

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022

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NATIONAL FINANCE COMPANY SAOG

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NATIONAL FINANCE COMPANY SAOG

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

		Quarter ended 30 September 2022	Nine months ended 30 September 2022	Quarter ended 30 September 2021	Nine months ended 30 September 2021
	Note	RO '000	RO '000	RO '000	RO '000
Income					
Income from financing activities	12 (a)	10,589	31,973	10,249	30,621
Finance costs		<u>(4,636)</u>	<u>(13,252)</u>	<u>(4,229)</u>	<u>(12,681)</u>
Net finance income		5,953	18,721	6,020	17,940
Other operating income	6	<u>661</u>	<u>2,117</u>	<u>599</u>	<u>1,770</u>
		<u>6,614</u>	<u>20,838</u>	<u>6,619</u>	<u>19,710</u>
Expenses					
Operating expenses	7	<u>(2,403)</u>	<u>(8,264)</u>	<u>(2,763)</u>	<u>(8,397)</u>
Depreciation	13	<u>(145)</u>	<u>(434)</u>	<u>(135)</u>	<u>(495)</u>
Amortization	14	<u>(84)</u>	<u>(246)</u>	<u>(95)</u>	<u>(250)</u>
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	<u>(1,898)</u>	<u>(3,987)</u>	<u>(870)</u>	<u>(3,461)</u>
Bad debts written back		<u>33</u>	<u>108</u>	<u>40</u>	<u>155</u>
Total expenses		<u>(4,497)</u>	<u>(12,823)</u>	<u>(3,823)</u>	<u>(12,448)</u>
Profit before tax		<u>2,117</u>	<u>8,015</u>	<u>2,796</u>	<u>7,262</u>
Income tax expense	8 (c)	<u>(317)</u>	<u>(1,202)</u>	<u>(699)</u>	<u>(1,536)</u>
Profit after tax		<u>1,800</u>	<u>6,813</u>	<u>2,097</u>	<u>5,726</u>
Other comprehensive income					
<u>Items that will not be reclassified to profit or loss</u>					
Movement in revaluation reserve – net of tax		<u>2</u>	<u>6</u>	<u>2</u>	<u>7</u>
Change in fair value of cash flow hedge		<u>693</u>	<u>1,547</u>	<u>(74)</u>	<u>3</u>
Other comprehensive income		<u>695</u>	<u>1,553</u>	<u>(72)</u>	<u>10</u>
Total comprehensive income		<u>2,495</u>	<u>8,366</u>	<u>2,025</u>	<u>5,736</u>
Basic and diluted earnings per share (RO)	9	<u>0.003</u>	<u>0.011</u>	<u>0.003</u>	<u>0.009</u>

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 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
	Note			
ASSETS				
Cash and cash equivalents	10	5,012	2,872	5,579
Net investment in finance leases	12	354,111	349,199	350,158
Working capital and factoring receivables	12	69,932	57,331	56,154
Interest rate derivatives – cash flow hedges		974	-	-
Advances, prepayments and other receivables		3,725	3,129	3,201
Asset held for sale	27	1,500	1,500	1,500
Goodwill		5,950	5,950	5,950
Intangible assets	14	709	898	904
Property and equipment	13	6,601	6,817	6,720
Statutory deposit	11	250	250	250
Total assets		448,764	427,946	430,416
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors and accruals	18	8,874	9,146	9,327
Tax liabilities	8 (b)	1,941	2,075	3,476
Bank borrowings	20	285,656	273,896	272,919
Fixed deposits	21	36,162	32,242	31,269
Deferred tax liabilities	8 (b)	533	328	533
End of service benefits	19	589	573	588
Total liabilities		333,755	318,260	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		1,025	1,033	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		974	(295)	(573)
Legal reserve	16	9,363	8,501	9,363
Retained earnings		18,217	15,148	17,184
Total shareholders' equity attributable to the equity holders of the company		96,809	91,617	94,235
Perpetual bonds	17	18,200	18,069	18,069
Total equity		115,009	109,686	112,304
Total liabilities and equity		448,764	427,946	430,416
Net assets per share (RO)	9	0.179	0.169	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 30 October 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 NINE MONTH 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	-	-	-	-	-	-	-	6,813	6,813	-	6,813
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(6)	-	-	-	-	6	-	-	-
Change in fair value	-	-	-	-	-	1,547	-	-	1,547	-	1,547
<i>Total comprehensive income</i>	-	-	(6)	-	-	1,547	-	6,819	8,360	-	8,360
<i>Other transactions within equity:</i>											
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(1,456)	(1,456)	-	(1,456)
Perpetual bond issue cost amortization	-	-	-	-	-	-	-	-	-	131	131
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(1,456)	(1,456)	131	(1,325)
<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 September 2022	54,123	5,786	1,025	4,321	3,000	974	9,363	18,217	96,809	18,200	115,009

