

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022

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NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE

	Note	Three months ended 31 March 2022 RO '000	Three months ended 31 March 2021 RO '000
Income			
Income from financing activities	12 (a)	10,479	9,588
Finance costs		(4,188)	(4,128)
Net finance income		6,291	5,460
Other operating income	6	852	662
		7,143	6,122
Expenses			
Operating expenses	7	(2,755)	(2,445)
Depreciation	13	(137)	(190)
Amortization	14	(81)	(71)
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	(1,225)	(1,461)
Bad debts written back		9	56
Total expenses		(4,189)	(4,111)
Profit before tax		2,954	2,011
Income tax expense	8 (b)	(443)	(310)
Profit after tax		2,511	1,701
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Movement in revaluation reserve – net of tax		2	-
Change in fair value of cash flow hedge		(89)	-
Other comprehensive income		(87)	-
Total comprehensive income		2,424	1,701
Basic and diluted earnings per share (RO)	9	0.004	0.002

The notes and other explanatory information on pages 7 to 21 form an integral part of these financial statements.

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT

		31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
	Note			
ASSETS				
Cash and cash equivalents	10	3,987	3284	5579
Net investment in finance leases	12	354,610	348,644	350,158
Working capital and factoring receivables	12	60,697	53,997	56,154
Advances, prepayments and other receivables		3,398	2830	3201
Asset held for sale	27	1,500	1500	1500
Goodwill	4.3	5,950	5950	5950
Intangible assets	14	833	1009	994
Property and equipment	13	6,615	7072	6720
Statutory deposit	11	250	20	20
Total assets		437,840	424,596	430,416
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors and accruals	18	15,418	11,345	9327
Tax liabilities	8 (b)	2,710	1,997	3476
Bank borrowings	20	276,297	275,266	272,919
Fixed deposits	21	32,603	28,785	31,269
Deferred tax liabilities	8 (c)	533	10	53
End of service benefits	19	605	58	58
Total liabilities		328,166	318,166	318,112
EQUITY				
Capital and reserves				
Share capital	15	54,123	54,123	54,123
Share premium	1.2	5,786	5,786	5,786
Revaluation reserve		1,029	1,040	1,031
Foreign currency reserve	28	4,321	4,321	4,321
Voluntary reserve	29	3,000	3,000	3,000
Cash flow hedge reserve	3.2.1	(662)	(260)	(573)
Legal reserve	16	9,363	8,501	9,363
Retained earnings		14,645	11,850	17,184
Total shareholders' equity attributable to the equity holders of the company		91,605	88,361	94,235
Perpetual bonds	17	18,069	18,069	18,069
Total equity		109,674	106,430	112,304
Total liabilities and equity		437,840	424,596	430,416
Net assets per share (RO)	9	0.169	0.163	0.174

These financial statements including notes and other explanatory information on pages 7 to 21 were approved and, authorised for issue in accordance with a resolution of the Board of Directors on 27, April 2022 and signed on their behalf by:

TAYA JANDAL ALI
CHAIRMAN

TARIQ SULAIMAN AL FARSI
CHIEF EXECUTIVE OFFICER

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED**

	Share capital RO '000	Share premium RO '000	Revaluation reserve RO '000	Foreign currency reserve RO '000	Voluntary reserve RO '000	Cash flow hedge reserve RO '000	Legal reserve RO '000	Retained earnings RO '000	Total RO '000	Perpetual bonds RO '000	Total RO '000
1 January 2022	54,123	5,786	1,031	4,321	3,000	(573)	9,363	17,184	94,235	18,069	112,304
<i>Comprehensive income:</i>											
Profit for the period	-	-	-	-	-	-	-	2,511	2,511	-	2,511
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(2)	-	-	-	-	2	-	-	-
Change in fair value	-	-	-	-	-	(89)	-	-	(89)	-	(89)
<i>Total comprehensive income</i>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>2,513</u>	<u>2,422</u>	<u>-</u>	<u>2,422</u>
<i>Other transactions within equity:</i>											
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(722)	(722)	-	(722)
<i>Total other transactions within equity</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(722)</u>	<u>(722)</u>	<u>-</u>	<u>(722)</u>
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
<i>Total transactions with owners</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,330)</u>	<u>(4,330)</u>	<u>-</u>	<u>(4,330)</u>
31 March 2022	54,123	5,786	1,029	4,321	3,000	(662)	9,363	14,645	91,605	18,069	109,674

