United Finance Company SAOG

ANNUAL REPORT 2017

His Majesty Sultan Qaboos bin Said

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

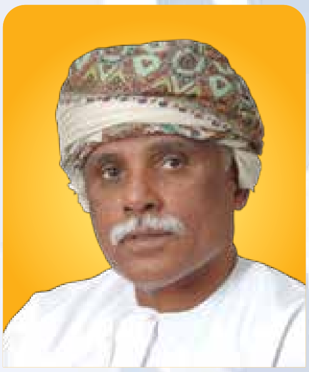
- Providing timely and customized financial solutions to individuals, corporates and SMEs
- Enabling our employees to actualize
- Partnering with our business associates for mutual growth
- Being a responsible corporate citizen

Values

- Commitment
- Discipline
- Teamwork
- Timeliness
- Empowerment

Board of Directors

Mohamed Abdulla Al Khonji
Chairman



Hassan Ihsan Naseeb Al Nasib
Deputy Chairman

Ranga Gorur
Director

Hussam Hisham Omar Bostami
Director

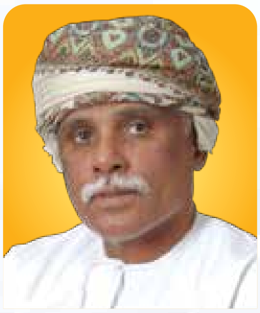
Waseem Salah Qaraeen
Director

Awad Mohammed Faraj Bamkhalif
Director

Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani
Director

Audit & Risk Management Committee

Waseem Salah Qaraeen
Chairman



Hassan Ihsan Naseeb Al Nasib
Member

Awad Mohammed
Faraj Bamkhalif
Member

Dr. Mohammed Sulaiman
Ahmed Saeed Al Houqani
Member

Executive Committee

Mohamed Abdulla
Al Khonji
Chairman

Ranga Gorur
Member

Hussam Hisham
Omar Bostami
Member

D Stanley
Deputy Chief Executive Officer

Mansoor Mubarak Al Amri
Chief Executive Officer

K T Ramasamy
AGM - Finance & IT

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	Tel.	Fax.
Barka	26883996	26883931
Firq	25410052	25410595
Ibra	25570234	25570235
Ibri	25692402	25688668
Mawaleh	24520611	24520613
Salalah	23289668	23289446
Sohar	26843603	26843650

Bankers

- Bank Muscat
- National Bank of Oman
- Bank Dhofar
- Bank Sohar
- Bank of Baroda
- Qatar National Bank
- Ahli Bank
- Ahli United Bank, Bahrain
- Oman Arab Bank

Statutory Auditors

Deloitte & Touche

Board of Directors' Report

Mohamed Abdulla Al Khonji
Chairman

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the audited financial results of your company for the year ended 31st December 2017.

The Economic Environment

2017 witnessed a gradual revival of oil price that helped in lowering the budget deficit to some extent. Despite this positive development, the government adopted a conservative approach and continued to pursue fiscal conservation measures to meet exigencies. The delay in the contractors receiving payment continued during the year. The government resorted to raising a significant portion of its fund requirements for its developmental programs from the international markets. This ensured reasonable market liquidity to fund the needs of the private sector to complement the developmental activities pursued by the government. Diversification into non-oil segments gained momentum with particular emphasis on developing tourism and hospitality, transport and logistics, mining, fisheries and aviation sectors. These initiatives are aimed at gradually increasing the contribution from these diverse sectors and reduce the reliance on oil revenue in the long run.

2017 was a challenging year for your company and the Financial Services industry as a whole. The restrained spending on new developmental projects provided limited opportunities for expansion of business. The market witnessed a decline in the demand for commercial vehicles and equipment due to a dearth of avenues for deployment of assets, drop in hiring rates and delayed settlement of dues by contractors. The demand for private vehicles also registered a decline as a result of increase in petrol prices prompting citizens and residents to opt for used cars. Contraction in the overall demand triggered intense competition amongst peers. Banks penetration into vehicle financing and SME funding further reduced the market share forcing FLCs to offer very competitive lending rates. Market liquidity remained under pressure almost throughout the year resulting in higher interest rates on borrowings and contraction of net margins. There was no respite from the delayed payment cycle which severely affected the cash flow of borrowers forcing them to delay or default on their loan obligations. This trend triggered a spurt in delinquencies during the year.

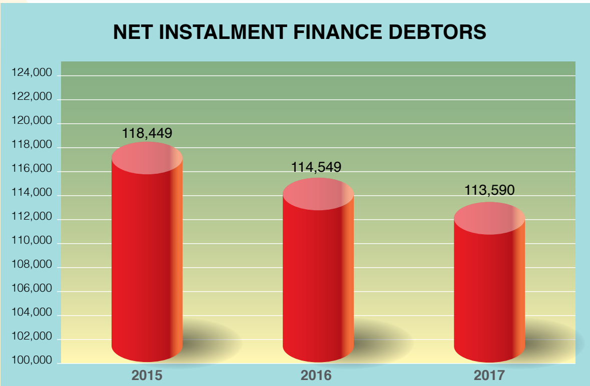
The year under review

In 2017 the company booked a reasonable volume of business despite the subdued market conditions. The loan book of the company as at 31 December 2017 stood at RO 113.59 Million as against RO 114.55 Million as at 31st December 2016. The company recorded a net profit of RO 1.02 Million for the year 2017 as against RO 4.50 Million for the previous year. The decline in profit is attributed to the decline in instalment finance income and the higher provision made to cover the increase in the level of impaired loans and the financial impact of irregularities at the Nizwa branch of the company. Despite the concerted efforts on the recovery front, impaired assets increased to RO 21.61 Million as at 31st December 2017 as against RO 11.56 Million as at 31st December 2016.

The company holds a cumulative provision of RO 8.54 Million as at December 2017 and a Special Reserve of RO 2.37 Million to guard against delinquencies. The Management is pursuing necessary recovery measures to control and bring down the level of impaired loans despite the prevailing tough market conditions.

The company's fund position was comfortable throughout the year despite tight market liquidity. Banks renewed / enhanced the credit facilities extended to the company to meet its business needs. Some of the banks also expressed their willingness to extend additional credit facilities to meet the growth plans of the company.

The company detected some irregularity in its Nizwa branch operations in December 2017. The Fraud Investigation Committee of the company performed a detailed investigation and reported that the Nizwa Branch Manager had indulged in accounting manipulation and theft of company's documents. The investigation report quantified the financial impact at RO 1.35 million which has been fully provided for and given effect in the financial statements for the year.



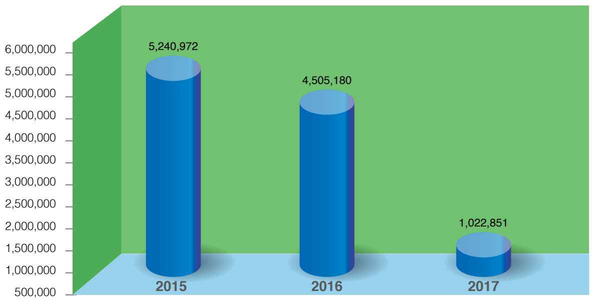
Dividend

The Board of Directors decided not to recommend any dividend distribution for the year 2017.

Looking Ahead

The State Budget for the year 2018 continues to lay emphasis on economic diversification and curtailing increase in expenditure. The budget aims at supporting the government's initiatives of encouraging private sector participation in developmental projects to foster growth and provide sustained employment opportunities to citizens. The budget envisages a similar outlay for developmental activities as in the previous year. The government is expected to pursue ongoing projects and prioritize its outlay for developing infrastructure to augment its diversification plans. Considering the thrust on diversification into non-oil sectors, the expansion of Muscat airport, development of Sohar and Duqm seaports, dualization of arterial roads and development of industrial infrastructure are expected to be pursued in the ensuing year.

NET PROFIT



The budget also continues its focus on investment in social causes like education, healthcare and housing sectors for the benefit of the citizens. Divestment of government's stake in public utility companies is on the anvil to encourage private sector participation in the development of the economy. These measures are aimed at boosting the pace of economic activity and provide reasonable opportunities for business in the year ahead. However, infusion of liquidity through release of contractual dues by counter parties across all sectors assumes prime importance to propel economic momentum.

UFC would tread cautiously and cash in on the market opportunities to grow its loan book with emphasis on asset quality. The company would continue its focus on maintaining a balanced loan portfolio with the objective of mitigating risk. The company has obtained adequate credit lines from banks to meet its business requirements. The company's bankers are forthcoming to extend additional credit limits to augment the company's business plans. We believe the market would provide modest opportunities for business and competition is likely to be intense with pressure on lending rates. Cost of borrowing is also expected to remain high in the near term till such time market liquidity eases. Our collection team would pursue all efforts to control and bring down the level of impaired loans and arrest the fresh incidence of impaired loans. However, the inordinate delays being experienced in settlement of dues by counter parties pose a major challenge to curtail the level of impaired loans. The company would continue its pursuit for optimum utilization of resources to achieve higher operational efficiency and improve profitability.

Human Resources

UFC has always maintained the prescribed Omanisation percentage by recruiting and training Omanis. The company provides continuous training to its employees to impart the required knowledge to equip them with the required skill sets to discharge the tasks assigned to them efficiently and improve their competency to grow and realize their career goals. The company provides a congenial working environment to encourage Omani staff to achieve their aspirations.

Corporate Governance

The company adopts the best corporate governance practices and is compliant with the prescribed code. The corporate governance philosophy and practices pursued by the company are contained in the report on corporate governance accompanied by the report of Statutory Auditors.

Corporate Social Responsibility

As part of its corporate social responsibility initiatives, UFC provides employment to fresh Omani graduates and diploma holders and imparts training to groom them as productive resources. The company participates in social programs by conducting regular blood donation camps and offers employment to the physically challenged. The company also extends funding to SME's and local community contractors in interior regions and indirectly aids in providing employment opportunities and a source of livelihood to the locals in the vicinity.

Acknowledgement

The Board of Directors and Management express their highest gratitude to His Majesty Sultan Qaboos bin Said and respectfully acknowledge his dynamic leadership and utmost caring to nurture the local economy.

On behalf of the Board I wish to express 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.

On behalf of the Board I would like to place on record my appreciation and thank the Management and staff for their individual and collective contribution to achieving operational efficiency and realizing the company's goals.

May God bless all of us.

Mohamed Abdulla Al Khonji
Chairman

Mansoor Mubarak Al Amri
Chief Executive Officer

Economic Overview

Oman's economy was witness to a challenging environment in 2017. Though the oil prices registered a gradual increase, the government continued with the cost optimization measures and prioritized spending to contain the deficit and conserve resources for exigencies. While ongoing projects progressed at a subdued pace, the government also embarked on certain essential developmental projects to meet the civic and industrial needs of the country and sustain economic activity.

