

TAAGEER FINANCE COMPANY SAOG

UN-AUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

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TAAGEER FINANCE COMPANY SAOG

**UN-AUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

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TAAGEER FINANCE COMPANY SAOG

**UN-AUDITED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER 2023**

	Note	Sep-2023 R'O'000	Sep-2022 RO'000	Dec-2022 RO'000
ASSETS				
Cash and bank balances	4	15,564	9,308	17,329
Net investment in finance leases, working capital finance and factoring receivables	5	225,101	187,510	193,805
Other receivables and prepayments	6	514	729	646
Vehicles, equipment and right-of-use assets	8	683	587	852
Deferred tax asset – net	18(f)	79	89	79
Statutory deposit	9	250	250	250
Total assets		242,191	198,473	212,961
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors, accruals and other liabilities	10	2,072	2,975	2,895
Provision for employees' end of service benefits	10.1	265	230	247
Short-term loans	11	56,281	55,167	40,040
Unsecured non-convertible bonds	12(b)	28,579	13,585	28,088
Tax payable	18(b)	451	368	600
Corporate and security deposits	13	32,594	13,459	21,911
Long-term loans	12(a)	73,805	67,096	72,214
Total liabilities		194,047	152,880	165,995
EQUITY				
Share capital	14(a)	26,384	25,866	25,866
Legal reserve	14(b)	5,733	5,395	5,733
Impairment reserve	14(c)	2,222	2,222	2,222
Fair value reserve	7	(441)	(441)	(441)
General reserve	14(d)	152	-	152
Retained earnings		14,094	12,551	13,434
Total equity		48,144	45,593	46,966
Total equity and liabilities		242,191	198,473	212,961
Net assets per share (baizas)	15	182	176	182

The financial statements including notes and other explanatory information on pages 5 to 47 were approved and authorised for issue by the Board of Directors on 25 October 2023.

TAAGEER FINANCE COMPANY SAOG

**UN-AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

	<i>Note</i>	Sep-2023 RO'000	Sep-2022 RO'000
Income			
Finance income		18,757	15,066
Interest expense		<u>(8,879)</u>	<u>(6,810)</u>
Net finance income		9,878	8,256
Other operating income	<i>16 (a)</i>	1,985	1,587
		<u>11,863</u>	9,843
Expenses			
Operating expenses	<i>17</i>	(4,401)	(4,054)
Depreciation	<i>8</i>	(322)	(293)
Impairment on net investment in finance leases, working capital finance and factoring receivables	<i>5(c)</i>	(4,233)	(3,135)
		<u>(8,956)</u>	<u>(7,482)</u>
Profit before taxation		2,907	2,361
Taxation	<i>18(a)</i>	(436)	(354)
Profit for the period		<u>2,471</u>	2,007
Basic and diluted earnings per share (baizas)	<i>19</i>	<u>12.49</u>	10.35

The notes and other explanatory information on pages 5 to 47 form an integral part of these financial statements.

TAAGEER FINANCE COMPANY SAOG
**UN-AUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

	Share capital RO'000	Legal Reserve RO'000	Impairment reserve RO'000	Fair value reserve RO'000	General reserve RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2023	25,866	5,733	2,222	(441)	152	13,434	46,966
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	2,471	2,471
Transactions with owners:							
Dividend [note 14(e)]	518	-	-	-	-	(1,811)	(1,293)
Other transactions within equity:							
Transfer to legal reserve [note 14(b)]	-	-	-	-	-	-	-
Transfer to general reserve	-	-	-	-	-	-	-
Total other transactions and transactions with owners	518	-	-	-	-	660	1,178
At 30 September 2023	26,384	5,733	2,222	(441)	152	14,094	48,144
At 1 January 2022	25,359	5,395	25,359	(441)	-	11,812	44,347
Total comprehensive income for the year:							
Profit for the year	-	-	-	-	-	2,007	2,007
Transactions with owners:							
Dividend [note 14(e)]	507	-	507	-	-	(1,268)	(761)
Other transactions within equity:							
Transfer to legal reserve [note 14(b)]	-	-	-	-	-	-	-
Total other transactions and transactions with owners	-	-	-	-	-	-	-
At 30 September 2022	25,866	5,395	25,866	(441)	-	12,551	45,593

The notes and other explanatory information on pages 5 to 47 form an integral part of these financial statements.

TAAGEER FINANCE COMPANY SAOG
UN-AUDITED STATEMENT OF CASHFLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Note	Sep-2023 RO'000	Sep-2022 RO'000
Operating activities			
Profit before taxation		2,907	2,361
Adjustments for:			
Impairment on net investment in finance leases, working capital finance and factoring receivables		4,233	3,135
Depreciation	8	322	293
Profit on sale of assets		-	8
Finance cost on lease liability		4	-
Net adjustment for interest accrued on short term loans, long term loans and unsecured non-convertible bonds		298	268
Accrued interest on term deposits		41	33
Provision for end of service benefits	10.1	83	29
		7,888	6,127
Working capital changes:			
Net investment in finance leases, working capital finance and factoring receivables		(35,253)	(25,218)
Other receivables and prepayments		132	(147)
Corporate and security deposits		10,724	3,560
Creditors, accruals and other liabilities		(823)	959
Cash from operations before payment of tax, interest and employees' end of service benefits		(17,332)	(14,719)
Income tax paid	18(d)	(585)	(457)
Employees' end of service benefits paid		(69)	-
Net cash (used in)/generated from operating activities		(17,986)	(15,176)
Investing activities			
Purchase of vehicles and equipment	8	(153)	(441)
Deposits placed with banks		(5,000)	(9,500)
Deposits redeemed		9,000	7,500
Proceeds from sale of vehicles and equipment		-	11
Net cash used in investing activities		3,847	(2,430)
Financing activities			
Dividend paid		(1,293)	(761)
Short term loans received		31,350	14,217
Short term loans paid		(15,150)	(19,653)
Long term loans received		22,721	36,600
Long term loans paid		(21,254)	(21,776)
Unsecured non-convertible bonds received		-	-
Payment of lease liability including interest		(113)	(49)
Net cash generated from financing activities		16,261	8,578
Net change in cash and cash equivalents		2,122	(9,028)
Cash and cash equivalents at the beginning of the year		7,166	12,855
Cash and cash equivalents at the end of the year	4	9,288	3,827

The notes and other explanatory information on pages 5 to 47 form an integral part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

1 Legal status and principal activities

Taageer Finance Company SAOG (the Company) is an Omani joint stock company registered with the Ministry of Commerce on 22 October 2005. The Company was incorporated as a closed stock Company on 24 December 2000 and was converted to an Omani joint stock company on 21 October 2005 by a resolution of the shareholders passed on 27 August 2005. The Company is engaged in the business of providing leasing, working capital finance and bill discounting to retail, SME and corporate customers in the Sultanate of Oman. The tenure of these financing generally varies from 6 months up to 7 years at fixed interest rates prevalent in the market at the time of financing. The financing is collateralized against land, equipment and vehicles. A significant number of customers are government sector employees and locally incorporated entities. The Company manages its liquidity and financing through borrowing from the various commercial banks. The Company also accepts corporate deposits. The Company's shares are listed on Muscat Securities Market. The registered office of the Company is located at Al-Khuwair, Muscat, Sultanate of Oman.

The Company operates in the Sultanate of Oman with a network of **Eight** (September 2022 - seven branches) and has employed **153** employees as at 30 September 2023 (September 2022 - 158 employees).

2 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 years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable requirements of the Commercial Companies Law of 2019, Capital Market Authority (CMA) of the Sultanate of Oman disclosure requirements and applicable regulations of the Central Bank of Oman.

(b) Historical cost convention

These financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income, which are measured at fair value.

The statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate to the Company's operations.

(c) Standards, amendments and interpretations effective in 2023 and relevant to Company's operations

The Company has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020, and
- Reference to the Conceptual Framework – Amendments to IFRS 3.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

- IFRS 17 “Insurance Contracts” (effective for annual periods beginning on or after 1 January 2023)
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current, (effective on or after 1 January 2023)
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2, (effective on or after 1 January 2023)
- Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023)
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 (effective date of this pronouncement is yet to be determined)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies****2.1 Basis of preparation (continued)***(d) Standards issued but not yet effective*

The Company is evaluating the impact on future financial statements, if any, of adopting these pronouncements. Major new IFRSs or amendments

- *IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).* IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The management has completed the initial assessment of application of IFRS 17 Insurance contract and have concluded that this standard does not have any impact on the Company's financial statements. The Company does not issue any insurance contracts and none of their existing contracts transfer insurance risk as per IFRS 17. The Company only arranges for an insurance cover from a third party independent insurance company and charges its customer an insurance commission for facilitating such services. In case of an insurance event, the third party insurance company is responsible for all the claims.
- *Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).* The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Company is currently assessing the impact of the amendments on its financial statements. However, based on its preliminary assessment, the Company does not expect that the standard will have significant effect, when applied, on the financial statements of the Company.