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED *(continued)***

	Share capital RO '000	Share premium RO '000	Revaluation reserve RO '000	Foreign currency reserve RO '000	Voluntary reserve RO '000	Cash flow hedge reserve RO '000	Legal reserve RO '000	Retained earnings RO '000	Total RO '000	Perpetual bonds RO '000	Total RO '000
1 January 2021	54,123	5,786	100	4,321	300	(28)	81	14,117	90,590	1809	108,659
<i>Comprehensive income:</i>											
Profit for the period	-	-	-	-	-	-	-	1,701	1,701	-	1,701
<i>Other comprehensive loss</i>											
Incremental depreciation – net of tax	-	-	-	-	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	38	-	-	38	-	38
<i>Total comprehensive income</i>	-	-	-	-	-	38	-	1,701	1,739	-	1,739
<i>Other transactions within equity:</i>											
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(721)	(721)	-	(721)
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(721)	(721)	-	(721)
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(3,247)	(3,247)	-	(3,247)
<i>Total transactions with owners</i>	-	-	-	-	-	-	-	(3,247)	(3,247)	-	(3,247)
31 March 2021	54,123	5,786	100	4,321	300	(20)	81	11,850	88,361	1809	106,430

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED (continued)**

	Share capital RO '000	Share premium RO '000	Revaluation reserve RO '000	Foreign currency reserve RO '000	Voluntary reserve RO '000	Cash flow hedge reserve RO '000	Legal reserve RO '000	Retained earnings RO '000	Total RO '000	Perpetual bonds RO '000	Total RO '000
1 January 2021	54,123	5,786	1,040	4,321	3,000	(298)	8,501	14,117	90,590	18,069	108,659
<i>Comprehensive income:</i>											
Profit for the year	-	-	-	-	-	-	-	8,622	8,622	-	8,622
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(9)	-	-	-	-	9	-	-	-
Change in fair value	-	-	-	-	-	(275)	-	-	(275)	-	(275)
<i>Total comprehensive income</i>	-	-	(9)	-	-	(275)	-	8,631	8,347	-	8,347
<i>Other transactions within equity:</i>											
Transfer to legal reserve (note 16)	-	-	-	-	-	-	862	(862)	-	-	-
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(1,455)	(1,455)	-	(1,455)
<i>Total other transactions within equity</i>	-	-	-	-	-	-	862	(2,317)	(1,455)	-	(1,455)
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(3,247)	(3,247)	-	(3,247)
<i>Total transactions with owners</i>	-	-	-	-	-	-	-	(3,247)	(3,247)	-	(3,247)
31 December 2021	54,123	5,786	1,031	4,321	3,000	(573)	9,363	17,184	94,235	18,069	112,304

The notes and other explanatory information on pages 7 to 21 form an integral part of these financial statements.

NATIONAL FINANCE CO. SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED

	Note	31 March 2022 RO '000	31 March 2021 RO '000
Cash flows from operating activities			
Profit before tax		2,954	2,011
Adjustments for:			
Depreciation	13	137	190
Amortization	14	81	71
End of service benefits charge	19	39	32
Gain on sale of property and equipment		(95)	-
Impairment on lease receivables	12 (b)	1,225	1,461
Bad debts written back		(9)	(56)
Finance costs		4,188	4,128
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		8,520	7,837
Changes in working capital:			
Net investment in financing activities, working capital and factoring receivables		(10,914)	(2,465)
Advances, prepayments and other receivables		(197)	(376)
Creditors and accruals		2,374	595
		(8,737)	(2,246)
Interest paid		(4,385)	(4,070)
Income tax paid	8 (e)	(1,208)	-
End of service benefits paid	19	(22)	(115)
Net cash used in from operating activities		(5,832)	1,406
Cash flows from investing activities			
Purchase of property and equipment	13	(32)	(173)
Purchase of intangible assets	14	(10)	-
Proceeds from sale of property and equipment		95	-
Net cash generated from in investing activities		53	(173)
Cash flows from financing activities			
Proceeds from bank borrowings	23	105,236	65,340
Repayment of bank borrowings	23	(102,415)	(72,721)
Proceeds from fixed deposits	23	3,950	8,973
Repayment of fixed deposits	23	(2,432)	(4,800)
Perpetual bond interest paid		(722)	(721)
Net cash used in financing activities		3,617	(3,929)
Net change in cash and cash equivalents during the period		(2,162)	(2,696)
Cash and cash equivalents at the beginning of the period		5,579	5,407
Cash and cash equivalents at the end of the period	10	3,417	2,711

The notes and other explanatory information on pages 7 to 21 form an integral part of these financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022****1. General****1.1 Legal status and principal activities**

National Finance Company SAOG (the Company or NFC) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman and is listed on the Muscat Securities Market. The principal activity of the Company is leasing business. The Company derives all of its income from financing operations, factoring and working capital funding within the Sultanate of Oman.

