business targets and expanding credit in tune with the pace of economic growth.

Opportunities

- Construction / expansion of airports and seaports
- Dualisation of arterial roads
- Investment in industrial development
- Investment in tourism projects

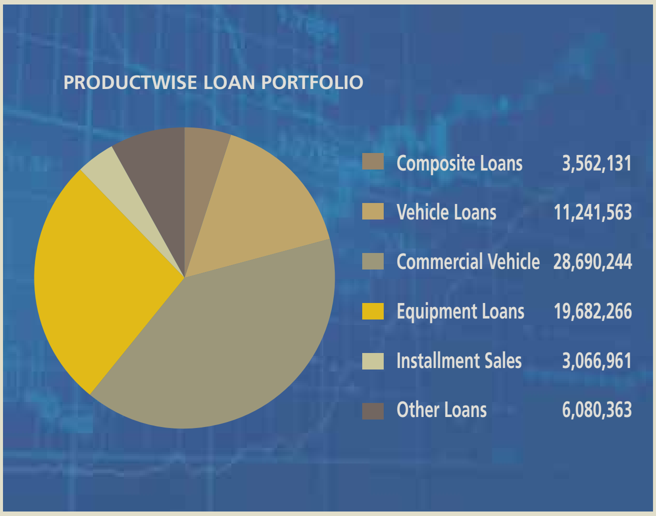
Threats

- Pace of revival in demand for capital goods
- Banks outlook on credit expansion
- Changes in laws and regulations affecting the industry
- Competition from unorganized sector

Analysis of Segment & Product-wise performance

UFC extends credit to the retail and corporate segment. As at December 2010 its corporate exposure stood at around 78% with the remaining 22% representing retail exposure. The portfolio is classified based on the purpose for which the asset financed is used. While assets used by the borrowers for income generation are classified under corporate segment, assets used for personal purpose are classified under retail segment. Though the exposure to the corporate segment is disproportionately high, the exposure to this segment is spread over a large clientele base with a majority of customers having an exposure of less than RO 50K. Based on the repayment track record, income spreads, value at risk and incidence of delinquencies in these segments, the company from time-to-time reviews its lending strategy to attain a rational mix. Periodic assessment of the performance of the loan portfolio and external factors by Risk Management provide vital inputs for updating the credit policy in tune with the emerging environment. This coupled with independent review of all high value proposals by Risk Management aid in screening of prospective clients to reduce the incidence of defaults. On a case-by-case basis, the company also adopts a cautious policy of insisting on additional security coverage in the form of assignment of receivables, asset collateral, personal guarantees of borrowers and counter parties.

During 2010 the company restricted fresh disbursements in lieu of the subdued demand for equipment and vehicles and the competitive lending rates prevalent



in the market. The loan portfolio as at December 2010 registered a drop of 30%. However, considering the improvement in economic activity and the conducive market conditions, the company intends exploiting the emerging opportunities to grow its book size.

Outlook

The government's continued investment in infrastructure projects is expected to trigger economic activity and foster growth in all spheres. In addition the government has announced its plans to go ahead with a few mega infrastructure development projects including construction / expansion of airports, seaports and dualisation of arterial roads connecting various regions. The commissioning of these mega projects during 2011 is expected to provide adequate potential for all round growth. These developments, coupled with easing of liquidity and subdued interest rates are expected to provide a favourable environment for economic growth. This would hasten the pace of economic activity over a period of time. With private sector playing a major role in the implementation of these developmental projects, banks and finance companies should have adequate opportunities to expand credit.

UFC would focus on increasing its exposure to the retail segment in order to balance its loan portfolio. Lending to corporate segment would also be pursued on a case-by-case basis, guided by its credit policy. New customers would be thoroughly evaluated based on their financial strengths, experience in their field of activity and supported by strong cash flows. The company would also pursue stringent collection efforts to reduce impaired loans and improve its asset quality. These efforts would aid in improving profitability through write back of provisions. Under the able guidance of the new board, the management team and dedicated staff of the company would collectively strive to improve operational efficiency and profitability in the year ahead.

UFC encourages local talent by providing employment opportunities to aspiring young Omanis. The company has all through complied with the prescribed Omanisation levels. Our Human Resources and Administration Department periodically reviews the training needs of staff and organizes appropriate training programmes to equip them with the required knowledge and skills to improve their capabilities to shoulder higher responsibilities as they move up the ladder.

Risks & Concerns

Every activity is exposed to inherent risks caused by factors within and outside the organization. Though some of these risks can be predicted with reasonable certainty, there are others that are triggered by unforeseen events and developments. Since financial institutions play a complimentary role in financing developmental activities to foster economic growth, they are directly affected by risks that the economy is exposed to at large. Hence it is essential that the financial institutions take consistent and pro-active measures to effectively manage risk.

There are well-defined policies and procedures for all financial and business transactions of the company to be managed with adequate internal controls. Our Risk Management Department independently evaluates the risks the company and the industry are exposed, through analysis of the performance of its loan portfolio, collection track record. The department regularly reviews the economic and market developments and their likely impact on the performance of the company and the financial services sector. The Board and Management are provided with vital data on various factors that are likely to affect the business prospects, delinquency and profitability of the company based on the evaluation of the information on hand to enable them initiate pro-active corrective steps to mitigate risks. Risk Management also independently evaluates all credit proposals above a threshold level and submits its report to the sanctioning authorities to facilitate objective decision-making.

Credit Risk

Credit risk arises when a borrower fails to honour a financial commitment to the lender thereby causing a financial loss. Periodic review of our credit evaluation process in tune with the emerging market environment helps in minimizing credit risk. Continuous monitoring of the business performance of borrowers through regular interactions, evaluation of financials and information from market sources helps the company proactively assess any signs of weakness or dilution in the credit worthiness of borrowers and take pre-emptive measures to mitigate credit risk.

Interest Rate Risk

Interest rate risk arises on account of mismatches in the re-pricing dates of assets or liabilities. The company manages this risk by minimizing the gap in the re-pricing profile of assets and liabilities and through alternate risk management strategies. The loans extended by the company are for periods varying from one to over five years at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the company's liabilities by its lenders due to economic factors would result in an interest rate risk. The company mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates to the extent possible.

Liquidity Risk

Liquidity risk is that an entity will encounter when it is unable to meet its obligations at any given time. The company's conservative liability management policies are designed to ensure that even in adverse situations the company should be in a position to meets its obligations.

Internal control systems & their adequacy

The company has a full-fledged Internal audit team in place comprising of experienced professionals. In addition, the company has assigned some areas of internal audit to Moore Stephens, to compliment the scope of work of the reorganized in-house team. In addition to the regular checks carried out, their scope of work includes risk-based audit. The in-house team comprising of professionals supported by professionals from Moore Stephens is adequate to handle the present level of operations of the company. The department directly reports to the Audit Committee, which comprises of members from the Board. The internal control systems of the company are also reviewed on a regular basis to implement checks and balances to enhance effectiveness of controls in place to avoid the incidence of errors. During the year the policy and procedure manuals were reviewed and updated by the management, approved by the Board and circulated to the concerned departments for their reference and compliance.

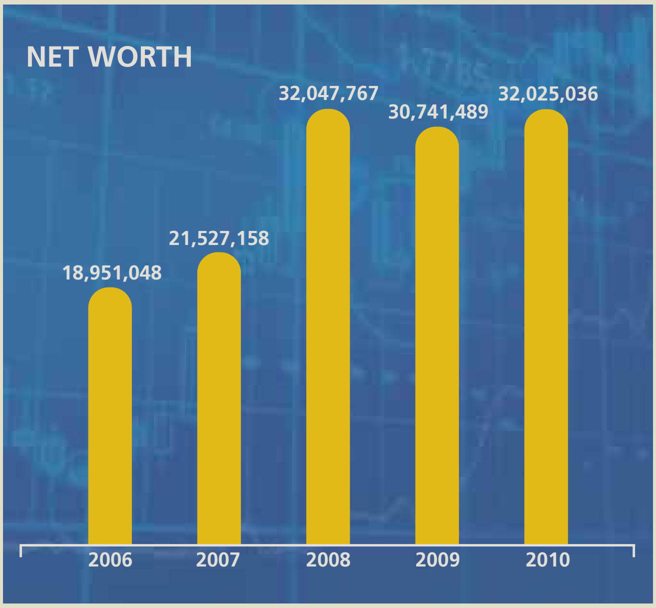
The company has streamlined the functioning of the compliance activities to ensure conformity with all regulatory requirements. An experienced and competent professional has been appointed to head the compliance function independently. The compliance team comprises of the Chief Compliance Officer who is assisted by Departmental Compliance Officers in each department and at all branch offices. The compliance issues pertaining to every area of operation of the company has been defined and specific staff in each department have been identified and entrusted with the responsibility of ensuring compliance with the specified norms. The compliance function further strengthens the efforts of internal audit in maintaining optimum level of checks and controls.

