

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

Registered office:

P.O.Box 1706
Postal Code 112
Ruwi
Sultanate of Oman

Principal place of business:

Madinat Al Irfan
Muscat Hills, Block No 9993,
Building No. 95, Fifth Floor,
Sultanate of Oman

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

Contents	Pages
Unaudited condensed interim statement of profit or loss and other comprehensive income	1
Unaudited condensed interim statement of financial position	2
Unaudited condensed interim statement of changes in equity	3 - 5
Unaudited condensed interim statement of cash flows	6
Notes to the unaudited condensed interim financial information	7 – 21

NATIONAL FINANCE COMPANY SAOG

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

		Quarter ended 30 June 2022	Six months ended 30 June 2022	Quarter ended 30 June 2021	Six months ended 30 June 2021
	Note	RO '000	RO '000	RO '000	RO '000
Income					
Income from financing activities	12 (a)	10,905	21,384	10,784	20,372
Finance costs		(4,428)	(8,616)	(4,324)	(8,452)
Net finance income		6,477	12,768	6,460	11,920
Other operating income	6	604	1,456	509	1,171
		7,081	14,224	6,969	13,091
Expenses					
Operating expenses	7	(3,106)	(5,861)	(3,189)	(5,634)
Depreciation	13	(152)	(289)	(170)	(360)
Amortization	14	(81)	(162)	(84)	(155)
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	(864)	(2,089)	(1,130)	(2,591)
Bad debts written back		66	75	59	115
Total expenses		(4,137)	(8,326)	(4,514)	(8,625)
Profit before tax		2,944	5,898	2,455	4,466
Income tax expense	8 (c)	(442)	(885)	(527)	(837)
Profit after tax		2,502	5,013	1,928	3,629
Other comprehensive income					
<u>Items that will not be reclassified to profit or loss</u>					
Movement in revaluation reserve – net of tax		2	4	5	5
Change in fair value of cash flow hedge		943	854	39	77
Other comprehensive income		945	858	44	82
Total comprehensive income		3,447	5,871	1,972	3,711
Basic and diluted earnings per share (RO)	9	0.004	0.008	0.003	0.005

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

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT

		30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
	Note			
ASSETS				
Cash and cash equivalents	10	8,662	3,531	5,579
Net investment in finance leases	12	349,648	348,090	350,158
Working capital and factoring receivables	12	70,631	56,617	56,154
Interest rate derivatives – cash flow hedges		281	-	-
Advances, prepayments and other receivables		3,726	2,947	3,201
Asset held for sale	27	1,500	1,500	1,500
Goodwill		5,950	5,950	5,950
Intangible assets	14	766	993	904
Property and equipment	13	6,634	6,937	6,720
Statutory deposit	11	250	250	250
Total assets		448,048	426,815	430,416
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors and accruals	18	9,814	8,529	9,327
Tax liabilities	8 (b)	1,623	1,405	3,476
Bank borrowings	20	287,908	276,993	272,919
Fixed deposits	21	34,324	30,591	31,269
Deferred tax liabilities	8 (b)	533	298	533
End of service benefits	19	596	602	588
Total liabilities		334,798	318,418	318,112
EQUITY				
Capital and reserves				
Share capital	15	54,123	54,123	54,123
Share premium		5,786	5,786	5,786
Revaluation reserve		1,027	1,035	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		281	(221)	(573)
Legal reserve	16	9,363	8,501	9,363
Retained earnings		17,149	13,783	17,184
Total shareholders' equity attributable to the equity holders of the company		95,050	90,328	94,235
Perpetual bonds	17	18,200	18,069	18,069
Total equity		113,250	108,397	112,304
Total liabilities and equity		448,048	426,815	430,416
Net assets per share (RO)	9	0.176	0.167	0.174