The Company operates across the Sultanate of Oman in 20 locations as at 31 March 2022 (31 March 2021: 19 locations, 31 December 2021: 20 locations).

2 Summary of significant accounting policies

This unaudited condensed interim financial information as at and for the three months period ended 31 March 2022 has been prepared in accordance with IAS 34, 'Interim financial reporting' and in compliance with the applicable provisions of the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading ('R&G') issued by the Capital Market Authority ('CMA') of the Sultanate of Oman and the Commercial Companies Law of 2019, as amended.

This unaudited condensed interim financial information does not include all the information required for full annual financial statements, and should be read in conjunction with the most recent full audited financial statements of the Company as at and for the year ended 31 December 2021.

2.1 Basis of preparation*(a) Statement of compliance*

The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board and the requirements of the Commercial Companies Law and the relevant disclosure requirements of the Capital Market Authority ("CMA") and applicable regulations of the Central Bank of Oman.

(b) Basis of preparation

These interim financial statements have been prepared under the historical cost convention except for asset held for sale, derivatives, land and building derivatives 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 2022 and relevant for the Company's operations:

For the period ended 31 March 2022, the Company has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2022.

3 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2021. There have been no changes in the risk management policies since that date.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

4 Critical accounting estimates and judgements

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2021.

5 Operating segments

The Company has only one reportable segment namely, leasing and financing activities which includes leasing activities, working capital and debt factoring, all of which are carried out in Oman; hence no geographical segmentation is disclosed. Although the Company has individual and corporate customers, the entire lease portfolio is managed internally as one operating segment. All the Company's funding and costs are common. All relevant information relating to this reportable segment is disclosed in the unaudited condensed interim statement of financial position, unaudited condensed interim statement of profit or loss and notes to the interim financial statements.

6 Other operating income

	Three months ended 31 March 2022 RO '000	Three months ended 31 March 2021 RO '000
Penal charges	168	168
Income from pre-closed leases	277	145
Cheque related charges	143	199
Miscellaneous income	264	150
	<u>852</u>	<u>662</u>

7 Operating expenses

	Three months ended 31 March 2022 RO '000	Three months ended 31 March 2021 RO '000
Employee related expenses	1,842	1,784
Occupancy costs	43	35
Communication costs	222	164
Professional fees and subscriptions	95	77
Advertising and sales promotion	45	41
Directors' remuneration and sitting fees (note 26)	80	62
Other office expenses	428	282
	<u>2,755</u>	<u>2,445</u>

8 Taxation

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 15% (2021 – 15%) on the taxable profits.

(a) Status of tax assessments

The Company's tax assessments have been completed by the tax authorities up to tax year 2018. Assessments of the Company for tax years 2019 to 2021 are subject to agreement with the Oman Taxation Authorities. The management is of the opinion that the additional taxes assessed in respect of open tax assessments, if any, would not be material to the Company's financial position as at 31 March 2022.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

8 Taxation (continued)

(b) *Tax liabilities - net*

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Deferred tax liability	533		5
Provision for income tax	2,710	9	3
Net tax liabilities	3,243	3	9

(c) *Reconciliation of tax expense*

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the period:

	Three months end 31 March 2022 RO '000	Three months ended 31 March 2021 RO '000
Accounting profit before tax	2,954	2,011
Income tax expense computed at applicable tax rates	443	310
Tax charge for the period	443	310

9 Basic and diluted earnings per share and net assets per share

The calculation of earnings per share is as follows:

	Three months ended 31 March 2022	Three months ended 31 March 2021
Profit for the period attributable to equity shareholders (RO '000)	2,511	1,701
Interest on perpetual bonds (RO '000)	(359)	(359)
Net profit attributable to ordinary shareholders (RO '000)	2,152	1,342
Weighted average number of shares during the period ('000)	541,230	541,230
Basic and diluted earnings per share (RO)	0.004	0.002

The calculation of net assets per share is as follows:

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Net assets attributable to ordinary shareholders (RO '000)	91,605	88,361	94,235
Number of shares at the period/ year end ('000)	541,230	541,230	541,230
Net assets per share (RO)	0.169	0.163	0.174

