

Notes to the financial statements for the period ended 31 March 2018

1. General

Muscat Finance SAOG (the Company) is an Omani Joint Stock Company established on 11 October 1987 and registered in the Sultanate of Oman. The Company is involved in the activity of instalment financing and leasing of vehicles and other assets, debt factoring, working capital and receivable financing activities. The Company derives all of its income from leasing, factoring and working capital funding within the Sultanate of Oman. The Company's shares are listed in the Muscat Securities Market.

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 2018, 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.

- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12, IFRS 1, IAS 28
- IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes requirements on: (1) Classification and measurement of financial assets and liabilities; (2) Impairment of financial assets; and (3) General hedge accounting. Company continues with the option of applying the hedge accounting requirement of IAS 39 and not to restate comparative period financial information for previous year as permitted under IFRS 9 transitional provisions.

Notes to the financial statements for the period ended 31 March 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

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 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRS 16 <i>Leases</i> 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 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely

Board of directors anticipate 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, may have no material impact on the financial statements of the Company in the period of initial application.

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. Summary of 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 year presented, unless otherwise stated.

Notes to the financial statements for the period ended 31 March 2018

3. Summary of significant accounting policies (continued)

Statement of compliance

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

The financial statements have been prepared on the historical cost basis, except for derivative instruments, which are stated at fair value. The statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate for the Company’s operations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies. Management has used its judgment and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed under note 4.

Vehicles and equipment

Items of vehicles and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of vehicles and equipment. All other expenditure is recognised in profit or loss as an expense as incurred. Depreciation assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

	Years
Motor vehicles	4
Furniture, fixtures and office equipment	4 -5
Information technology assets	3

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of vehicles and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to appropriate vehicles and equipment category and depreciated in accordance with the Company’s policies.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)****Financial assets**

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The classification and measurement for financial asset is based on the Company's business models for managing its financial assets and whether the contractual cash flows represent solely payments for principal and interest (SPPI). The Company performs the SPPI test for financial assets held within the held-to-collect and held-to-collect-and-sell business models. If these financial assets have contractual cash flows which are inconsistent with a basic lending arrangement, they are classified as non-trading financial assets measured at FVTPL. In a basic lending arrangement, interest includes only consideration for time value of money, credit risk, other basic lending risks, and a reasonable profit margin.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are held within a held-to-collect business model where their contractual cash flows pass the SPPI test are measured at amortized cost. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less any accumulated impairment losses. Loans and receivables comprise net investment in finance debtors, other receivables, statutory deposit and cash and bank balances.

Derecognition of financial assets

A Financial asset (in whole or in part) is derecognized where:

- the right to receive cash flows from the asset have expired, or
- the Company has transferred its 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 either (i) the Company has transferred substantially all the risks and rewards or 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.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)***Impairment of financial assets- Expected Credit Loss Model*

The ECL model consists of three stages: Stage 1 – 12-month ECLs for performing financial assets, Stage 2 – Lifetime ECLs for financial assets that have experienced a significant increase in credit risk since initial recognition, and Stage 3 – Lifetime ECLs for financial assets that are impaired. ECLs are the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows the Company expects to receive, discounted at the original effective interest rate. If a significant increase in credit risk has occurred since initial recognition, impairment is measured as lifetime ECLs. Otherwise, impairment is measured as 12-month ECLs which represent the portion of lifetime ECLs that is expected to occur based on default events that are possible within 12 months after the reporting date. If credit quality improves in a subsequent period such that the increase in credit risk since initial recognition is no longer considered significant, the loss allowance reverts back to being measured based on 12-month ECLs

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (Stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3). Muscat Finance assesses when a significant increase in credit risk has occurred based on quantitative and qualitative assessments. Exposures are considered to have resulted in a significant increase in credit risk and are moved to stage 2.

Expected credit losses (ECL) are calculated by multiplying three main components, being the probability of default (PD), loss given default (LGD) and the exposure at default (EAD), discounted at the original effective interest rate.

When a financial asset is uncollectible, it is written off against the related allowance for impairment. Such financial assets 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 operating income’ in the profit or loss.

Renegotiated installment finance debtors

The Company may restructure loans at the request of customers. This may involve extending the payment arrangements and the agreement of new loan conditions. 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.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)****Impairment of non-financial assets**

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

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

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 recognizing 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 fluctuation on long-term borrowings, if the hedging criteria's are met.

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 recognised immediately in the profit or loss. Amounts accumulated in equity are routed through profit or loss in the period when the hedged item affects profit or loss. The gain or loss relating the effective portion of hedging instruments is recognised in profit or loss 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 profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the profit or loss within 'other operating income'.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.\

Borrowings

Borrowings which include corporate deposits and non-convertible bonds are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)****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 as amended. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as non-current liability. Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the profit or loss as incurred.

