

January 9, 2005

**CIRCULAR FM -14**

**To: All Finance and Leasing Companies Operating in the Sultanate of Oman**

After Compliments,

**Sub: Master Circular on Submission of Audited Annual Financial Statements by Finance and Leasing Companies**

1. As Finance and Leasing Companies (FLCs) are aware, in terms of Article 72 (a) of the Banking Law 2000, the Central Bank has powers to establish procedures for submission of annual reports by licensed banks including FLCs, audited by independent auditors.

2. In terms of Article 74 (repeated) of the Banking Law 2000 and Regulation 49/3/2004 on Relationship of the Central Bank of Oman with External Auditors, licensed banks including FLCs are required to ensure that their external auditors meet with Central Bank, by prior appointment after submitting the financial statements for approval.

3. Pursuant to the above provisions, FLCs shall comply with the requirements specified in this circular, which is issued in super session of Circulars BM 944 and BM 966.

**Submission of financial statements for approval**

4. All FLCs are required to prepare Balance Sheet and Profit and Loss account each financial year, in accordance with the International Financial Reporting Standards (IFRS). FLCs are also required to submit draft audited Balance Sheet and Profit and Loss account alongwith a scheme of appropriation and distribution of the profit for the year to the Central Bank for approval.

5. FLCs are required to submit the following documents, duly signed by the authorized signatories of the Company and the External Auditors, as per the formats prescribed herein under, in a single lot, while seeking the approval of the Central Bank.

- i) Draft audited Balance Sheet and Profit and Loss Account, prepared in accordance with IFRS, alongwith the notes on accounts.
- ii) External Auditor's interim report duly signed or initialed by the Auditors.
- iii) Management Report issued by the Auditor.
- iv) Scheme of appropriation and distribution of profit for the year (Attachment-I)
- v) Schedule of classified loans with specific loan loss provisions and reserve interest held as at 31<sup>st</sup> December (Attachment-II)
- vi) Schedule of account-wise movement in specific provisions and reserve interest for the year (Attachment – III)
- vii) Schedule of summary movement of provisions and reserve interest (Attachment – IV)
- viii) Schedule on the adequacy of provisions (Attachment – V)
- ix) Schedule on assets written-off (Attachment – VI)
- x) List of specially mentioned accounts as per CBO Examiner (Attachment - VII)

### **Due Date for Submission of Financial Statements for Approval**

6. The FLCs are required to submit the above documents along with draft audited financials, duly approved by the Board, for the prior approval of the Central Bank before presenting the same to Annual General Meeting, latest by 15<sup>th</sup> February of the following year.

### **Meeting of Auditors**

7. After submitting the financial statements for approval, FLCs are required to seek an appointment for the meeting of the External Auditors with the Central Bank. Approval of financial statements is subject to the meeting with the External Auditors.

8. Central Bank may establish direct access with the external auditors in the circumstances when it considers that such contacts are necessary to ensure financial integrity, or whenever found necessary.

### **Publication of Financial Statements**

9. All FLCs shall publish by 31<sup>st</sup> March of the following year, after obtaining the approval from the Central Bank, in atleast one Arabic Language newspaper published in the Sultanate a summarized Balance Sheet and Profit and Loss Account.

10. FLCs should ensure that the financial statements submitted to the Central Bank, Balance Sheet and Profit and Loss Account printed for the shareholders and other stakeholders and the published financial statements are consistent with each other.

11. As you are aware, in terms of Article 70 of the Banking Law 2000, micro level credit information cannot be disclosed, without the consent of the Central Bank of Oman, to any Government agency or any person. FLCs may, however, submit the financial statements to Capital Market Authority prior to the approval of the same by the Central Bank, subject to complying fully with the provisions as contained in Circular FM 13 dated 10<sup>th</sup> January 2004 and with a disclosure that the financial statements are subject to the approval by the Central Bank. Further, FLCs should ensure that the audited financial statements are submitted simultaneously to the Central Bank for approval.