Earnings per share as at 31 March 2022 have been calculated using weighted average shares outstanding for the period. The weighted average shares outstanding for the period ended 31 March 2022 are 541,230,454 shares (31 March 2021: 541,230,454 shares). Net assets per share have been calculated using outstanding shares as at 31 March 2022, 31 March 2021 and 31 December 2021.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

10 Cash and cash equivalents

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Bank current accounts	3,929	3,222	5,448
Cash in hand	58	62	131
	<u>3,987</u>	<u>3,284</u>	<u>5,579</u>

11 Statutory deposit

The Company is required to maintain capital deposit of RO 250,000 with the Central Bank of Oman (CBO) in accordance with the applicable licensing requirements. During the period, the deposit earned effective interest at the rate of 1.5% (2021-1.5%) per annum.

12 Net investment in finance leases, working capital finance and factoring receivables

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Gross investment in finance leases	493,408	477,304	485,227
Working capital finance and factoring receivables	97,048	8,880	86,908
Unearned lease income	(123,965)	(109,711)	(116,558)
	<u>466,491</u>	<u>485,583</u>	<u>455,577</u>
Allowance for expected credit losses	(51,184)	(45,902)	(49,265)
Net investment in finance leases, working capital finance and factoring receivables	<u>415,307</u>	<u>402,641</u>	<u>406,312</u>
	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Net investment in finance leases	354,610	348,644	350,158
Working capital and factoring receivables	60,697	53,997	56,154
	<u>415,307</u>	<u>402,641</u>	<u>406,312</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

12 Net investment in finance leases, working capital finance and factoring receivables (continued)

(a) *Unearned lease income:*

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Opening balance	11658	10246	10246
Additions during the period/year	186	113	55287
Recognized during the period/year	(104)	(9,588)	(40,975)
Closing balance	1236	10711	116558

(b) *Allowance for expected credit losses (ECL):*

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

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Opening balance	485	433	4373
<u>Provision</u>			
Provided during the period/year	73	86	1539
Released during the period/ year	(61)	(745)	(11,374)
	12	11	395
<u>Unrecognized contractual income</u>			
Provided during the period/ year	16	18	277
Released during the period/ year	5	3	(118)
	11	15	157
Closing balance	518	492	4925

(c) The current and non-current amounts are disclosed in note 31 to these financial statements.

(d) The table below represents analysis of investment in finance leases, working capital finance and factoring receivables (gross and present value) for each of the following periods:

	Up to 1 month RO'000	>1 month to 1 year RO'000	> 1 year RO'000	Total RO'000
31 March 2022				
Gross	15,356	121,833	453,267	590,456
Present value	11,461	84,698	370,332	466,491
31 March 2021				
Gross	17,250	130,520	410,484	558,254
Present value	11,949	90,146	346,448	448,543
31 December 2021				
Gross	16,639	126,934	428,562	572,135
Present value	11,739	84,403	359,435	455,577

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

12 Net investment in finance leases, working capital finance and factoring receivables (continued)

(e) The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms:

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount RO' 000	Provision required as per CBO norms RO' 000	Provision held as per IFRS 9 RO' 000	Difference RO' 000	Net carrying amount RO' 000	Interest recognised as per IFRS 9 RO' 000	Reserve interest as per CBO Norms RO' 000
Standard	Stage 1	325,517	40	5,088	(5,048)	320,429	8,555	-
	Stage 2	70,393	12	7,612	(7,600)	62,781	1,775	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		395,910	52	12,700	(12,648)	383,210	10,330	-
Special Mention	Stage 1	6	1	1	-	5	-	-
	Stage 2	838	41	39	2	799	26	12
	Stage 3	5,930	276	1,476	(1,200)	4,454	-	412
Subtotal		6,774	318	1,516	(1,198)	5,258	26	424
Substandard	Stage 1	4	1	-	1	4	-	-
	Stage 2	156	38	7	31	149	10	1
	Stage 3	6,105	1,428	2,281	(853)	3,824	-	391
Subtotal		6,265	1,467	2,288	(821)	3,977	10	392
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	76	24	1	23	75	7	-
	Stage 3	5,719	1,850	1,978	(128)	3,741	17	722
Subtotal		5,795	1,874	1,979	(105)	3,816	24	722
Loss	Stage 1	14	14	1	13	13	1	-
	Stage 2	31	31	1	30	30	1	-
	Stage 3	51,702	38,653	32,699	5,954	19,003	87	8,004
Subtotal		51,747	38,698	32,701	5,997	19,046	89	8,004
Total	Stage 1	325,541	56	5,090	(5,034)	320,451	8,556	-
	Stage 2	71,494	146	7,660	(7,514)	63,834	1,819	13
	Stage 3	69,456	42,207	38,434	3,773	31,022	104	9,529
	Total	466,491	42,409	51,184	(8,775)	415,307	10,479	9,542
Total - 31 March 2021	Stage 1	345,860	386	6,245	(5,859)	339,615	8,576	6
	Stage 2	35,332	238	3,535	(3,297)	31,797	883	6
	Stage 3	67,351	39,663	36,122	3,541	31,229	129	7,988
	Total	448,543	40,287	45,902	(5,615)	402,641	9,588	8,000
Total - 31 December 2021	Stage 1	330,927	257	6,406	(6,149)	324,521	34,304	-
	Stage 2	58,783	323	6,510	(6,187)	52,273	5,760	2
	Stage 3	65,867	41,156	36,349	4,807	29,518	911	8,847
	Total	455,577	41,736	49,265	(7,529)	406,312	40,975	8,849