The government continued its focus on development of infrastructure to address the needs of its diversification program to reduce the dependence on oil. The diversification plans lay emphasis on enhancing revenue from tourism, transport and logistics, manufacturing, mining, fishing and providing avenues for employment of local youth. Projects relating to the development of arterial roads, expansion of airports and sea ports, enhancing infrastructure of industrial estates and setting up of storage facilities were the areas of focus. In addition, socio-economic programs were also pursued through investment in education, health and housing sectors were also pursued to maintain the standard of living of the citizens. Private sector participation was promoted through divestment of the government's stake in some public utility undertakings and to raise resources to fund its development plans. The government also sourced funds from the international markets to bridge the deficit to fund key projects and to ensure reasonable liquidity in the local market to fund economic activity. Promotion of SME's was another area of prime focus to encourage self-employment among the local youth.

In 2017 the local market witnessed tight liquidity, leading to high interest rates. Most of the banks adopted a conservative approach and were selective in extending loans in view of the difficult economic environment. The fresh loans extended were at fairly high rates of interest. As a result, the interest rates on corporate deposits also moved up making them less attractive as a means to optimize the cost of borrowing. Periodic issue of government bonds to mobilize resources also contributed to tightening of liquidity from time to time. The market witnessed to unreasonable delays in the settlement of dues by counter parties resulting in business entities being starved of funds to meet even their day-to-day operating expenses and forcing them to default on their loan commitments.

The prudent measures pursued by the government to tide over the current market conditions and proceed with the its developmental programs to diversify and reduce dependence on oil revenue is expected to insulate the economy from fluctuations in oil prices and achieve sustained growth.

Industry Overview

2017 was a turbulent year for FLCs. The market remained subdued in view of the austerity measures adopted by the government to conserve resources to meet exigencies. The restrained spending of government resulted in a drop in the demand for equipment and commercial assets due to dearth of avenues for deployment. The demand for private vehicles also witnessed a decline due to the increase in the cost of living and fuel in particular. Banks continued competing in SME funding and vehicle financing, thus reducing the market share of FLCs and limiting opportunities for growth.

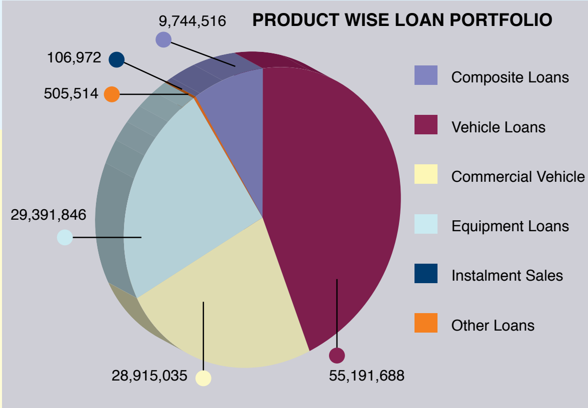
The contraction in market potential triggered intense competition amongst FLC's, forcing them to offer highly competitive lending rates. Fine lending rates coupled with higher borrowing cost resulted in narrowing the net interest income. The industry was confronted with higher delinquencies caused by the inordinate delays in settlement of dues by counter parties that severely affected the cash flow of business entities forcing them to evade paying their loan commitments.

Opportunities & Threats

The 2018 State Budget purports a similar expenditure outlay for various sectors as in the previous year. The government is expected to pursue the implementation of ongoing projects to completion and also embark on certain core projects to meet the social and economic needs of the country. These measures are aimed at developing the infrastructure with focus on economic diversification to increase revenue from non-oil sectors and provide opportunities for sustained growth. Education, healthcare and social security are the other areas earmarked for a sizable outlay to maintain and improve the standard of living of the citizens.

Considering the gradual recovery in oil price during 2017 the government has based the budget for 2018 on an average oil price at USD 50 per barrel as against USD 45 in the previous year. As the government proposes to raise a major portion of the budget deficit through foreign borrowing, market liquidity is expected to improve with scope for reduction in interest rates. We believe that these initiatives would aid in reviving economic momentum and improve business prospects for FLCs to expand credit and increase their book size. If the trend in revival of oil price continues through 2018, it could encourage the government to hasten the implementation of developmental projects and release monies owed to contractors, which would give a boost to business opportunities and help the contractors clear their loan obligations.

However, in the unlikely event of the market experiencing a dip in oil prices, the government would be constrained to adopt a cautious approach and cutback on planned expenditure. This could trigger a slowdown in implementation / deferment of developmental projects, dampen the pace of economic activity and hamper prospects for business expansion. Further, the market could witness further delays in the settlement of contractual dues by counter parties, resulting in strained cash flows and an increase in the incidence of delinquencies. Tightening of market liquidity would push up borrowing cost.



Increase in competition from banks through their penetration into SME funding and vehicle financing coupled with in-house funding by vehicle dealers could affect the business prospects of FLCs, trigger intense competition and put pressure on lending rates. Changes in regulations governing FLCs could also impact their performance.

Analysis of Segment & Product-wise performance

UFC extends finance to both the retail and corporate segments with the objective of maintaining a rational portfolio mix. As at December 2017 its corporate exposure stood at 71% and retail exposure at 29%. Loans extended for assets used by the borrowers for income generation are classified under corporate segment, while assets used for personal purpose are classified under retail segment. The Management evaluates the loan portfolio of the company regularly, based on the repayment track record, income spreads and incidence of delinquencies, and fine tunes the lending norms to mitigate credit risk. In addition, the credit norms of the company are periodically amended based on market feedback and risk review reports to safeguard against delinquencies. All loans extended by the company are secured by the assets financed and additional security by way of assignment of receivables, collateral assets, mortgage of property, personal guarantees of borrowers and counter parties are obtained on a case-to-case basis to mitigate the risks from unforeseen developments.

Outlook

UFC plans to monitor the market developments and adopt a prudent approach to grow its loan book by optimizing the market opportunities. The company will focus on improving asset quality through stringent screening of loan proposals. Collection mechanism would be further strengthened to curtail the incidence of delinquencies and bring down the level of impaired loans. The company will pursue measures to diversify its loan portfolio, reduce credit concentration and spread risk by maintaining a balanced loan portfolio. The Management will make concerted efforts and take appropriate steps to improve collection efficiency and restrain the level of impaired loans. Under the guidance of the Board, the Management and staff of the company will make their best efforts and strive to achieve better performance levels in the year ahead.

Human Resources

UFC has all through focused on nurturing young Omanis and encourages them to achieve their career aspirations. UFC imparts continuous training to equip its staff to efficiently discharge their job responsibilities. The company concurrently assesses the training needs of its staff and conducts periodic training programs to enhance their knowledge and skill sets to shoulder higher responsibilities for a sustainable future. The company maintained the prescribed Omanisation level throughout the year.

Risks & Concerns

Any activity is exposed to inherent risks caused by factors within and outside the organization. While some risks can be predicted with reasonable certainty, there are others that are caused by unforeseen events and developments. Since financial institutions play a complementary 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.

The company has laid down well-defined policies and procedures for all its financial and business transactions that aid in mitigating operational risk through internal control measures. Periodic review of the performance of the loan portfolio of the company by Risk Management Department helps in evaluating the risks the company and the industry are exposed to. The department also regularly reviews the economic and market developments and their likely impact on the performance of the company & the financial services sector. The Board and Management are provided with critical data on factors that are likely to affect the business prospects, delinquency and profitability of the company based on the evaluation of available information to facilitate initiating corrective steps to mitigate risks. Risk Management also independently evaluates all credit proposals above a threshold level and highlights their views to the sanctioning authorities to facilitate an 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 to align with the prevailing market environment conditions helps in minimizing the 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 creditworthiness of borrowers and take proactive 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.

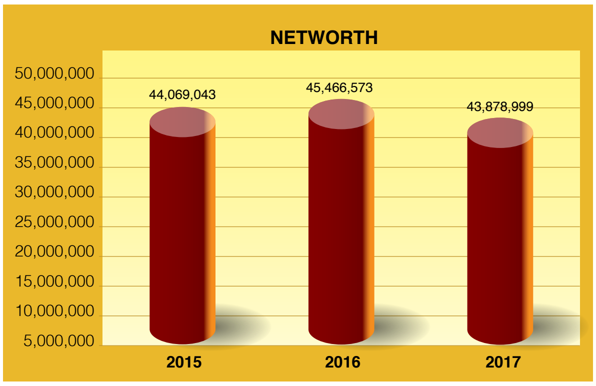
Liquidity Risk

Liquidity risk is what 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. The ALCO members review the maturity profile of asset and liabilities at monthly intervals and initiate proactive measures to counter the incidence of liquidity risk.

Internal control systems & their adequacy

UFC has a competent Internal audit team in place manned by experienced professionals. In addition to the regular checks carried out, their scope of work focuses on risk-based audit. The internal audit setup in place is appropriate to handle the level of operations of the company. The department directly reports to the Audit and Risk Management 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. The policy and procedure manuals covering various areas of operation were reviewed and updated by the Management at periodic intervals in line with the changing business environment and circulated to the concerned departments, for their reference and compliance, after approval by the Board.

The role of internal audit is further strengthened through the compliance function to ensure conformity with statutory and regulatory requirements and the policies and procedures of the company. The compliance function is independently headed by the Chief Compliance Officer who is an experienced and competent professional, that reports to Board. 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 prescribed norms.

Information Technology, Disaster Recovery and Business Continuity Plan

UFC has a team of experienced and competent Information Technology professionals. The company lays emphasis on regularly reviewing and upgrading its IT infrastructure to cater to the needs of the changing business environment. The company uses state-of-the-art banking software, which is in use by many banks and financial institutions in different countries. The company maintains its Disaster Recovery infrastructure at Barka. This setup is tested periodically to ensure preparedness. With the DR infrastructure in place, the company is equipped to resume its business operations with minimum down time, in the event of any disruption. The company has in place an approved Business Continuity Plan as applicable to finance institutions.