Other liabilities

Other liabilities 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 a present (legal or constructive) obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Revenue recognition

Assets owned by the Company and subject to finance leases are included in the financial statements as "Net investment in finance debtors" at an amount equivalent to the present value of the future minimum lease payments plus initial direct costs, discounted using the interest rate implicit in the lease, and the difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. Initial direct costs include amounts that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing teams.

Revenue recognition (continued)

Income from finance leases represents gross earnings on finance leases allocated to the period of the lease using the net investment method, which reflects a constant periodic rate of return. The lease finance income is recognised in the profit or loss using the effective interest rate 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.

Interest on factoring and working capital finance receivables is recognised using the effective interest rate method over the tenure of agreement.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)**

Interest on past due and impaired loans is not recognised in income and is transferred to reserve account. This is reversed from reserve account and is taken to income account when actually received in cash.

Penal charges, lease processing charges, insurance and other operating fees are recognised when realised.

Dividend income is accounted for when the right to receive dividend is established.

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.

Segment reporting

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

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

Foreign currency transactions*Functional and presentation currency*

These financial statements are presented in Rial Omani, which is the Company's functional currency and also in US Dollars for the convenience of the readers only. The US Dollar amounts, which are presented in these financial statements, have been translated from the Omani Rial amounts at an exchange rate of RO 0.385 to each US Dollar. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousands, unless otherwise stated.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dated of the transactions. Foreign exchange gains and losses resulting from the prevailing at the dates of the transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Interest expense

Interest expense is recognised on an accrual basis using effective interest method.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)****Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the Statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

Deferred tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefits will be realized.

Directors' remuneration

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

The Annual General Meeting determines and approves the remuneration and the sitting fees for the Board of Directors and its sub-committees provided such fees in accordance with Article 106 of the Commercial Companies Law of 1974 as amended, 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 do not exceed RO 200,000. The sitting fee for each Director does 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.

Financial guarantees

In the ordinary course of business, the Company issues financial guarantees to banks on behalf of customers that are stated as contingent liabilities in the Company's 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 customer's account, which would form part of the receivable asset balance.

**Notes to the financial statements
for the period ended 31 March 2018****3. Summary of significant accounting policies (continued)****Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates. Lease commitments are stated at contracted values at year end.

4. Critical accounting estimates and judgments

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

*Classification and Measurement of Financial Assets**Business Model Assessment*

Company determines its business models based on the objective under which its portfolios of financial assets are managed. In determining its business models, following has been considered:

- Management's intent and strategic objectives and the operation of the stated policies in practice;
- The primary risks that affect the performance of the business model and how these risks are managed;
- How the performance of the portfolio is evaluated and reported to management; and
- The frequency and significance of financial asset sales in prior periods, the reasons for such sales and the expected future sales activities.

Sales in themselves do not determine the business model and are not considered in isolation. Instead, sales provide evidence about how cash flows are realized.

A held-to-collect business model will be reassessed by the Company to determine whether any sales are consistent with an objective of collecting contractual cash flows if the sales are more than insignificant in value or infrequent.

**Notes to the financial statements
for the period ended 31 March 2018****4. Critical accounting estimates and judgments (continued)***Solely Payments of Principal and Interest Test*

In assessing whether contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that they would not be consistent with a basic lending arrangement. In making the assessment, the Company considers the primary terms as follows and assess if the contractual cash flows of the instruments continue to meet the SPPI test:

- Performance-linked features;
- Terms that limit the Company's claim to cash flow from specified assets (non-recourse terms);
- Prepayment and extension terms;
- Leverage features; and
- Features that modify elements of the time value of money.

Impairment losses on investment in finance debtors

The Company reviews its investment in finance debtors to assess impairment periodically. In order to assess the impairment, the Company follows guidelines issued by Central Bank of Oman and the requirements of applicable IFRSs.

For the IFRS 9 impairment assessment, portfolio has been distributed into segments with unique statistical mass and assumption based projections of defaults ratios (DRs) under base, down & up scenarios has been performed. Default has been defined as and when the borrower is more than 90 days past due on his credit obligation. Assumption based approach has been used to for macro-economic variables adjustments and conversion of DRs into PiT PDs distribution for days past dues (DPD) buckets. Best estimates for expected losses has been used for LGD and then segmented EADs estimation & their distribution in 3 DPD buckets. ECL is then calculated as the product of PD, LGD, and EAD exposure at default for each portfolio segment.

Currently, Muscat Finance is in the process of enhancing its assumption based modelling techniques and bring quantitative based data driven model to further improve upon on IFRS 9.

Deferred taxation

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.