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

12 Net investment in finance leases, working capital finance and factoring receivables (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for restructured accounts:

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount RO' 000	Provision	Provision	Difference RO' 000	Net carrying amount RO' 000	Interest	Reserve
			required as per CBO norms RO' 000	held as per IFRS 9 RO' 000			recognised as per IFRS 9 RO' 000	interest as per CBO Norms RO' 000
Classified as performing	Stage 1	36,909	-	2,670	(2,670)	34,239	889	-
	Stage 2	16,460	-	2,142	(2,142)	14,318	357	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		53,369	-	4,812	(4,812)	48,557	1,246	-
Classified as non-performing	Stage 1	14	14	1	13	13	-	-
	Stage 2	4	4	-	4	4	-	-
	Stage 3	5,306	2,870	3,333	(463)	1,973	-	1,022
Subtotal		5,324	2,888	3,334	(446)	1,990	-	1,022
Total	Stage 1	36,923	14	2,671	2,657	34,252	889	-
	Stage 2	16,464	4	2,142	2,138	14,322	357	-
	Stage 3	5,306	2,870	3,333	(463)	1,973	-	1,022
	Total	58,693	2,888	8,146	(5,258)	50,547	1,246	1,022
Total - 31 March 2021	Stage 1	394	258	38	220	356	-	6
	Stage 2	25	16	2	14	23	2	1
	Stage 3	3,219	2,139	2,219	(80)	1,000	4	775
	Total	3,638	2,413	2,259	154	1,379	6	782
Total - 31 December 2021	Stage 1	24,454	15	2,186	(2,171)	22,268	1,526	-
	Stage 2	6,208	3	679	(676)	5,529	616	-
	Stage 3	3,750	2,438	2,699	(261)	1,051	35	878
	Total	34,412	2,456	5,564	(3,108)	28,848	2,177	878

The below table shows comparison of impairment allowance and loss held as per IFRS 9 and required as per CBO norms:

	<u>As per CBO norms</u>		<u>As per IFRS 9</u>		<u>Difference</u>	
	Current period RO' 000	Previous period RO' 000	Current period RO' 000	Previous period RO' 000	Current period RO' 000	Previous period RO' 000
Impairment loss charged to profit and loss	1,225	1,461	1,225	1,461	-	-
Provisions required as per CBO norms / held as per IFRS 9	51,951	48,287	51,184	45,902	767	2,385
Gross NPL ratio	15.1	15.5	14.9	15.0	0.2	0.5
Net NPL ratio	4.5	5.3	7.2	7.6	(2.7)	(2.3)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)

13 Property and equipment

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Capital WIP RO '000	Right of use asset RO '000	Total RO '000
At 31 March 2022							
Cost or valuation							
At 1 January 2022	1,050	4,201	4,817	270	-	268	10,606
Additions	-	-	32	-	-	-	32
Disposals	-	-	-	(95)	-	-	(95)
At 31 March 2022	1,050	4,201	4,849	175	-	268	10,543
Accumulated depreciation							
At 1 January 2022	-	181	3,242	232	-	231	3,886
Charge for the period	-	43	78	6	-	10	137
Disposals	-	-	-	(95)	-	-	(95)
At 31 March 2022	-	224	3,320	143	-	241	3,928
Net book value							
At 31 March 2022	1,050	3,977	1,529	32	-	27	6,615