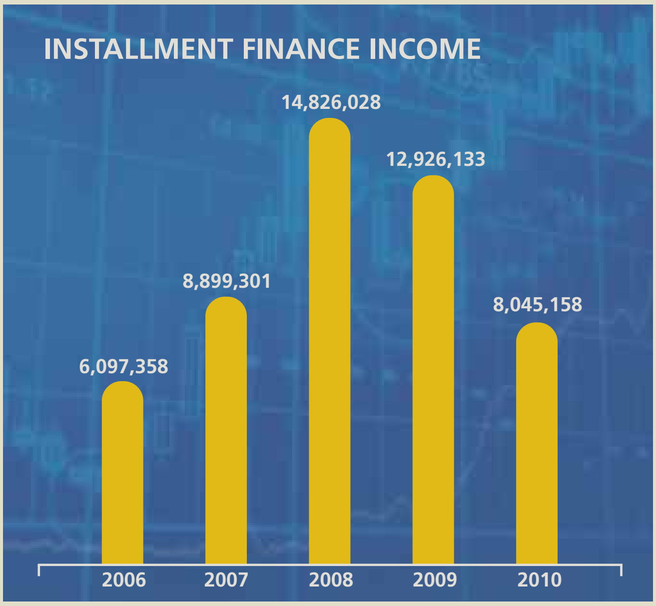
Discussion on financial & operational performance

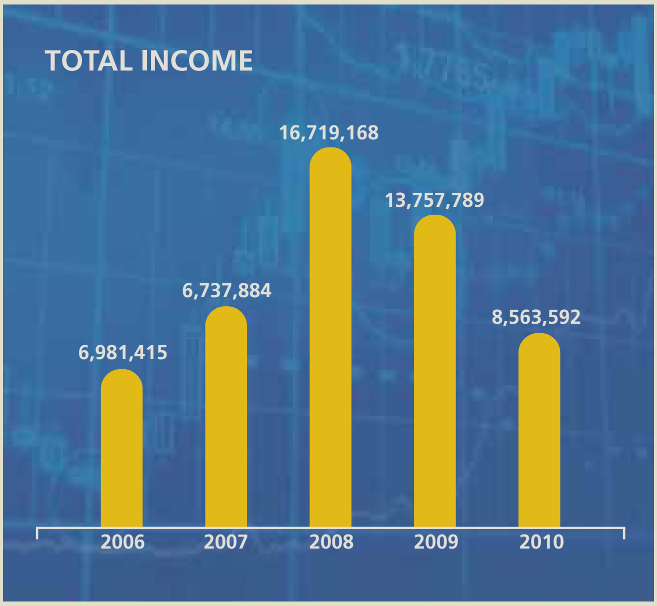
UFC recorded restrained performance during 2010. Management adopted a conservative approach on account of the subdued and competitive market conditions. The company disbursed fresh loans of RO 19.4m during 2010. Considering the modest disbursement made during the year, the loan portfolio as at December 2010 reduced to RO 72m from RO 104m as at December 2009, registering a decline of 30% over the previous year. However, through concerted collection efforts the company brought down impaired loans from RO 33.6m as at December 2009 to RO 24.7m – a reduction of 26%. Despite, the reduction in loan portfolio the company registered a net profit of RO 1.09m for 2010 through reduction in interest costs, curtailing overheads and release of reserved income on account of better collection performance. In view of the modest net earnings the Board has not recommended any dividend distribution for 2010.

In view of the subdued market environment banks exercised restraint in extending additional credit facilities to finance companies. While credit facilities extended by most banks were renewed at the existing levels, some banks sanctioned additional credit facilities. Interest cost on borrowings declined on account of reduction in the interest rates charged by banks. However, since lending rates dropped proportionately on account of restrained demand, net interest margins improved only marginally. The company registered an operating profit of RO 2.38m for the year 2010.

The company provided RO 1.19m as additional provision during the year despite reduction in impaired loans to cover the shortfall on account of decline in the value of securities held and reclassification of some existing impaired loans. Management is confident of significantly reducing impaired loans through its concerted focus on collection performance supported by the improvement in market conditions in the ensuing year.







Company's Growth at a Glance

(RO 'in 000')

Particulars	2008	2009	2010
Total Assets	160,908	111,831	79,672
Share Capital	23,385	23,385	25,001
Net Worth	32,048	30,741	32,025
Finance Debtors	154,854	104,260	72,324
Provision for Impairment	7,768	10,337	9,803
Bank Borrowings	93,240	59,145	29,919
Gross Income	16,719	13,758	8,563
Net Finance Income	9,395	6,017	4,256
Net Profit	4,478	933	1,091

PRICEWATERHOUSECOOPERS

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REPORT OF FACTUAL FINDINGS
TO THE SHAREHOLDERS OF UNITED FINANCE COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular number 16/2003, dated 29 December 2003 with respect to the Board of Directors' Corporate Governance Report of **United Finance Company SAOG** ('the company') as at and for the year ended 31 December 2010 and application of the corporate governance practices in accordance with CMA Code of Corporate Governance issued under Circular number 11/2002 dated 3 June 2002 and as supplemented by the Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading approved by Administrative Decision number 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision number 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon-procedures engagements. The procedures, as stated in Circular number 16/2003, were performed solely to assist you in evaluating the company's compliance with the code as issued by the CMA.

We report our findings on the procedures performed in the following paragraph.

We found the Board of Directors' Corporate Governance report reflects the Company's application of the provisions of the code and additional regulations and disclosures and is free from any material misrepresentation.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in its annual report for the year ended 31 December 2010 and does not extend to any financial statements of United Finance Company SAOG taken as a whole.

PricewaterhouseCoopers LLP

2 March 2011
Muscat, Sultanate of Oman

I Company's philosophy

United Finance Company SAOG (the Company) has adopted the Corporate Governance framework introduced vide CBO circular no. BM/932 dated 4th February 2002, CMA regulations vide CMA circular no. 11/2002 duly amended by circular No 1/2003 and Capital Market Authority Administrative Decision No.5/2007 as part of its Disclosure Policy. The company always believed in good governance practices and it was with pleasure that the Board and management noted that the company was in full compliance with CBO/CMA guidelines in this respect.

Salient features of the governance regulations in the company are as under.

1. Role and responsibilities of the Board:

The regulations lay down the principles of demarcation between the role, responsibility and accountability of the Board of Directors and that of the management in the conduct of the affairs of the company. The broad areas of Board's responsibilities are as under:

a. Policies formulation
b. Supervision of major initiatives
c. Overseeing policy implementation
d. Ensuring compliance with laws and regulations
e. Nurturing proper and ethical behavior
f. Transparency and integrity in stakeholder reporting
g. Approving and implementing disclosure policy and monitoring its compliance with regulatory requirements
h. Reviewing material transactions with the related parties which are not in the ordinary course of business.
i. Nominating the members of the sub committees of the Board of Directors, specifying their roles, responsibilities and powers.
j. Selecting Chief Executive Officer and other key executives from managerial level and upwards, specifying their roles, responsibilities, powers and remuneration.
k. Evaluating the function of sub committees, Chief Executive Officer and key employees.
l. Approving interim and annual financial statements.
m. Reporting to the shareholders in annual report about the going concern status of the company.
n. Approval of a proper delegation of power to executives covering entire range of functions like administrative powers, financial powers and personnel powers…etc.
o. Prevent dealing in the shares of the company on the basis of undeclared or unrevealed information, by those who are, by virtue of their position aware of such information.

2. Role and Responsibilities of the Management:

a. Rendering assistance in policy formulation to the Board.
b. Responsibility for implementation: Management is responsible for implementation of banking laws, regulations and circulars issued by Central Bank of Oman and other regulatory authorities within the Sultanate of Oman.
c. Management is also responsible for implementation of Board approved policies by putting in place procedures, internal controls, risks and performance measurement methodologies, management information systems and reports to the Board.
d. Responsibility for transmitting correct and timely signals.
e. Acting professionally and expertise manifest
f. Nurturing proper and ethical behavior
g. Responsibility for complete and authentic reporting to the Board.
h. Responsibility for corporate image

The company shall adhere to the best practices in respect of appointment of directors, disclosure of company's affairs, induction of new directors, appointment of key executives and fixing their remuneration, ensuring proper written delegation of authorities and operational procedures for the conduct of affairs of the company based on the principles detailed in Annexure 1 of the CMA code of Corporate Governance and regulations.

3. Internal Control Systems and their adequacy:

The company has implemented various internal control systems in its financial operation and business operations. The Board of Directors has set up an Audit Committee of the Board having five of its Directors of the Board as its members. This committee supervises the functions of the Internal Audit Department of the company and the Internal Audit Department reports directly to the Audit Committee of the Board maintaining its independence. There are well-defined policies and procedures for all financial and business transactions of the company. Internal Audit Department checks all financial transactions, business transactions, and regulatory compliances such as CBO and CMA systems and procedural audit and policy compliance. Further, it is ensured that no transaction in the company is completed by a single person and always a minimum of two persons are involved. Similarly, there is sufficient control exercised on computer systems, such as differentiating the development server from live server and access control of data. The company has well documented procedures for its operations to be managed with acceptable controls and the Board of Directors has found these controls to be effective.