**Notes to the financial statements
for the period ended 31 March 2018**

5. Cash and bank balances

	2018 RO'000	2017 RO'000
Balances with banks	2,065	783
Cash and cheques in hand	70	64
	<u>2,135</u>	<u>847</u>

6. Net investment in finance debtors

	2018 RO'000	2017 RO'000
Gross investment in finance leases	131,290	129,925
Unearned lease income	(15,639)	(15,479)
	<u>115,651</u>	<u>114,446</u>
Net installment finance debtors	48,626	45,743
Debt factoring activity debtors	<u>164,277</u>	<u>160,189</u>
Less: allowance for impairment of finance debtors	(14,455)	(13,504)
Unrecognised contractual income	(2,183)	(1,767)
	<u>147,639</u>	<u>144,918</u>

Contractual income is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by CBO against lease contract receivables and debt factoring which are impaired i.e. overdue by more than 89 days. As at 31 March 2018, finance debtors which are past due and impaired on which contractual income is not being accrued or has not been recognised amounted to RO 20.19 million which includes qualitative classification of RO 0.315 million (2017 - RO 17 million and qualitative classification of RO 0.16 million)

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

	2018 RO'000	2017 RO'000
At 1 January	14,863	16,230
Addition during the year	2,987	1,545
Recognised during the year	(2,211)	(2,296)
	<u>15,639</u>	<u>15,479</u>

**Notes to the financial statements
for the period ended 31 March 2018**

6. Net investment in finance debtors (continued)

The movement in allowance for impairment of finance debtors during the year was as follows:

	2018	2017
	RO'000	RO'000
At 1 January	14,429	13,280
Transfer to impairment reserve through retained earning	(494)	na
Provided during for the year	521	230
Released during the year		-
Net charge during the year	521	230
Written off during the year	(1)	(6)
At 31 March	14,455	13,504

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

	2018	2017
	RO'000	RO'000
At 1 January	2,122	1,661
Addition during the year	61	106
Written back during the year		-
Net reserved during the year	61	106
At 31 March	2,183	1,767

The impact upon adoption of IFRS 9 as on 1st Jan 2018 is RO 0.49 million which has been transferred to Impairment Reserve through retained earnings under Total Equity and any subsequent utilization would require prior approval of CBO. As at 31st March 2018, out of the total allowance for impairment of finance debtors, RO 1.92 million is over & above the total ECL under IFRS 9.

Investment in finance debtors include receivable from related parties amounting to RO 1.15 million (2017 - RO 0.188 million). Refer to note 25.

Notes to the financial statements for the period ended 31 March 2018

7. Deferred tax asset

Deferred income taxes are calculated on all material temporary differences under the liability method using a principal tax rate of 15 % (2017 - 15%). Deferred tax asset is in respect of net investment in finance debtors and vehicles and equipment. The deferred tax asset recognised in the statement of financial position and the movement during the year is as follows:

	2018 RO'000	2017 RO'000
At 1 January	308	507
Recognised in the profit or loss (note 16)	-	-
At 31 March	308	507

8. Vehicles and equipment

	Motor vehicles RO'000	Furniture, fixture and office equipment RO'000	Total RO'000
Cost			
At 1 January 2017	23	616	639
Additions	-	4	4
Disposals / write offs	-	-	-
At 31 March 2017	23	620	643
At 1 January 2018	23	627	650
Additions	-	8	8
Disposals / write offs	-	-	-
At 31 March 2018	23	635	658
Depreciation			
At 1 January 2017	23	569	592
Charge for the year	-	10	10
Disposals / write offs	-	-	-
At 31 March 2017	23	579	602
At 1 January 2018	23	601	624
Charge for the year	-	5	5
Disposals / write offs	-	-	-
At 31 March 2018	23	606	629
Carrying value			
At 31 March 2018	-	29	29
At 31 March 2017	-	41	41

Notes to the financial statements for the period ended 31 March 2018

9. Statutory deposit

The Company is required to maintain a deposit of RO 250,000 (2017 - RO 250,000) with CBO in accordance with the applicable licensing regulations. During the year, the deposit earned interest at the annual rate of 1.5 % (2017 – 1%).

10. Share capital

The authorised share capital of the Company comprises 500,000,000 (2017 - 300,000,000) ordinary shares of 100 baisas each and paid up capital at 31 March 2018 comprised of 299,654,952 (31 March 2017 - 285,385,669) fully paid shares of 100 baisas each.