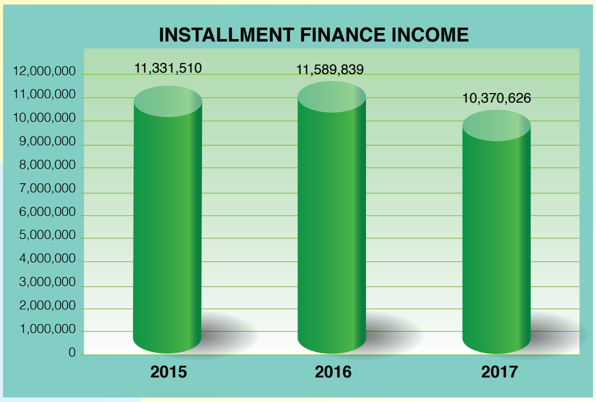
Discussion on financial & operational performance

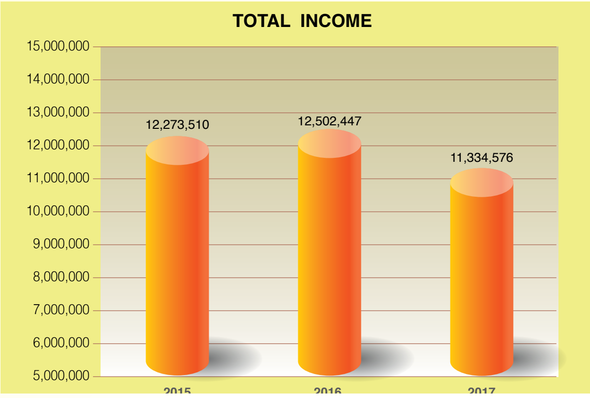
During 2017 UFC pursued a cautious approach in view of the subdued and volatile market conditions that prevailed as a result of decline in revenue from oil. The company disbursed fresh loans of RO 47.4m during 2017. However, the loan portfolio as at 31st December 2017 was RO 113.59m as against RO 114.55m at the end of the previous year. The company generated a net profit of RO 1.02m for the year 2017 as against RO 4.5m in the previous year. The main reason for the reduction in net profit is the additional provision made to cover the steep increase in the impaired loans due to the tough market conditions and the financial impact of irregularities at the Nizwa branch of the company. Impaired loans as at December 2017 were RO 21.61m as against RO 11.56m as at December 2016. Despite the vigorous efforts on recovery, the prevailing delayed payment cycle experienced in the market severely affected the cash flow of customers, pushing them to default on their loan commitments thus pushing up the level of impaired loans. The Board has not recommended any dividend for the year 2017 subject to approval of the Central Bank of Oman and the shareholders of the company at the Annual General Meeting.

The fund position of company was comfortable all through the year despite the tight liquidity in the market. Most of the company's bankers renewed their credit limits at the existing level and some increased their credit limits to the company and were inclined to extend additional credit facilities to meet business needs. However, the volatility in market liquidity drove up borrowing cost significantly resulting in contraction of net interest margins.

In December 2017 some irregularity was detected in Nizwa branch operations. The Company's Fraud Investigation Committee performed a detailed investigation and reported that the Nizwa Branch Manager had indulged in accounting manipulation and theft of company's documents. The investigation report quantified the financial impact at RO 1.35 million which has been fully provided for and given effect in the financial statements for the year.

The company provided RO 4.04m as additional impairment provision during the year. The company is taking appropriate steps to improve collection performance to curtail impaired loans in the ensuing year despite the challenging market conditions.





Performance at a Glance

			(RO '000)
Particulars	2015	2016	2017
Total Assets	123,105	119,626	117,939
Share Capital	31,076	32,630	34,914
Net Worth	44,069	45,467	43,879
Finance Debtors	118,449	114,549	113,590
Total Borrowings	70,330	69,558	69,626
Gross Income	12,273	12,502	11,335
Net Finance Income	9,242	8,961	7,747
Net Profit	5,241	4,505	1,023

Deloitte & Touche (M.E.) & Co. LLC
Minaret Al Qurum Building, Level 6
Al Qurum
P.O. Box 258, Postal Code 112
Muscat
Sultanate of Oman

Tel: +968 22354300
Fax: +968 22354333
www.deloitte.com

TO THE SHAREHOLDERS OF
UNITED FINANCE COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying corporate governance report of **United Finance Company SAOG** as at and for the year ended 31 December 2017 and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 4/2015 dated 22 July 2015 and amendments to CMA Code of Corporate Governance issued under circular No. E/10/2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA and are summarized as follows:

1. We obtained the corporate governance report issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2. We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors with the Code, for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

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 corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report 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 accompanying corporate governance report of **United Finance Company SAOG** to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of **United Finance Company SAOG,** taken as a whole.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
15 March 2018

ديلويت آند توش (الشرق الأوسط) وشركاه ش.م.م
C.R. No. 1736256
Deloitte.
0901-01
Deloitte & Touche (M.E.)& Co. LLC.

I. Company's philosophy

United Finance Company SAOG (the Company) has adopted the Corporate Governance framework introduced vide CBO circular no. BM/932 dated 04.02.2002, CMA regulations vide CMA circular no. 11/2002 duly amended by circular No 1/2003 and CMA Administrative Decision No.5/2007 as part of its Disclosure Policy, Code of Corporate Governance vide CMA circular No. E/4/2015, Executive regulation of Capital Market Law. 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. Further separate paragraphs on Corporate Social Responsibility and Information Technology, Disaster Recovery and Business Continuity Plan are being included in the Annual Report.

Salient features of the governance regulations followed by 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 and periodic review.
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 and periodic review 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 behaviour.
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 & Risk Management Committee of the Board having four of its Directors 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 & Risk Management 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 the 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
Non-independent, Non-Executive Directors	1. Mr. Awad Mohammed Faraj Bamkhalif
Independent, Non-Executive Directors	2. Mr. Mohamed Abdulla Al Khonji (Chairman) 3. Mr. Hassan Ihsan Naseeb Al Nasib (Deputy Chairman) 4. Mr. Ranga Gorur 5. Mr. Hussam Hisham Omar Bostami 6. Mr. Waseem Salah Qaraeen 7. Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani#

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017.

DIRECTORS' PROFILE

1 **Mr. Mohamed Abdulla Al Khonji**, is a Bachelor in Economics and graduated in 1994 from the University of Northern Colorado, USA. He is a major investor in several companies and real estate in Oman. Besides being the Chairman of the Board and Chairman of the Executive Committee in UFC, he is the Chairman of the Board and Chairman of Nomination & Remuneration Executive Committee in Oman Hotels & Tourism Company SAOC, Deputy Chairman and a member of Nomination & Remuneration Executive Committee in Takaful Oman Insurance SAOG. He is also the Deputy Chairman of the Board & Chairman of Executive Committee, Al Khonji Group, Chairman of Al Khonji Holding LLC. and Chairman & CEO of AlKhonji Real Estate & Development LLC – Oman. In the past, he has been on the boards of several listed companies and banks like Bank Sohar SAOG, Oman Investment & Finance Co. SAOG, National Aluminium Products Co. SAOG, Oman National Electric Co. SAOG, Oman Medical Projects Co. SAOG, Taageer Finance Co. SAOG, Al Anwar Holdings SAOG, Fincorp SAOG etc. He was also a member of the Oman – India Committee and Oman – Lebanon Committee at the OCCI.

2 **Mr. Hassan Ihsan Naseeb Al Nasib** has done Masters in Military Science. He has over 38 years' experience as General at the Ministry of Defence. Presently, in addition to being the Deputy Chairman of the Board and a member of the Audit & Risk Management Committee in UFC, he is the Chairman of the Board in Global Financial Investment Holding Co. SAOG and also the Chairman of Oman Education & Training Investment Co. SAOG. He is also the Chairman of Sohar Gases Co. LLC. and Chairman of Al Madina Logistic Services Co. SAOC. He is also on the boards of Oman Holdings International SAOC and Sun Packaging Co. SAOC. In the past, he has been a member of the State Council and was a board member of Ahli Bank, Computer Stationery Industry SAOG, Dhofar Cattlefeed and Oman Hotels & Tourism Company SAOG.

3 **Mr. Ranga Gorur** is holding the position of Chief Finance Officer of Oman Holdings International Co. SAOC. He is a Fellow Member of the Institute of Chartered Accountants of India as also CPA Australia, with over 40 years of professional experience. Besides being a board member and a member of the Executive Committee of UFC, he is also a board member & Chairman of the Audit Committee in Computer Stationery Industry SAOG.

4 **Mr. Hussam Hisham Omar Bostami**, holds a Bachelor of Administrative Sciences Degree from the Yarmouk University, Jordan, majoring in Accounting. He also holds a Master Degree in Banking and Financial Studies from the Arab Academy for Banking and Financial Sciences, Jordan. He is also a Certified Compliance Officer from the American Academy of Financial Management. He has worked as Internal Auditor in both Amman Bank for Investment (Jordan) and the Oman Development Bank (Oman) and also as Credit & Investment Officer in the Islamic International Arab Bank (Jordan). He currently holds the position of General Manager – Finance & Administration / Acting CEO with Global Financial Investment Holdings Co. SAOG, Oman. Besides being a board member and a member of the Executive Committee in UFC, he is also on the boards of Construction Material Industries SAOG, Gulf Stone Co. SAOG, Al Madina Logistic Services Co. SAOC and Al Sharqiyah University SAOC. Previously he was on the boards of Oman Hotels & Tourism Company SAOG and Oman Filters Industry SAOG.

5 **Mr. Waseem Salah Qaraeen**, holds a Degree in Bachelor of Economics, Administration, Sciences (Accounting) from the Applied Science University, Amman – Jordan. He also holds a master's certificate (MBA) from the Bedfordshire University in UK. He holds the position of Deputy General Manager- Investment Services in Global Financial Securities Services LLC., Oman. He has previously worked as Internal Auditor in Global Financial Investment Holding Co. SAOG, Oman and as an Accountant in United Arab Investments, Amman, Jordan. Besides being a board member and Chairman of the Audit & Risk Management Committee in UFC, he is also on the boards of Oman Education & Training Investment Co. SAOG, Al Batinah Development & Investment Holding Co. SAOG, Al Batinah Hotels Co. SAOG and Global Omani Development & Investment Co. SAOC.

6 **Mr. Awad Mohammed Faraj Bamkhalif**, a Post Graduate in Accounting and Finance from Egypt and UK, has with him over 32 years of experience in Finance and Investment field. He currently serves on Majan Capital Fund Investors' Committee on behalf of Oman & Emirates Investment Holding Co. SAOG, where he is holding the position of Chief Executive Officer for over 19 years. Mr. Awad is a board member and a member of the Audit & Risk Management Committee in UFC. Mr. Awad

also holds directorship in Financial Corporation Co. SAOG (FINCORP), Oman Hotels & Tourism Company SAOG, Oman Fiber Optic Co. SAOG. He is the Deputy Chairman of the Board in Oman Hotels & Tourism Company SAOG. Before joining Oman & Emirates Investment Holding Co. SAOG, Mr. Awad was the General Manager of Oman Aviation Services Co. SAOG / Oman Air and, prior to that, he was holding the position of Deputy Financial Controller of Port Services Corporation, Sultanate of Oman. He has been the Proprietor of Oman Audit Bureau for over 25 years, which has recently been merged with a well reputed International Firm, viz., Baker Tilly International and currently known in Oman as Baker Tilly MKM (Oman) LLC., where he is the Executive Resident Partner.

7 Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani is an investor, scholar and physician. He did his post graduate training in the fields of Internal Medicine, Respiratory and Sleep Medicine at the University of Toronto from 2004 till 2010. He also obtained a Master of Public Health degree in 2012. He has accreditations and licences from reputed institutions in Canada and USA. He has published scientific articles and has been a speaker in various medical forums. He has attended numerous professional development workshops and conferences. Currently, Dr. Mohammed is serving as a member of board of directors of several companies. He also practises Medicine and conducts scientific research projects. His investment is concentrated in the banking, education and health sectors.