2.2 Foreign currency transactions

The financial statements are presented in Rial Omani, rounded to the nearest thousands which is the Company's functional and presentation currency.

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 profit or loss and other comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.3 Finance income****(a) Finance income**

Where the Company is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable ('Net investment in finance leases') and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease). The difference between the gross receivable and the present value represents unearned finance income.

This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return by applying the rate implicit in the lease to (i) the gross book value of lease receivables in stage 1 and 2 and (ii) net carrying amount of lease receivables in stage 3 of the ECL model. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term.

The lease finance income is recognised in the statement of 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 receivables and working capital finance receivables is recognised over the tenure of agreement. Factoring contracts are generally for a term ranging between 90 days to 180 days.

Interest on past due and credit-impaired leases, working capital finance and factoring receivables is not recognised to income and is transferred to a reserve account. This is reversed from reserve account and is taken to statement of profit or loss when received in cash.

(b) Other operating income

Insurance commission is recognised at a point in time when the Company satisfies its performance obligation. The amount of fee received or receivable represents the transaction price for the services identified as distinct performance obligations.

Dividend income is recognised when the right to receive income is established.

Other operating income other than insurance commission and dividend income are recognised when realised.

2.4 Interest expense

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

2.5 Taxation

Income tax on the results for the year comprises of current tax calculated as per the fiscal regulations of the Sultanate of Oman and deferred tax.

Current tax is recognised in the statement of profit or loss and other comprehensive income as 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, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman. The tax effects on the temporary differences are disclosed under non-current assets as deferred tax.

A deferred tax asset is recognised 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The principal temporary differences arise from depreciation on 'vehicles, equipment and right-of-use assets' and 'provisions for impairment of net investment in finance leases, working capital finance and factoring receivables.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

2 Summary of significant accounting policies (continued)

2.6 Vehicles and equipment

Vehicles and equipment are stated at historical cost less accumulated depreciation less accumulated impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Motor vehicles	3 years
Computer and office equipment	3-4 years
Furniture and fixtures	4 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's 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 disposals are determined by comparing the proceeds with the carrying amount. These are included in profit or loss.

2.7 Leases

Company as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Company's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.7 Leases (continued)***Company as a lessee (continued)*

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract.

The lease term is considered to be the non-cancellable period for which the Company has the right to use an underlying asset. The lease term is adjusted for periods covered by an option to extend; if it is reasonably certain that the option will be exercised as well as periods covered by an option to terminate the lease; if it is reasonably certain that the option will not be exercised.

2.8 Financial assets and liabilities**(i) Measurement methods***Amortised cost and effective interest rate*

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation of the effective interest rate includes transaction costs that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or a financial liability.

For purchased or originated credit-impaired ('POCI financial assets'), assets that are credit-impaired at initial recognition, the Company calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of ECL in estimated future cash flows.

When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an ECL allowance is recognised for financial assets measured at amortised cost, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies** (continued)**2.8 Financial assets and liabilities** (continued)**(i) Measurement methods** (continued)**(ii) Classification and subsequent measurement**

The Company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

Financial liabilities, other than lease commitments and financial guarantees, are measured at amortised cost or at FVTPL when they are held for trading.

The Company measures cash and bank balances, statutory deposits, working capital finance and factoring receivables and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.8 Financial assets and liabilities (continued)****(ii) Classification and subsequent measurement (continued)*****Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Equity instruments at FVOCI

Upon initial recognition, the Company occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 (Financial Instruments - Presentation) and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Financial liabilities

Under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The amount presented separately in OCI related to changes in own credit risk of a designated financial liability at FVTPL are not recycled to profit or loss, even when the liability is derecognised, and the amounts are paid. Instead, own credit gains and losses should be reclassified to retained earnings within equity upon derecognition of the relevant liability.

(iii) Reclassifications

The Company does not reclassify its financial assets subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Financial liabilities are never reclassified. The Company did not reclassify any of its financial assets or liabilities in 2023.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.8 Financial assets and liabilities (continued)****(iv) Derecognition of financial assets and liabilities***Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights 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-through' arrangement; and

Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss for the year.

(v) Modifications of financial assets and financial liabilities*Financial assets*

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, the original financial asset is derecognised, and a new financial asset is recognised at fair value. If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income within impairment loss.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Financial liabilities

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at either amortised cost or fair value. The difference between the carrying amount of the financial liability derecognised and the new financial liability with modified terms is recognised in the statement of profit or loss.

Modifications of financial liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.8 Financial assets and liabilities (continued)****(vi) Impairment**

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured at 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Note 3.1 (b) provides more detail of how the ECL allowance is measured.

2.9 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or cash generating exceeds its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the 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 specified to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.10 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.11 Share capital and reserves**

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

For policy on reserves please refer note 14(a) and 14(d).

2.12 Borrowings

Borrowings, which include corporate and security deposits, are recognised initially at fair value, net of transaction costs 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 statement of profit or loss over the period of the borrowings using the effective interest rate method.

2.13 Employees' end of service benefits and leave entitlements

Contributions to a defined contribution retirement plan, for Omani employees in accordance with Oman Social Insurance Scheme, are recognised as an expense in the statement of comprehensive income as incurred. The Company's obligation, in respect of non-Omani terminal benefits, under defined benefits retirement plan, is the amount of future benefits that such employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value. The discount rate used reflects current market assessments of the time value of money.

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. The provision relating to end of service benefits and accrual relating to annual leave and leave passage is disclosed as a current liability.

2.14 Creditors, accruals and other liabilities

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

2.15 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 Executive Officer (being 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 Executive Officer (being 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. The financial information that can be separately recognised for retail and corporate portfolios has been disclosed in note 22 to these financial statements.

2.16 Dividend distribution

The Board of Directors of the Company recommends to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of 2019 and other relevant directives issued by CMA while recommending the dividend. Dividends are recognised as a liability when declared and approved.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.17 Earnings and net assets per share****(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit or loss attributable to ordinary shareholders of the Company, excluding any costs of servicing equity other than ordinary shares; and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (note 19).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(iii) Net assets per share

Net assets per share is calculated by dividing:

- the net assets attributable to ordinary shareholders of the Company; and
- by the number of ordinary shares outstanding at 30 September (note 15).

2.18 Directors' remuneration and sitting fees

Director's remuneration is computed in accordance with the requirements of the Commercial Companies Law of 2019 and the Capital Market Authority of Sultanate of Oman and is recognised as an expense in the Company's statement of profit or loss and other comprehensive income in the year of approval from shareholders in the AGM.

The Annual General Meeting shall approve the remuneration and sitting fees in line with Articles 129-133 of the Ministerial Decision 27/2021 issuing the Executive Regulations for Public Joint Stock Companies, as per the requirements of Capital Market Authority. The total director's remuneration in one year shall not exceed RO 300,000 (limited to RO 150,000 if the current financial year net profit is lesser as compared to the previous financial year net profit).

2.19 Provisions

The Company recognises provisions when it has a present legal or constructive obligation to transfer economic benefits as a result of past events and a reasonable estimate of the obligation can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

2.20 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.

2.21 Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

2 Summary of significant accounting policies (continued)

2.22 Presentation of statement of financial position in order of liquidity

The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 23 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period.

	30 September 2023			30 September 2022		
	Within 12 months of reporting period	After 12 months of reporting period	Total	Within 12 months of reporting period	After 12 months of reporting period	Total
ASSETS						
Cash and bank balances	14,514	1,050	15,564	5,808	3,500	9,308
Net investment in finance leases, working capital finance and factoring receivables	52,948	172,153	225,101	47,511	139,999	187,510
Other receivables and prepayments	403	111	514	462	267	729
Deferred tax asset – net	-	79	79	-	89	89
Vehicles, equipment and right-of-use assets	-	683	683	-	587	587
Statutory deposit	-	250	250	-	250	250
LIABILITIES						
Creditors, accruals and other liabilities	2,072	-	2,072	2,975	-	2,975
Short-term loans	56,281	-	56,281	55,167	-	55,167
Unsecured non-convertible bonds	13,949	14,630	28,579	-	13,585	13,585
Tax payable	451	-	451	368	-	368
Corporate and security deposits	19,055	13,539	32,594	9,466	3,993	13,459
Long-term loans	28,573	45,232	73,805	24,241	42,855	67,096

2.23 Significant accounting estimates and judgements

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****2 Summary of significant accounting policies (continued)****2.23 Significant accounting estimates and judgements (continued)***(a) Impairment losses on net investment in finance leases, working capital finance and factoring receivables*

To assess the impairment losses on investment in finance leases, working capital finance and factoring receivables, the Company follows guidelines issued by Central Bank of Oman and the requirements of applicable IFRSs. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on the credit loss allowance:

- segmentation of financial assets for the ECL assessment purposes;
- determination of a level of ECL assessment on an individual instrument basis or on a collective basis;
- definition of default applied by the Company;
- development and application of internal credit grading models, which assigns PDs to the individual credit risk grades;
- development and application of internal models used to estimate exposure at default (“EAD”) for financial instruments and credit related commitments;
- assessment of loss given default (“LGD”), including the judgments made in valuation of collaterals;
- criteria for assessing if there has been a significant increase in credit risk;
- selection of forward-looking macroeconomic scenarios and their probability weightings.