During 2018, the Company had issued 14,269,283 (2017 - 18,670,090) shares of 100 baisas each through stock dividend to the existing shareholders, which increased the paid up capital of the Company by RO 1.43 million (2017 - RO 1.87 million). The details of major shareholders who own 10% or more of the Company's shares are as follows:

Name of the shareholders holding greater than 10% of shares	% of holding	
	2018	2017
Fincorp Investment Co. LLC	23.12	23.08
Zawawi Trading Co. LLC	17.45	17.45

11. Legal reserve

In accordance with Article 106 of the Commercial Companies Law of Oman 1974, annual appropriations of 10% of the profit for the year, are made to legal reserve until the accumulated balance of the reserve is equal to one third of the Company's paid up share capital. This reserve is not available for distribution.

12. Special reserve

In accordance with the CBO guidelines, where foreign currency borrowings are in excess of 40% of the net worth of the Company, an exchange reserve of 20% of the excess is to be created. 10% is created in the initial year that the borrowings exceed 40% of the net worth and 2.5% in each of the subsequent years. The carrying amount of such reserve at 31 March 2018 and 2017 are in excess of regulatory requirements and the same has been approved by the Board in order to provide flexibility to avail of opportunities for overseas borrowings, as and when they arise.

13. Proposed dividend

At the Annual General Meeting on 22 March 2018, 8% cash dividend of RO 0.008 per share amounting to RO 2,283,085 (2017 – RO 0.010 per share amounting to 2,667,156) and 5% stock dividend of RO 0.005 per share amounting to RO 1,426,928 (2017 – RO 0.007 per share amounting to RO 1,867,009) were approved and are reflected in the statement of changes in equity.

Notes to the financial statements for the period ended 31 March 2018

14. Bank borrowings

	2018 RO'000	2017 RO'000
Bank overdrafts	3,282	489
Short-term loans	36,600	16,100
Current portion of long-term loans	24,789	34,209
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Short term bank borrowings	64,671	50,798
Non-current portion of long-term loans	13,248	20,442
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	77,919	71,240
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- The interest rates on overdrafts and long-term loans are subject to change at the discretion of the banks, upon renewal of the facilities, which takes place generally on an annual basis. The short-term loans are due to mature between one and one hundred and eighty days.
- The fair value of short-term borrowings approximates their carrying value.
- Long-term loans include RO 8.43 million (2017 - RO 15.4 million) denominated in USD
- The related interest rate risk and maturity profile are given under note 30.

15. Other liabilities

	2018 RO'000	2017 RO'000
Leasing related liabilities	5,954	3,648
Accruals for expenses	824	3,324
Advances received from customers	3,431	4,010
Interest payable	765	787
End of service benefits	229	222
Other payables	77	113
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	11,280	12,104
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Leasing related liabilities and accruals for expenses include payable to related parties amounting to RO 0.056 million (2017 - RO 0.093 million). Refer to note 25.

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

	2018 RO'000	2017 RO'000
1 January	218	215
Charge for the year (note 22)	11	7
Paid during the year	-	-
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31 March	229	222
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Notes to the financial statements for the period ended 31 March 2018

16. Taxation

The tax charge during the year comprises:

	2018 RO'000	2017 RO'000
Current year tax	236	214
Prior year reversal		-
Deferred tax (note 7)		-
	<u>236</u>	<u>214</u>

Pursuant to the Royal Decree 9/2017 issued on February 19, 2017 by the Government of Oman, corporate tax rates have increased to 15% as compared to 12% in the previous years and the basic exemption of RO 30,000 from tax has been removed. The Royal Decree is applicable from financial year beginning on 1 January 2017:

	2018 RO'000	2017 RO'000
Profit before income tax	1,163	1,197
Taxation at the applicable tax rate	236	214
Additional provision	-	-
Prior year reversal	-	-
Deferred tax	-	-
Temporary differences	-	-
Items not deductible	-	-
Taxation expense	<u>236</u>	<u>214</u>

The movement in the provision for taxation is as follows:

	2018 RO'000	2017 RO'000
At 1 January	402	841
Charge for the year	236	214
Reversal – prior year	-	-
Paid during the year	(272)	(827)
At 31 March	<u>366</u>	<u>228</u>

Tax assessments have been completed and agreed for all the years up to 2014 with the Oman tax Authorities. The assessment for the year 2015 to 2017 has not been completed by the Oman tax authorities. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 31 March 2018.

17. Corporate deposits and non-convertible bonds

Notes to the financial statements for the period ended 31 March 2018

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 6 months and carry interest rates ranging from 2.25 to 5.25 % (2017: 2.75 to 5.25%).

The non-convertible bonds of RO 5 million are for a period of 3 years and carry a coupon rate of 5.25 % per annum (2017: 5.25% per annum). The bonds are unsecured and interest is payable semi-annually.