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017.

Details of attendance of Board Members for Board Meetings during 2017

	Board Member	Board Meeting Dates						
		29/01/2017	20/04/2017	08/06/2017	20/06/2017	25/07/2017	25/10/2017	17/12/2017
1	Mr. Mohamed Abdulla Al Khonji	YES	YES	YES	YES	-	YES	YES
2	Mr. Hassan Ihsan Naseeb Al Nasib	YES	YES	YES	YES	YES	YES	YES
3	Mr. Ranga Gorur	YES	YES	YES	YES	YES	YES	YES
4	Mr. Hussam Hisham Omar Bostami	YES	YES	YES	YES	YES	YES	YES
5	Mr. Waseem Salah Qaraeen	YES	YES	YES	YES	YES	YES	YES
6	Mr. Awad Mohammed Faraj Bamkhalif	YES	YES	YES	YES	YES	YES	YES
7	Dr.Mohammed SulaimanAhmed Saeed Al Houqani#	-	YES	YES	YES	YES	YES	YES
8	Mr. Omar SulaimanAhmed Saeed Al Houqani**	YES	-	-	-	-	-	-

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017 in the AGM.
*** Mr. Omar Sulaiman Ahmed Saeed Al Hoqani was appointed as a temporary director in place of Late Shaikh Sulaiman Ahmed Al Hoqani, who passed away on 09/01/2017*

Details of attendance of Board members for AGM during 2017

	Board Member	AGM 29/03/2017
1	Mr. Mohamed Abdulla Al Khonji, Chairman	Yes
2	Mr. Hassan Ihsan Naseeb Al Nasib	Yes
3	Mr. Ranga Gorur	Yes
4	Mr. Hussam Hisham Omar Bostami	Yes
5	Mr. Waseem Salah Qaraeen	Yes
6	Mr. Awad Mohammed Faraj Bamkhalif	Yes
7	Mr. Omar SulaimanAhmed Saeed Al Houqani	Yes

Details of EGMs:

The company convened an EGM on 29.03.2017 and approved certain amendments to the Articles of Association of the company.

Details of Membership of Other Boards:

	Board Member	No. of other Chairmanships, Directorships and memberships of other committees (excluding UFC)	
		Chairmanship in SAOG Co.	Directorship in SAOG Co.
1	Mr. Mohamed Abdulla Al Khonji, Chairman	1	1
2	Mr. Hassan Ihsan Naseeb Al Nasib	2	2
3	Mr. Ranga Gorur	-	1
4	Mr. Hussam Hisham Omar Bostami	-	2
5	Mr. Waseem Salah Qaraeen	-	3
6	Mr. Awad Mohammed Faraj Bamkhalif	-	3
7	Dr.Mohammed SulaimanAhmed Saeed Al Houqani#	-	1

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017 in the AGM

III Board Committees:

1. Brief description of terms of reference:

A. Audit & Risk Management Committee

- Considering the names 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 ensuring that auditors have full access to all relevant documents information.
- Checking financial fraud particularly fictitious and fraudulent portions of the financial statement if any. 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 suspected frauds, if any, committed by staff members and / or borrowers.
- Review and ensure 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 any legal matters that could have a material impact on the Company's financial statements, 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.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Approve all audit and non-audit services.

B. Executive Committee

- Decide on all proposals exceeding 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.
- Submit to the Board an annual plan of action.
- Review the nominations for board membership received by the company and make suitable recommendations to the Board for further appropriate action, as per the local regulations / laws.
- Identify and nominate, for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession, in particular with respect to the Chairman of the Board and the Chief Executive Officer.
- Prepare the detailed job description of the roles and responsibilities for the directors including the Chairman.
- Review regularly the Board structure, size, composition, competencies and make recommendations to the Board for adjustments that are deemed necessary, in order to ensure an adequate size and a well-balanced composition of the Board and to ensure that the required number of the Board members are independent, which will ensure formation of its committees as per regulation.
- Consider succession and emergency planning, taking into account the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board, reporting on these matters to the Board regularly.
- Review the leadership needs of the organisation, with a view to ensuring the continued ability of the Company to compete effectively in the market place.
- Devise a procedure for periodic performance evaluation of the Board of Directors.
- Evaluate the balance of skills, knowledge and experience on the Board, and in the light of this evaluation, prepare a description of the role and capabilities required for a

particular appointment, before a director's appointment is made by the Board,

- Ensure the development of guidelines for selecting candidates for election / re-election to the Board, or to fill temporary vacancies on the Board; and
- Review terms of reference periodically for its effectiveness and recommend any changes to the Board, if required.
- Formulate "Succession Plan" for key senior managerial positions to ensure continuity in the Management, taking into account the challenges and opportunities facing the Company
- Prepare succession policy or plan for the Board or at least for the Chairperson
- Determine board remuneration, sitting fees etc., based on performance of the Board in compliance with statutory limits
- Review and recommend the strategy and annual budgets to the Board.
- Review, recommend new products, opening of new branches, strategic alliances etc., to the Board
- Take into account future expansion and recommend construction of new building, including acquiring property to accommodate future needs.
- Formulate and recommend company's CSR strategy and plan and recommend it to the Bard, in compliance with AOA and Code of Corporate Governance. Also, evaluate the effects of CSR initiatives
- Review Disaster Recovery and Business Continuity Plan of the company and apprise the changes, if any, to the Board. In case of disaster, provide guidance to the Management for smooth recovery and restoration of normalcy in operations.
- As per Board's direction, to obtain legal counsel, in matters of legal proceedings by / against the company for any matter, pursue the matters, and apprise the Board on proceedings.
- Provide feedback, concerns and directions to the Management for performance, without actively participating in the operations.
- Encourage Management in promoting ethical behaviour in the company. Approve Code of Ethics to be followed by board members and staff.
- Ensure that compliance culture is encouraged at all levels in the Management.

2 Details of Audit & Risk Management Committee, Executive Committee and Nomination & Remuneration Committees' activities during the year:

A. Details of attendance of Board Members for Audit & Risk Management Committee Meetings during 2017.

Date	Name of the Member and their representation in the Committee			
	Chairman of the committee	Member of the committee	Member of the committee	Member of the committee
	Mr. Waseem Salah Qaraeen	Mr. Hassan Ihsan Naseeb Al Nasib	Mr. Awad Mohammed Faraj Bamkhalif	Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani#
29.01.2017	YES	YES	YES	-
20.04.2017	YES	YES	YES	-
25.07.2017	YES	YES	YES	YES
25.10.2017	YES	YES	YES	YES
17.12.2017	YES	YES	YES	YES

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017.

B. Details of attendance of Board Members for Executive Committee Meetings during 2017

Date	Name of the Member and their representation in the Committee		
	Chairman of the committee	Member of the committee	Member of the committee
	Mr. Mohamed Abdulla Al Khonji	Mr. Ranga Gorur	Mr. Hussam Hisham Omar Bostami
01.05.2017	YES	YES	YES
11.06.2017	YES	YES	YES
14.09.2017	YES	YES	YES
31.10.2017	YES	YES	YES
14.12.2017	YES	YES	YES

C. Details of attendance of Board Members for Nomination and Remuneration Committee Meetings during 2017

Date	Name of the Member and their representation in the Committee		
	Member of the committee	Member of the committee	Member of the committee
	Mr. Hussam Hisham Omar Bostami	Mr. Awad Mohammed Faraj Bamkhalif	Mr. Omar Sulaiman Ahmed Saeed Al Houqani #
22.01.2017	YES	YES	-
29.01.2017	YES	YES	-
29.03.2017	YES	YES	YES

 # Mr. Omar Sulaiman Ahmed Saeed Al Hoqani was appointed as a temporary director in place of Late Shaikh Sulaiman Ahmed Al Hoqani, who passed away on 09/01/2017.

In the Board Meeting held on 20th April 2017 the Credit & Executive Committee and Nomination & Remuneration Committee were merged and the new committee called the "Executive Committee" was formed.

IV Process of Nomination of the Directors:

The company follows the provisions of the Commercial Companies Law, CMA guidelines and circulars that are relevant to the nomination of the Directors and Annual General Meetings 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 5 top officials of the company:

A. The Board of Directors has been paid an amount of RO 67,000 as sitting fees.

S. No.	Board Members	Sitting Fees Paid R.O.
1	Mr. Mohamed Abdulla Al Khonji, Chairman	9,500
2	Mr. Hassan Ihsan Naseeb Al Nasib	9,500
3	Mr. Ranga Gorur	9,500
4	Mr. Hussam Hisham Omar Bostami	10,000
5	Mr. Waseem Salah Qaraeen	9,500
6	Mr. Awad Mohammed Faraj Bamkhalif	10,000
7	Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani#	7,500
8	Mr. Omar Sulaiman Ahmed Saeed Al Houqani**	1,500
		67,000

 # Dr. Mohammed Sulaiman Ahmed Saeed Al Houqani was elected as a director on the board on 29/03/2017 in the AGM.

*** Mr. Omar Sulaiman Ahmed Saeed Al Hoqani was appointed as a temporary director in place of Late Shaikh Sulaiman Ahmed Al Hoqani, who passed away on 09/01/2017.*

B. During the year the company incurred an annual cost, including variable component of RO 355,691 in respect of its 5 top officials.

The employment contracts of three 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.

The employment contracts of two officials are renewable every two years and severance notice period is one month. End of service benefits is payable as per Omani Labour Law.

C. Measuring Board Performance

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the annual general assembly meeting held on 29 March 2017 approved the criteria for measuring the performance of the Board of Directors of the company. Accordingly, an independent evaluator, "Moore Stephens" was appointed to measure the performance of the Directors. Based on the approved criteria evaluators have completed the appraisal of directors for the year 2017 and submitted the report to the Chairman.

D. Directors' Training on "Sustainability and corporate Governance".

In compliance with the Second Principle clause 3(c) of the Code of Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the annual general assembly, in its meeting held on 29thMarch 2017, appointed "Moore Stephens" to impart required training to all directors, on the subject of "Corporate governance and Sustainability". Accordingly, they conducted directors training on 25th October 2017.

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 2017 the company had no occasion to attract penalties from Central Bank of Oman. The company paid RO 2,500/- in 2015 and RO 4,000/- in 2016 as penalty to the Central Bank of Oman.

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.
- Management Discussion and Analysis report forms part of the Annual Report.