These unaudited condensed interim 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 July 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 SIX 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	-	-	-	-	-	-	-	5,013	5,013	-	5,013
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(4)	-	-	-	-	4	-	-	-
Change in fair value	-	-	-	-	-	854	-	-	854	-	854
<i>Total comprehensive income</i>	-	-	(4)	-	-	854	-	5,017	5,867	-	5,867
<i>Other transactions within equity:</i>											
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(722)	(722)	-	(722)
Perpetual bond issue cost amortization	-	-	-	-	-	-	-	-	-	131	131
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(722)	(722)	131	(591)
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
<i>Total transactions with owners</i>	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
30 June 2022	54,123	5,786	1,027	4,321	3,000	281	9,363	17,149	95,050	18,200	113,250

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX 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 period	-	-	-	-	-	-	-	3,629	3,629	-	3,629
<i>Other comprehensive loss</i>											
Incremental depreciation – net of tax	-	-	(5)	-	-	-	-	5	-	-	-
Change in fair value	-	-	-	-	-	77	-	-	77	-	77
<i>Total comprehensive income</i>	-	-	(5)	-	-	77	-	3,634	3,706	-	3,706
<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)
30 June 2021	54,123	5,786	1,035	4,321	3,000	(221)	8,501	13,783	90,328	18,069	108,397

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX 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 unaudited condensed interim financial statements.

NATIONAL FINANCE CO. SAOG

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

	Note	30 June 2022 RO '000	30 June 2021 RO '000
Cash flows from operating activities			
Profit before tax		5,898	4,466
Adjustments for:			
Depreciation	13	289	360
Amortization	14	162	155
End of service benefits charge	19	54	51
Gain on sale of property and equipment		(96)	-
Impairment on lease receivables	12 (b)	2,089	2,591
Bad debts written back		(75)	(115)
Finance costs		8,616	8,452
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		16,937	15,960
Changes in working capital:			
Net investment in financing activities, working capital and factoring receivables		(17,432)	(5,763)
Advances, prepayments and other receivables		(526)	(495)
Creditors and accruals		2,448	1,224
		(15,510)	(5,034)
Interest paid		(8,602)	(8,529)
Income tax paid		(2,607)	(1,010)
End of service benefits paid	19	(46)	(115)
Net cash (used in) / generated from operating activities		(9,828)	1,272
Cash flows from investing activities			
Purchase of property and equipment	13	(137)	(202)
Purchase of intangible assets	14	(24)	(14)
Proceeds from sale of property and equipment		96	1
Net cash (used in) investing activities		(65)	(215)
Cash flows from financing activities			
Proceeds from bank borrowings	23	203,777	125,103
Repayment of bank borrowings	23	(188,841)	(130,535)
Proceeds from fixed deposits	23	8,425	12,001
Repayment of fixed deposits	23	(5,333)	(6,100)
Dividend paid		(4,330)	(3,247)
Perpetual bond interest paid		(722)	(721)
Net cash generated from / (used in) financing activities		12,976	(3,499)
Net change in cash and cash equivalents during the period		3,083	(2,442)
Cash and cash equivalents at the beginning of the period		5,579	5,407
Cash and cash equivalents at the end of the period		8,662	2,965

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 2022 (30 June 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 six months period ended 30 June 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 unaudited condensed 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 unaudited condensed 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 unaudited condensed interim 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 30 June 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 SIX MONTHS PERIOD ENDED 30 JUNE 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

	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000	Quarter ended 30 June 2021 RO '000	Six months ended 30 June 2021 RO '000
Penal charges	94	262	67	235
Income from pre-closed leases	195	472	101	246
Cheque related charges	132	275	187	386
Miscellaneous income	183	447	154	304
	604	1,456	509	1,171

7 Operating expenses

	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000	Quarter ended 30 June 2021 RO '000	Six months ended 30 June 2021 RO '000
Employee related expenses	1,847	3,689	2,217	4,001
Occupancy costs	31	74	32	67
Communication costs	199	421	148	312
Professional fees and subscriptions	90	185	68	145
Advertising and sales promotion	47	92	36	77
Directors' remuneration and sitting fees (note 26)	95	175	53	115
Other office expenses	797	1,225	635	917
	3,106	5,861	3,189	5,634