18. Derivative financial instruments

The Company has entered into interest rate swap contracts with commercial banks for a total sum of US\$ 21.90 million (RO 8.43 mill) with a view to cap the Company's exposure to fluctuating interest rates. These interest rate swap transactions oblige the Company to pay a fixed rate ranging from 0.920% to 1.540% throughout the term of the hedge agreements over the notional amount covered by the agreements. The principal amount covered is based on repayments as per the facility agreement. The interest rate swap has been designated as a cash flow hedge and hedge accounted. As of 31 March 2018 the estimated future cash flows of the hedging instruments had a positive fair value of US\$ 155,816 (RO 59,989) [(2017: US\$ 77,631 (RO 29,888)], which has been accounted for as an unrealised gain in the statement of changes in equity.

The principal of the term loan outstanding under the Facility Agreement with the bank and the notional amount covered under the interest rate swap arrangement as of the reporting date was equivalent of RO 8.43 million. The table below shows the fair value of the derivative financial instrument, which is equivalent to the market value, together with the notional amount analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The Company has also entered into foreign currency forward contracts amounting to US\$ 3.38 million (RO 1.3 million) [2017: USD 10.31 million (RO 4.11 million)] to hedge its foreign currency risk arising from some borrowings made in US Dollars. The fair value of the forward contracts as at the period end based on prices in active markets results in an unrealized loss of USD 140,389 (RO 54,050) [2017: USD 172,418 (RO 66,381)].

	Notional amounts by term to maturity			
	(Negative) / positive fair value	Notional amount total	1 -12 months	1 - 5 years
31 March 2018	RO'000	RO'000	RO'000	RO'000
Foreign currency forward contracts	(54)	1,357	1,357	-
Interest rate swaps	60	8,433	4,583	3,850
Total	6	9,790	5,940	3,850
31 March 2017				
Foreign currency forward contracts	(125)	4,111	2,070	2,041
Interest rate swaps	30	15,400	7,700	7,700
	(95)	19,511	9,770	9,741

19. Interest income

**Notes to the financial statements
for the period ended 31 March 2018**

	2018 RO'000	2017 RO'000
Installment finance	2,198	2,216
Debt factoring activity	965	920
	<u>3,163</u>	<u>3,136</u>
	<u><u>3,163</u></u>	<u><u>3,136</u></u>
20. Interest expense		
Corporate deposits	187	234
Non-convertible bonds	65	65
Bank borrowings	626	659
	<u>878</u>	<u>958</u>
	<u><u>878</u></u>	<u><u>958</u></u>
21. Other operating income		
Fees, service charges and documentation charges	204	149
Other charges and recoveries	52	37
	<u>256</u>	<u>186</u>
	<u><u>256</u></u>	<u><u>186</u></u>
22. Selling, general and administrative expenses		
	2018 RO'000	2017 RO'000
Personnel costs	588	585
Statutory and court fees	130	101
Office expenses	75	77
Rent	45	51
Professional fees	7	20
Communications	20	27
Marketing and promotion expenses	2	7
	<u>867</u>	<u>868</u>
	<u><u>867</u></u>	<u><u>868</u></u>
Personnel costs		
Salaries and allowances	386	387
Other benefits	163	164
End of service benefits (note 15)	11	7
Contribution to the Public Authority for Social Insurance	28	27
	<u>588</u>	<u>585</u>
	<u><u>588</u></u>	<u><u>585</u></u>

Notes to the financial statements for the period ended 31 March 2018

23. Basic earnings per share

Basic earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2018 RO'000	2017 RO'000
Profit for the year attributable to ordinary shareholders	927	983
Weighted average number of ordinary shares in issue during the year ('000)	299,655	299,655
Basic earnings per share	RO 0.012	RO 0.013

Since the stock dividend of 14,269,283 shares during 2018 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 2017.

For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

24. Net assets per share

The calculation of net assets per share is as below:

	2018 RO'000	2017 RO'000
Net asset value	38,944	36,711
Number of ordinary shares outstanding at 31 December ('000)	299,655	285,386
Net assets per share	RO 0.130	RO 0.129

**Notes to the financial statements
for the period ended 31 March 2018**

25. Related parties

Transactions

The Company has entered into transactions in the ordinary course of business with related parties which include shareholders with significant influence, entities over which directors have an interest, members of the board of directors and key management personnel. During the year, the following transactions were carried out with related parties:

	2018	2017
	RO'000	RO'000
Purchase of property and equipment	-	-
Interest income	8	2
Other operating income	1	3
Other operating expenditure:		
Staff expenses	-	6
Office expenses	6	4
Interest on corporate deposit	27	29
	9	9
Directors' remuneration and sitting fees	<u> </u>	<u> </u>
	42	48
	<u> </u>	<u> </u>

Year end balances arising from related party transactions:

	2018	2017
	RO'000	RO'000
Receivable from related parties:		
Lease and factoring financing	1,151	146
Other advances	26	32
	<u> </u>	<u> </u>
	1,177	178
	<u> </u>	<u> </u>
Payable to related parties:		
Other liabilities	31	93
	<u> </u>	<u> </u>
Corporate deposits	2,450	3,203
	<u> </u>	<u> </u>

Allowance for impairment made in respect of related party debtors amounted to RO Nil million (2017: RO 0.004 million)

Notes to the financial statements for the period ended 31 March 2018

Key management compensation

The compensation paid or payable to key management (six employees) (2017: seven employees) services is shown below:

	2018 RO'000	2017 RO'000
Salaries and other benefits	80	101
End of service benefits	4	5
	<u>84</u>	<u>106</u>

26. Commitments

The Company has approved commitments to customers as on 31 March 2018 amounting to RO 3.68 million (2017 - RO 2.04 million) which is contingent upon fulfilment of the terms and conditions attached thereto

27. Contingent liabilities

At 31 March 2018, there were contingent liabilities of RO 4.27 million (2017 - RO 4.19 million) in respect of letters of credit and financial guarantees given to banks in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

28. Segmental information

Class of business

The Company operates in the business segment of instalment financing and leasing of vehicles and other assets, debt factoring, working capital and receivable financing activities. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis. Performance is measured based on the profit before income tax, as included in the internal management reports.

The Chief Executive Officer considers the business of the Company as one operating segment and monitors accordingly.

29. Financial risk management

Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

29. Financial risk management (continued)

**Notes to the financial statements
for the period ended 31 March 2018****Financial risk factors (continued)**

Risk management is carried out by the management under the policies approved by the Board of Directors. The management identifies, evaluates and hedges financial risks in close cooperation with Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity.

Market risk

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

Foreign exchange risk

Foreign currency risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. The Company is not exposed to foreign exchange risk as significant proportion of the Company's borrowings are denominated in functional currency or US Dollar which is pegged with Rial Omani.

Further, the Company has entered into derivative contracts in order to manage and reduce the foreign currency risk arising in relation to the Company's borrowings denominated in US Dollar

Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The most important sources of such risk are the Company's borrowings, and its financing activities, where fluctuations in interest rates, if any, are reflected in the results of operations.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate change during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rates on short-term and long-term 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. The Company uses sensitivity analysis to analyse variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that a change in 50 basis points in the average funding cost would change interest cost on borrowings by RO 0.39 million (2017 - RO 0.36 million). The Company's exposure to interest rate risk is shown under note 30.

29. Financial risk management (continued)

Notes to the financial statements for the period ended 31 March 2018

Interest rate risk (Continued)

The Company is exposed to fluctuation in interest rates on its term loan balance. Derivative financial instruments are used to reduce exposure to fluctuations in interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

Credit risk

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

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

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

	2018 RO'000	2017 RO'000
Bank balances	2,065	783
Net investment in finance debtors	147,639	144,918
Other receivables	486	532
	150,190	146,233
	150,190	146,233

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

- frequent dishonor of cheques;
- inability to reach the customer over phone or in person;
- lack of response to written communications; and
- Adverse market feedback.

29. Financial risk management (continued)

Notes to the financial statements for the period ended 31 March 2018

Credit risk (Continued)

Individual customer concentration of net investment in finance debtors

At 31 March 2018 and 2017, the Company did not have any individual customer concentration of net investment in finance debtors. No single customer owes more than 10% of the aggregate amounts of net investment in finance debtors.

Economic sector concentration of gross investment in finance debtors

	2018 RO'000	2017 RO'000
Personal sector	44,758	41,575
Business sector	119,519	118,614
	<u>164,277</u>	<u>160,189</u>

All leases extended by the Company are against security of assets financed and in certain cases if required against additional security. The Company regularly monitors credit quality of its financial assets.

The Company's receivables which are neither past due nor impaired and past due but not impaired comprise 74 percent and 13 percent of net investment in finance debtors (2017- 76 percent and 14 percent) respectively.

The Company limits its credit risk with respect to exposure with banks by dealing with reputable banks.

Renegotiated finance debtors

Renegotiated lease receivables as at 31 March 2018 are RO 1.69 million (2017 - RO 1.71 million) and include impaired loans of RO 1.68 million (2017 - RO 1.69 million)

Liquidity risk

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

Sources of funding are regularly reviewed by the management and the asset liability management committee and monitored by diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products such as corporate deposits, seeking fixed interest rates for longer tenure.

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

Notes to the financial statements for the period ended 31 March 2018

29. Financial risk management (continued)

Liquidity risk (continued)

flows projections. The maturity profile of the Company's financial liabilities and net-settled derivative financial liabilities is set out under note 30.

Capital management

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

In order to maintain the capital structure and to conform to regulations, the Company may take appropriate strategic decisions.