II Board of Directors

The company's Board of Directors consists of the following:

Executive Directors	NIL
Independent Directors	Shaikh.Sulaiman Ahmed Al Hoqani
	Mr. Behram Keki Divecha
	Mr. Nasser Ahmed Al Hoqani
	Mr. Fayez Mustafa Mohd. Hassan
	Mr. Eihab Maqbool Hameed Al Saleh
	Mr. Ranga Gorur
	Mr. Ahmed Mohamed Mansour

Directors' profile

Shaikh Sulaiman Ahmed Al Hoqani is a major investor in several publicly listed companies and real estate in Oman, GCC, Middle East and worldwide. Besides being the Chairman of UFC, he is the Chairman of Global Financial Investment Holding Co. SAOG. He is also on the boards of Gulf Stone Co. SAOG, Al Batinah Hotels SAOG and many other companies outside Oman. In the past he has been a board member of Bank Muscat, Bank of Oman, Bahrain and Kuwait, Oman Air, Oman Hotels & Tourism Co. SAOG, Muscat Finance Co. SAOG, etc., in Oman. He has also been on the Investor Committees of several overseas funds launched by local banks.

Mr. Behram Keki Divecha is a Business Management Graduate from the Mumbai University. He has vast experience in business development, project development, crisis management and profit center management. He has been associated with the OHI Group of Companies since 1985 and currently holds the position of Director & Chief Executive Officer in Oman Holdings International Co. SAOG. He also holds the position of Managing Director in OHI Petroleum and Energy Services LLC. and Overseas Projects & Equipment Co. LLC. He is the Deputy Chairman of United Finance Co. SAOG

Mr. Nasser Ahmed Al Hoqani has vast experience in the fields of contracting and business management. Besides being a Director of United Finance Co. SAOG, he is the Chairman of Construction Materials Industry Co. SAOG and Deputy Chairman of Al Batinah Development & Investment Holding SAOG. He is also on the board of Global Financial Investment Holding Co. SAOG.

Mr. Fayez Mustafa Mohd. Hassan holds a Bachelor Degree in Accounting from the University of Jordan. He has 30 years experience in the field of auditing, finance and investment and is currently the General Manager of Al Saud Company in Sharjah. Besides being a Director of United Finance Co. SAOG, he is also on the boards of Global Financial Investment Holding Co. SAOG, Muscat Gases Co. SAOG and Oman Education & Training Investment SAOG.

Mr. Eihab Maqbool Hameed Al Saleh holds a Bachelor of Business Administration degree from The George Washington University majoring in international business and marketing. After completing his education in USA, he worked in HSBC Bank Middle East Limited in various Senior roles from 1998 till August 2008. He is presently the Chief Operating Officer of the OHI Group of Companies. Besides being a Director of UFC, he is also on the boards of Oman Hotels and Tourism Co. SAOG and Oman Holdings International Co. SAOG.

Mr. Ranga Gorur holds a Bachelor of Science degree and is a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member, CPA (Australia). He has over 32 years of post-qualification experience in Operations, Planning, Management Accounting, Financial Management, Systems Planning, Taxation & Strategic Business Planning. He has experience in a wide range of private sector operations in manufacturing, projects, services & value added reselling. Presently he is heading the finance function of a large business group in the Sultanate of Oman with several companies in the group. Besides being a Director of UFC, he is also on the board of Computer Stationery Industry SAOG.

Mr. Ahmed Mohamed Mansour is a B.Sc. graduate majoring in Accounting from the Ain Shams University, Cairo, Egypt. He has worked as Senior Auditor in reputed audit firms like Deloitte & Touch and Arthur Andersen & Co., Dubai, UAE. He has worked as Finance Manager in Gulf Cement Company (P.S.C.), Ras Al Khaimah, UAE. He has about 19 years experience in accounts, treasury & investments management, IT, compliance and audit. Currently he holds the position of Finance Manager in Al Salem Co. Ltd. (LLC.), Sharjah, UAE.

Details of attendance of Board Members for Board Meetings during 2010

	Board Member	Board Meeting Dates						
		27.01.10	31.03.10	25.04.10	23.05.10	27.07.10	26.10.10	21.12.10
1	Shaikh Sulaiman Ahmed Al Hoqani, Chairman*	-	YES	YES	YES	YES	YES	YES
2	Mr. Behram Keki Divecha, Dy.Chairman*	-	YES	YES	YES	YES	YES	YES
3	Mr. Nasser Ahmed Al Hoqani	YES	YES	YES	YES	YES	YES	YES
4	Mr. Fayez Mustafa Mohamed. Hassan	YES	YES	YES	YES	YES	YES	YES
5	Mr. Eihab Maqbool Hameed Al Saleh	YES	YES	YES	YES	YES	YES	YES
6	Mr.Ranga Gorur	YES	YES	YES	YES	YES	YES	YES
7	Mr.Ahmed Mohamed Mansour*	-	YES	YES	YES	YES	YES	YES
8	Mr. Jamal Said Al Ojaili#	YES	-	-	-	-	-	-
9	Mr. Mohd. Hany Hassan Refat#	YES	-	-	-	-	-	-
10	Mr. Salim Ajib Al Hajri#	Proxy	-	-	-	-	-	-

* Shaikh Sulaiman Hoqani, Mr. Behram Keki Divecha and Mr. Ahmed Mohamed Mansoor were elected as Board members at AGM held on 31.03.2010.

\# Mr. Jamal Said Al Ojaili, Mr.Mohd Hany Hassan Refat and Mr. Salim Ajib Al Hajri completed their term on 31.03.2010 and did not contest for re-election.

Details of attendance of Board members for AGM during 2010

	Board Member	AGM 31.03.2010
1	Shaikh Sulaiman Ahmed Al Hoqani, Chairman	YES
2	Mr. Behram Keki Divecha, Dy.Chairman	YES
3	Mr. Nasser Ahmed Al Hoqani	YES
4	Mr. Fayez Mustafa Mohamed. Hassan	YES
5	Mr. Eihab Maqbool Hameed Al Saleh	YES
6	Mr.Ranga Gorur	YES
7	Mr.Ahmed Mohamed Mansoor	YES
8	Mr. Jamal Said Al Ojaili	YES
9	Mr. Salim Ajib Al Hajri	YES
10	Mr. Mohd Hany Hassan Refat	YES

Detail of Membership of Other Boards

	Board Member	No. of other directorships and memberships of other committee	
		Chairmanship	Directorship
1	Shaikh Sulaiman Ahmed Al Hoqani, Chairman	1	2
2	Mr. Behram Keki Divecha, Dy.Chairman	-	3
3	Mr. Nasser Ahmed Al Hoqani	1	2
4	Mr. Fayez Mustafa Mohamed. Hassan	-	3
5	Mr. Eihab Maqbool Hameed Al Saleh	-	2
6	Mr.Ranga Gorur	-	1
7	Mr.Ahmed Mohamed Mansour	-	-

III Audit Committee and other committees:

Brief description of terms of reference:

A. Audit Committee

- Considering the name of the statutory auditors in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement and recommending its name to the board for putting before AGM for appointment.
- Reviewing audit plan and results of the audit and as to whether auditors have full access to all relevant documents.
- Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
- Supervision of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
- Overseeing the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.
- Overseeing the financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Accounting Standards (IAS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- Serving as a channel of communication between external auditors and the board and also internal auditors and the board.
- Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
- Reviewing proposed specific transactions with related parties for making suitable recommendations to the board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the board.
- Review and recommend suitable course of action to the Board or Management as deemed fit on reports submitted by Internal Auditor or an external / statutory authority on frauds, if any, committed by staff members and / or borrowers.
- Review and institute ethical practices are followed.
- Review and ensure that the company complies with all legal requirements.
- Determine that internal systems and controls are adequate and effective.
- Ensure that institutional credit policies and procedures are followed.
- Recommend the selection of the external auditor in consultation with the Management.
- Review that the published financial statements are not misleading.
- Assess issues relating to conflicts of interest and related party transactions and to ensure compliance with regulatory norms.
- Evaluate in general the adequacy and reliability of information available for Management decisions.
- Review with the Company's counsels and legal matters that could have a material impact on the Company's compliance with applicable laws and regulations and enquiries received from regulators or governmental agencies.
- The audit committee shall hear the views of internal and external auditors separately, at least once every year, without the presence of the Management.
- The audit committee shall hear the views of the external auditors before forwarding the annual accounts to the board for approval.

B. Credit Committee

- Decide on all proposals beyond management authority as per the Authorities Manual.
- Review Credit Policy and new Products and make recommendations to Board.
- Review management analysis for reasons, review follow up adequacy, discuss measures for avoidance of similar cases in future in relation to Non-performing accounts. It is expected that NPAs will be reviewed by this committee as specified under Authorities Manual.
- Review periodically, at least once in six months, the adequacy of provisions based on management reports.

Details of Audit and Credit Committees' activities during the year:

A. Details of attendance of Board Members for Audit Committee Meetings during 2010

Date	Mr.Eihab Maqbool Hameed Al Saleh	Mr. Nasser Ahmed Al Hoqani	Mr.Fayez Mustafa Mohd. Hassan	Mr.Ahmed Mohamed Mansoor	Mr. Ranga Gorur*
27.01.10	YES	YES	YES	-	-
25.04.10	YES	YES	YES	YES	-
27.07.10	YES	YES	YES	YES	YES
26.10.10	YES	YES	YES	YES	YES

Audit Committee was reconstituted on 31.03.10.