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 30 June 2022.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

8 Taxation (continued)

(b) *Tax liabilities - net*

	30 June 2022	30 June 2021	31 December 2021
	RO '000	RO '000	RO '000
Deferred tax liability	533	298	533
Provision for income tax	1,623	1,405	3,476
Net tax liabilities	2,156	1,703	4,009

(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:

	Quarter ended 30 June 2022	Six months ended 30 June 2022	Quarter ended 30 June 2021	Six months ended 30 June 2021
	RO '000	RO '000	RO '000	RO '000
Accounting profit before tax	2,944	5,898	2,455	4,466
Income tax expense computed at applicable tax rates	442	885	368	670
Items not deductible (net) in determining taxable profits	-	-	159	167
Tax charge for the period	442	885	527	837

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

The calculation of earnings per share is as follows:

	Quarter ended 30 June 2022	Six months ended 30 June 2022	Quarter ended 30 June 2021	Six months ended 30 June 2021
	RO '000	RO '000	RO '000	RO '000
Profit for the period attributable to equity shareholders (RO '000)	2,502	5,013	1,928	3,629
Interest on perpetual bonds (RO '000)	(363)	(722)	(363)	(722)
Net profit attributable to ordinary shareholders (RO '000)	2,139	4,291	1,565	2,907
Weighted average number of shares during the period ('000)	541,230	541,230	541,230	541,230
Basic and diluted earnings per share (RO)	0.004	0.008	0.003	0.005

The calculation of net assets per share is as follows:

	30 June 2022	30 June 2021	31 December 2021
	RO '000	RO '000	RO '000
Net assets attributable to ordinary shareholders (RO '000)	95,050	90,328	94,235
Number of shares at the period/ year end ('000)	541,230	541,230	541,230
Net assets per share (RO)	0.176	0.167	0.174

Earnings per share as at 30 June 2022 have been calculated using weighted average shares outstanding for the period. The weighted average shares outstanding for the period ended 30 June 2022 are 541,230,454 shares (30 June 2021: 541,230,454 shares). Net assets per share have been calculated using outstanding shares as at 30 June 2022, 30 June 2021 and 31 December 2021.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

10 Cash and cash equivalents

	30 June 2022	30 June 2021	31 December 2021
	RO '000	RO '000	RO '000
Bank current accounts	8,600	3,525	5,448
Cash in hand	62	6	131
	<u>8,662</u>	<u>3,531</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

	30 June 2022	30 June 2021	31 December 2021
	RO '000	RO '000	RO '000
Gross investment in finance leases	488,213	480,372	485,227
Working capital finance and factoring receivables	116,520	85,172	86,908
Unearned lease income	(131,723)	(113,704)	(116,558)
	<u>473,010</u>	<u>451,840</u>	<u>455,577</u>
Allowance for expected credit losses	(52,731)	(47,133)	(49,265)
Net investment in finance leases, working capital finance and factoring receivables	<u>420,279</u>	<u>404,707</u>	<u>406,312</u>
	30 June 2022	30 June 2021	31 December 2021
	RO '000	RO '000	RO '000
Net investment in finance leases	349,648	348,090	350,158
Working capital and factoring receivables	70,631	56,617	56,154
	<u>420,279</u>	<u>404,707</u>	<u>406,312</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

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

(a) *Unearned lease income:*

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Opening balance	116,558	102,246	102,246
Additions during the period/year	36,549	31,830	55,287
Recognized during the period/year	(21,384)	(20,372)	(40,975)
Closing balance	131,723	113,704	116,558

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

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

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Opening balance	49,265	43,733	43,733
<u>Provision</u>			
Provided during the period/year	12,147	10,251	15,349
Released during the period/ year	(10,058)	(7,660)	(11,374)
	2,089	2,591	3,975
<u>Unrecognized contractual income</u>			
Provided during the period/ year	2,011	1,379	2,737
Released during the period/ year	(634)	(570)	(1,180)
	1,377	809	1,557
Closing balance	52,731	47,133	49,265