Central Bank of Oman (CBO) requires the Company to maintain a minimum paid up capital of RO 25 million which has been complied with.

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, impairment reserve and proposed cash dividend).

During 2018 and 2017, 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 March 2018 and 2017 were as follows:

	2018	2017
	RO'000	RO'000
Total borrowings	100,263	97,957
Total outside liabilities	111,909	110,384
Total equity	38,944	36,711
Net worth (defined above)	37,636	33,243
Gearing ratio (times)	2.57	2.67
Leverage ratio (times)	2.97	3.32

The fair value of financial assets and liabilities that are not traded in an active market is determined by using estimated discounted cash flows (level 3). The fair value of investments in listed securities is determined by quoted (unadjusted) prices in active markets for identical assets or liabilities (level 1). Derivative financial instruments carried at fair value amounting to RO 59,989 (2017: 29,888) are valued using level 2 inputs.

**Notes to the financial statements
for the period ended 31March 2018**

**29. Financial risk management (continued)
Capital management (continued)**

The carrying value less impairment allowance is assumed to approximate their fair values.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30. Financial instruments and financial risk management

Interest rate risk

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates as on 31 March 2018:

31 March 2018	Range of effective interest rate %	Upto 6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Fixed rate or non-interest rate sensitive RO	Total RO
Assets								
Cash and bank balances	-	-	-	-	-	-	2,135	2,135
Net investment in finance debtors	0.47-18.80	45,393	31,389	29,454	19,615	21,788	-	147,639
Derivative financial instruments	-	-	-	-	-	-	6	6
Other receivables and prepayments	-	-	-	-	-	-	486	486
Deferred tax asset	-	-	-	-	-	-	308	308
Vehicles and equipment	-	-	-	-	-	-	29	29
Statutory deposit	1.50	250	-	-	-	-	-	250
Total assets		45,643	31,389	29,454	19,615	21,788	2,964	150,853
Equity and liabilities								
Equity	-	-	-	-	-	-	38,944	38,944
Short-term bank borrowings	2.25-5.25	39,882	-	-	-	-	-	39,882
Other liabilities	-	-	-	-	-	-	11,280	11,280
Tax payable	-	-	-	-	-	-	366	366
Corporate deposits	2.25-5.25	7,745	5,050	3,231	610	708	-	17,344
Non-convertible bonds	-	-	-	5,000	-	-	-	5,000
Long-term loans (including current portion)	3.00-5.25	21,667	12,520	3,850	-	-	-	38,037
Total equity and liabilities		69,294	17,570	12,081	610	708	50,590	150,853
Gap between assets and liabilities		(23,651)	13,819	17,373	19,005	21,080	(47,626)	-
Cumulative gap between assets and liabilities		(23,651)	(9,832)	7,541	26,546	47,626	-	-

30. Financial instruments and financial risk management (continued)

Interest rate risk (continued)

Fixed rate or

31 March 2017	Range of effective interest rate %	Upto 6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	non-interest rate sensitive RO	Total RO
Assets								
Cash and bank balances	-	-	-	-	-	-	847	847
Net investment in finance debtors	0.48-23.12	41,559	34,798	29,129	20,373	19,059	-	144,918
Other receivables and prepayments	-	-	-	-	-	-	532	532
Deferred tax asset	-	-	-	-	-	-	507	507
Vehicles and equipment	-	-	-	-	-	-	41	41
Statutory deposit	1.00	250	-	-	-	-	-	250
Total assets		41,809	34,798	29,129	20,373	19,059	1,927	147,095
Equity and liabilities								
Equity	-	-	-	-	-	-	36,711	36,711
Short-term bank borrowings	2.25-7.00	16,589	-	-	-	-	-	16,589
Other liabilities	-	-	-	-	-	-	12,104	12,104
Tax payable	-	-	-	-	-	-	228	228
Corporate deposits	2.75-5.25	8,603	1,260	11,146	-	708	-	21,717
Non-convertible bonds	-	-	-	-	5,000	-	-	5,000
Negative fair value of derivatives	-	95	-	-	-	-	-	95
Long-term loans (including current portion)	3.00-5.25	21,235	28,832	4,548	-	-	-	54,651
Total equity and liabilities		46,522	30,092	15,730	5,000	708	49,043	147,095
Gap between assets and liabilities		(4,713)	4,706	13,399	15,373	18,351	(47,116)	-
Cumulative gap between assets and liabilities		(4,713)	(7)	13,392	28,765	47,116	-	-

30. Financial instruments and financial risk management (continued)

Liquidity risk

The amounts disclosed in table below analyses the Company's assets and liabilities as on 31 March 2018 and 31 March 2017 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