* Member of two committees

b. Details of attendance of Board Members for Credit Committee Meetings during 2010

Date	Shaikh Sulaiman Ahmed Al Hoqani	Mr.Behram Keki Divecha	Mr.Ranga Gorur *	Mr.Jamal Said Al Ojaili	Mr. Mohd. Hany Hassan Refat	Mr. Salim Ajib Al Hajri
12.01.10	-	-	YES	YES	YES	-
25.04.10	YES	YES	YES	-	-	-
23.05.10	YES	YES	YES	-	-	-
27.07.10	YES	YES	YES	-	-	-
26.10.10	YES	YES	YES	-	-	-

Credit Committee was reconstituted on 31.03.10

* Member of two committees

IV Process of Nomination of the Directors:

The company follows the provisions of the Commercial Companies Law and the guidelines from the Central Bank of Oman in respect of nomination of the members of the Board of Directors. Within these guidelines the company makes an effort to ensure that the composition of the Board provides people with competencies and skills to motivate high performing talent, strategic insight, expertise in finance, good understanding of management, ability for crisis management and industry specific experience.

V Remuneration of directors and 4 members of top management:

A. Board of Directors has been paid / provided a total amount. of RO 64,900 as sitting fees.

	Board Members	Sitting Fees	Remu-neration
1	Shaikh Sulaiman Ahmed Al Hoqani, Chairman	9,200	-
2	Mr. Behram Keki Divecha, Dy.Chairman	8,000	-
3	Mr. Nasser Ahmed Al Hoqani	9,000	-
4	Mr. Fayez Mustafa Mohamed Hassan	9,000	-
5	Mr. Eihab Maqbool Hameed Al Saleh	9,000	-
6	Mr.Ranga Gorur	10,000	-
7	Mr.Ahmed Mohamed Mansour	7,500	-
8	Mr. Jamal Said Al Ojaili, Ex- Chairman	1,700	
9	Mr. Mohd. Hany Hassan Refat, Ex- Director	1,500	-
10	Mr. Salim Ajib Al Hajri	-	-
		64,900	-

B. During the year the company incurred an annual cost, including variable component, of RO 225,343, in respect of its 4 top members of management. This comprises of RO 200,874 towards salary and allowances and RO 24,469 towards end of service benefits.

The employment contracts of management members are renewable every two years and severance notice period is three months. End of service benefits is payable as per Omani Labour Law.

C. Details of sums paid to Board of Directors and members of top management

	Management Members	Travel Expenses
1	Mr.Mansoor Mubarak Al Amri	862
2	Mr.D.Stanley	587
3	Mr. K.T.Ramasamy	335
4	Mr. Omar Al Alosi*	962

* For part of the year till the date of his resignation on 07.09.2010

VI Details of non-compliance by the company:

The company had no occasion to attract penalties or strictures from Muscat Securities Market and Capital Market Authority during the last 3 years. During the year 2010 an amount of RO 12,500 has been paid as penalty to Central Bank of Oman. The Company paid RO 61,000 in 2009 and RO 10,000 in 2008 as penalty to Central Bank of Oman.

VII Means of communication with the shareholders and investors:

- Quarterly results of the company are published in two leading newspapers in Arabic and English. Quarterly results in electronic format are also provided to Muscat Securities Market and are uploaded on its website and the same are available on the company's website www.ufcoman.com. These are also forwarded to the Bahrain Stock Exchange for information of the investors and Press in Bahrain.
- Management Discussion and Analysis report forms part of the Annual Report.

VIII A. Market Price Data:

Month	High	Low	No. of days traded	Banking IndustryMSM Index (Average)
January	0.138	0.121	15	8,920.201
February	0.137	0.125	18	9,550.412
March	0.140	0.126	20	9,549.455
April	0.138	0.129	15	10,055.825
May	0.134	0.112	14	9,583.128
June	0.123	0.106	17	8,695.435
July	0.104	0.094	12	8,771.288
August	0.095	0.081	23	8,757.468
September	0.085	0.078	17	8,708.727
October	0.091	0.078	16	8,875.227
November	0.087	0.078	8	8,625.043
December	0.080	0.072	16	8.474.482

- Shares are quoted based on RO 0.100 par value

VIII B. Distribution of shareholding

MAJOR SHAREHOLDERS (5% and ABOVE) AS ON 31.12.2010					
	Name	**Nationality**	**Class of Equity**	**No. of Shares**	**%**
1	Oman Hotels and Tourism Company SAOG	Omani	Ordinary	51,102,387	20.44
2	The First National LLC	Omani	Ordinary	27,232,136	10.89
3	Global First Financials Services LLC	Omani	Ordinary	24,860,280	9.94
4	Suleiman Ahmed Said Al Hoqani	Omani	Ordinary	24,712,071	9.88
5	Salim Abdullah Salim Al Housani	Emirati	Ordinary	16,573,188	6.63
6	Al Saud Company Ltd	Emirati	Ordinary	15,342,105	6.14
7	International Investment Company LLC	Omani	Ordinary	13,786,059	5.51
	Total			**173,608,226**	**69.43**
	Others			76,403,794	30.57
	Grand Total			**250,012,020**	**100.00**

IX Professional profile of the statutory auditor:

PricewaterhouseCoopers is one of the world's largest professional service organizations, providing industry-focused assurance, tax and advisory services for public and private clients. Within the firm, more than 163,000 people in 151 countries share their thinking, experience and solutions to build public trust and enhance the value for clients and their stakeholders.

PricewaterhouseCoopers has been in the Sultanate of Oman since 1971. PricewaterhouseCoopers LLP is one of the leading accredited accounting firms in Oman and has 5 partners and over 100 employees. PricewaterhouseCoopers has many years of experience in the Middle East, and its network entities employ almost 2,500 people in 12 countries in the region. They have the reputation for providing quality professional services to a well-diversified client portfolio, both in public and private sectors.

X Details of audit fees for the year 2010

Audit Fees	RO
Fee for annual audit	13,750

XI Acknowledgement by Board of Directors

The Directors are required by the Commercial Companies Law 1974, as amended and the Capital Market Authority Administrative Decision 5/2007 to prepare financial statements for each financial year in accordance with the International Financial Reporting Standards (IFRS) to fairly reflect the financial position of the company and its performance during the relevant financial period.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent
- ensured that all applicable accounting standards have been followed; and
- prepared financial statements on the going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Company and enables them to ensure that the financial statements comply with Commercial Companies Law 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority.

The Board affirms its overall responsibility for the Company's systems of internal controls and risk management and for reviewing the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

PRICEWATERHOUSECOOPERS

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Independent auditors' report to the shareholders of United Finance Company SAOG

We have audited the accompanying financial statements of **United Finance Company SAOG** (the Company) which comprise the balance sheet as at 31 December 2010 and income statement, statements of other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Other legal and regulatory requirements

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

PricewaterhouseCoopers LLP

2 March 2011
Muscat, Sultanate of Oman

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

31 December 2009 US$	**31 December 2010 US$**		Notes	**31 December 2010 RO**	31 December 2009 RO
33,574,371	**20,896,514**	Installment finance income		**8,045,158**	12,926,133
(17,946,647)	**(9,840,764)**	Interest expense		**(3,788,694)**	(6,909,459)
15,627,724	**11,055,750**	**Net installment finance income**		**4,256,464**	6,016,674
2,160,145	**1,346,582**	Other income	4	**518,434**	831,656
(7,706,039)	**(5,752,774)**	Other expenses	5	**(2,214,818)**	(2,966,825)
(570,815)	**(467,210)**	Depreciation	7	**(179,876)**	(219,764)
(6,674,036)	**(3,078,706)**	Impairment on installment finance debtors - net	8	**(1,185,302)**	(2,569,504)
2,836,979	**3,103,642**	**Profit before tax**		**1,194,902**	1,092,237
(412,405)	**(269,881)**	Income tax expense	6	**(103,904)**	(158,776)
2,424,574	**2,833,761**	**Profit for the year**		**1,090,998**	933,461
0.011	**0.011**	**Earnings per share for the year (basic and diluted)**	22	**0.004**	0.004

The notes on pages 32 to 56 form an integral part of these financial statements.

Report of the Auditors - page 25.

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

31 December 2009	**31 December 2010**		Notes	**31 December 2010**	31 December 2009
US$	**US$**			**RO**	RO
2,424,574	**2,833,761**	**Profit for the year**		**1,090,998**	933,461
		Other comprehensive income:			
256,595	**500,127**	Net movement in fair value of cash flow hedges	16	**192,549**	98,789
2,681,169	**3,333,888**	**Total comprehensive income for the year**		**1,283,547**	1,032,250

The notes on pages 32 to 56 form an integral part of these financial statements.