VIII A. Market Price Data:

2017 / Month	High R.O.	Low R.O.	No. of days traded	Financial Sector MSM Index (Monthly Average)
January	0.157	0.154	1	**7,935.965**
February	0.155	0.154	3	**8,181.320**
March	0.155	0.145	5	**7,849.670**
April	0.127	0.126	1	**8,055.750**
May	0.131	0.120	13	**8,038.080**
June	0.143	0.129	8	**7,698.760**
July	0.140	0.120	7	**7,550.980**
August	0.127	0.109	9	**7,447.715**
September	0.142	0.115	12	**7,520.505**
October	0.128	0.116	2	**7,136.835**
November	0.117	0.116	2	**7,434.955**
December	0.154	0.122	12	**7,444.565**

Shares are quoted based on RO 0.100 as par value

B. Distribution of shareholding:

SHAREHOLDERS (5% and ABOVE) AS ON 31.12.2017					
Sl. No.	Name	Nationality	Class of Equity	No. of Shares	%
1	Oman Hotels & Tourism Company SAOG	Omani	Ordinary	117,234,793	33.578%
2	Global Financial Investment Holding Company	Omani	Ordinary	44,113,362	12.635%
3	Al Saud Company Ltd - Ubar Financial Investment	Emirati	Ordinary	26,378,501	7.555%
4	Al Ghantaq Golden LLC.	Omani	Ordinary	23,708,476	6.790%
5	Oman Holding International Company SAOC	Omani	Ordinary	19,731,704	5.651%
	Total			**231,166,836**	**66.209**
	Others			**117,977,574**	**33.791**
	Grand Total			**349,144,410**	**100 %**

IX Professional profile of Deloitte: Statutory Auditor

Profile of Statutory Auditors

Deloitte provides audit, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high- quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms and their related entities are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DTME's presence in the Middle East region is established through its affiliated independent legal entities which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DTME's affiliates and related entities cannot oblige each other and/or DTME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

X Details of audit & other fees for the year 2017

Audit & Other Fees	RO.14,250

XI Acknowledgement by Board of Directors

The Board acknowledges that:

- The financial statements have been prepared consistently in accordance with the International Financial Reporting Standards (IFRS) as applicable to the Company to fairly reflect the financial position of the Company and its performance during the relevant financial period.
- Financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future.
- It has reviewed the Company's systems of internal controls and risk management for 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.

Mohamed Abdulla Al Khonji
Chairman

Deloitte & Touche (M.E.) & Co. LLC
Minaret Al Qurum Building, Level 6
Al Qurum
P.O. Box 258, Postal Code 112
Muscat
Sultanate of Oman

Tel: +968 22354300
Fax: +968 22354333
www.deloitte.com

Independent auditor's report to the shareholders of United Finance Company SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **United Finance Company SAOG** (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements set out in pages 6 to 49, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte.

Independent auditor's report to the shareholders of United Finance Company SAOG (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in finance debtors Net investment in instalment finance debtors comprise 96% of the Company's total assets (gross and net instalment financing debtors' balances explained in note 11 to the financial statements). The allowance for impairment of instalment finance debtors is considered to be the matter of most significance as it is highly subjective, due to the high degree of judgement applied by management in determining adequate impairment allowances. The Company reviews its individually significant finance debtors at each reporting date to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgements about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance. Instalment finance debtors that have been assessed individually and found not to be impaired and all individually insignificant instalment finance debtors are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the finance portfolio (such as credit quality, levels of arrears, credit utilisation, finance to collateral ratios etc.), concentrations of risks and economic data.	Our audit procedures include understanding and testing of the design and operating effectiveness of the key controls over impairment data and calculations. These controls include controls over the following: • the identification of which loans and advances may be impaired • the data transfer from source systems to the impairment model and model output to the general ledger • the calculation of the impairment allowances • the governance process of finance downgrading, including the continuous re-assessment of the appropriateness of assumptions used in the impairment Our procedures to assess management's provision for specific allowances, in response to the risks specific included the following: • We obtained an understanding of the Company's Credit Policy and evaluated the processes for identifying impairment indicators. • We obtained an understanding of the management assumptions used in the impairment model • We assessed the Company's credit review process on the credit worthiness of selected customers. We selected a sample of debtors and assessed management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery on default and other sources of repayment. We re-computed management's calculation of the specific allowances to check the accuracy of data captured in the accounting records. • Additionally, we selected samples of performing debtors and conducted a review to confirm that the borrowers did not exhibit any definable weaknesses that may inhibit the repayment abilities. For collective allowances the appropriateness of the methodology used was independently assessed by reference to IFRS and market practices. The appropriateness of management's judgements was also independently considered in respect of calculation methodologies, segmentation, economic factors, historical loss rates used, recovery rates for impaired debtors and the valuation of recovery assets and collateral.

Deloitte.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Irregularity and manipulation of accounting records in a branch As described in note 4 and 11 to the financial statements an employee fraud was detected in Nizwa Branch involving manipulation of customer accounts, teeming and lading and theft of Company documents pertaining to instalment finance customers. The net financial impact of the fraudulent act was estimated to be RO 1.35 million.	Our audit procedures in this matter included: • Assign personnel with specialised knowledge and skill to evaluate the approach, process of investigation and impact analysis performed by the management investigation team. • Assess competency and skills of the investigation team members. • Obtain and evaluate the investigation report to assess the financial impact determined including recalculation of the impact amount. • Understand and challenge the judgements and assumptions applied in the investigation process. • Evaluate the key documents considered in the investigation process. • Perform procedures on non-affected customer loan accounts to ensure existence by validating the same with independent source. • Perform extended audit procedures for areas with similar risk.

Other matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on the financial statements on 13 March 2017.

Other information

The Board of Directors (the Board) is responsible for the other information. The other information comprises the Chairman of Board of Directors' Report, Corporate Governance report and the Management Analysis Report which we obtained prior to the date of this auditors' report. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Deloitte.

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the financial statements

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

In preparing the financial statements, the Board is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Deloitte.

Independent auditor's report
to the shareholders of
United Finance Company SAOG

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, we report that the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority.

Deloitte & Touche

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
15 March 2018

دیلویت آند توش (الشرق الأوسط) وشركاه ش.م.م
C.R. No. 1736256
Deloitte.
0901-01
Deloitte & Touche (M.E.)& Co. LLC

Signed by
Anis Sadek
Partner

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

2017 US$	2016 US$		Notes	2017 RO	2016 RO
26,936,691	30,103,478	Installment finance income		**10,370,626**	11,589,839
(6,813,343)	(6,827,719)	Interest expense		**(2,623,137)**	(2,628,672)
20,123,348	23,275,759	**Net installment finance income**		**7,747,489**	8,961,167
2,503,766	2,370,410	Other income	5	**963,950**	912,608
(8,677,699)	(9,145,236)	Other expenses	6	**(3,340,914)**	(3,520,916)
(320,106)	(315,990)	Depreciation	7	**(123,241)**	(121,656)
(10,503,714)	(2,430,169)	Impairment on installment finance debtors – net	11	**(4,043,930)**	(935,615)
3,125,595	13,754,774	**Profit before tax**		**1,203,354**	5,295,588
(468,839)	(2,053,008)	Income tax expense	8	**(180,503)**	(790,408)
2,656,756	11,701,766	**Profit and total comprehensive income for the year**		**1,022,851**	4,505,180
0.008	0.034	**Basic and diluted earnings per share**	21	**0.003**	0.013

The accompanying notes form an integral part of these financial statements

Statement of Financial Position
at 31 December 2017

2017 US$	2016 US$		Notes	2017 RO	2016 RO
		ASSETS			
6,569,616	6,782,899	Property and equipment	7	**2,529,302**	2,611,416
25,343	15,275	Deferred tax asset	8	**9,757**	5,881
649,351	649,351	Deposit with the Central Bank of Oman	9	**250,000**	250,000
1,439,351	1,439,351	Investment securities	10	**554,150**	554,150
295,039,740	297,530,501	Installment finance debtors	11	**113,590,300**	114,549,243
195,116	263,145	Other receivables and prepaid expenses	12	**75,120**	101,311
2,416,361	4,036,644	Cash and bank balance	13	**930,299**	1,554,108
306,334,878	310,717,166	**Total assets**		**117,938,928**	119,626,109
		EQUITY AND LIABILITIES			
		Capital and reserve			
90,686,859	84,754,075	Share capital	14	**34,914,441**	32,630,319
1,372,473	1,372,473	Share premium reserve	15	**528,402**	528,402
12,155,914	11,890,239	Legal reserve	16(a)	**4,680,027**	4,577,742
6,153,218	6,153,218	Special reserve	16(b)	**2,368,989**	2,368,989
764,972	764,972	Foreign currency reserve	16(c)	**294,514**	294,514
2,837,990	13,160,018	Retained earnings		**1,092,626**	5,066,607
113,971,426	118,094,995	**Equity**		**43,878,999**	45,466,573
		Liabilities			
158,120,462	145,987,737	Borrowings	18	**60,876,378**	56,205,279
22,727,273	34,681,883	Corporate deposits	19	**8,750,000**	13,352,525
10,005,657	9,279,312	Creditors and other payables	20	**3,852,178**	3,572,535
1,510,060	2,673,239	Taxation	8	**581,373**	1,029,197
192,363,452	192,622,171	Total liabilities		**74,059,929**	74,159,536
306,334,878	310,717,166	**Total equity and liabilities**		**117,938,928**	119,626,109
0.326	0.362	**Net assets per share**	22	**0.126**	0.139

Chairman

Director

The accompanying notes form an integral part of these financial statements

Statement of Changes in Equity
for the year ended 31 December 2017

	Share capital	Share premium reserve	Legal reserve	Special reserve	Foreign currency reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO
At 1 January 2016	31,076,495	528,402	4,127,224	2,368,989	294,514	5,673,419	44,069,043
Profit and total comprehensive income for the year	-	-	-	-	-	4,505,180	4,505,180
Transfer to legal reserve	-	-	450,518	-	-	(450,518)	-
Cash dividend	-	-	-	-	-	(3,107,650)	(3,107,650)
Stock dividend	1,553,824	-	-	-	-	(1,553,824)	-
At 31 December 2016	**32,630,319**	**528,402**	**4,577,742**	**2,368,989**	**294,514**	**5,066,607**	**45,466,573**
Profit and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**1,022,851**	**1,022,851**
Transfer to legal reserve	**-**	**-**	**102,285**	**-**	**-**	**(102,285)**	**-**
Cash dividend	**-**	**-**	**-**	**-**	**-**	**(2,610,425)**	**(2,610,425)**
Stock dividend	**2,284,122**	**-**	**-**	**-**	**-**	**(2,284,122)**	**-**
At 31 December 2017	**34,914,441**	**528,402**	**4,680,027**	**2,368,989**	**294,514**	**1,092,626**	**43,878,999**

The accompanying notes form an integral part of these financial statements.