31 March 2018	Upto 6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 Years RO	More than 3 years RO	Fixed rate or non-interest rate sensitive RO	Total RO
Assets							
Cash and bank balances	2,135	-	-	-	-	-	2,135
Net investment in finance debtors	45,393	31,389	29,454	19,615	21,788	-	147,639
Other receivables and prepayments	-	-	-	-	-	486	486
Derivative financial instruments	-	-	-	-	-	6	6
Deferred tax asset	-	-	-	-	-	308	308
Vehicles and equipment	-	-	-	-	-	29	29
Statutory deposit	-	-	-	-	-	250	250
Total assets	47,528	31,389	29,454	19,615	21,788	1,079	150,853
Equity and liabilities							
Equity	-	-	-	-	-	38,944	38,944
Short-term bank borrowings	39,882	-	-	-	-	-	39,882
Other liabilities	11,051	-	-	-	229	-	11,280
Tax payable	366	-	-	-	-	-	366
Corporate deposits	7,745	5,050	3,231	610	708	-	17,344
Non-convertible bonds	-	-	5,000	-	-	-	5,000
Long-term loans (including current portion)	13,102	11,687	10,666	2,582	-	-	38,037
Total equity and liabilities	72,146	16,737	18,897	3,192	937	38,944	150,853

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2018	Upto 6 months RO	6 to 12 months RO	1 to 2 Years RO	2 to 3 Years RO	More than 3 years RO	Fixed rate or non-interest rate sensitive RO	Total RO
Gap in maturity (excluding off balance sheet)	(24,618)	14,652	10,557	16,423	20,851	(37,865)	-
Cumulative gap in maturity	(24,618)	(9,966)	591	17,014	37,865	-	-
Assets off balance sheet							
Forward foreign exchange contracts	1,357	-	-	-	-	-	1,357
Total assets (including off balance sheet)	48,885	31,389	29,454	19,615	21,788	1,079	152,210
Liabilities off balance sheet							
Forward foreign exchange contracts	1,357	-	-	-	-	-	1,357
Total equity and liabilities (including off balance sheet)	73,503	16,737	18,897	3,192	937	38,944	152,210
Gap in maturity	(24,618)	14,652	10,557	16,423	20,851	(37,865)	-
Cumulative gap in maturity	(24,618)	(9,966)	591	17,014	37,865	-	-

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2017	Upto 6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 Years RO	More than 3 years RO	Fixed rate or non-interest rate sensitive RO	Total RO
Assets							
Cash and bank balances	847	-	-	-	-	-	847
Net investment in finance debtors	41,559	34,798	29,129	20,373	19,059	-	144,918
Other receivables and prepayments	-	-	-	-	-	532	532
Deferred tax asset	-	-	-	-	-	507	507
Vehicles and equipment	-	-	-	-	-	41	41
Statutory deposit	-	-	-	-	-	250	250
Total assets	42,406	34,798	29,129	20,373	19,059	1,330	147,095
Equity and liabilities							
Equity	-	-	-	-	-	36,711	36,711
Short-term bank borrowings	16,589	-	-	-	-	-	16,589
Other liabilities	11,882	-	-	-	222	-	12,104
Tax payable	228	-	-	-	-	-	228
Corporate deposits	8,603	1,260	11,146	-	708	-	21,717
Non-convertible bonds	-	-	-	5,000	-	-	5,000
Negative fair value of derivatives	95	-	-	-	-	-	95
Long-term loans (including current portion)	14,387	19,821	18,906	1,537	-	-	54,561
Total equity and liabilities	51,784	21,081	30,052	6,537	930	36,711	147,095

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2017	Upto 6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 Years RO	More than 3 years RO	Fixed rate or non-interest rate sensitive RO	Total RO
Gap in maturity (excluding off balance sheet)	(9,378)	13,717	(923)	13,836	18,129	(35,381)	-
Cumulative gap in maturity	(9,378)	4,339	3,416	17,252	35,381	-	-
Assets off balance sheet							
Forward foreign exchange contracts	1,384	1,371	1,356	-	-	-	4,111
Total assets (including off balance sheet)	43,790	36,169	30,485	20,373	19,059	1,330	151,206
Liabilities off balance sheet							
Forward foreign exchange contracts	1,384	1,371	1,356	-	-	-	4,111
Total equity and liabilities (including off balance sheet)	53,168	22,452	31,408	6,537	930	36,711	151,206
Gap in maturity	(9,378)	13,717	(923)	13,836	18,129	(35,381)	-
Cumulative gap in maturity	(9,378)	4,339	3,416	17,252	35,381	-	-

31. Comparative figures

Some of the corresponding figures for the previous year (except for IFRS 9) have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholders' equity.

32. Approval of financial statements

These financial statements were approved by the Board of directors and authorized for issue on 24 April 2018.