Details of inputs, assumptions and estimation techniques used in ECL measurement are disclosed in Note 3.1 which also sets out key sensitivities of the ECL.

The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

(b) Determination of lease term under IFRS 16

In determining the lease term, the Company considers all facts and circumstances. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company considers the nature and enforceability of extension clause in the lease agreement, the value of leasehold improvements, penalties on termination, costs and business disruption required to replace the leased premises as factors to determine the lease term. Lease agreements for premises occupied by the Company may contain an extension option, where the Company has not considered extension options after analyzing the above factors.

Lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment is only revised if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the Company. During the financial year, the Company has not revised its assessment of lease term as no significant events or changes occurred.

3 Financial risk management**3.1 Financial risk factors**

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

The Company aims to follow a strategy of minimising risk in order to reduce its vulnerability to adverse market conditions and this is reflected in the risk appetite set by the Board of Directors and implemented by management. The low assumption of risk is mainly achieved through diversification of the asset portfolio.

The Company has risk management function to oversee the risk management programme. In addition, oversight is provided by the Asset Liability Management Committee which includes representation from credit, treasury and risk management function. The Company has independent policies and procedures which address credit risk, liquidity risk and market risk, which arise from the Company’s business.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(a) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates and financing rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Price risk

Price risk is a risk that fair value of financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk). The Company is not exposed to price risk as it does not have significant exposure to equity instruments traded in an active market.

(ii) Foreign currency risk

Foreign currency risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. Accordingly, foreign exchange risk is considered to be minimal.

(iii) 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 interest rate risk are the Company's borrowings 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, categorised by the earlier of contractual repricing or maturity dates.

The Company's leasing activities, working capital finance and factoring receivables, long term deposits, borrowings (loans from commercial banks, corporate deposits and unsecured non-convertible bonds) carry fixed rate of interest; hence, these activities do not expose the Company to interest rate risk. The interest rates on short-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 and at more frequent intervals in the case of short-term loans. The Company does not hedge against its cash flow and fair value interest rate risk.

The Company uses sensitivity analysis to analyse cost of borrowings and leasing. 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 0.663 million (2022 - RO 0.535 million). The Company's exposure to interest rate risk is shown under note 23(a) to these financial statements.

(b) 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.

(i) Credit risk measurement

The estimation of credit exposure for risk management purposes is complex and requires the use of models, as the exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

The Company uses a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarised below:

Stage 1

Credit risk has not increased significantly since initial recognition – recognise 12-month expected credit losses.

Stage 2

Credit risk has increased significantly since initial recognition – recognise lifetime expected losses with revenue being calculated based on the gross amount of the asset.

Stage 3

There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

The Company has adopted key assumptions and judgements in addressing the requirements of IFRS 9 as given below:

- Significant increase in credit risk (SICR), which includes quantitative criteria such as grouping of contracts, DPD, payment return indicator, rating downgrade of customers from initial recognition which is considered significant and qualitative criteria such as restructuring and periodical reviews of the customers;
- Definition of default, staging, rebuttals, SICR, provisioning methodology etc;
- Selection of an appropriate forward-looking model, inputs, correlation and estimations; and
- Information of forward- looking criteria of macro-economic variables incorporated in PIT PD for ECL.
- Grouping of instruments for losses measured on a collective basis

The Company’s credit policy aims to ensure that the target portfolio credit loss will be less than 1% of the portfolio increase for the current year. The Board of Directors periodically reviews this loss norm along with the management.

Significant increase in credit risk (SICR)

To determine whether there has been a significant increase in credit risk, the Company compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company’s historical experience, expert credit assessment and forward-looking information.

While determining the credit risk of the customer which has increased significantly from the initial recognition, the Company reviews portfolio for Retail and Corporate on different parameters. SICR is done on quantitative and qualitative criteria.

For retail exposures, the Company uses both quantitative and qualitative criteria:

- Adverse findings for an account/borrower as per market information
- Loan rescheduling due to credit reasons
- Accounts overdue between 30 and 90 days

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

- (b) Credit risk (continued)
- (i) Credit risk measurement (continued)

For Corporate, the Company uses both quantitative and qualitative criteria.

- Under quantitative criteria, the Company uses the following SICR triggers:
 - days past due information (i.e. Stage 2 if the days past due is above 30 days) or;
 - change in the rating grade to assess significant increase in credit risk (i.e. 3 notches down for the rating scale of R1 to R3, 2 notches down for the rating scale of R4 and R5, and one notch down for rating R6).
- Under qualitative criteria, the Company uses following criteria like:
 - restructuring due to credit reasons
 - inadequate or unreliable financial and other information such as unavailability of audited financial statements;
 - non-cooperation by the borrower in matters pertaining to documentation;
 - borrower is the subject of litigation by third parties that may have a significant impact on his financial position;
 - frequent changes in senior management;
 - intra-group transfer of funds without underlying transactions;
 - deferment/delay in the date for commencement of commercial operations by more than one year;
 - modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment and waiver of covenants;
 - a fall of 25 percent or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year;
 - erosion in net worth by more than 20 percent as compared to the previous year end coupled with an increase in leverage; and
 - a fall in the debt service coverage ratio to below 1.

The customers' past history and records are reviewed by periodical risk evaluation under SICR triggers.

The Company reviews the existing corporate accounts' (above RO 250,000) rating given at initial recognition and assigns the new rating at review dates based on quantitative and qualitative information while assessing significant change or increase in credit risk during annual review or restructuring exercise.

The Company reviews and restructures facilities (retail and corporate) based on review of customers financial and cash flow position to maximize recoveries and collections from the customers and facilitate them to manage their cash flows efficiently to reduce their credit risk. These contracts are marked as restructured and would trigger the SICR if flagged due to credit reasons and would be mapped as qualitative indicator in ECL model and reviewed periodically.

Definition of Default and credit impaired assets

The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired when it meets one or more of the following criteria:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the borrower is more than 90 days past due on any credit obligation to the Company.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of twelve months (for those that has been downgraded due to qualitative reasons). This period of twelve months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different cure definitions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

- (b) Credit risk (continued)
- (i) Credit risk measurement (continued)

Expected Credit Losses (ECL)

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate (“EIR”) for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument’s lifetime period. The lifetime period is equal to the remaining contractual period to maturity of financial instruments, adjusted for expected prepayments, if any.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

Information of forward- looking criteria incorporated in ECL computation

The Company has incorporated forward looking parameters of macro-economic variables using statistical modelling to estimate the 12 months and Lifetime PIT PDs. The key macro-economic variables has been established based on correlation factor to historical PDs. TTC PDs are derived based on Company’s historical performance and are roll rate-based approach for Retail while rating migration for corporate portfolio. Internal rating for Corporates is derived based on various parameters on quantitative and qualitative factors which is aggregated to obtain a score for a particular rating level. The judgement to use macroeconomic variable is based on impact of macroeconomic variable on business, customer behavior, repayment pattern and eventually default. The macroeconomic variables used are derived based on the relationship that can be established with the relevant variables and the underlying default behavior of the credit portfolios. The Company based on its assessment of various macro-economic variables has determined that oil prices to be the key macro-economic variable for its portfolio due to major business dominant factor.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

(b) Credit risk (continued)

(i) Credit risk measurement (continued)

Important accounting judgements and estimations

The calculation of the ECL allowance for finance lease, working capital and factoring receivables requires the use of statistical models and use of assumptions with respect to forecasted micro-economic conditions, external ratings and credit risk behaviour and changes which may result in the likeness of the contracts defaulting and resulting in losses.

Grouping of related financial assets for calculating ECL allowance

The related financial assets are grouped in the calculating the ECL based on the asset type product in the model which are retail and corporate.

In case of the portfolio of exposure to corporate, the credit risk for individual counterparties are assessed at inception of the lease through a grading methodology based on repayment history along with financial evaluation of borrowers as per risk grading model as approved by the board of directors of the Company.

Credit risk in the case of the retail portfolio is assessed at the inception of the lease on the basis of the net disposable income of the counterparty, stability of employment in case of salaried clients and income levels from business /other sources for other categories of customers.

(ii) Credit risk control and mitigation policies

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.