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BALANCE SHEET AT 31 DECEMBER 2010

31 December 2009 US$	**31 December 2010 US$**		Notes	**31 December 2010 RO**	31 December 2009 RO
		ASSETS			
9,496,008	**9,134,231**	Property and equipment	7	**3,516,679**	3,655,963
1,519,491	**1,519,491**	Investment securities	10	**585,004**	585,004
129,870	**129,870**	Deposit with the Central Bank of Oman	11	**50,000**	50,000
270,805,694	**187,853,320**	Installment finance debtors	8	**72,323,528**	104,260,192
3,577,914	**3,169,226**	Deferred tax asset	6	**1,220,152**	1,377,497
1,279,286	**295,330**	Other receivables and prepaid expenses	9	**113,702**	492,525
3,663,044	**4,839,410**	Cash and cash equivalents	12	**1,863,173**	1,410,272
290,471,307	**206,940,878**	**Total assets**		**79,672,238**	111,831,453
		EQUITY AND LIABILITIES			
		Equity			
60,740,987	**64,938,190**	Share capital	13	**25,001,203**	23,385,280
5,569,675	**1,372,472**	Share premium reserve	14	**528,402**	2,144,325
5,219,044	**5,502,421**	Legal reserve	15(a)	**2,118,432**	2,009,332
3,925,234	**4,249,005**	Special reserve	15(b)	**1,635,867**	1,511,215
764,972	**764,972**	Foreign currency reserve	15(c)	**294,514**	294,514
(581,893)	**(81,766)**	Cumulative changes in fair values of derivatives	16	**(31,480)**	(224,029)
4,210,005	**6,436,618**	Retained earnings		**2,478,098**	1,620,852
79,848,024	**83,181,912**	**Total shareholders' equity**		**32,025,036**	30,741,489
		Liabilities			
581,893	**81,766**	Negative fair value of derivatives	16	**31,480**	224,029
153,624,361	**77,712,509**	Borrowings	18	**29,919,316**	59,145,379
48,376,623	**34,090,909**	Corporate deposits	19	**13,125,000**	18,625,000
5,338,208	**10,948,652**	Creditors and other payables	20	**4,215,231**	2,055,210
2,702,198	**925,130**	Taxation	6	**356,175**	1,040,346
210,623,283	**123,758,966**	**Total liabilities**		**47,647,202**	81,089,964
290,471,307	**206,940,878**	**Total equity and liabilities**		**79,672,238**	111,831,453
0.34	**0.34**	**Net assets per share**	23	**0.13**	0.13

The financial statements were approved by the Board of Directors on 25th January 2011 and were signed on their behalf by:

CHAIRMAN

DEPUTY CHAIRMAN

The notes on pages 32 to 56 form an integral part of these financial statements.
Report of the Auditors - page 25.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010

	Share capital	Share premium reserve	Legal reserve	Special reserve	Foreign currency reserve	Cumulative changes in fair value of derivatives	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Notes	13	14	15(a)	15(b)	15(c)	16		
At 1 January 2010	**23,385,280**	**2,144,325**	**2,009,332**	**1,511,215**	**294,514**	**(224,029)**	**1,620,852**	**30,741,489**
Comprehensive income:								
Profit for the year	-	-	-	-	-	-	1,090,998	1,090,998
Other comprehensive income:								
Net movement in fair value of cash flow hedges	-	-	-	-	-	192,549	-	192,549
Total comprehensive income for the year	-	-	-	-	-	192,549	1,090,998	1,283,547
Transactions with owners								
Transfer to legal reserve	-	-	109,100	-	-	-	(109,100)	-
Transfer to special reserve	-	-		124,652	-	-	(124,652)	-
Stock dividend	1,615,923	(1,615,923)	-	-	-	-	-	-
Total transactions with owners	**1,615,923**	**(1,615,923)**	**109,100**	**124,652**	**-**	**-**	**(233,752)**	**-**
At 31 December 2010	**25,001,203**	**528,402**	**2,118,432**	**1,635,867**	**294,514**	**(31,480)**	**2,478,098**	**32,025,036**

The notes on pages 32 to 56 form an integral part of these financial statements.

Report of the Auditors - page 25.

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

	Notes	Share capital	Share premium reserve	Legal reserve	Special reserve	Foreign currency reserve	Cumulative changes in fair value of derivatives	Retained earnings	Total
		RO	RO	RO	RO	RO	RO	RO	RO
	Notes	13	14	15(a)	15(b)	15(c)	16		
At 1 January 2009		23,385,280	2,144,325	1,915,986	1,359,484	294,514	(322,818)	3,270,996	32,047,767
Comprehensive income:									
Profit for the year		-	-	-	-	-	-	933,461	933,461
Other comprehensive income:									
Net movement in fair value of cash flow hedges		-	-	-	-	-	98,789	-	98,789
Total comprehensive income for the year		-	-	-	-	-	98,789	933,461	1,032,250
Transactions with owners									
Transfer to legal reserve		-	-	93,346	-	-	-	(93,346)	-
Transfer to special reserve		-	-	-	151,731	-	-	(151,731)	-
Cash dividend paid		-	-	-	-	-	-	(2,338,528)	(2,338,528)
Total transactions with owners		-	-	93,346	151,731	-	-	(2,583,605)	(2,338,528)
At 31 December 2009		23,385,280	2,144,325	2,009,332	1,511,215	294,514	(224,029)	1,620,852	30,741,489

The notes on pages 32 to 56 form an integral part of these financial statements.

Report of the Auditors - page 25.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	31 December 2010	31 December 2009
		RO	RO
Profit before taxation		**1,194,902**	1,092,237
Adjustments for:			
Depreciation	7	**179,876**	219,764
(Gain)/loss on property and equipment written off/sold during the year		**(10,164)**	23,351
Impairment on installments of finance debtors - net	8	**1,185,302**	2,569,504
End of service benefits charge for the year	21	**53,933**	51,938
Operating profit before changes in operating assets and liabilities		**2,603,849**	3,956,794
Installment finance debtors:			
Disbursements during the year		**(19,387,527)**	(15,173,135)
Principal repayments during the year		**50,138,889**	63,197,572
Other receivables and prepayments		**183,902**	(17,512)
Creditors and other payables		**2,125,685**	(11,261,842)
End of service benefits paid	21	**(19,596)**	(104,474)
Income taxes paid	6	**(435,809)**	(629,521)
Net cash from operating activities		**35,209,393**	39,967,882
Investing activities			
Proceeds on sale of property and equipment		**10,775**	-
Purchase of property and equipment	7	**(41,203)**	(774,198)
Net cash used in investing activities		**(30,428)**	(774,198)
Financing activities			
Long-term loans received		**7,500,000**	5,550,000
Long-term loans repaid		**(22,765,234)**	(34,654,589)
Net change in short-term loans		**(13,000,000)**	(3,500,000)
Corporate deposits		**(5,500,000)**	(2,100,000)
Dividends paid		**-**	(2,338,528)
Bank overdrafts		**(960,830)**	(1,489,793)
Net cash used in financing activities		**(34,726,064)**	(38,532,910)
Net change in cash and cash equivalents		**452,901**	660,774
Cash and cash equivalents at beginning of the year		**1,410,272**	749,498
Cash and cash equivalents at end of the year	12	**1,863,173**	1,410,272

The notes on pages 32 to 56 form an integral part of these financial statements.

Report of the Auditors - page 25.

1 Legal status and principal activities

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

2 Significant accounting policies

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

2.1 Statement of compliance

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

2.2 Basis of preparation

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

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

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

(a) Standards and amendments effective in 2010 and relevant for the Company's operations:

For the year ended 31 December 2010, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2010.

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

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2011 or later periods, but the Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimated as at 31 December 2010:

IFRS1 (Amendment), 'Presentation of financial statements', (effective from 1 January 2011);

IFRS 7 (Amendment)' 'Financial instruments: Disclosures', (effective on or after 1 January 2013);

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

IAS 24 (Revised), 'Related party disclosures', (effective from 1 January 2011);

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement', (effective from 1 January 2011); and

IFRIC19 'Extinguishing financial liabilities with equity instruments', (effective from 1 July 2011).

2.3 Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

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

2.4 Recognition of interest income and expenses

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

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

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

2.5 Taxation

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

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

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

2.6 Property and equipment

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

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

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

2.7 Financial assets

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

(c) Trade and settlement date accounting

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

(d) Derecognition of financial assets

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

i. the right to receive cash flows from the asset have expired; or

ii. the Company has transferred it rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and

iii. either (i) the Company has transferred substantially all the risks and rewards of ownership, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control over the asset or a proportion of the asset.

2.8 Installment finance debtors

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

2.9 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

Renegotiated installment finance debtors

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

(b) Assets classified as available-for-sale

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

2.10 Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its interest rate swaps derivative as cash flow hedge to hedge the variable interest rate fluctuations on long-term borrowings.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement. Amounts accumulated in equity are routed through income statement in the period when the hedged items affects income statement. The gain or loss relating to the effective portion of interest rate swaps is recognised in income statement within interest expense. When a hedging instrument expire or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is immediately recognised in income statement.

2.11 Cash and cash equivalents

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

2.12 Borrowings and corporate deposits

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

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

2.13 End of service benefits and leave entitlements

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

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

2.14 Creditors and other payables

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

2.15 Provisions

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

2.16 Financial guarantees

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

2.17 Dividend distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

2.18 Segment reporting

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

2.19 Earnings per share

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

2.20 Fair value estimation

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

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

2.21 Directors remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the company, the Commercial Companies Law and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders provided that such fees shall not exceed RO 200,000. The sitting fees for each director shall not exceed RO 10,000 in one year.