(c) The current and non-current amounts are disclosed in note 31 to these unaudited condensed interim 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
30 June 2022				
Gross	15,872	125,807	463,054	604,733
Present value	11,512	85,108	376,390	473,010
30 June 2021				
Gross	15,147	127,141	423,256	565,544
Present value	11,738	84,979	355,123	451,840
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 SIX MONTHS PERIOD ENDED 30 JUNE 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:

At 30 June 2022

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	307,730	56	2,457	(2,401)	305,273	16,900	-
	Stage 2	91,987	25	10,291	(10,266)	81,696	4,122	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		399,717	81	12,748	(12,667)	386,969	21,022	-
Special Mention	Stage 1	37	2	1	1	36	5	-
	Stage 2	650	32	35	(3)	615	42	6
	Stage 3	7,236	335	1,573	(1,238)	5,663	-	537
Subtotal		7,923	369	1,609	(1,240)	6,314	47	543
Substandard	Stage 1	5	2	1	1	4	1	-
	Stage 2	104	26	4	22	100	10	-
	Stage 3	4,590	1,041	1,386	(345)	3,204	-	428
Subtotal		4,699	1,069	1,391	(322)	3,308	11	428
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	20	10	1	9	19	3	-
	Stage 3	5,124	1,799	2,124	(325)	3,000	-	427
Subtotal		5,144	1,809	2,125	(316)	3,019	3	427
Loss	Stage 1	6	6	1	5	5	2	-
	Stage 2	23	22	1	21	22	3	-
	Stage 3	55,498	41,754	34,856	6,898	20,642	296	8,828
Subtotal		55,527	41,782	34,858	6,924	20,669	301	8,828
Total	Stage 1	307,778	66	2,460	(2,394)	305,318	16,908	-
	Stage 2	92,784	115	10,332	(10,217)	82,452	4,180	6
	Stage 3	72,448	44,929	39,939	4,990	32,509	296	10,220
	Total	473,010	45,110	52,731	(7,621)	420,279	21,384	10,226
Total - 30 June 2021	Stage 1	350,097	180	7,497	(7,317)	342,600	18,134	3
	Stage 2	36,755	343	3,959	(3,616)	32,796	1,849	18
	Stage 3	64,988	40,409	35,677	4,732	29,311	389	8,080
	Total	451,840	40,932	47,133	(6,201)	404,707	20,372	8,101
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 SIX MONTHS PERIOD ENDED 30 JUNE 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:

At 30 June 2022

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
Classified as performing	Stage 1	13,809	39	255	(216)	13,554	600	-
	Stage 2	58,316	-	6,852	(6,852)	51,464	2,255	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		72,125	39	7,107	(7,068)	65,018	2,855	-
Classified as non-performing	Stage 1	6	6	1	5	5	2	-
	Stage 2	12	12	1	11	11	1	-
	Stage 3	5,957	3,376	3,626	(250)	2,331	-	1,158
Subtotal		5,975	3,394	3,628	(234)	2,347	3	1,158
Total	Stage 1	13,815	45	256	(211)	13,559	602	-
	Stage 2	58,328	12	6,853	(6,841)	51,475	2,256	-
	Stage 3	5,957	3,376	3,626	(250)	2,331	-	1,158
	Total	78,100	3,433	10,735	(7,302)	67,365	2,858	1,158
Total - 30 June 2021	Stage 1	17,235	93	315	(222)	16,920	883	1
	Stage 2	2,331	196	264	(68)	2,067	115	16
	Stage 3	3,235	2,154	2,541	(387)	694	8	811
	Total	22,801	2,443	3,120	(677)	19,681	1,006	828
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	2,089	2,591	2,089	2,591	-	-
Provisions required as per CBO norms / held as per IFRS 9	55,336	49,033	52,731	47,133	2,605	1,900
Gross NPL ratio	15.5	14.8	15.3	14.4	0.2	0.4
Net NPL ratio	4.3	4.4	7.5	7.0	(3.2)	(2.6)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 2022							
Cost or valuation							
At 1 January 2022	1,050	4,201	4,817	270	-	268	10,606
Additions	-	-	137	-	-	66	203
Disposals	-	-	-	(96)	-	-	(96)
At 30 June 2022	1,050	4,201	4,954	174	-	334	10,713
Accumulated depreciation							
At 1 January 2022	-	181	3,242	232	-	231	3,886
Charge for the period	-	86	156	25	-	22	289
Disposals	-	-	-	(96)	-	-	(96)
At 30 June 2022	-	267	3,398	161	-	253	4,079
Net book value							
At 30 June 2022	1,050	3,934	1,556	13	-	81	6,634
At 30 June 2021							
Cost or valuation							
At 1 January 2021	1,050	3,958	4,925	270	219	268	10,690
Additions	-	-	158	-	44	-	202
Transfers	-	243	20	-	(263)	-	-
Disposals	-	-	(342)	-	-	-	(342)
At 30 June 2021	1,050	4,201	4,761	270	-	268	10,550
Accumulated depreciation							
At 1 January 2021	-	13	3,220	194	-	168	3,595
Charge for the period	-	83	208	33	-	36	360
Disposals	-	-	(342)	-	-	-	(342)
At 30 June 2021	-	96	3,086	227	-	204	3,613
Net book value							
At 30 June 2021	1,050	4,105	1,675	43	-	64	6,937

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 (30 June 2021- RO 4.19 million, 31 December 2021- RO 4.19 million).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

14 Intangible assets

	30 June 2022			30 June 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	24	-	24	14	-	14	100
	<u>429</u>	<u>1,792</u>	<u>2,221</u>	<u>319</u>	<u>1,792</u>	<u>2,111</u>	<u>2,197</u>
Accumulated Amortization							
Opening balance	269	1,024	1,293	195	768	963	963
Charge for the period/year	34	128	162	27	128	155	330
	<u>303</u>	<u>1,152</u>	<u>1,455</u>	<u>222</u>	<u>896</u>	<u>1,118</u>	<u>1,293</u>
Closing balance	<u>126</u>	<u>640</u>	<u>766</u>	<u>97</u>	<u>896</u>	<u>993</u>	<u>904</u>

15 Share capital

The authorised share capital of the Company comprises 750,000,000 ordinary shares of Baizas 100 each (30 June 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 (30 June 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.

18 Creditors and accruals

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Creditors	5,980	5,172	5,298
Accruals and other liabilities	3,768	3,100	3,445
Lease liabilities	66	36	11
Fair value of derivatives	-	221	573
	<u>9,814</u>	<u>8,529</u>	<u>9,327</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

19 End of service benefits

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

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Opening balance	588	666	666
Expenditure recognized in the statement of comprehensive income	54	51	82
Payments during the period	(46)	(115)	(160)
Closing balance	<u>596</u>	<u>602</u>	<u>588</u>

20 Bank borrowings

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Bank overdrafts	-	566	-
Short-term loans	80,530	126,983	107,194
Current portion of long-term loans	102,218	90,727	86,836
Long-term loans	105,160	58,717	78,889
	<u>287,908</u>	<u>276,993</u>	<u>272,919</u>

(a) During the period, interest was charged on the above borrowings at rates ranging between 3.40% and 6.50% per annum (30 June 2021- 2.77% 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 30 June 2022, the notional amount of foreign currency forward contract amounted to RO 93.40 million [USD 242.85 million] (30 June 2021 RO 40.95 million [USD 106.46 million], 31 December 2021 - RO 71.67 million [USD 186.34 million]) to repay US Dollar term loans.