Statement of Cashflows
for the year ended 31 December 2017

	Notes	2017 RO	2016 RO
Profit before taxation		**1,203,354**	5,295,588
Adjustments for:			
Depreciation	7	**123,241**	121,656
Loss on property and equipment written off/sold		**-**	(8,300)
Provision for impairment on installments finance debtors – net	11	**4,043,930**	935,615
End of service benefits charge for the year	20 (a)	**65,212**	60,225
Operating profit before changes in operating assets and liabilities		**5,435,737**	6,404,784
Installment finance debtors:			
Disbursements		**(47,775,129)**	(46,141,329)
Principal repayments received		**44,690,142**	49,105,944
Other receivables and prepayments		**26,191**	19,707
Creditors and other payables		**230,671**	(4,236,015)
End of service benefits paid	20 (a)	**(16,240)**	(7,813)
Income taxes paid	8	**(632,203)**	(711,011)
Net cash from operating activities		**1,959,169**	4,434,267
Investing activities			
Proceeds on sale of property and equipment		**-**	8,680
Purchase of property and equipment	7	**(41,127)**	(124,656)
Additional deposit with Central Bank of Oman		**-**	(40,000)
Net cash used in investing activities		**(41,127)**	(155,976)
Financing activities			
Long-term loans received	18	**37,300,000**	32,949,999
Long-term loans repaid	18	**(38,256,746)**	(30,659,760)
Net change in short-term loans	18	**4,500,000**	1,800,000
Corporate deposits - net	19	**(4,602,525)**	(4,469,335)
Dividends paid	17	**(2,610,425)**	(3,107,650)
Net cash used in financing activities		**(3,669,696)**	(3,486,746)
Net change in cash and cash equivalents		**(1,751,654)**	791,545
Cash and cash equivalents at beginning of the year		**1,541,885**	750,340
Cash and cash equivalents at end of the year	13	**(209,769)**	1,541,885

The accompanying notes form an integral part of these financial statements

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 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, Sohar, Salalah, Nizwa, 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 Stock Exchange.

2. Adoption of new and revised international financial reporting standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where: · there is consideration that is denominated or priced in a foreign currency; · the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and · the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions	1 January 2018

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments. A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas: · Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. · Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised · Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. · Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: · Step 1: Identify the contract(s) with a customer. · Step 2: Identify the performance obligations in the contract. · Step 3: Determine the transaction price. · Step 4: Allocate the transaction price to the performance obligations in the contract. · Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 Leases IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

2 Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and will have a significant impact pertaining to impairment calculation of finance lease receivables. The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its finance lease receivables as required or permitted by IFRS 9. In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items. Based on the high level impairment analysis of financial assets under IFRS 9 by the management an estimated additional impairment amount of RO 0.67 million may be required under IFRS 9 at the reporting date.

IFRS 15 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and will not have any impact on the amounts reported and disclosures made in the Company's financial statements as IFRS 15 specifically scopes out lease contracts which are covered under IAS 17.

IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019 and will not have any significant impact on the amounts reported and disclosures made in the Company's financial statements in respect of financial leases. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 and continues to require a lessor to classify a lease either as an operating or a finance lease.

3 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.

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.

Basis of preparation

The financial statements are prepared under the historical cost convention and modified to include the measurement at fair value of available-for-sale investment securities.

The statement of financial position 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 4.

3 Significant accounting policies (continued)

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 statement of comprehensive income and the statement of financial position 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 statement of comprehensive income.

Recognition of interest income and expenses

Interest income and expense are recognised in the statement of comprehensive income 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 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.

Taxation

Taxation is provided in accordance with Omani fiscal regulations. Income tax comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting 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 year when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting 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.

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:

3 Significant accounting policies (continued)

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

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 statement of comprehensive income.

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.

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 statement of financial position.

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 other comprehensive income as 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 gains or losses previously reported as "cumulative changes in fair value" within equity, is included in the statement of comprehensive income.

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.

3 Significant accounting policies (continued)

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.

Installment finance debtors

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

Impairment of financial assets

Assets carried at amortised cost
The Company assesses at each reporting 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 statement of comprehensive income.

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 statement of comprehenisve income. 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.

3 Significant accounting policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)
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 statement of comprehensive income.

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.

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

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 statement of comprehensive income. Amounts accumulated in equity are routed through income statement in the period when the hedged items affects the statement of comprehensive income. The gain or loss relating to the effective portion of interest rate swaps is recognised in the statement of comprehensive income within interest expense. When a hedging instrument expires 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 the statement of comprehensive income.

3 Significant accounting policies (continued)

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.

Borrowings and corporate deposits

Borrowings and corporate deposits are recognised initially at fair value, net of transaction costs incurred.

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

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 reporting 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 reporting date. These accruals are included in creditors and other payables in the statement of financial position.

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 statement of comprehensive income as incurred.

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.

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.

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 statement of financial position.

Dividend distribution

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

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.

3 Significant accounting policies (continued)

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.

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.

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.

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.

4 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 year 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 Critical accounting estimates and judgements (continued)

Deferred tax asset
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Income tax
The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on factors such as experience of previous tax assessments and interpretations of tax regulations by the Management and the responsible tax authority.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a certain valuation techniques, derived from observable market data where possible. Where observable market data are not available, judgment is used to establish fair values.

Useful lives of property and equipment
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Irregularity in Nizwa branch operations
During the year an employee fraud was detected by the Company in its Nizwa Branch involving manipulation of customer accounts, teeming and lading and theft of Company documents pertaining to instalment finance customers. The Board of Directors formed a Fraud Investigation Committee (the "Committee") to perform a detailed investigation and analysis of each customer account and to determine the financial impact. Based on the investigation report from the Committee a financial impact of RO 1,355,046 was identified due to above fraudulent activities. Based on the judgement applied management consider that the financial impact has been fully identified and accordingly has booked full provision covering the total value of the estimated loss and accordingly has increased the impairment provision against instalment finance debtors from RO 7,187,417 to RO 8,542,463 (refer note 11); no further material losses are expected.

5 Other income

	2017	2016
	RO	RO
Bad debts recovered	**554,557**	352,852
Penalties charged	**133,382**	125,781
Documentation fees	**67,181**	101,959
Foreclosure charges	**68,881**	74,467
Dividend income	**30,593**	70,567
Insurance commission income	**81,691**	68,939
Profit on sale of assets	**-**	8,678
Others	**27,665**	109,365
	963,950	912,608

6 Other expenses

	2017 RO	2016 RO
Staff costs (note 6.1)	**2,339,350**	2,567,819
Communication and traveling	**179,075**	159,900
Repairs and maintenance	**151,097**	133,757
Insurance	**123,051**	121,441
Proposed directors' remuneration (note 24)	**-**	66,657
Fees and charges	**100,243**	61,151
Rent	**53,800**	56,390
Bank charges	**64,666**	56,324
Directors' sitting fees (note 24)	**67,000**	54,500
Statutory and legal expenses	**57,248**	51,744
Water and electricity charges	**20,070**	20,118
Advertising and business promotion expenses	**11,722**	8,197
Loss on sale of assets	**-**	378
Others	**173,592**	162,540
	3,340,914	3,520,916

6.1 Staff costs

Wages and salaries	**1,917,349**	1,881,148
Other benefits (note 6.2)	**249,674**	520,634
Contributions towards the Public Authority for Social Insurance Scheme	**107,115**	105,812
End of service benefits (note 20a)	**65,212**	60,225
	2,339,350	2,567,819

6.2 Other benefits

Bonus to staff	**77,865**	188,317
Management incentives	-	170,290
Other staff costs	**171,809**	162,027
	249,674	520,634

7 Property and equipment

	Land RO	Buildings RO	Motor vehicles RO	Furniture and office equipment RO	Total RO
Cost					
1 January 2016	1,969,215	769,966	38,000	1,158,038	3,935,219
Additions	-	-	36,500	88,156	124,656
Disposals	-	-	(30,000)	(42,131)	(72,131)
1 January 2017	**1,969,215**	**769,966**	**44,500**	**1,204,063**	**3,987,744**
Additions	**-**	**-**	**-**	**41,127**	**41,127**
31 December 2017	**1,969,215**	**769,966**	**44,500**	**1,245,190**	**4,028,871**
Depreciation					
1 January 2016	-	329,792	37,998	958,633	1,326,423
Charge for the year	-	38,491	11,716	71,449	121,656
Related to disposals	-	-	(29,999)	(41,752)	(71,751)
1 January 2017	**-**	**368,283**	**19,715**	**988,330**	**1,376,328**
Charge for the year	**-**	**38,491**	**12,045**	**72,705**	**123,241**
31 December 2017	**-**	**406,774**	**31,760**	**1,061,035**	**1,499,569**
Carrying value					
31 December 2017	**1,969,215**	**363,192**	**12,740**	**184,155**	**2,529,302**
31 December 2016	1,969,215	401,683	24,785	215,733	2,611,416

8 Taxation

Charge in the statement of comprehensive income is as follows:

	2017 RO	2016 RO
Statement of comprehensive income:		
Current tax:		
Current year	**184,379**	631,870
Prior year	**-**	158,538
Deferred tax asset	**(3,876)**	-
	180,503	790,408

8 Taxation (continued)

Breakup of tax liability and deferred tax asset are as follows:

	2017 RO	2016 RO
Current liability		
Current year	**180,503**	631,870
Prior years	**400,870**	397,327
	581,373	1,029,197
Deferred tax asset		
At 1 January	**5,881**	5,881
Movement during the year	**3,876**	-
At 31 December	**9,757**	5,881
The deferred tax asset comprises of the following temporary differences		
Depreciation on property and equipment	**9,757**	5,881

The reconciliation of the tax on accounting profit at the applicable rate of 15% (2016 - 12% after the basic exemption of RO 30,000) and the taxation charge in the financial statements is as follows:

	2017 RO	2016 RO
Profit before taxation	**1,203,354**	5,295,588
Taxation at the applicable tax rate	**180,503**	631,870
Add / (less) tax effect of:		
Non - deductible expenses	**-**	-
Deductible expenses	**-**	-
Tax expense	**180,503**	631,870

The movement in the current tax liability is as follows:

	2017 RO	2016 RO
At 1 January	**1,029,197**	949,800
Charge for the year	**184,379**	790,408
Paid during the year	**(632,203)**	(711,011)
At 31 December	**581,373**	1,029,197

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.

The Company's tax assessments have been agreed with the taxation authorities up to tax year 2009. The Tax Assessment order for the year 2010 has been received from tax authorities and the Company has filed an appeal in respect of certain disallowances in the assessment. The Company has also received Tax Assessment orders for the year 2011 and 2012 from tax authorities during the year but the Company proposes to file an appeal in respect of certain disallowances in the assessment.

9 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. During the year, the deposit earned interest at the rate of 1% (2016 - 1%) per annum.

10 Investment securities

	2017 RO	2016 RO
Al-Soor Financing (Kuwait)	**554,149**	554,149
National Bureau of Commercial Information	**1**	1
	554,150	554,150

These represent unquoted investments classified as available-for-sale. These are carried at cost net of impairment in value, if any. Management believes that carrying value of these financial assets approximate their fair values.

11 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 reporting date is disclosed under note 27.

Installment finance debtors arising from financing activities

	2017 RO	2016 RO
Gross installment finance debtors	**142,476,067**	138,841,865
Unearned finance income	**(18,827,819)**	(18,824,871)
Net installment finance debtors	**123,648,248**	120,016,994
Debt factoring activity debtors	**207,322**	233,310
	123,855,570	120,250,304
Impairment provision	**(8,542,463)**	(4,498,533)
Unrecognised contractual income	**(1,722,807)**	(1,202,528)
	113,590,300	114,549,243

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.