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Capital WIP RO '000	Right of use asset RO '000	Total RO '000
At 31 March 2021							
Cost or valuation							
At 1 January 2021	1,050	3,958	4,925	270	219	268	10,690
Additions	-	-	123	-	44	-	167
Disposals / Transfers	-	243	20	-	(263)	-	-
At 31 March 2021	1,050	4,201	5,068	270	-	268	10,857
Accumulated depreciation							
At 1 January 2021	-	13	3,220	194	-	168	3,595
Charge for the period	-	40	115	16	-	19	190
At 31 March 2021	-	53	3,335	210	-	187	3,785
Net book value							
At 31 March 2021	1,050	4,148	1,733	60	-	81	7,072

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

13 Property and equipment (continued)

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Capital WIP RO '000	Right of use asset RO '000	Total RO '000
At 31 December 2021							
Cost or valuation							
At 1 January 2021	1,050	3,958	4,925	270	219	268	10,690
Additions	-	-	214	-	44	-	258
Transfers	-	243	20	-	(263)	-	-
Disposals	-	-	(342)	-	-	-	(342)
At 31 December 2021	1,050	4,201	4,817	270	-	268	10,606
Accumulated depreciation							
At 1 January 2021	-	13	3,220	194	-	168	3,595
Charge for the year	-	168	364	38	-	63	633
Disposals	-	-	(342)	-	-	-	(342)
At 31 December 2021	-	181	3,242	232	-	231	3,886
Net book value							
At 31 December 2021	1,050	4,020	1,575	38	-	37	6,720

A valuation of the land and buildings was last performed by third party independent valuers as on 31 December 2020 on an open market value basis. The revaluation surplus net of applicable deferred income tax was credited to other comprehensive income and is shown in 'revaluation reserve'. If the land and buildings were stated on the historical cost basis, the amount would be RO 4.19 million (31 March 2021- RO 4.19 million, 31 December 2021- RO 4.19 million).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

14 Intangible assets

	31 March 2022			31 March 2021			31 December 2021
	Computer software RO '000	Intangible assets on acquisition RO '000	Total RO '000	Computer software RO '000	Intangible assets on acquisition RO '000	Total RO '000	Total RO '000
Opening balance	405	1,792	2,197	305	1,792	2,097	2,097
Additions	10	-	10	6	-	6	100
	<u>415</u>	<u>1,792</u>	<u>2,207</u>	<u>311</u>	<u>1,792</u>	<u>2,103</u>	<u>2,197</u>
Accumulated Amortization							
Opening balance	269	1,024	1,293	195	768	963	963
Charge for the period/year	17	64	81	7	64	71	330
	<u>286</u>	<u>1,088</u>	<u>1,374</u>	<u>202</u>	<u>832</u>	<u>1,034</u>	<u>1,293</u>
Closing balance	<u>129</u>	<u>704</u>	<u>833</u>	<u>109</u>	<u>960</u>	<u>1,069</u>	<u>904</u>

15 Share capital

The authorised share capital of the Company comprises 750,000,000 ordinary shares of Baizas 100 each (31 March 2021 and 31 December 2021 - 750,000,000 ordinary share of Baizas 100 each). The Company's issued and fully paid-up share capital amounts to 541,230,454 shares of Baizas 100 each (31 March 2021 - 541,230,454 shares of Baizas 100 each and 31 December 2021 - 541,230,454 shares of Baizas 100 each).

16 Legal reserve

In accordance with 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 share capital. This reserve is not available for distribution.

17 Perpetual bonds

The Company issued 8% perpetual bonds for RO 18.200 million through private placement in 2018 for payment of purchase consideration to OOLC shareholders which are mentioned at net of bond issue expenses of RO 0.131 million.

18 Creditors and accruals

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Creditors	7,134	5,756	5,298
Accruals and other liabilities	3,292	2,046	3,445
Lease liabilities	-	36	11
Fair value of derivatives	662	260	573
Dividend payable	4,330	3,247	-
	<u>15,418</u>	<u>11,345</u>	<u>9,327</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

19 End of service benefits

The movement in end of service benefit benefits during the period is as follows:

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Opening balance	58	66	66
Expenditure recognized in the statement of comprehensive income	9	3	8
Payments during the period	2	(115)	(16)
Closing balance	<u>65</u>	<u>53</u>	<u>58</u>

20 Bank borrowings

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Bank overdrafts	9	573	-
Short-term loans	980	120,233	107,194
Current portion of long-term loans	907	103,780	86,836
Long-term loans	886	50,680	78,889
	<u>2622</u>	<u>275,266</u>	<u>272,919</u>

(a) During the period, interest was charged on the above borrowings at rates ranging between 2.58% and 6.50% per annum (31 March 2021- 2.59% and 6.50%, 31 December 2021-2.60% and 6.35% per annum).