The overall decision to provide leasing to a particular customer is based on the following key parameters:

1. Internal credit rating of the customer based on the qualitative assessment of credit risk
2. Minimum income level and maximum debt burden of the customer
3. Loan repayment history with other financial institution sourced from Mala'a report/BSCB
4. Level of collaterals provided by the customer

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

Working capital finance and factoring receivables 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

- (b) Credit risk (continued)
- (ii) Credit risk control and mitigation policies (continued)

The Company does not have significant concentration of credit risk since it enters into leasing and financing contracts with various small individual, retail and corporate customers. At the inception of the contract, internal credit risk ratings are allocated to each exposure. These credit risk grades are defined using a variety of qualitative and quantitative factors including income levels, employment segment, nationality etc. A significant number of customers are government sector employees and locally incorporated entities.

The Company generally receives repayments through variable channels such as cheques and bank transfers. The Company also has an effective rental instalment and rental monitoring system which allows it to identify potential problem accounts. The Company has approved collection policies and procedures establishing a collection strategy to follow up with the delinquent customers. In order to monitor exposure to credit risk, reports are reviewed by the risk committee on a quarterly basis. The Company seeks necessary legal assistance from external law firms in order to be actively involved in the collection process of delinquent customers. The Company also appropriately assesses the collateral requirements for particular leasing and financing to minimise its credit risk emanating from such leasing and financing. An allowance for ECL is maintained at a level which, in the judgment of management, is adequate to provide for potential losses that can be reasonably anticipated.

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 dishonour of cheques;
- inability to reach the customer over phone or in person;
- lack of response to written communications;
- utilised limits in excess of authorised limits as disclosed by Mala'a reports;
- inability to obtain current financials; and
- adverse market feedback.

Maximum exposure to credit risk before collateral held or other credit enhancements:

	Sep-2023 RO'000	Sep-22 RO'000	Dec-2022 RO'000
Exposure			
Bank balances	15,473	3,678	17,277
Statutory deposit	250	250	250
Net investment in finance leases, Working capital finance and factoring receivables	225,101	187,510	193,805
Other receivables	9	132	5
Total exposure	240,833	191,570	211,337

The Company holds enforceable collaterals against net investments in finance lease to mitigate credit risk exposure. For bank balances the Company deals with reputed banks in the Sultanate of Oman and ECL has been recorded as per the model. Security deposit is held with Central Bank of Oman.

- (iii) Concentration of credit risk

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Concentration of credit risk (continued)

Concentrations of credit risk (whether on or off statement of financial position) that arise from financial instruments exist for groups of counter-parties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The analysis of credit risk is given below:

Customer concentration	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
Gross investment in finance leases:			
Retail	114,250	86,089	92,476
Corporate	205,669	202,369	189,835
	<u>319,919</u>	<u>288,458</u>	<u>282,311</u>
Working capital finance and factoring receivables:			
Corporate	42,889	7,063	24,299

Economic sector concentration of gross investment in finance leases, working capital finance and factoring receivables:

	Sep-2023 RO 000	Sep-2022 RO 000	Dec-2022 RO 000
Gross investment in finance leases:			
Manufacturing	45,751	53,063	49,387
Trading and construction	56,011	56,489	51,532
Services	103,907	92,817	88,916
Individuals	114,250	86,089	92,476
	<u>319,919</u>	<u>288,458</u>	<u>282,311</u>
Working capital finance and factoring receivables:			
Manufacturing	7,816	786	5,227
Trading and construction	13,368	4,160	7,651
Services	21,705	2,117	11,421
	<u>42,889</u>	<u>7,063</u>	<u>24,299</u>

Geographical concentration

The Company only carries out business within the Sultanate of Oman and geographical exposure is within the country.

(iv) Impact of COVID-19 on the Company

The impact of coronavirus pandemic has subsided to certain extent and is relatively stable now. The number of COVID-19 cases has declined considerably and the levels remain far below those of prior surges. However, the disruption to business and economic activities throughout various geographies around the globe continues. The pandemic has slowed down trade and economic activities with large economies still facing supply disruption and rise in energy cost. The Ukraine- Russia war has further added to the uncertainties around economic challenges faced by various countries. Accordingly, the fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

(b) Credit risk (continued)

(iv) Impact of COVID-19 on the Company (continued)

The Government of Oman and Central Bank of Oman have taken several measures to control the pandemic and improve the economic conditions over the last 3 years. This include providing necessary support to affected borrowers particularly Small and Medium Enterprises (SME), wherein CBO allowed deferment of instalments/ interest for affected customers and the availability of the deferment, without adversely affecting the risk classification of such customers. All effected customers who have availed/are availing the loan deferment can be rescheduled/ restructured as per CBO circular till 31 October 2022. The restructuring/ rescheduling implemented include rescheduling of repayments, recovery of interest accrued during deferment period (without charging interest on interest on that portion) granting of reasonable grace period, extending suitable tenor etc. based on proper assessment of the current and future cash flows/income streams of the customer. Companies need to maintain adequate level of provisioning including management overlay against each restructured account. Management believes the impact of modification gain/loss on these restructuring is not material.

The Company has also undertaken other initiatives to manage the potential business disruption on its operations and financial performance. This entails reviewing counterparties and taking appropriate customer credit rating actions and initiating restructuring of loans, wherever required. The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available. In assessing forecast conditions, consideration have been given both to the effects of COVID (including various variants of virus) and the government support measures being undertaken.

In line with the CBO guidelines, the Company has considered restructuring of all eligible accounts whose cash flows have been impacted by the COVID-19 situation and backed by specific requests from them. For such cases, every review includes an assessment on whether the strain on cash flows observed are on account of the COVID impact or otherwise and in case these are identified to be otherwise, the accounts are suitably staged. The accounting impact of these changes in terms of the credit facilities has been assessed and were treated as per the requirements of IFRS 9. The Company has also considered additional ECL to address significant increase in credit risk in certain accounts based on its judgment and experience. Please refer to note 5 for the details of restructured portfolio.

Impact on SICR

The Company has given specific consideration to the relevant impact of COVID on the qualitative and quantitative factors when determining the significant increase in credit risk and assessing the indicators of impairment for the exposures. This has resulted in staging downgrade of certain exposures and recognition of additional ECL provisions and allowance for expected credit losses. The exercise of the deferment option by a customer, in its own, is not considered by the Company as triggering SICR. However, as part of the Company's credit evaluation process especially given the current economic situation due to aftereffects of lock down, the Company obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

The Company's model has been constructed and calibrated using historical trends, asset correlations and forward-looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Company operates could not be reliably modelled for the time being. As a consequence, the existing model may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Company expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments (PMA) and management overlays

Post-model adjustments (PMAs) and management overlays made in estimating the reported ECL as at 30 September 2023 are set out as follows:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(b) Credit risk (continued)**Post-model adjustments (PMA) and management overlays (continued)

PMAs and management overlays

The Company's ECL model continues to be sensitive to the assumptions and are continually reassessed as part of its usual model refinement exercise. Other than changes in the macro-economic indicators, the Company has not considered any other change in ECL model. As with any forecasts, the projections and likelihoods of occurrence are underpinned by significant judgement and uncertainty and therefore, the actual outcomes may be different to those projected. In order to meet any additional challenge, the Company has also considered additional customer specific overlays, based on the management experience and close monitoring of the customers with significant increase in credit risk. Since, the models may not always capture all the stressed events, it is therefore prudent to incur additional ECL based on the management experience and current uncertain situation in the economy.

As on the reporting date the provisions held by the Company includes customer specific management overlays of RO 2.545 million (2022: 2.237 million), 8.47% (2022: 9.39%) of total impairment.

Impact on the Capital Adequacy

Although above measures are not exhaustive and may not fully counteract the impact of COVID-19 in the short run, they will mitigate the long-term negative impact of the pandemic. In response to this crisis, the Company continues to monitor and respond to all liquidity and funding requirements. As at the reporting date the liquidity, funding and capital position of the Company remains strong and is well placed to absorb the impact of the current disruption. Liquidity management as disclosed in note 23(b), is largely dependent on availability of usual funding through committed lines from local banks in Oman.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can arise 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, diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products like corporate deposits, seeking fixed interest rates for longer tenure, etc.

Funds management is carried out by the treasury function. It includes managing and monitoring day to day cash flows and funding needs. This is achieved through maintaining approved credit facilities to cover net future funding needs and monitoring cash flows projections. The maturity profile of the Company's financial liabilities is set out under note 23(b) to these financial statements.