2.22 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3 Critical accounting estimates and judgements

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

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

Impairment losses on installment finance debtors

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

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

4 Other income

	31 December 2010 RO	31 December 2009 RO
Foreclosure charges	**211,460**	184,362
Penal charges	**108,685**	91,875
Insurance commission income	**63,454**	248,705
Documentation fees	**36,456**	72,402
Bad debts recovered	**27,206**	52,843
Letter of credit and guarantee commission	**18,678**	16,755
Others	**52,495**	164,714
	518,434	831,656

5 Other expenses

	31 December 2010 RO	31 December 2009 RO
Staff costs (note 5.1)	**1,575,406**	2,236,234
Communication and traveling	**146,074**	146,733
Repairs and maintenance	**107,745**	116,942
Rent	**66,322**	67,583
Directors' sitting fees	**64,900**	67,000
Fees and charges	**62,624**	101,914
Bank charges	**47,474**	29,867
Statutory and legal expenses	**45,804**	39,486
Insurance	**27,989**	24,768
Water and electricity charges	**20,090**	21,148
Advertising and business promotion expenses	**9,618**	16,720
Others	**40,772**	98,430
	2,214,818	2,966,825

5.1 Staff costs

	31 December 2010 RO	31 December 2009 RO
Wages and salaries	**1,378,837**	1,403,168
End of service benefits (note 21)	**53,933**	51,938
Contributions towards the Public Authority for Social Insurance Scheme	**30,184**	27,113
Other benefits (note 5.2)	**112,452**	754,015
	1,575,406	2,236,234

5.2 Other benefits

	31 December 2010 RO	31 December 2009 RO
Ex-gratia benefits	-	378,400
Management incentives	-	223,682
Other	112,452	151,933
	112,452	754,015

6 Taxation

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

	31 December 2010 RO	31 December 2009 RO
Income statement:		
Current tax:		
Current year	-	435,809
Prior year	(53,441)	31,307
	(53,441)	467,116
Deferred tax:		
Current year	143,388	-
Prior year	13,957	(308,340)
	157,345	(308,340)
	103,904	158,776

Effective from 1 January 2010, a new tax law has become applicable in Oman. Accordingly, for the year, current tax and deferred tax has been calculated considering the requirements of the applicable tax law.

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

	31 December 2010 RO	31 December 2009 RO
Current liability:		
Current year	-	435,809
Prior years	356,175	604,537
	356,175	1,040,346
Deferred tax asset:		
At 1 January	1,377,497	1,069,157
Movement during the year	(157,345)	308,340
At 31 December	1,220,152	1,377,497
The deferred asset comprises the following temporary differences:		
Loan loss provisions	759,349	1,377,497
Tax loss for the year	457,744	-
Depreciation of property and equipment	3,059	-
	1,220,152	1,377,497

(c) The reconciliation of the tax on accounting profit at the applicable rate of 12% (2009 - 12%) after the basic exemption of RO 30,000 and the taxation charge in the financial statements is as follows:

	31 December 2010 RO	31 December 2009 RO
Profit before taxation	1,194,902	1,092,237
Taxation at the applicable tax rate	143,388	127,469
Add/(less) tax effect of:		
Reversal of prior year deferred tax asset	13,957	-
Reversal of prior year excess tax provision	(53,441)	31,307
Taxation expense	103,904	158,776

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

	31 December 2010	31 December 2009
	RO	RO
At 1 January	1,040,346	1,202,751
(Reversal)/charge for the year	(53,441)	467,116
Reversal of excess tax paid in previous years	(194,921)	-
Paid during the year	(435,809)	(629,521)
At 31 December	356,175	1,040,346

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

(e) All taxation assessments up to 2005 are agreed with the Oman taxation authorities.
(f) During 2008, the Company paid an excess tax payment of RO 194,921 relating to year 2007.
(g) The tax implication of the net movement in fair value of cash flow hedges is not material to the financial statements.
(h) During the year the Company incurred tax loss of RO 3,814,539 (2009 – tax profit of RO 3,555,046) and carried it forward to be set off against future taxable profits earned within a period of five years.

7 Property and equipment

	Land	Buildings	Motor vehicles	Furniture and office equipment	Total
	RO	RO	RO	RO	RO
Cost					
1 January 2010	2,627,495	765,666	73,730	994,777	4,461,668
Additions	-	-	-	41,203	41,203
Disposal	-	-	(22,169)	(4,800)	(26,969)
31 December 2010	2,627,495	765,666	51,561	1,031,180	4,475,902
Depreciation					
1 January 2010	-	98,914	63,688	643,103	805,705
Charge for the year	-	38,283	8,191	133,402	179,876
Disposals	-	-	(22,142)	(4,216)	(26,358)
31 December 2010	-	137,197	49,737	772,289	959,223
Net book value					
31 December 2010	2,627,495	628,469	1,824	258,891	3,516,679

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

As of 31 December 2010, the Company is yet to pay RO 220,000 (2009 - RO 220,000) pertaining to the year 2008 towards final payment of land purchased. The amount is included in 'Creditors and other payables'(note 20).

8 Installment finance debtors

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

(a) Installment finance debtors arising from financing activities

	31 December 2010 RO	31 December 2009 RO
Gross installment finance debtors	**94,469,642**	131,857,045
Unearned finance income	**(10,138,458)**	(16,015,598)
Net installment finance debtors	**84,331,183**	115,841,447
Debt factoring activity debtors	**426,764**	952,388
	84,757,947	116,793,835
Impairment provision	**(9,803,052)**	(10,336,872)
Unrecognised contractual income	**(2,631,367)**	(2,196,771)
	72,323,528	104,260,192

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

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

	Upto 1 year RO	>1 year to 5 years RO	Total RO
At 31 December 2010			
Gross installment finance debtors	**53,502,822**	**41,393,584**	**94,896,406**
Installment finance debtors net of unearned interest	**47,887,626**	**36,870,321**	**84,757,947**
At 31 December 2009			
Gross installment finance debtors	66,292,907	66,516,526	132,809,433
Installment finance debtors net of unearned interest	57,884,225	58,909,610	116,793,835

(c) Movement in provision for loan impairment

The movement in the provision for impairment of finance debtors and reserved interest for the year was as follows:

	Provision		
2010	**Principal**	**Interest**	**Total**
	RO	**RO**	**RO**
At 1 January	**10,336,872**	**2,196,771**	**12,533,643**
Charged during the year	**4,052,145**	**1,183,070**	**5,235,215**
Written back / released during the year	**(2,866,843)**	**(347,361)**	**(3,214,205)**
Written off during the year	**(1,719,122)**	**(401,113)**	**(2,120,235)**
At 31 December	**9,803,052**	**2,631,367**	**12,434,419**

The movement in the provision for impairment of finance debtors and reserved interest for 2009 was as follows:

	Provision		
2009	Principal	Interest	Total
	RO	RO	RO
At 1 January	7,768,161	1,604,681	9,372,842
Charged during the year	4,773,586	783,153	5,556,739
Written back / released during the year	(2,204,082)	(147,420)	(2,351,502)
Written off during the year	(793)	(43,643)	(44,436)
At 31 December	10,336,872	2,196,771	12,533,643

Contractual interest is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by Regulators against finance contract receivables from the month in which the receivables are impaired i.e. overdue by more than 89 days. As at 31 December 2010, the total balance of finance debtors on which interest is not being accrued or has not been recognised amounted to RO 24.69 million (2009 - RO 33.65 million).

9 Other receivables and prepaid expenses

	31 December 2010	31 December 2009
	RO	RO
Advances	**45,542**	374,971
Prepaid expenses	**46,303**	95,697
Other debtors	**21,857**	21,857
	113,702	492,525

10 Investment Securities

	31 December 2010	31 December 2009
	RO	RO
Al-Soor Financing (Kuwait)	**554,149**	554,149
National Bureau of Commercial Information	**30,855**	30,855
	585,004	585,004

11 Deposits with the Central Bank of Oman

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

12 Cash and cash equivalents

	31 December 2010	31 December 2009
	RO	RO
Bank and cash balances	**1,254,009**	1,341,250
Call deposits	**609,164**	69,022
	1,863,173	1,410,272

Call deposits are placed with a commercial bank in the Sultanate of Oman with annual interest rate of 0.25% (2009 - 0.25%) per annum.

13 Share capital

Share capital comprises 250,012,020 (31 December 2009 - 233,852,792) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (31 December 2009 - RO 50,000,000).

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

	Number of shares	
	31 December 2010	31 December 2009
Oman Hotels and Tourism Company SAOG	**51,102,387**	47,799,446
The First National LLC	**27,232,136**	25,460,021

	Percentage of holding	
	31 December 2010	31 December 2009
Oman Hotels and Tourism Company SAOG	**20.44**	20.44
The First National LLC	**10.89**	10.88

14 Share premium reserve

The share premium account represents the balance of share premium collected by the Company at the time of rights issue and conversion of optional convertible bonds during 2008.

15 Reserves

(a) Legal reserve

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

(b) Special reserve

During the year 2010, in line with approved policy, the Company transferred RO 124,652, equivalent to 1% of new credit facilities disbursed up-to September 2010, from retained earnings to create a special reserve to cover any delinquencies arising from unforeseen contingencies in installment finance debtors. The amount to be transferred in this reserve is maximum up-to 2% of the outstanding installment finance debtors balances and in line with Article 106 of the Commercial Company Law, maximum up-to 20% of the profit for the year net of legal reserve.

Special reserve is not available for distribution without prior approval of Central Bank of Oman.

(c) Foreign currency reserve

The company maintained an optional "Foreign Currency Reserve" to mitigate risk of un-favourable foreign exchange losses.