(b) At the reporting date, all outstanding borrowings were secured by a first priority pari-passu floating charge on the assets of the Company, including but not limited to the Company's receivables from its customers.

(c) *Foreign currency forward contracts*

As at 31 March 2022, the notional amount of foreign currency forward contract amounted to RO 81.84 million [USD 212.78 million] (31 March 2021 RO 52.48 million [USD 136.28 million], 31 December 2021 - RO 71.67 million [USD 186.34 million]) to repay US Dollar term loans.

21 Fixed deposits

At 31 March 2022, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 32.60 million (31 March 2021 - 28.79 million, 31 December 2021 - RO 31.27 million), with tenure ranging from 6 months to 5 years as per guidelines issued by the Central Bank of Oman. The carrying amount includes interest accrued till the end of the period.

22 Proposed and approved dividends

The shareholders at the latest Annual General Meeting approved a cash dividend of 8 Baizas per share (8.00%) on the shares outstanding on the record date. The cash dividend is amounted to RO 4,329,844. These financial statements reflect these dividends, which accounted for in shareholders' equity as an appropriation of retained earnings in 2022.

The cash dividend paid for 2020 amounted to RO 3,247,383.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

23 Change in cash flows from financing activities (Principal)

Particulars	31 March 2022		31 March 2021	
	Cash flow from bank borrowings RO '000	Cash flow from fixed deposits RO '000	Cash flow from bank borrowings RO '000	Cash flow from fixed deposits RO '000
Opening balance	272,148	30,551	281,108	23,926
Additions during the period	105,236	3,950	65,340	8,973
Repayments during the period	(102,415)	(2,432)	(72,721)	(4,800)
Closing balance	274,969	32,069	273,727	28,099
Change in cash flows	2,821	1,518	(7,381)	4,173

24 Commitments

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Approved lease commitments (refer 'a')	4,330	6,957	6,648
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	12	40	14
	4,342	6,997	6,662

- (a) Approved lease commitments expected to be paid within 30 days from the date of lease creation.
(b) The operating lease pertain to the approved rentals to be paid in the future for the respective branches.

25 Contingencies

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Bank guarantees	98	211	145

In its ordinary course of business, the Company has arranged for bank guarantees in favour of its customers from banks in Oman.

26 Related party transactions and balances

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

The Company has entered into transactions in the ordinary course of business with related parties. Such transactions are at mutually agreed terms. Significant related party transactions during the period ended 31 March were as follows:

	Three months ended 31 March 2022 RO '000	Three months ended 31 March 2021 RO '000
Operating expenses	1	1
Sales incentive paid	-	11
Directors' fees and remuneration		
Directors' sitting fees and proposed remuneration (note 7)	80	62
Remuneration to key members of management during the period		
Salaries and other benefits	281	388

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

26 Related party transactions and balances (continued)

The following balances were payable to related parties:

	31 March 2022 RO '000	31 March 2021 RO '000	31 December 2021 RO '000
Corporate deposit	5,329	-	5,256
Sales incentive payable	<u>8</u>	-	<u>B</u>

27 Asset held for sale

Assets held for sale represents land acquired by the Company in part settlement of amounts due by the borrower following the conclusion of all credit recovery procedures available to the Company. This property was valued in September 2019 at RO 1.50 million and subsequently expected to be sold in the year 2022. The Company has recently valued this property on 19 December 2021 at RO 1.55 million. The property is based in Muscat at Ghala Heights, Wilayat Bausher.

28 Foreign currency reserve

In accordance with the CBO circular FM 11, the finance leasing Companies are required to create an exchange reserve of 20% in case when the foreign currency borrowings exceed 40% of the net worth of the Company. 10% of the reserve is required to be created at the end of the year of borrowing and 2.5% each in subsequent years.

29 Voluntary reserve

In addition to the existing allowance for non-performing assets, the Company is maintaining a voluntary reserve of RO 3 million for non-performing assets including an amount of RO 922K as required by CBO guidelines towards provisions held at the time of acquiring land in part settlement of amounts due by borrowers to support the growth of the Company. This reserve is non distributable in nature and transfer out of this reserve requires approval of the Board of Directors.