Net debt reconciliation

Refer below for the analysis of net debt and the movements in net debt:

Particulars	Cash flows from short term loans RO'000	Cash flows from long term loans RO'000	Cash flows from Unsecured non- convertible bonds RO'000
At 1 January 2023	40,040	72,214	28,088
Additions during the period (cash changes)	31,350	22,721	-
Repayments during the period (cash change)	(15,150)	(21,254)	-
Non-cash changes	9	124	491
At 30 September 2023	56,249	73,805	28,579
Change in cash flows	16,209	1,591	491

Particulars	Cash flows from short term loans RO'000	Cash flows from long term loans RO'000	Cash flows from Unsecured non- convertible bonds RO'000
At 1 January 2022	60,603	52,272	13,351
Additions during the period	14,217	36,600	693
Repayments during the period	(19,653)	(21,776)	(459)
At 30 September 2022	55,167	67,096	13,585
Change in cash flows	(5,436)	14,824	234

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(d) Operational risk**

The operational risk is defined as the risk of direct or indirect loss which may arise due to several reasons associated with the operations of the Company such as internal processes, individuals, infrastructure and technology, and due to reasons arising out of external factors other than Company's credit processes, market and liquidity risks. Operational risks arise from all of the Company's operations and external factors and are faced by the business entity.

The Company's primary objective is to put in place the necessary internal controls, periodic internal audits, checks and controls, technology updates and reviews to minimise operational risk. Specific audits are conducted by the Company's internal auditors and reports directly to the Audit and Risk Committee members.

The Company undertakes responsibility to implement internal checks and controls to mitigate operational risk by the following;

- (i) Adherence to maker checker policy and delegation of powers by having proper approval matrix;
- (ii) Timely reconciliations and regular reviews of accounts;
- (iii) Documentation of policies, controls, procedures and manuals;
- (iv) Compliance with legal, statutory requirements and corporate governance; and
- (v) Develop business ethics and standards.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

3 Financial risk management (continued)

3.2 Fair values estimation

The carrying amounts, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year approximate their fair values. The fair values of long-term bank borrowings is considered to approximate their carrying amounts as these carry interest rates in line with current market rates. The fair value of fixed deposits is not considered to be materially different from their carrying amount in view of the duration of these deposits which does not exceed 2 years and interest resetting. Carrying amounts of fixed deposits reasonably approximates fair value. Refer to note 21 for fair value information in respect of the Company's net investment in finance leases, working capital finance and factoring receivables.

Except for financial assets at fair value through other comprehensive income, the Company's financial instruments are not carried at fair value in the statement of financial position. All financial assets (other than financial assets at fair value through comprehensive income) and financial liabilities of the Company are carried at amortised cost in the statement of financial position.

3.3 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, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company also has the objective with respect to meeting the capital requirements of the Central Bank of Oman, the regulatory authority. The Company has complied with CBO requirements of maintaining minimum paid up capital of RO 25 million.

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

The Company monitors its gearing ratio in order to maintain it within the limits prescribed by the regulatory authority.

Gearing ratio

The Company's Board Executive Committee reviews the capital structure on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a limit of gearing ratio of 5 times of net-worth as stipulated by the Capital Adequacy norms specified by the Central Bank of Oman. The gearing ratio for the year is as follows:

	Sep-2023	Sep-2022	Dec-2022
Total liabilities (RO'000)	194,047	152,880	165,995
Net equity (RO'000)	48,144	45,593	46,966
Total liabilities to net equity ratio (times)	4.03	3.35	3.53

4 Cash and bank balances

	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
Term Deposits	6,321	5,500	10,208
Short Term Deposits	7,625	-	-
Current accounts	1,572	3,678	7,114
Cash in hand	91	149	52
ECL	(45)	(19)	(45)
	15,564	9,308	17,329

Cash and cash equivalents include cash on hand, all bank balances, including deposits with a maturity of three months or less from the date of placement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

4 Cash and bank balances (continued)

Bank balances are classified under Stage 1.

The Company applies the three-stage model under IFRS 9 to measure the expected credit losses for cash and cash equivalents. Under the three-stage model, management analyses the credit quality of cash and cash equivalents. The financial assets that do not have a significant increase in credit risk since the initial recognition are considered as stage 1 assets and management follows the 12 months expected credit loss method for recognising the loss allowance. When there is a significant increase in credit risk noted since the initial recognition, those assets are considered under stage 2 and lifetime expected credit loss is followed. Financial assets that have objective evidence of impairment at reporting stage (stage 3), lifetime expected credit loss is followed. Closing ECL on bank balance is RO 45,000 (30 September 2022: RO 19,000).

(i) Reconciliation to statement of cash flows

The above figures reconcile to the amount of cash shown in the statement of cashflows at the end of the financial year as follows:

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
Cash and bank balances	15,564	9,308	17,329
Deposits which have original maturity of more than 3 months	(6,321)	(5,500)	(10,208)
ECL	45	19	45
Cash and cash equivalents	9,288	3,827	7,166

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

5 Net investment in finance leases, working capital finance and bills discounting

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
Gross investment in finance lease	319,919	288,458	282,311
Working capital finance and factoring receivables	42,889	7,063	24,299
Unearned finance income (refer 'b')	(107,646)	(84,180)	(88,130)
	255,162	211,341	218,480
Allowance for expected credit losses (ECL) *	(30,061)	(23,831)	(24,675)
	225,101	187,510	193,805

* Includes Reserve interest of RO 5.842 million (September 2022- RO 4.393 million)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

5 Net investment in finance leases, working capital finance and bills discounting (continued)

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

	Up to 1 year RO'000	1 year to 2 years RO'000	2 years to 3 years RO'000	3 years to 4 years RO'000	4 years to 5 years RO'000	>5 years RO'000	Total RO'000
At 30 September 2023							
Gross investment in finance lease	79,056	52,965	47,386	40,598	32,441	67,473	319,919
Present value of gross investment in finance lease	54,834	33,509	31,796	29,006	24,348	55,312	228,805
At 30 September 2022							
Gross investment in finance lease	73,553	45,565	39,908	33,546	27,034	68,852	288,458
Present value of gross investment in finance lease	53,353	29,357	26,811	23,569	19,772	56,778	209,640

The significant changes in the gross investment in leases are mainly due to the new leases originated during the year which are partially offset by the leases matured during the year.

(b) The movement of unearned finance income during the period was as follows:

	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
At 1 January	88,130	66,882	66,882
Additions during the year	37,967	32,181	42,095
Recognised during the year	(18,451)	(14,883)	(20,847)
At 30 September	107,646	84,180	88,130

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

5 Net investment in finance leases, working capital finance and bills discounting (continued)

(c) The movement in the provision and reserve interest for impairment of net investment in finance lease, working capital finance and factoring receivables during the year was as follows:

The loss allowances for ECL as at 30 September reconcile to the opening loss allowances as follows:

As at 30 September 2023:

	Net investment in finance leases, working capital finance and factoring receivables		Other assets and financial guarantees		Total	
	Sep-23 RO'000	Sep-22 RO'000	Sep-23 RO'000	Sep-22 RO'000	Sep-23 RO'000	Sep-22 RO'000
At 1 January	24,675	20,050	1,343	894	26,018	20,944
Charge for the period	3,957	2,772	276	363	4,233	3,135
Reserve interest	1,304	963	-	-	1,304	963
Write back during the period	125	46	-	(46)	125	-
At 30 September	30,061	23,831	1,619	1,211	31,680	25,042

The most significant changes in the ECL of the Company arise from the net investment in finance leases, working capital finance and factoring receivables. The changes in the ECL on other financial assets at amortised cost are not significant.

As to net investments in finance leases, working capital finance and factoring receivables, the ECL changes primarily relate to the corporate portfolio and were due to the downward movement of exposures to non-performing grades. This was partially offset due to favourable outcomes from positive changes in the macro-economic variables. The subsequent remeasurement of these exposures post stage transfer is reflected in the charge for the year.

As a matter of policy, the Company considers waiver / write-off or settlement only in such cases where it is satisfied that the recovery of the full outstanding liabilities from the borrower is not possible in the normal course of business or out of the securities realisation or through enforcement of the guarantee (wherever available) and that legal action will not yield higher recoveries after considering the time and costs involved.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

5 Net investment in finance leases, working capital finance and bills discounting (continued)

Proposals for waivers / write-offs are not formula driven and are decided on a case by case basis after weighing all pros and cons. The rationale is invariably documented. In all cases, the Company aims to recover the maximum value through enforcement of collaterals / guarantees of guarantors. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

At 30 September 2023, stage 3 lease contract receivables and working capital receivables on which interest has been reserved or on which interest is not being accrued amount to approximately RO 43.850 million (2022 - RO 38.622 million). Interest is reserved by the Company against net investment in finance leases, working capital finances and factoring receivables, which are under stage 3, to comply with the rules, regulations and guidelines issued by the CBO.

(d) An analysis of portfolio under different stages of net investment in finance leases, working capital finance and factoring receivables is summarised below:

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
<i>Portfolio under stages</i>			
Stage 1	144,661	106,460	118,210
Stage 2	66,651	66,259	62,920
Stage 3	43,850	38,622	37,350
Gross investment in finance leases, working capital finance and factoring receivables	255,162	211,341	218,480
Allowance for ECL	(30,061)	(23,831)	(24,675)
Net investment in finance leases, working capital finance and factoring receivables	225,101	187,510	193,805

(e) Allowance for ECL on net investment in finance leases, working capital finance and factoring receivables

	Sep-23	Sep-22	Dec-2022
	RO'000	RO'000	RO'000
Stage 1	2,353	772	979
Stage 2	7,097	5,716	6,205
Stage 3	20,611	17,343	17,491
	30,061	23,831	24,675

(f) Net investment in finance leases, working capital finance and factoring receivables rescheduled / restructured

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria, which, in the judgment of local management, indicate that payment will most likely continue. These policies are continuously reviewed.