16 Derivative financial instruments

During the year 2008, the company entered into four interest rate swap agreements (derivative) with a commercial bank in Oman with a view to hedge the Company from variations in the interest rates of long term loans (hedge item). However, as at 31 December 2010, only one derivative agreement is outstanding. Under outstanding derivative agreement, the company would pay a fixed interest rate of 3.71% per annum and would receive a floating interest rate based on 6 month US Dollar LIBOR. Being effective, the derivative agreement is designated as a cash flow hedge and, accordingly, fair value gain or loss of the derivative is deferred in the equity till the repayment of hedge item.

The negative fair value of the derivative, together with the notional amounts analysed by the term to maturity in the table below:

			Notional amounts by term to maturity	
	Negative fair value	Notional amount Total	1 - 12 months	More than 1 up to 5 years
	RO	RO	RO	RO
31 December 2010				
Interest rate swaps	**31,480**	**1,926,000**	**1,926,000**	**-**
31 December 2009				
Interest rate swaps	224,029	3,852,000	1,926,000	1,926,000

17 Dividends paid and proposed

The Board of Directors have not proposed any dividend for the year 2010.

For the financial year 2009, stock dividend of 6.91% amounting to RO 1,615,923 comprising 16,159,230 shares of RO 0.100 each was proposed by the Board of Directors and approved at the Annual General Meeting held on 31 March 2010.

18 Borrowings

	31 December 2010 RO	31 December 2009 RO
Long-term loans - RO	**8,042,356**	13,122,376
Long-term loans - US $	**-**	1,926,000
Current portion of long-term loans - RO	**9,413,352**	17,672,565
Current portion of long-term loans - US $	**1,926,000**	1,926,000
Short-term loans - RO	**10,000,000**	23,000,000
Bank overdrafts	**537,608**	1,498,438
	29,919,316	59,145,379

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

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

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

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

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

19 Corporate deposits

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

20 Creditors and other payables

	31 December 2010 RO	31 December 2009 RO
Trade creditors	**3,175,352**	366,749
Interest payable	**262,136**	538,086
Accrued expenses	**171,985**	198,688
End of service benefits (note 21)	**167,794**	133,457
Advances received from customers	**156,026**	430,863
Others	**281,938**	387,367
	4,215,231	2,055,210

21 End of service benefits

	31 December 2010 RO	31 December 2009 RO
At 1 January	**133,457**	185,993
Charge for the year	**53,933**	51,938
Payments made during the year	**(19,596)**	(104,474)
At 31 December	**167,794**	133,457

22 Basic earning per share

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

	31 December 2010	31 December 2009
	RO	RO
Profit for the year (RO)	**1,090,998**	933,461
Weighted average number of shares	**250,012,020**	250,012,020
Basic earnings per share for the year (RO)	**0.004**	0.004

23 Net assets per share

The calculation of net assets per share is as below:

	31 December 2010	31 December 2009
	RO	RO
Net asset value (RO)	**32,025,036**	30,741,489
Number of ordinary shares outstanding	**250,012,020**	233,852,792
Net asset per share (RO)	**0.13**	0.13

24 Segmental information

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

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

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

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

The segment information provided to the Management committee for the reportable segments for the year ended 31 December 2010 is as follows:

Reportable segments

	Corporate	Retail	Others (Insurance and debt factoring)	Unallocated items	Total
	RO	RO	RO	RO	RO
Segmental revenues					
Installment finance income	6,275,223	1,769,935	-	-	8,045,158
Interest expense	-	-	-	(3,788,694)	(3,788,694)
Net installment finance income	6,275,223	1,769,935	-	(3,788,694)	4,256,464
Other income	-	-	68,016	450,418	518,434
Segmental expenses					
Other expenses	-	-	-	(2,214,818)	(2,214,818)
Depreciation	-	-	-	(179,876)	(179,876)
Profit before tax and provision for impairment	6,275,223	1,769,935	68,016	(5,732,970)	2,380,204
Provision for impairment	(924,536)	(260,766)	-	-	(1,185,302)
Segmental profit for the year before tax	5,350,687	1,509,169	68,016	(5,732,970)	1,194,902
Income tax expense	-	-	-	(103,904)	(103,904)
Segmental profit for the year	5,350,687	1,509,169	68,016	(5,629,066)	1,090,998
Total assets	56,412,352	15,911,176	-	7,348,710	79,672,238
Total liabilities	-	-	-	47,647,202	47,647,202

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

Reportable segments

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

25 Related parties

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

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

	31 December 2010	31 December 2009
	RO	RO
Directors' sitting fees	**64,900**	67,000
Installment finance income		
Directors	**-**	7,298
Other related parties	**64,845**	177,802
	64,845	185,100

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

	31 December 2010	31 December 2009
Disbursements:		
Other related parties	**151,757**	84,480
Collections:		
Directors	-	193,809
Other related parties	**543,490**	1,875,197
	543,490	2,096,006

(c) Amounts due from related parties:

	31 December 2010	31 December 2009
	RO	RO
Guarantees received from:		
Directors	-	392,456
Other related parties	-	5,524
	-	397,980
Installment finance debtors due from:		
Other related parties	**519,598**	911,331
Advance to directors and key management personnel	**500**	-

No provision is required in respect of loans given to the related parties during the year 2009 and 2010.

(d) Amounts due to other related parties:

	31 December 2010	31 December 2009
	RO	RO
At 1 January	**5,000,000**	5,500,000
Receipts during the year	-	7,000,000
Paid during the year	**(3,000,000)**	(7,500,000)
At 31 December	**2,000,000**	5,000,000

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

	31 December 2010	31 December 2009
	RO	RO
Salaries and allowances	**200,874**	424,343
Ex-gratia benefits paid	-	378,400
End of service benefits	**24,469**	19,045
	225,343	821,788

Salaries and allowances for 2010 include management incentives of RO nil for the year (2009 – RO 223,682).

26 Contingent liabilities

At 31 December 2010, there were contingent liabilities of RO 1,122,982 (2009 - RO 1,522,221) in respect of financial guarantees given to banks in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

27 Fair value information

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

28 Financial risk management

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

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

(a) Credit risk

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

Maximum exposure to credit risk

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

	Gross maximum exposure 31 December 2010 RO	Gross maximum exposure 31 December 2009 RO
Installment finance debtors	**72,323,528**	104,260,192
Other receivables	**113,702**	492,525
Bank balances and deposits (Including deposit with CBO)	**1,913,173**	1,460,272
Total credit risk exposure	**74,350,403**	106,212,989
Contingent liabilities	**1,122,982**	1,522,221
Derivative financial instruments	**31,480**	224,029
Total	**1,154,462**	1,746,250
Total credit risk exposure	**73,195,941**	104,466,739

Concentrations of credit risk

Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to installment finance debtors to any single counterparty as of 31 December 2010. An industry sector analysis of the Company's installment finance debtors before taking into account collateral held is as follows:

	31 December 2010 RO	31 December 2009 RO
Personal / Car loans	**14,798,105**	20,588,560
Business loan – Services	**15,068,066**	24,883,704
- Trading	**3,524,073**	6,099,772
- Manufacturing	**3,103,873**	6,219,885
- Construction contracts	**12,228,442**	14,692,011
- Construction equipments	**15,480,218**	24,859,183
- Other	**8,120,751**	6,917,077
	72,323,528	104,260,192

Credit quality per class of financial assets

The credit quality of financial assets is regularly monitored by the Company.

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

	31 December 2010 RO	31 December 2009 RO
1 to 89 days	**13,154,841**	18,153,772

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

	31 December 2010	31 December 2009
	RO	RO
0 to 89 days	654,345	2,954,511
90 to 364 days	8,347,990	18,298,280
365 days and above	15,691,080	12,395,676
Total	24,693,415	33,648,467

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

Renegotiated installment finance debtors

Renegotiated finance debtors as at 31 December 2010 was RO 9.44 million (2009 - RO 10.22 million). Out of these finance debtors amounting to RO 4.83 million (2009 - RO 4.21) were impaired at the time of renegotiation.

The Company limits its credit risk with regard to bank deposits by dealing with reputable banks. The table below shows the short-term deposits and bank balances with the counterparties analysed by rating as provided by Moody's investor's services:

	31 December 2010	31 December 2009
	RO	RO
P-1	521,952	655,120
P-2	1,238,347	637,600
Unrated	102,874	117,552
	1,863,173	1,410,272

(b) Market risk

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

Foreign exchange risk

Currency risk arises from the possibility of changes in the value of financial assets due to changes in the foreign currency rates. The Company liabilities comprise of borrowings in US Dollars in addition to local currency borrowings. As there is an exchange parity agreement between Oman and the United States of America, the exchange rates have remained stable over the years. Additionaly as required by Central Bank of Oman, Management maintain a "Foreign Currency Exposure" to mitigate foreign exchange risk.

Interest rate risk

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

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

The interest rates on borrowings with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short-term loans. The Company uses sensitivity analysis to analyse and measure interest rate on the variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that change in 100 basis points in the average funding cost would change net interest income by RO 105,376 (2009- RO 244,984). The Company's exposure to interest rate risk is analysed in the following tables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (contd.)