11 Installment finance debtors (continued)

The table below represents analysis of gross installment finance debtors and present value of installment finance debtors for each of the following years:

	Upto 1 year RO	1 to 5 year RO	Above 5 years	Total RO
At 31 December 2017				
Gross installment finance debtors finance and debt factoring activities debtors	**56,398,217**	**84,491,146**	**1,794,026**	**142,683,389**
Installment finance and debt factoring activities debtors net of unearned interest	**48,079,643**	**74,083,082**	**1,692,845**	**123,855,570**
At 31 December 2016				
Gross installment finance debtors and debt factoring activities debtors	54,690,071	83,264,163	1,120,941	139,075,175
Installment finance and debt factoring activities debtors net of unearned interest	46,194,405	72,989,615	1,066,284	120,250,304

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		
2017	**Principal RO**	**Interest RO**	**Total RO**
At 1 January	**4,498,533**	**1,202,528**	**5,701,061**
Charged during the year	**4,648,932**	**739,667**	**5,388,599**
Released during the year	**(605,002)**	**(219,388)**	**(824,390)**
Written off during the year	**-**	**-**	**-**
At 31 December	**8,542,463**	**1,722,807**	**10,265,270**
2016			
At 1 January	5,634,526	1,407,652	7,042,178
Charged during the year	2,010,991	299,516	2,310,507
Released during the year	(1,075,376)	(143,910)	(1,219,286)
Written off during the year	(2,071,608)	(360,730)	(2,432,338)
At 31 December	4,498,533	1,202,528	5,701,061

During the year an additional impairment provision amounting to RO 1,355,046 has been booked as a result of a fraud detected in Nizwa branch (Refer note 4).

Contractual interest is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by Regulators against instalment finance contract receivables from the month in which the receivables are impaired i.e. overdue by more than 89 days. As at 31 December 2017, the total balance of finance debtors on which interest has not been recognised amounted to RO 21.61 million (2016 - RO 11.56 million).

12 Other receivables and prepaid expenses

	2017 RO	2016 RO
Prepaid expenses	**43,243**	79,166
Advances	**11,503**	19,651
Other receivables	**20,374**	2,494
	75,120	101,311

13 Cash and cash equivalents

	2017 RO	2016 RO
Bank and cash balances	**930,099**	1,553,907
Call deposits	**200**	201
Cash and bank balances	**930,299**	1,554,108
Less: bank overdrafts	**(1,140,068)**	(12,223)
	(209,769)	1,541,885

Call deposits are placed with a commercial bank in the Sultanate of Oman with annual interest rate of 0.25% (2016 - 0.25%) per annum.

14 Share capital

Share capital comprises 349,144,411 (2016 - 326,303,187) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (2016 - RO 50,000,000).

The shareholders who own 5% or more of the Company's shares are as follows:

	Number of shares		Percentage of holding (%)	
	2017	2016	**2017**	2016
Oman Hotels and Tourism Company	**117,234,793**	109,565,228	**33.58**	33.58
Global Holding Financial Investment Company	**44,113,362**	37,083,515	**12.63**	11.37
Al Saud Company Ltd – Ubar Financial Investment	**26,378,501**	25,505,122	**7.56**	7.82
Al Ghantaq Golden LLC	**23,708,476**	21,470,955	**6.79**	6.58
Oman Holding International Company SAOC	**19,731,704**	18,440,845	**5.65**	5.65
First National LLC	**-**	43,015,169	**-**	13.18
Suleiman Ahmed Said Al Hoqani	**-**	32,478,067	**-**	9.95

15 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.

16 Reserves

(a) Legal reserve
In accordance with the Commercial Companies Law of Oman 1974, annual appropriation of 10% of the profit for the year is 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
As per policy the Company needs to create a special reserve to the extent of 1% of loans disbursed each year till it reaches 2% of the net installment finance debtors and subject to provisions of Article 106 of the Commercial Company Law. The special reserve is being maintained to cover any delinquencies arising from unforeseen contingencies. During 2017, the Company has not made any transfer to special reserve (2016: nil).

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.

17 Dividends proposed and paid

The Board of Directors have not recommended any dividend for the year 2017.

During 2017, the cash dividend of 8% for the year 2016, amounting to RO 2,610,425 proposed by the Board of Directors was paid after approval by Central Bank of Oman and the Annual General Meeting (AGM) of the Company held in March 2017. The stock dividend of 7% proposed for the year 2016 amounting to RO 2,284,122 was credited to the shareholders accounts after approval by the Central Bank of Oman and the AGM of the Company. Further, an amount of RO 30,924 in respect of unclaimed dividends was transferred during the year to Investors Trust Fund with Muscat Clearance and Depositary Company.

18 Borrowings

	2017	2016
	RO	RO
Short-term loans	**17,000,000**	12,500,000
Current portion of long-term loans	**38,104,360**	28,669,253
Bank overdrafts	**1,140,068**	12,223
Short-term borrowings	**56,244,428**	41,181,476
Long-term portion of term loans	**4,631,950**	15,023,803
	60,876,378	56,205,279

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.

The Company borrows from commercial banks and others at market interest rates. The interest rates on overdrafts and short-term loans are subject to change at the discretion of the banks, upon renewal of the facilities.

18 Borrowings (continued)

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

The related interest rate risk and maturity profile are shown under note 27.

19 Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 6 months. The interest rate and maturity profile are given under note 27.

20 Creditors and other payables

	2017 RO	2016 RO
Trade creditors	**2,523,482**	1,970,512
End of service benefits (note 20a)	**534,003**	485,031
Interest payable	**161,937**	290,597
Accrued expenses	**201,596**	183,485
Advances received from customers	**36,196**	27,553
Others	**394,964**	615,357
	3,852,178	3,572,535

(a) End of service benefits

	2017 RO	2016 RO
At 1 January	**485,031**	432,619
Charge for the year	**65,212**	60,225
Payments made during the year	**(16,240)**	(7,813)
At 31 December	**534,003**	485,031

21 Basic and diluted earnings per share

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

	2017	2016
Profit for the year (RO)	**1,022,851**	4,505,180
Weighted average number of shares	**349,144,411**	349,144,411
Basic earnings per share for the year (RO)	**0.003**	0.013

Since the stock dividend of 22,841,220 shares during 2017 was an issue without consideration, for the purpose of calculating earnings per share, the issue is treated as if it had occurred at the beginning of 2016.

The diluted earnings per share is same as basic earnings per share as the Company does not have any instruments having dilutive effect.

22 Net assets per share

The calculation of net assets per share is as below:

	2017	2016
Net asset value (RO)	**43,878,999**	45,466,573
Number of ordinary shares outstanding	**349,144,411**	326,303,187
Net asset per share (RO)	**0.126**	0.139

23 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 Management 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 Operating Segments, 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 2017 is as follows:

31 December 2017	**Corporate RO**	**Retail RO**	**Others (insurance and debt factoring) RO**	**Unallocated items RO**	**Total RO**
Segmental revenues					
Installment finance income	**7,350,389**	**3,002,271**	**17,966**	**-**	**10,370,626**
Interest expense	**-**	**-**	**-**	**(2,623,137)**	**(2,623,137)**
Net installment finance income	**7,350,389**	**3,002,271**	**17,966**	**(2,623,137)**	**7,747,489**
Other income	**-**	**-**	**82,641**	**881,309**	**963,950**
Segmental expenses					
Other expenses	**-**	**-**	**-**	**(3,340,914)**	**(3,340,914)**
Depreciation	**-**	**-**	**-**	**(123,241)**	**(123,241)**
Profit before tax and provision for impairment	**7,350,389**	**3,002,271**	**100,607**	**(5,205,983)**	**5,247,284**
Provision for impairment-net	**(2,871,190)**	**(1,172,740)**	**-**	**-**	**(4,043,930)**
Segmental profit for the year before tax	**4,479,199**	**1,829,531**	**100,607**	**(5,205,983)**	**1,203,354**
Income tax expense	**-**	**-**	**-**	**(180,503)**	**(180,503)**
Segmental profit for the year	**4,479,199**	**1,829,531**	**100,607**	**(5,386,486)**	**1,022,851**
Total assets	**80,649,113**	**32,941,187**	**-**	**4,348,628**	**117,938,928**
Total liabilities	**-**	**-**	**-**	**74,059,929**	**74,059,929**

23 Segmental information (continued)

31 December 2016	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Installment finance income	8,545,589	3,002,504	41,746	-	11,589,839
Interest expense	-	-	-	(2,628,672)	(2,628,672)
Net installment finance income	8,545,589	3,002,504	41,746	(2,628,672)	8,961,167
Other income	-	-	71,008	841,600	912,608
Segmental expenses					
Other expenses	-	-	-	(3,520,916)	(3,520,916)
Depreciation	-	-	-	(121,656)	(121,656)
Profit before tax and provision for impairment	8,545,589	3,002,504	112,754	(5,429,644)	6,231,203
Provision for impairment-net	(692,355)	(243,260)	-	-	(935,615)
Segmental profit for the year before tax	7,853,234	2,759,244	112,754	(5,429,644)	5,295,588
Income tax expense	-	-	-	(790,408)	(790,408)
Segmental profit for the year	7,853,234	2,759,244	112,754	(6,220,052)	4,505,180
Total assets	84,766,440	29,782,803	-	5,076,866	119,626,109
Total liabilities	-	-	-	74,159,536	74,159,536

24 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.

Transactions included in statement of comprehensive income are as follows:

	2017 RO	2016 RO
Directors' sitting fees (note 6)	**67,000**	54,500
Proposed directors' remuneration (note 6)	**-**	66,657
Other related parties		
Installment finance income	**10,830**	7,222
Legal expenses	**12,182**	10,135

24 Related parties (continued)

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

	2017 RO	2016 RO
Disbursements:		
Other related parties	**69,264**	125,854
Collections:		
Other related parties	**68,001**	43,778
Amounts due from related parties:		
Installment finance debtors due	**128,835**	122,873
Others	**-**	500

No provision is required in respect of loans given to the related parties.

Amounts due to related parties:

	2017 RO	2016 RO
Business done	**2,209,271**	2,357,721
Amount due	**200,446**	147,516

Compensation of the key management personnel is as follows:

Salaries and allowances	**261,774**	421,828
End of service benefits	**17,962**	17,395
	279,736	439,223

Salaries and allowance for 2017 include management incentives of RO nil (2016 - RO 170,290).

25 Contingent liabilities

There were no contingent liabilities as at 31 December 2017 and 31 December 2016.

26 Fair value information

It is the Company's intention to hold loans and advances to customers to maturity. As a result the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company considers that the fair value of financial instruments at 31 December 2017 and 2016 are not significantly different to their carrying value at each of those dates.