21 Fixed deposits

At 30 June 2022, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 34.32 million (30 June 2021 - 30.59 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 cash dividend for 2021 amounted to RO 4,329,844 was distributed during the period. The cash dividend paid for 2020 amounted to RO 3,247,383 was distributed during 2021.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

23 Change in cash flows from financing activities (Principal)

Particulars	30 June 2022		30 June 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	203,777	8,425	125,103	12,001
Repayments during the period	(188,841)	(5,333)	(130,535)	(6,100)
Closing balance	287,084	33,643	275,676	29,827
Change in cash flows	14,936	3,092	(5,432)	5,901

24 Commitments

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Approved lease commitments (refer 'a')	7,363	2,685	6,648
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	24	40	14
	7,387	2,725	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

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Bank guarantees	59	134	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 30 June were as follows:

	Six months ended 30 June 2022 RO '000	Six months ended 30 June 2021 RO '000
Operating expenses	9	5
System support	17	-
Sales incentive paid	-	11
Directors' fees and remuneration		
Directors' sitting fees and proposed remuneration (note 7)	175	115
Remuneration to key members of management during the period		
Salaries and other benefits	453	550

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022 (continued)**

26 Related party transactions and balances (continued)

The following balances were payable to related parties:

	30 June 2022 RO '000	30 June 2021 RO '000	31 December 2021 RO '000
Corporate deposit	5,405	5,111	5,256
Sales incentive payable	12	-	13

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:

	30 June 2022	30 June 2021	31 December 2021
	RO'000	RO'000	RO'000
Amortized cost			
Financial assets			
Cash and cash equivalents	8,662	3,531	5,579
Net investment in finance leases	349,648	348,090	350,158
Working capital finance and factoring receivables	70,631	56,617	56,154
Other receivables	94	134	151
Statutory deposit	250	250	250
Total financial assets	429,285	408,622	412,292
	30 June 2022	30 June 2021	31 December 2021
	RO'000	RO'000	RO'000
Financial liabilities			
Short-term loans	80,530	127,549	107,194
Creditors and accruals	9,814	8,308	8,754
Corporate deposits	34,324	30,591	31,269
Long term loans	207,378	149,444	165,725
Total financial liabilities	332,046	315,892	312,942

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 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	8,662	-	-	-	8,662
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	15,872	125,807	463,054	-	604,733
Advances, prepayments and others	-	3,726	281	-	4,007
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	766	766
Property and equipment	-	-	-	6,634	6,634
Total assets	24,534	131,033	463,335	13,600	632,502
Equity and liabilities					
Total equity	-	-	-	113,250	113,250
Liabilities:					
Bank borrowings and fixed deposits	34,621	188,793	114,046	-	337,460
Creditors and accruals	-	9,814	-	-	9,814
End of service benefits	-	-	-	596	596
Tax liabilities	1,623	-	-	533	2,156
Total equity and liabilities	36,244	198,607	114,046	114,379	463,276
Liquidity gap	(11,710)	(67,574)	349,289	(100,779)	
Cumulative liquidity gap	(11,710)	(79,284)	270,005	169,226	

At 30 June 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	3,531	-	-	-	3,531
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	15,147	127,141	423,256	-	565,544
Advances and prepayments	-	2,947	-	-	2,947
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible asset	-	-	-	993	993
Property and equipment	-	-	-	6,937	6,937
Total assets	18,678	131,588	423,256	14,130	587,652
Equity and liabilities					
Total equity	-	-	-	108,397	108,397
Liabilities:					
Bank borrowings and fixed deposits	29,641	222,335	64,216	-	316,192
Creditors and accruals	-	8,529	-	-	8,529
End of service benefits	-	-	-	602	602
Tax liabilities	-	1,405	-	298	1,703
Total equity and liabilities	29,641	232,269	64,216	109,297	435,423
Liquidity gap	(10,963)	(100,681)	359,040	(95,167)	
Cumulative liquidity gap	(10,963)	(111,644)	247,396	152,229	

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 62.57 million available as on 30 June 2022 (30 June 2021 – RO 37.59 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 unaudited condensed interim financial statements been prepared on a going concern basis.