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial instruments and other assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates as on 31 December 2010:

	Effective interest rate in %	0-6 months	6 to 12 months	1 to 2 years	2 to 3 years	More than 3 years	Fixed rate or non interest sensitive	Total
		RO	RO	RO	RO	RO	RO	RO
Assets								
Investment securities		-	-	-	-	-	585,004	**585,004**
Deposit with Central Bank of Oman		-	-	-	-	-	50,000	**50,000**
Installment finance debtors	10.93	16,343,670	16,265,288	18,245,868	8,602,942	12,865,760	-	**72,323,528**
Other receivables		-	-	-	-	-	67,399	**67,399**
Cash and cash equivalents		609,164	-	-	-	-	1,254,009	**1,863,173**
Property and equipment and other assets		-	-	-	-	-	4,783,134	**4,783,134**
Total assets		**16,952,834**	**16,265,288**	**18,245,868**	**8,602,942**	**12,865,760**	**6,739,546**	**79,672,238**
Equity and Liabilities								
Negative fair value of derivatives		31,480	-	-	-	-	-	**31,480**
Borrowings *		17,626,947	4,250,013	5,024,980	3,017,376	-	-	**29,919,316**
Corporate deposits *		3,500,000	2,000,000	7,625,000	-	-	-	**13,125,000**
Creditors and other payables		-	-	-	-	-	4,215,231	**4,215,231**
Equity and taxation		-	-	-	-	-	32,381,211	**32,381,211**
Total equity and liabilities		**21,158,427**	**6,250,013**	**12,649,980**	**3,017,376**	**-**	**36,596,442**	**79,672,238**
Interest rate sensitivity gap		**(4,205,593)**	**10,015,275**	**5,595,888**	**5,585,566**	**12,865,760**	**(29,856,896)**	
Cumulative gap		**(4,205,593)**	**5,809,682**	**11,405,570**	**16,991,136**	**29,856,896**		

* Borrowing and corporate deposit are at market rates.

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

	Effective interest rate in %	0-6 months	6 to 12 months	1 to 2 years	2 to 3 years	More than 3 years	Fixed rate or non interest sensitive	Total
		RO	RO	RO	RO	RO	RO	RO
Assets								
Investment securities		-	-	-	-	-	585,004	585,004
Deposit with Central Bank of Oman		-	-	-	-	-	50,000	50,000
Installment finance debtors	10.93	19,808,906	20,754,279	27,560,035	16,092,931	20,044,041	-	104,260,192
Other receivables and prepaid expenses		-	-	-	-	-	396,828	396,828
Cash and cash equivalents		69,022	-	-	-	-	1,341,250	1410,272
Property and equipment and other assets		-	-	-	-	-	5,129,157	5,129,157
Total assets		**19,877,928**	**20,754,279**	**27,560,035**	**16,092,931**	**20,044,041**	**7,502,239**	**111,831,453**
Equity and Liabilities								
Negative fair value of derivatives		-	224,029	-	-	-	-	224,029
Borrowings		35,506,341	8,590,662	12,006,006	3,042,370	-	-	59,145,379
Corporate deposits		5,000,000	5,000,000	1,000,000	7,625,000	-	-	18,625,000
Creditors and other payables		1,520,738	401,015	-	-	133,457	-	2,055,210
Equity and taxation		-	-	-	-	-	31,781,835	31,781,835
Total equity and liabilities		**42,027,079**	**14,215,706**	**13,006,006**	**10,667,370**	**133,457**	**31,781,835**	**111,831,453**
Interest rate sensitivity gap		**(22,149,151)**	**6,538,573**	**14,554,029**	**5,425,561**	**19,910,584**	**(24,279,596)**	
Cumulative gap		**(22,149,151)**	**(15,610,578)**	**(1,056,549)**	**4,369,012**	**24,279,596**		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010 (contd.)

(c) Liquidity risk

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

The amounts disclosed in table below analyses the Company's financial instruments and other assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant. Unutilised credit facilities as on 31 December 2010 were RO 6.90 million (2009 - 4.80 million).

2010	0-6 months	6 to 12 months	1 to 2 years	2 to 3 years	More than 3 years	Non-Fixed maturity	Total
	RO	RO	RO	RO	RO	RO	RO
Assets							
Investment securities	-	-	-	-	-	585,004	**585,004**
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	**50,000**
Installment finance debtors	16,343,670	16,265,288	18,245,868	8,602,942	12,865,760	-	**72,323,528**
Other receivables	67,399	-	-	-	-	-	**67,399**
Cash and cash equivalents	1,863,173	-	-	-	-	-	**1,863,173**
Property and equipment and other assets	-	-	-	-	-	**4,783,134**	**4,783,134**
Total assets	**18,274,242**	**16,265,288**	**18,245,868**	**8,602,942**	**12,865,760**	**5,418,138**	**79,672,238**
Equity and Liabilities							
Negative fair value of derivatives	31,480	-	-	-	-	-	**31,480**
Borrowings	17,626,947	4,250,013	5,024,980	3,017,376	-	-	**29,919,316**
Corporate deposits	3,500,000	2,000,000	7,625,000	-	-	-	**13,125,000**
Creditors and other payables	3,788,603	258,834	-	-	-	167,794	**4,215,231**
Equity and taxation	-	-	-	-	-	32,381,211	**32,381,211**
Total equity and liabilities	**24,947,030**	**6,508,847**	**12,649,980**	**3,017,376**	**-**	**32,549,005**	**79,672,238**
Gap in maturity (excluding off balance sheet)	**(6,672,788)**	**9,756,441**	**5,595,888**	**5,585,566**	**12,865,760**	**(27,130,867)**	
Cumulative gap in maturity	**(6,672,788)**	**3,083,653**	**8,679,541**	**14,265,107**	**27,130,867**		
Assets off balance sheet							
Unearned finance income	3,086,433	2,528,761	2,847,444	1,127,798	548,022	-	**10,138,458**
Total assets (including off balance sheet)	**21,360,675**	**18,794,049**	**21,093,312**	**9,730,740**	**13,413,782**	**5,418,138**	**89,810,697**
Liabilities off balance sheet							
Interest payable on loans	900,238	583,028	864,670	34,212	-	-	**2,382,148**
Contingent liabilities	413,000	272,030	143,457	-	-	294,495	1,122,982
Total equity and liabilities (including off balance sheet)	**26,260,268**	**7,363,905**	**13,658,107**	**3,051,588**	**-**	**32,843,500**	**83,177,369**
Gap in maturity	**(4,899,593)**	**11,430,144**	**7,435,205**	**6,679,152**	**13,413,782**	**(27,425,362)**	**6,633,328**
Cumulative gap in maturity	**(4,899,593)**	**6,530,551**	**13,965,756**	**20,644,908**	**34,058,690**	**6,633,328**	

(b) Liquidity risk (continued)

2009	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Non-Fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	585,004	585,004
Deposit with Central Bank of Oman	-	-	-	-	-	50,000	50,000
Installment finance debtors	19,808,906	20,754,279	27,560,035	16,092,931	20,044,041	-	104,260,192
Other receivables and prepaid expenses	201,907	-	-	-	-	194,921	396,828
Cash and cash equivalents	1,410,272	-	-	-	-	-	1,410,272
Property and equipment and other assets	-	-	-	-	-	5,129,157	5,129,157
Total assets	21,421,085	20,754,279	27,560,035	16,092,931	20,044,041	5,959,082	111,831,453
Equity and Liabilities							
Negative fair value of derivatives	-	224,029	-	-	-	-	224,029
Borrowings	35,506,341	8,590,662	12,006,006	3,042,370	-	-	59,145,379
Corporate deposits	5,000,000	5,000,000	1,000,000	7,625,000	-	-	18,625,000
Creditors and other payables	1,520,738	401,015	-	-	-	133,457	2,055,210
Equity and taxation	-	-	-	-	-	31,781,835	31,781,835
Total equity and liabilities	42,027,079	14,215,706	13,006,006	10,667,370	-	31,915,292	111,831,453
Gap in maturity (excluding off balance sheet)	(20,605,994)	6,538,573	14,554,029	5,425,561	20,044,041	(25,956,210)	
Cumulative gap in maturity	(20,605,994)	(14,067,421)	486,608	5,912,169	25,965,210		
Assets off balance sheet							
Unearned finance income	5,648,626	3,921,252	4,800,132	1,937,469	869,315	-	17,176,794
Total assets (including off balance sheet)	27,069,711	24,675,531	32,360,167	18,030,400	20,913,356	5,959,082	129,008,247
Liabilities off balance sheet							
Interest payable on loans	1,495,096	917,715	1,507,684	445,875	-	-	4,366,370
Contingent liabilities	578,604	547,683	5,000	-	-	390,935	1,522,222
Total equity and liabilities (including off balance sheet)	44,100,779	15,681,104	14,518,690	11,113,245	-	32,306,227	117,720,045
Gap in maturity	(17,031,068)	8,994,427	17,841,477	6,917,155	20,913,356	(26,347,145)	11,288,202
Cumulative gap in maturity	(17,031,068)	(8,036,641)	9,804,836	16,721,991	37,635,347	11,288,202	

(d) Capital management

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

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve, foreign currency reserve and retained earnings is measured at RO 32.02 million as at 31 December 2010 (31 December 2009 - RO 30.74 million). The Company is already in compliance with the Central Bank of Oman’s minimum capital requirement of RO 20 million.

29 Comparative figures

Certain corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current year. Such reclassifications do not affect previously reported net profit or shareholders’ equity.