Fair value hierarchy

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

26 Fair value information (continued)

	Total RO	Level 1 RO	Level 2 RO	Level 3 RO
31 December 2017				
Available-for-sale investments	**554,150**	**-**	**-**	**554,150**
31 December 2016				
Available-for-sale investments	554,150	-	-	554,150

During the reporting periods ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27 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), 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 and Risk Management 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 is 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.

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.

27 Financial risk management (continued)

Credit risk (continued)

Maximum exposure to credit risk

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

	Gross maximum exposure	
	2017	2016
	RO	RO
Installment finance debtors	**123,855,570**	120,250,304
Bank balances and deposits (including deposit with CBO)	**1,075,999**	1,707,983
Other receivables	**31,877**	22,145
Total credit risk exposure	**124,963,446**	121,980,432

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 2017. An industry sector analysis of the Company's installment finance debtors (net) before taking into account collateral held is as follows:

	2017	2016
	RO	RO
Personal / car loans	**32,445,435**	32,595,502
Business loan		
- Services	**31,924,919**	28,426,619
- Construction contracts	**29,139,889**	29,964,855
- Construction equipment	**11,762,162**	14,840,317
- Other	**2,286,867**	3,661,545
- Trading	**2,694,209**	2,635,183
- Manufacturing	**3,336,819**	2,425,222
	113,590,300	114,549,243

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:

	2017	2016
	RO	RO
1 to 89 days	**21,975,042**	23,261,639

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

	2017	2016
	RO	RO
90 to 364 days	**12,889,680**	5,786,692
365 days and above	**8,717,998**	5,774,015
	21,607,678	11,560,707

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.

27 Financial risk management (continued)

Credit risk (continued)

Concentrations of credit risk (continued)

Credit quality per class of financial assets (continued)

Renegotiated installment finance debtors

Renegotiated finance debtors as at 31 December 2017 was RO 2.80 million (2016 - RO 1.92 million). Out of these finance debtors amounting to RO 1.73 million (2016 - RO 1.54 million) were impaired at the time of renegotiation.

The Company limits its credit risk with regard to bank deposits by dealing with reputable banks.

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. Additionally, management maintains a “foreign currency reserve” 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 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 181,401 (2016 - RO 125,122). The Company’s exposure to interest rate risk is analysed in the following tables.

27 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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 .

31 December 2017	Effective interest-rate in %	0 - 6 months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets								
Investment securities		-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	1.00	-	-	-	-	-	250,000	250,000
Installment finance debtors	9.36	17,653,341	18,658,470	26,593,800	20,576,681	30,108,008	-	113,590,300
Other receivables	-	-	-	-	-	-	31,877	31,877
Cash and cash equivalents	0.25	200	-	-	-	-	930,099	930,299
Property and equipment and other assets	-						2,582,302	2,582,302
Total assets		17,653,541	18,658,470	26,593,800	20,576,681	30,108,008	4,348,428	117,938,928
Equity and liabilities		-	-	-	-	-	-	-
Borrowings*		40,594,777	15,649,651	4,631,950	-	-	-	60,876,378
Corporate deposits*		5,750,000	3,000,000	-	-	-	-	8,750,000
Creditors and other payables		-	-	-	-	-	3,852,178	3,852,178
Equity and taxation		-	-	-	-	-	44,460,372	44,460,372
Total equity and liabilities		46,344,777	18,649,651	4,631,950	-	-	48,312,550	117,938,928
Interest rate sensitivity gap		(28,691,236)	8,819	21,961,850	20,576,681	30,108,008	(43,964,122)	
Cumulative gap		(28,691,236)	(28,682,417)	(6,720,567)	13,856,114	43,964,122		

27 Financial risk management (continued)

Market risk (continued)

Interest rate risk (continued)

31 December 2016	Effective interest-rate in %	0 - 6 months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets								
Investment securities	-	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	1.00	-	-	-	-	-	250,000	250,000
Installment finance debtors	9.43	20,100,577	18,746,604	28,755,464	21,533,157	25,413,441	-	114,549,243
Other receivables	-	-	-	-	-	-	22,145	22,145
Cash and cash equivalents	0.25	201	-	-	-	-	1,553,907	1,554,108
Property and equipment and other assets	-	-	-	-	-	-	2,696,463	2,696,463
Total assets		20,100,778	18,746,604	28,755,464	21,533,157	25,413,441	5,076,665	119,626,109
Equity and liabilities								
Borrowings*		29,211,420	11,970,056	13,329,359	1,694,444	-	-	56,205,279
Corporate deposits*		3,281,145	2,071,380	8,000,000	-	-	-	13,352,525
Creditors and other payables		-	-	-	-	-	3,572,535	3,572,535
Equity and taxation		-	-	-	-	-	46,495,770	46,495,770
Total equity and liabilities		32,492,565	14,041,436	21,329,359	1,694,444	-	50,068,305	119,626,109
Interest rate sensitivity gap		(12,391,787)	4,705,168	7,426,105	19,838,713	25,413,441	(44,991,640)	-
Cumulative gap		(12,391,787)	(7,686,619)	(260,514)	19,578,199	44,991,640		

* Borrowings and corporate deposits are at market rates.

27 Financial risk management (continued)

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 statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of the discounting is not significant. Unutilised credit facilities as on 31 December 2017 were RO 32.27 million (2016 - RO 34.77 million).

27 Financial risk management (continued)

Liquidity risk

31 December 2017	0 – 6 months RO	6 – 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	17,653,341	18,658,470	26,593,800	20,576,681	30,108,008	-	113,590,300
Other receivables and prepaid expenses	75,120	-	-	-	-	-	75,120
Cash and cash equivalents	930,299	-	-	-	-	-	930,299
Property and equipment and other assets	-	-	-	-	-	2,539,059	2,539,059
Total assets	18,658,760	18,658,470	26,593,800	20,576,681	30,108,008	3,343,209	117,938,928
Equity and liabilities							
Borrowings	40,594,777	15,649,651	4,631,950	-	-	-	60,876,378
Corporate deposits	5,750,000	3,000,000	-	-	-	-	8,750,000
Creditors and other payables	3,063,381	254,794	-	-	-	534,003	3,852,178
Equity and taxation	-	-	-	-	-	44,460,372	44,460,372
Total equity and liabilities	49,408,158	18,904,445	4,631,950	-	-	44,994,375	117,938,928
Gap in maturity (excluding off balance sheet items)	(30,749,398)	(245,975)	21,961,850	20,576,681	30,108,008	(41,651,166)	-
Cumulative gap in maturity	(30,749,398)	(30,955,373)	(9,033,523)	11,543,158	41,651,166	-	-
<u>Assets off balance sheet</u>							
Unearned finance income	4,370,511	3,948,063	5,558,819	3,073,342	1,877,084	-	18,827,819
Total assets (including off balance sheet items)	23,029,271	22,606,533	32,152,619	23,650,023	31,985,092	3,343,209	136,766,747
<u>Liabilities off balance sheet</u>							
Interest payable on loans	875,510	293,123	60,246	-	-	-	1,228,879
Contingent liabilities	-	-	-	-	-	-	-
Total equity and liabilities (including off balance sheet items)	50,283,668	19,197,568	4,692,196	-	-	44,994,375	119,167,807
Gap in maturity	(27,254,397)	3,408,965	27,460,423	23,650,023	31,985,092	(41,651,166)	17,598,940
Cumulative gap in maturity	(27,254,397)	(23,845,432)	3,614,991	27,265,014	59,250,106	17,598,940	-

27 Financial risk management (continued)

Liquidity risk (continued)

31 December 2016	0 – 6 months RO	6 – 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman						250,000	250,000
Installment finance debtors	20,100,577	18,746,604	28,755,464	21,533,157	25,413,441	-	114,549,243
Other receivables and prepaid expenses	101,311	-	-	-	-	-	101,311
Cash and cash equivalents	1,554,108	-	-	-	-	-	1,554,108
Property and equipment and other assets	-	-	-	-	-	2,617,297	2,617,297
Total assets	21,755,996	18,746,604	28,755,464	21,533,157	25,413,441	3,421,447	119,626,109
Equity and liabilities							
Borrowings	29,211,420	11,970,056	13,329,359	1,694,444	-	-	56,205,279
Corporate deposits	3,281,145	2,071,380	8,000,000	-	-	-	13,352,525
Creditors and other payables	2,794,012	293,492	-	-		485,031	3,572,535
Equity and taxation	631,870	-	-	158,538	-	45,705,362	46,495,770
Total equity and liabilities	35,918,447	14,334,928	21,329,359	1,852,982	-	46,190,393	119,626,109
Gap in maturity (excluding off balance sheet items)	(14,162,451)	4,411,676	7,426,105	19,680,175	25,413,441	(42,768,946)	
Cumulative gap in maturity	(14,162,451)	(9,750,775)	(2,324,670)	17,355,505	42,768,946	-	-
Assets off balance sheet							
Unearned finance income	4,478,571	4,017,095	5,611,769	3,064,535	1,652,901	-	18,824,871
Total assets (including off balance sheet items)	26,234,567	22,763,699	34,367,233	24,597,692	27,066,342	3,421,447	138,450,980
Liabilities off balance sheet							
Interest payable on loans	1,085,458	649,516	533,035	31,568	-	-	2,299,577
Contingent liabilities	-	-	-	-	-	-	-
Total equity and liabilities (including off balance sheet items)	37,003,905	14,984,444	21,862,394	1,884,550	-	46,190,393	121,925,686
Gap in maturity	(10,769,338)	7,779,255	12,504,839	22,713,142	27,066,342	(42,768,946)	16,525,294
Cumulative gap in maturity	(10,769,338)	(2,990,083)	9,514,756	32,227,898	59,294,240	16,525,294	-

27 Financial risk management (continued)

Capital management

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

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve, foreign currency reserve and retained earnings, and is measured at RO 43.88 million as at 31 December 2017 (2016 - RO 45.47 million).

The Company is already in compliance with the Central Bank of Oman's minimum capital requirement of RO 25 million.

Consistent with the regulations prevailing in the industry, the Company monitors capital on the basis of the gearing and leverage ratios. The gearing ratio is calculated as total borrowing (including 'current and non-current borrowings') divided by total equity as shown in the statement of financial position. Leverage ratio is calculated as total outside liabilities divided by net worth (excluding specific reserves and proposed cash dividend).

During 2017 and 2016, the Company's strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 31 December 2017 and 2016 were as follows:

	2017 RO'000	2016 RO'000
Total borrowings	**69,626**	69,558
Total outside liabilities	**73,479**	73,130
Total equity	**43,879**	45,467
Net worth (defined above)	**36,830**	35,909
Gearing ratio (times)	**1.59**	1.53
Leverage ratio (times)	**2.00**	2.04

28 Comparative figures

Certain corresponding figures for 2016 have been reclassified in order to conform with the presentation for the current year. Such reclassifications are not considered material and do not affect previously reported net profit or shareholders' equity.

29. Approval of financial statements

These financial statements were approved by the Board of directors and authorized for issue on 8th March 2018.