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH 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	-	-	-	-	-	-	-	5,726	5,726	-	5,726
<i>Other comprehensive loss</i>											
Incremental depreciation – net of tax	-	-	(7)	-	-	-	-	7	-	-	-
Change in fair value	-	-	-	-	-	3	-	-	3	-	3
<i>Total comprehensive income</i>	-	-	(7)	-	-	3	-	5,733	5,729	-	5,729
<i>Other transactions within equity:</i>											
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(1,455)	(1,455)	-	(1,455)
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(1,455)	(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)
30 September 2021	54,123	5,786	1,033	4,321	3,000	(295)	8,501	15,148	91,617	18,069	109,686

NATIONAL FINANCE COMPANY SAOG

**UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH 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 NINE MONTH PERIOD ENDED

	Note	30 September 2022 RO '000	30 September 2021 RO '000
Cash flows from operating activities			
Profit before tax		8,015	7,262
Adjustments for:			
Depreciation	13	434	495
Amortization	14	246	250
End of service benefits charge	19	74	67
Gain on sale of property and equipment		(96)	-
Impairment on lease receivables	12 (b)	3,987	3,461
Bad debts written back		(108)	(155)
Finance costs		13,252	12,681
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		25,804	24,061
Changes in working capital:			
Net investment in financing activities, working capital and factoring receivables		(24,060)	(9,017)
Advances, prepayments and other receivables		(1,499)	(678)
Creditors and accruals		3,612	2,372
		(21,947)	(7,323)
Interest paid		(12,789)	(12,636)
Income tax paid		(2,737)	(1,010)
End of service benefits paid	19	(73)	(160)
Net cash (used in) / generated from operating activities		(11,742)	2,932
Cash flows from investing activities			
Purchase of property and equipment	13	(249)	(217)
Purchase of intangible assets	14	(51)	(14)
Proceeds from sale of property and equipment		96	1
Net cash used in investing activities		(204)	(230)
Cash flows from financing activities			
Proceeds from bank borrowings	23	261,747	199,621
Repayment of bank borrowings	23	(249,581)	(209,037)
Proceeds from fixed deposits	23	15,646	13,352
Repayment of fixed deposits	23	(10,983)	(6,100)
Dividend paid		(4,330)	(3,247)
Perpetual bond interest paid		(1,456)	(1,455)
Net cash generated from / (used in) financing activities		11,043	(6,866)
Net change in cash and cash equivalents during the period		(903)	(4,164)
Cash and cash equivalents at the beginning of the period		5,579	5,407
Cash and cash equivalents at the end of the period		4,676	1,243

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 21 locations as at 30 September 2022 (30 September 2021: 20 locations, 31 December 2021: 20 locations).

2 Summary of significant accounting policies

This unaudited condensed interim financial information as at and for the nine months period ended 30 September 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 September 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2022 RO '000	Nine months ended 30 September 2022 RO '000	Quarter ended 30 September 2021 RO '000	Nine months ended 30 September 2021 RO '000
Penal charges	159	421	142	377
Income from pre-closed leases	107	579	108	354
Cheque related charges	142	417	195	581
Miscellaneous income	253	700	154	458
	<u>661</u>	<u>2,117</u>	<u>599</u>	<u>1,770</u>

7 Operating expenses

	Quarter ended 30 September 2022 RO '000	Nine months ended 30 September 2022 RO '000	Quarter ended 30 September 2021 RO '000	Nine months ended 30 September 2021 RO '000
Employee related expenses	1,557	5,246	1,947	5,948
Occupancy costs	33	107	35	102
Communication costs	194	615	171	483
Professional fees and subscriptions	101	286	65	210
Advertising and sales promotion	42	134	34	111
Directors' remuneration and sitting fees (note 26)	88	263	35	150
Other office expenses	388	1,613	476	1,393
	<u>2,403</u>	<u>8,264</u>	<u>2,763</u>	<u>8,397</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 30 September 2022.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

8 Taxation (continued)

(b) *Tax liabilities - net*

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Deferred tax liability	533	328	533
Provision for income tax	1,941	2,075	3,476
Net tax liabilities	2,474	2,403	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 September 2022 RO '000	Nine months ended 30 September 2022 RO '000	Quarter ended 30 September 2021 RO '000	Nine months ended 30 September 2021 RO '000
Accounting profit before tax	2,117	8,015	2,796	7,262
Income tax expense computed at applicable tax rates	317	1,202	419	1,089
Items not deductible (net) in determining taxable profits	-	-	-	-
Current tax - prior periods	-	-	250	309
Deferred tax	-	-	30	138
Tax charge for the period	317	1,202	699	1,536