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
Stage 1	-	-	-
Stage 2	12,107	18,141	10,060
Stage 3	4,384	880	4,780
	16,491	19,021	14,840

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

6 Other receivables and prepayments

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
Prepaid expenses	505	594	641
Unamortised dealer commission	-	2	-
Other receivables	1,628	1,344	1,348
	2,133	1,940	1,989
Allowance for ECL against other receivables [refer 6(a)]	(1,619)	(1,211)	(1,343)
	514	729	646

(a) Allowance for ECL for impairment against other receivables includes provision held against legal fee and other charges recoverable from various individual and corporate parties under litigations.

The Company applies the three-stage model under IFRS 9 to measure the expected credit losses for other receivables. Under the three-stage model, management analyses the credit quality of cash and cash equivalents. The financial assets that do not have a significant increase in credit risk since the initial recognition are considered as stage 1 assets and management follows the 12 months expected credit loss method for recognising the loss allowance. When there is a significant increase in credit risk noted since the initial recognition, those assets are considered under stage 2 and lifetime expected credit loss is followed. Financial assets that have objective evidence of impairment at reporting stage (stage 3), lifetime expected credit loss is followed.

7 Financial assets at fair value through other comprehensive income

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
The Arab Leasing Company Limited	-	-	-

The Company has investment in a foreign unquoted equity security which is classified as financial asset at fair value through other comprehensive income. The fair value of this investment has been assessed as RO nil and a fair value reserve was created (net of tax) of RO 441,000 (30 September 2022 – RO 441,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

8 Vehicles, equipment and right-of-use assets

	Motor Vehicles RO'000	Office and computer equipment RO'000	Furniture and fixtures RO'000	Work in progress RO'000	Right-of- use assets RO'000	Total RO'000
Cost						
At 1 January 2023	194	1,714	1,062	-	498	3,468
Additions	-	63	90	-	-	153
Sale of assets	-	-	-	-	-	-
At 30 September 2023	194	1,777	1,152	-	498	3,621
Accumulated depreciation						
At 1 January 2023	184	1,525	689	-	218	2,616
Charge for the year	10	88	99	-	125	322
Sale of assets	-	-	-	-	-	-
At 30 September 2023	194	1,613	788	-	343	2,938
Net book value						
At 30 September 2023	-	164	364	-	155	683

	Motor Vehicles RO'000	Office and computer equipment RO'000	Furniture and fixtures RO'000	Work in progress RO'000	Right-of- use assets RO'000	Total RO'000
Cost						
At 1 January 2022	177	1,599	752	-	666	3,194
Recognition of right-of- use assets	-	-	-	-	99	99
Additions	28	43	-	271	-	342
Sale of assets	(11)	-	-	-	-	(11)
At 30 September 2022	194	1,642	752	271	765	3,624
Accumulated depreciation						
At 1 January 2022	168	1,409	632	-	545	2,754
Charge for the year	22	79	43	-	149	293
Sale of assets	(10)	-	-	-	-	(10)
At 30 September 2022	180	1,488	675	-	694	3,037
Net book value						
At 30 September 2022	14	154	77	271	71	587

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

9 Statutory deposit

The Company is required to maintain a deposit of RO 250,000 (September 2022 - RO 250,000) with the Central Bank of Oman, which is restricted in nature, in accordance with the applicable licensing regulations. During the period, the deposit earned interest at the rate of 1.5% (September 2022 - 1.5%) per annum.

10 Creditors, accruals and other liabilities

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
Leased assets payable	774	1,357	791
Accruals for expenses	669	1,353	1,631
Lease liability	107	3	220
VAT liability	56	49	50
Other liabilities	466	213	203
	2,072	2,975	2,895

10.1 Provision for employees' end of service benefits

	Sep-2023	Sep-2022	Dec-2022
	RO'000	RO'000	RO'000
At 1 January	247	200	200
Charge for the year (note 17.1)	83	30	47
Paid during the year	(65)	-	-
At Period end	265	230	247

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the net present value of its obligations as at 30 September 2023 and 2022, using the projected unit credit method, in respect of employees' end of service benefits payable under the Oman Labour Law 2003 and the Social Security Law of 1991. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 6% (2022 - 6%) per annum. Under this method, an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3 % (2022 - 3%) per annum.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

11 Short-term loans

The Company availed short term borrowing facilities from various commercial banks. The contractual limits of these borrowings are approximately RO 59.0 million (September 2022 - RO 57 million), which are entirely secured against pari-passu charges over net investment in finance leases, working capital finance and factoring receivables. Maturities of the short-term loans are disclosed in note 23 (b) to these financial statements.

The table below indicates the composition of the short-term loans as at 30 September:

	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
Bank overdrafts	32	-	-
Short-term loans	<u>56,249</u>	55,167	40,040
	<u>56,281</u>	55,167	40,040

There is no default or breach of terms and conditions of the loan agreements during the period ended 30 September 2023 and 2022.

12(a) Long-term loans

The Company has entered into long term loan facility agreements with commercial banks. The aggregate contractual limit of long-term loans is RO 82.05 million (September 2022 - RO 80.734 million). These loans are secured by a pari-passu charge over the total assets of the Company. The maturity dates of the aforementioned facilities range from October 2023 to July 2028.

Total outstanding long-term loans at 30 September 2023 amount to RO 73.805 million (September 2022 – RO 67.096 million) out of which current portion of long-term loans as at 30 September 2023 amounted to RO 28.449 million (September 2022 - RO 24.120 million).

The Company is subject to certain covenants primarily relating to its borrowings. The Company was in compliance with covenants at 30 September 2023 and 30 September 2022.

12(b) Unsecured non-convertible bonds

The Company issued unsecured non-convertible bonds for an amount of RO 14.630 million (2021- RO 13.232 million) on 23 November 2022 (2021- 15 November 2021) for a period of 2 years (2021 – 2 years). The coupon rate is 7% (2021 – 7%) per annum.

	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
Bonds	<u>28,579</u>	13,585	28,088
	<u>28,579</u>	13,585	28,088

13 Corporate and security deposits

	Sep-2023 RO'000	Sep-2022 RO'000	Dec-2022 RO'000
Corporate deposits	32,561	13,427	21,879
Security deposits	33	32	32
	<u>32,594</u>	13,459	21,911

The Company accepts term deposits from corporate customers in accordance with the Central Bank of Oman guidelines for a minimum period of 3 months. The interest rates on corporate and security deposits range between 5.35 % to 7.00% per annum (2022 - 5.10% to 7.00% per annum). Maturity profile is included under note 23.

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14 Shareholders' equity

(a) Share capital

The authorised share capital comprises 300,000,000 ordinary shares (2022 - 300,000,000 ordinary shares) with a par value of RR 0.100 per share (2022: RR 0.100 per share). All issued ordinary shares are fully paid. The Company's issued and fully paid-up share capital comprises of 263,840,000 ordinary shares (2022 - 258,660,000 ordinary shares). Central Bank of Oman's requirement related to minimum paid up capital is set out under note 3.3 to these financial statements. At 30 September, the shareholders who own 10% or more of the Company's share capital were:

	Sep-2023		Sep-2022	
	Shareholding %	Shares held	Shareholding %	Shares Held
Oman Investment Authority	35.55	93,799,065	35.27	91,231,848
Arab Investment Company S.A.A	18.79	49,562,568	18.79	48,590,753
Iran Foreign Investment Company	12.49	32,965,406	12.49	32,319,026

(b) Legal reserve

In accordance with article 274 of the Commercial Companies Law of 2019, annual appropriations of 10% from the profit for the year, are made to this legal reserve until the accumulated balance of the reserve is equal to one third of the Company's paid up share capital. This reserve is not available for distribution.

(c) Impairment reserve

Impairment reserve net of tax is created by appropriation from retained earnings when the calculated provision as per CBO norms is higher than IFRS9 ECL.

As of September 2023, the Company holds an impairment reserve of RO 2.222 million net of tax for the difference that existed on 30 September 2023 (30 September 2022: RO 2.222 million).

(d) General reserve

During the year 2022, the Board of Directors of the Company resolved to transfer an additional amount of RO 152,000 to general reserve. The reserve is created by transfer of 5% of net profit for the year after appropriation towards legal reserve as approved by Board of Directors. This reserve will not be available for future distribution once created.