30 Financial instruments by category

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

Amortized cost	31 March 2022 RO'000	31 March 2021 RO'000	31 December 2021 RO'000
Financial assets			
Cash and cash equivalents	3,987	3,284	5,579
Net investment in finance leases	354,610	348,644	350,158
Working capital finance and factoring receivables	60,697	53,997	56,154
Other receivables	119	129	151
Statutory deposit	250	250	250
Total financial assets	<u>419,663</u>	<u>406,304</u>	<u>412,292</u>
	31 March 2022 RO'000	31 March 2021 RO'000	31 December 2021 RO'000
Financial liabilities			
Short-term loans	100,440	120,806	107,194
Creditors and accruals	14,756	11,085	8,754
Corporate deposits	32,603	28,785	31,269
Long term loans	175,857	154,460	165,725
Total financial liabilities	<u>323,656</u>	<u>315,136</u>	<u>312,942</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

31 Maturity analysis of assets and liabilities

The table below analyses the contractual maturities of assets and liabilities at the reporting date. The amounts show gross undiscounted cash flows.

At 31 March 2022	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Total RO '000
Assets					
Cash and cash equivalents	3,987	-	-	-	3,987
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	15,356	121,833	453,267	-	590,456
Advances and prepayments	-	3,398	-	-	3,398
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	833	833
Property and equipment	-	-	-	6,615	6,615
Total assets	19,343	126,731	453,267	13,648	612,989
Equity and liabilities					
Total equity	-	-	-	109,674	109,674
Liabilities:					
Bank borrowings and fixed deposits	39,019	190,115	92,455	-	321,589
Creditors and accruals	11,464	3,954	-	-	15,418
End of service benefits	-	-	-	605	605
Tax liabilities	1,407	1,303	-	533	3,243
Total equity and liabilities	51,890	195,372	92,455	110,812	450,529
Liquidity gap	(32,547)	(68,641)	360,812	(97,164)	
Cumulative liquidity gap	(32,547)	(101,188)	259,624	162,460	

At 31 March 2021	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Total RO '000
Assets					
Cash and cash equivalents	3,284	-	-	-	3,284
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	17,250	130,520	410,484	-	558,254
Advances and prepayments	-	2,830	-	-	2,830
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible asset	-	-	-	1,069	1,069
Property and equipment	-	-	-	7,072	7,072
Total assets	20,534	134,850	410,484	14,341	580,209
Equity and liabilities					
Total equity	-	-	-	106,430	106,430
Liabilities:					
Bank borrowings and fixed deposits	53,044	203,696	55,346	-	312,086
Creditors and accruals	9,003	2,342	-	-	11,345
End of service benefits	-	-	-	583	583
Tax liabilities	1,087	910	-	190	2,187
Total equity and liabilities	63,134	206,948	55,346	107,203	432,631
Liquidity gap	(42,600)	(72,098)	355,138	(92,862)	
Cumulative liquidity gap	(42,600)	(114,698)	240,440	147,578	

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2022 (continued)**

31 Maturity analysis of assets and liabilities (continued)

At 31 December 2021	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Total RO '000
Assets					
Cash and cash equivalents	5,579	-	-	-	5,579
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	16,639	126,934	428,562	-	572,135
Advances and prepayments	-	3,201	-	-	3,201
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	904	904
Property and equipment	-	-	-	6,720	6,720
Total assets	22,218	131,635	428,562	13,824	596,239
Equity and liabilities					
Total equity	-	-	-	112,304	112,304
Liabilities:					
Bank borrowings and fixed deposits	35,846	195,470	83,973	-	315,289
Creditors and accruals	5,298	4,029	-	-	9,327
End of service benefits	-	-	-	588	588
Tax liabilities	1,208	2,268	-	533	4,009
Total equity and liabilities	42,352	201,767	83,973	113,425	441,517
Liquidity gap	(20,134)	(70,132)	344,589	(99,601)	
Cumulative liquidity gap	(20,134)	(90,266)	254,323	154,722	

The Company had unutilized credit facilities amounting to RO 73.84 million available as on 31 March 2022 (31 March 2021 – RO 21.67 million, 31 December 2021 – RO 53.65 million) to mitigate the impact of negative mismatch. The Company expects, given experience, local practice and discussions with lenders that short-term borrowing facilities will be extended, renewed or replaced on expiry and fixed deposits maturing within one year will be renewed if required as well as other measures to meet the gap in maturity. Accordingly, these financial statements been prepared on a going concern basis.