12. All FLCs shall comply with the provisions of this Circular and failure to comply with any of the requirements of this circular shall render such FLCs liable to sanctions and such other actions, as prescribed under the Banking Law and Regulations.

Best regards,

**Hamood Sangour Al-Zadjali**  
**The Executive President**

Encl: Attachment I to VII

**I. Scheme of appropriation and distribution of profit for the year.....**

<b>SI No</b>	<b>Details</b>	<b>Amount RO 000's</b>
1	Net Profit for the year	
2	Retained Earnings brought forward	
3	Transfer from Reserves (please specify)	
4	Transferred to Legal Reserve	
5	Transferred to Statutory Reserve	
6	Transferred to Investment Fluctuation Reserve	
7	Transferred to General Reserve	
8	Transferred to any other Reserve (please specify)	
9	Proposed Cash Dividends	
10	Proposed Stock Dividends	
11	Any other appropriations (please specify)	
12	Retained Earnings	

- Net profit for the year should tally with the profit and loss account
- Under 'Any other appropriations' the details are to be specified.
- Total of items 1 to 3 should match with the total of items 4 to 12.

**II. Schedule of classified loans with specific loan loss provisions and reserve interest held as at  
31- Dec- ....**

SI No	Name of the Borrower	Status of Classification As at 31-Dec- ....	As per Examiner's list (Reference Date: )				Balance outstanding as at 31-Dec- ....		Value of Securities (as per CBO extant norms)	Specific Provisions required as per CBO norms	Specific Provisions required as per IFRS norms (where adopted)	Specific Provisions held
			Outstanding Balance	Reserve interest	Eligible Securities	Specific Provisions	Balance	Reserve Interest				
<b>A. As per Examiner's List (in the same order)</b>												
1												
2												
..												
<b>B. Accounts not classified by Examiners, but classified by the Company / External Auditors</b>												
1												
2												
..												
<b>C. Other Accounts</b>												
	<b>Total (A+B+C)</b>											

- Names of the borrower should appear in the same order as appearing in the Examiner's list
- Value of Securities are to be computed on the basis of Circular FM 13
- Total of outstanding balance as at 31<sup>st</sup> December should tally with the figures indicated in the financials.

**III. Schedule of account-wise movement of specific provisions and reserve interest for the year ....**

Sl No	Name of the Borrower	Specific Provisions	Reserve Interest				
		Made during the year	Written back / released during the year	Written off during the year	Suspended during the year	Written back / released during the year	Written off during the year
1	2	3	4	5	6	7	8
	A. As per Examiner's List (in the same order)						
	B. Accounts not classified by Examiners, but classified by the FLCs / External Auditors						
	C. Other Accounts						
	Total (A+B+C)						

- Total under Column 3 should tally with the provisions made during the year as per P&L Account
- Total under Columns 3 to 8 should tally with the movement in provisions and reserve interest indicated under Notes on Accounts.

**IV. Schedule on summary movement of provisions and reserve interest**

Details	Reserve Interest		Specific Provisions		General Provisions	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Opening Balance						
Provided during the year						
Written back / released during the year						
Written off during the year						
Closing Balance						

- Figures indicated should tally with the Notes on Account

**V. Schedule on adequacy of provisions as at 31-Dec-.....**

SI No	Details	Amount
1	Gross Loans & Advances	
2	Of which,	
	a. Standard	
3	b. Special Mention (overdue for 90 – 179 days)	
4	c. Sub-standard (overdue for 180 – 269 days)	
5	d. Doubtful (overdue for 270 days – 364 days)	
6	e. Loss (overdue for over 365 days)	
7	Specific Provisions required as per Attachment II	
8	Specific Provisions held as at 31-Dec- ...	
9	General Provisions held as at 31-Dec- ...	
10	Total Provisions required (7+9)	
11	Total Provisions held (8+9)	
12	Provision shortfall, if any (if 10 > 11, 10-11)	