(e) Dividend

The financial statements for the period ended 30 September 2023 reflect the payment of dividend of RO 1.293m -5% cash and RO. 0.518m- 2% stock (2022 – RO. 0.761m - 3% cash and RO. 0.507m – 2% stock) as approved by the shareholders in the AGM.

15 Net assets per share

Net assets per share is calculated by dividing the net assets at the year-end by the number of shares outstanding as follows:

	Sep-2023	Sep-2022	Dec-2022
Net equity (RO'000)	48,144	45,593	46,966
Number of ordinary shares outstanding at 30 September (Numbers 000)	263,840	258,660	258,660
Net assets per share (baizas)	182	176	182

**NOTES TO THE FINANCIAL STATEMENTS
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16 Finance lease

(a) Other operating income

	Sep-2023 RO'000	Sep-2022 RO'000
Insurance commission	956	691
Services charges	864	761
Foreclosure charges	165	127
Profit on sale of assets	-	8
	<u>1,985</u>	<u>1,587</u>

17 Operating expenses

	Sep-2023 RO'000	Sep-2022 RO'000
Staff costs (note 17.1)	3,043	2,906
Professional fees and subscriptions	179	103
Communication costs	243	208
Travelling expenses	163	167
Directors' remuneration and sitting fees (note 20.1)	226	198
Advertising and sales promotion	63	53
IT maintenance and license fees	28	20
Printing and stationery expenses	86	66
Utility costs	25	39
Annual general meeting expenses	9	11
Insurance	30	33
Donations	18	7
Other office expenses	288	243
	<u>4,401</u>	<u>4,054</u>

17.1 Components of staff costs

	Sep-2023 RO'000	Sep-2022 RO'000
Wages and salaries	2,620	2,550
Other benefits	156	162
Contribution to defined contribution plan*	184	165
Charge for end of service benefits (note 10.1)	83	29
	<u>3,043</u>	<u>2,906</u>

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

18 Taxation

(a) Components of tax expense:

	Sep-2023 RO'000	Sep-2022 RO'000
<i>Current tax</i>		
- current year	436	354
	<u>436</u>	<u>354</u>

**NOTES TO THE FINANCIAL STATEMENTS
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18 Taxation (continued)

(b) Reconciliation of tax expense

The Company has provided for taxation in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% (2022 - 15%) of taxable profits. The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

	Sep-2023 RO'000	Sep-2022 RO'000
Accounting profit before taxation	<u>2,907</u>	2,361
Income tax expense computed at applicable tax rates	<u>436</u>	354
	<u>436</u>	<u>354</u>

(c) The movement in taxation liability is as follows:

	Sep-2023 RO'000	Sep-2022 RO'000
At 1 January	600	471
Paid during the period	(585)	(457)
Current tax for the period	<u>436</u>	<u>354</u>
At 30 September	<u>451</u>	<u>368</u>

(d) Status of the tax assessments

The tax returns of the Company for the tax years 2019 to 2022 have not yet been agreed with the Secretariat General for Taxation at the Ministry of Finance. The management is of the opinion that any other additional taxes, if any, related to the open tax years would not be material to the Company's financial position as at 30 September 2023.

(e) Vat assessments

The company filed VAT returns for the financial years 2021 and 2022 and the Secretary General of Tax is yet to take up the assessment.

(f) Deferred tax asset

Deferred income taxes are calculated on all taxable temporary differences using a principal tax rate of 15% (2022 - 15%). Deferred tax assets and the deferred tax charge in the statement of profit or loss and other comprehensive income are as follows:

Deferred tax asset/(liability)	1 January 2023 RO'000	Recognised in the statement of profit or loss and other comprehensive income RO'000	30 September 2023 RO'000
Vehicles and equipment	20	(11)	9
Impairment allowance on investment in finance leases, working capital finance, factoring receivables and other receivables	-	-	-
Fair value change of financial assets at fair value through other comprehensive income	78	-	78
Right-of-use assets and lease liabilities	<u>(9)</u>	<u>1</u>	<u>(8)</u>
Deferred tax asset – net	<u>89</u>	<u>(10)</u>	<u>79</u>

**NOTES TO THE FINANCIAL STATEMENTS
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18 Taxation (continued)

(f) Deferred tax asset (continued)

Vehicles and equipment	20	-	20
Impairment allowance on investment in finance leases, working capital finance, factoring receivables and other receivables	-	-	-
Fair value change of financial assets at fair value through other comprehensive income	78	-	78
Right-of-use assets and lease liabilities	(9)	-	(9)
Deferred tax asset	89	-	89

19 Basic and diluted earnings per share

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

	Sep-2023	Sep-2022
Profit for the year (RO'000)	2,471	2,007
Weighted average number of shares during the period (Numbers 000)	263,840	258,660
Basic and diluted earnings per share (baizas)	12.49	10.35

20 Related party transactions

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

The following were the transactions and balances which are with those related parties which meet the definition of a related party under IAS 24. The Company has entered into these transactions in the ordinary course of business and the terms and conditions of these transactions are mutually agreed.

	Sep-2023 RO'000	Sep-2022 RO'000
Transactions with related party:		
Interest on corporate and security deposits (shareholder)	121	175
Finance income (key management personnel)	1	2

The Company maintains the following balances with these related parties which arise in the normal course of business.

	Sep-2023	Sep-2022
Balances with related party:		
Corporate and security deposits (shareholder)	4,515	1,673
Net investment in finance leases (key management personnel)	22	19

**NOTES TO THE FINANCIAL STATEMENTS
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20 Related party transactions (continued)

20.1 Compensation of key management personnel

Key management personnel are those personnel having authority and responsibility for planning, directing and controlling the activities of the Company. The remuneration of key management during the year was as follows:

	Sep-2023 RO'000	Sep-2022 RO'000
Directors' remuneration and sitting fees	226	198
Salaries, end of service benefits and other benefits	513	392
	<u>739</u>	<u>590</u>

20.2 The following are the related party transactions/balances which are outside the scope of IAS 24. However, those are disclosed in line with the local regulations. The Company has entered into these transactions in the ordinary course of business and the terms and conditions of these transactions are mutually agreed.

	Sep-2023 RO'000	Sep-2022 RO'000
Transactions with other related parties:		
Interest on bank loans	479	487
Interest on corporate and security deposits	<u>188</u>	<u>46</u>
Balances with other related parties:		
Bank borrowings	9,375	10,000
Corporate and security deposits	<u>6,100</u>	<u>1,100</u>

21 Fair value information

Based on the valuation methodology outlined below, the fair value of all financial instruments at 30 September 2023 is considered by the management not to be materially different from their carrying values except for net investment in finance leases, working capital finance and factoring receivables.

Fair value of net investment in finance leases, working capital finance and factoring receivables is calculated based on discounted expected future principal and interest cash flows. Repayments are assumed to occur at contractual repayment dates, where applicable. For finances that do not have fixed repayment dates or that are subject to repayment risk, repayments are estimated based on experience in previous periods when interest rates were at levels similar to current levels, adjusted for any differences in interest rate outlook. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of finances are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The estimated fair values of finances reflect changes in credit status since the finances were made and changes in interest rates in the case of fixed rate leases.

The estimated fair value of other financial instruments is based on discounted cash flows using rates currently offered for deposits of similar remaining maturities. As other financial instruments are either short term in nature or subject to repricing at the market rates on regular intervals, the fair value approximates to the carrying value.

Fair value measurements recognised in the statement of financial position:

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets;
- Level 2 fair value measurements are those derived from 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); and

**NOTES TO THE FINANCIAL STATEMENTS
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- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22 Segment analysis

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

	Sep-2023 RO'000			Sep-2022 RO'000		
	Retail	Corporate	Total	Retail	Corporate	Total
Income						
Finance income	7,305	11,452	18,757	5,347	9,536	14,883
Interest expense			(8,879)			(6,727)
Net income from financing activities			9,878			8,156
Other operating income			1,985			1,770
Total income			11,863			9,926
Expenses						
General and administrative expenses			(4,401)			(4,124)
Depreciation			(322)			(293)
Allowance for ECL	(835)	(3,398)	(4,233)	(654)	(2,494)	(3,148)
Profit before taxation			2,907			2,361
Taxation			(436)			(354)
Profit for the year			2,471			2,007
Assets						
Net investment in finance leases, working capital finance and factoring receivables	76,118	148,983	225,101	59,113	128,397	187,510
Other assets			17,090			10,963
Total assets			242,191			198,473
Liabilities						
Total liabilities			194,047			152,880

The chief operating decision maker monitors income, provision for impairment and net investment in finance leases, working capital finance and factoring receivables for the above two operating segments.

Geographic operating segments

All Company's leasing activities are carried-out in the Sultanate of Oman.

**NOTES TO THE FINANCIAL STATEMENTS
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23 Financial instruments and financial risk management

(a) *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 30 September 2023 and 2022:

	0 - 30 days RO'000	31 - 180 days RO'000	181 - 365 days RO'000	1 - 3 years RO'000	Over 3 years RO'000	Non interest rate sensitive RO'000	Total RO'000
30 September 2023							
Financial assets							
Cash and bank balances	1,663	12,851	-	1,050	-	-	15,564
Net investment in finance leases, Working capital finance and factoring receivables	23,254	13,671	16,023	47,203	124,950	-	225,101
Other receivables	-	-	-	-	9	-	9
Statutory deposit	-	-	-	-	250	-	250
Total financial assets	24,917	26,522	16,023	48,253	125,209	-	240,924
Financial liabilities							
Short-term loans	40,081	16,200	-	-	-	-	56,281
Creditors, accruals and other liabilities	-	-	-	-	-	2,072	2,072
Corporate and security deposits	32	9,023	10,000	13,440	99	-	32,594
Unsecured non-convertible bonds	-	13,949	-	14,630	-	-	28,579
Long term loans	3,110	12,622	12,841	36,832	8,400	-	73,805
Total financial liabilities	43,223	51,794	22,841	64,902	8,499	2,072	193,331
Interest rate sensitive gap	(18,306)	(25,272)	(6,818)	(16,649)	116,710	(2,072)	47,593
Cumulative gap	(18,306)	(43,578)	(50,396)	(67,045)	49,665	47,593	

	0 - 30 days RO'000	31 - 180 days RO'000	181 - 365 days RO'000	1 - 3 years RO'000	Over 3 years RO'000	Non interest rate sensitive RO'000	Total RO'000
30 September 2022							
Financial assets							
Cash and bank balances	-	2,000	-	3,500	-	3,808	9,308
Net investment in finance leases, Working capital finance and factoring receivables	21,411	11,858	14,242	51,576	88,423	-	187,510
Other receivables	-	-	-	-	-	132	132
Statutory deposit	-	-	-	-	-	250	250
Total financial assets	21,411	13,858	14,242	55,076	88,423	4,190	197,200
Financial liabilities							
Short-term loans	34,667	20,500	-	-	-	-	55,167
Creditors, accruals and other liabilities	-	-	-	-	-	2,975	2,975
Corporate and security deposits	1,039	2,469	5,958	3,945	48	-	13,459
Unsecured non-convertible bonds	-	-	-	13,585	-	-	13,585
Long term loans	2,317	10,244	11,680	32,945	9,910	-	67,096
Total financial liabilities	38,023	33,213	17,638	50,475	9,958	2,975	152,282
Interest rate sensitive gap	(16,612)	(19,355)	(3,396)	4,601	78,465	1,215	44,918
Cumulative gap	(16,612)	(35,967)	(39,363)	(34,762)	43,703	44,918	

**NOTES TO THE FINANCIAL STATEMENTS
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23 Financial instruments and financial risk management (continued)

(a) *Interest rate risk (continued)*

Net investment in finance leases, working capital finance and factoring receivables carry interest rates ranging between 6 % to 19.5% (2022 – 6% to 19.5%) per annum. Interest rates for all other interest-bearing financial assets and financial liabilities are disclosed in the respective notes to these financial statements.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will be unable to meet its payment obligations regarding its financial liabilities when they fall due under normal and stress circumstances. Liquidity risk arises because of the possibility that the Company will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. Liquidity risk can also be caused by market disruptions or credit downgrades, which may cause certain sources of funding to be less readily available. To mitigate this risk, management manages assets with liquidity in mind, maintaining an appropriate balance of cash and cash equivalents and monitors future cash flows and liquidity on a daily basis to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company also has revolving credit facilities from commercial banks that it can access to meet future liquidity needs.

The Company expects to have adequate liquid funds to settle its current liabilities through close monitoring of both current assets and current liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows. The effect of discounting of liabilities with contractual maturity of less than 1 year is not considered material. Company's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring the statement of financial position liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The amounts disclosed in table below analyses the Company's assets and liabilities as on 30 September 2023 and 2022 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	0 - 30 Days RO'000	31 - 180 days RO'000	181 - 365 days RO'000	1 - 3 years RO'000	Over 3 years RO'000	Non-fixed maturity RO'000	Total RO'000
September 2023							
Financial assets							
Cash and bank balances	1,663	12,872	-	1,097	-	-	15,632
Net investment in finance leases, Working capital finance and factoring receivables	28,911	27,265	31,188	85,240	190,204	-	362,808
Other receivables	-	-	-	-	-	9	9
Statutory deposit	-	-	-	-	-	250	250
Total	30,574	40,137	31,188	86,337	190,204	259	378,699
Financial liabilities							
Short-term loans	40,165	16,356	-	-	-	-	56,521
Lease liabilities	380	394	-	-	-	-	774
Creditors, accruals and other liabilities (excluding lease liabilities)	228	963	107	-	-	-	1,298
Corporate and security deposits	32	9,830	10,679	13,848	99	-	34,488
Unsecured non-convertible bonds	-	14,218	511	15,143	-	-	29,872
Long term loans	3,517	14,414	14,572	40,123	8,736	-	81,362
Non-financial liabilities							
Provision for employees' end of service benefits	-	-	-	-	-	265	265
Tax payable	-	451	-	-	-	-	451
Total liabilities	44,322	56,626	25,869	69,114	8,835	265	205,031
Liquidity gap	(13,748)	(16,489)	5,319	17,223	181,369	(6)	173,668
Cumulative liquidity gap	(13,748)	(30,237)	(24,918)	(7,695)	173,674	173,668	

**NOTES TO THE FINANCIAL STATEMENTS
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23 Financial Instruments and financial risk management (continued)

(b) Liquidity risk (continued)

	0 - 30 Days RO'000	31 - 180 days RO'000	181 - 365 days RO'000	1 - 3 years RO'000	Over 3 years RO'000	Non-fixed maturity RO'000	Total RO'000
September 2022							
Financial assets							
Cash and bank balances	3,808	2,000	-	3,500	-	-	9,308
Net investment in finance leases, Working capital finance and factoring receivables	26,661	22,497	26,122	88,990	131,251	-	295,521
Other receivables	-	-	-	-	-	132	132
Statutory deposit	-	-	-	-	-	250	250
Total	30,469	24,497	26,122	92,490	131,251	382	305,211
Financial liabilities							
Short-term loans	34,734	20,681	-	-	-	-	55,415
Lease liabilities	680	677	-	-	-	-	1,357
Creditors, accruals and other liabilities (excluding lease liabilities)	392	1,174	52	-	-	-	1,618
Corporate and security deposits	1,040	2,728	6,195	4,259	51	-	14,273
Unsecured non- convertible bonds	-	-	463	13,699	-	-	14,162
Long term loans	2,430	11,911	13,622	36,232	10,574	-	74,769
Non-financial liabilities							
Provision for employees' end of service benefits	-	-	-	-	230	-	230
Tax payable	-	368	-	-	-	-	368
Total liabilities	39,276	37,539	20,332	54,190	10,855	-	162,192
Liquidity gap	(8,807)	(13,042)	5,790	38,300	120,396	382	143,019
Cumulative liquidity gap	(8,807)	(21,849)	(16,059)	22,241	142,637	143,019	

The Company has un-utilised credit facilities as at reporting date to mitigate the impact of negative mismatch. Please refer to note 11 and 12 for details of un-utilised credit facilities.

**NOTES TO THE FINANCIAL STATEMENTS
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24 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

September 2023	Financial assets at fair value through other comprehensive income RO'000	Amortised cost RO'000	Total carrying amount RO'000
Financial assets			
Cash and cash equivalents	-	15,564	15,564
Net investment in finance leases, working capital finance and factoring receivables	-	225,101	225,101
Other receivables	-	9	9
Statutory deposit	-	250	250
Total financial assets	<u>-</u>	<u>240,924</u>	<u>240,924</u>

24 Financial instruments by category (continued)

	Total carrying amounts RO'000
Financial liabilities (all at amortised cost)	
Short-term loans	56,281
Creditors, accruals and other liabilities (excluding end of service benefits)	2,072
Unsecured non-convertible bonds	28,579
Corporate and security deposits	32,594
Long term loans	73,805
Total financial liabilities	<u>193,331</u>

September 2022	Financial assets at fair value through other comprehensive income RO'000	Amortised cost RO'000	Total carrying amount RO'000
Financial assets			
Cash and cash equivalents	-	9,308	9,308
Net investment in finance leases, working capital finance and factoring receivables	-	187,510	187,510
Other receivables	-	132	132
Statutory deposit	-	250	250
Total financial assets	<u>-</u>	<u>197,200</u>	<u>197,200</u>

	Total carrying amounts RO'000
Financial liabilities (all at amortised cost)	
Short-term loans	55,167
Creditors, accruals and other liabilities (excluding end of service benefits)	2,975
Unsecured non-convertible bonds	13,585
Corporate and security deposits	13,459
Long term loans	67,096
Total financial liabilities	<u>152,282</u>