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

The calculation of earnings per share is as follows:

	Quarter ended 30 September 2022 RO '000	Nine months ended 30 September 2022 RO '000	Quarter ended 30 September 2021 RO '000	Nine months ended 30 September 2021 RO '000
Profit for the period attributable to equity shareholders (RO '000)	1,800	6,813	2,097	5,726
Interest on perpetual bonds (RO '000)	(367)	(1,089)	(367)	(1,089)
Net profit attributable to ordinary shareholders (RO '000)	1,433	5,724	1,730	4,637
Weighted average number of shares during the period ('000)	541,230	541,230	541,230	541,230
Basic and diluted earnings per share (RO)	0.003	0.011	0.003	0.009

The calculation of net assets per share is as follows:

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Net assets attributable to ordinary shareholders (RO '000)	96,809	91,617	94,235
Number of shares at the period/ year end ('000)	541,230	541,230	541,230
Net assets per share (RO)	0.179	0.169	0.174

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

10 Cash and cash equivalents

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Bank current accounts	4,983	2,788	5,448
Cash in hand	29	84	131
	<u>5,012</u>	<u>2,872</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 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Gross investment in finance leases	494,506	484,381	485,227
Working capital finance and factoring receivables	115,622	84,950	86,908
Unearned lease income	<u>(130,490)</u>	<u>(114,237)</u>	<u>(116,558)</u>
	479,638	455,094	455,577
Allowance for expected credit losses	<u>(55,595)</u>	<u>(48,564)</u>	<u>(49,265)</u>
Net investment in finance leases, working capital finance and factoring receivables	<u>424,043</u>	<u>406,530</u>	<u>406,312</u>
	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Net investment in finance leases	354,111	349,199	350,158
Working capital and factoring receivables	69,932	57,331	56,154
	<u>424,043</u>	<u>406,530</u>	<u>406,312</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

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

(a) *Unearned lease income:*

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Opening balance	116,558	102,246	102,246
Additions during the period/year	45,905	42,612	55,287
Recognized during the period/year	(31,973)	(30,621)	(40,975)
Closing balance	130,490	114,237	116,558

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

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

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Opening balance	49,265	43,733	43,733
<u>Provision</u>			
Provided during the period/year	15,532	11,890	15,349
Released during the period/ year	(11,545)	(8,429)	(11,374)
	3,987	3,461	3,975
<u>Unrecognized contractual income</u>			
Provided during the period/ year	3,090	2,226	2,737
Released during the period/ year	(747)	(856)	(1,180)
	2,343	1,370	1,557
Closing balance	55,595	48,564	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 September 2022				
Gross	11,799	132,090	466,239	610,128
Present value	7,527	91,977	380,134	479,638
30 September 2021				
Gross	17,127	128,672	423,532	569,331
Present value	11,183	86,019	357,892	455,094
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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	303,535	47	2,469	(2,422)	301,066	24,632	-
	Stage 2	95,304	33	10,345	(10,312)	84,959	6,717	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		398,839	80	12,814	(12,734)	386,025	31,349	-
Special Mention	Stage 1	50	3	1	2	49	4	-
	Stage 2	808	40	39	1	769	78	1
	Stage 3	10,390	491	2,641	(2,150)	7,749	242	577
Subtotal		11,248	534	2,681	(2,147)	8,567	324	578
Substandard	Stage 1	-	-	-	-	-	-	-
	Stage 2	204	51	10	41	194	-	-
	Stage 3	5,950	1,328	1,599	(271)	4,351	-	638
Subtotal		6,154	1,379	1,609	(230)	4,545	-	638
Doubtful	Stage 1	2	1	-	1	2	-	-
	Stage 2	11	6	1	5	10	-	-
	Stage 3	3,627	1,295	1,325	(30)	2,302	-	430
Subtotal		3,640	1,302	1,326	(24)	2,314	-	430
Loss	Stage 1	6	6	-	6	6	1	-
	Stage 2	24	24	1	23	23	3	-
	Stage 3	59,727	44,913	37,164	7,749	22,563	296	9,546
Subtotal		59,757	44,943	37,165	7,778	22,592	300	9,546
Total	Stage 1	303,593	57	2,470	(2,413)	301,123	24,637	-
	Stage 2	96,351	154	10,396	(10,242)	85,955	6,798	1
	Stage 3	79,694	48,027	42,729	5,298	36,965	538	11,191
	Total	479,638	48,238	55,595	(7,357)	424,043	31,973	11,192
Total - 30 September 2021	Stage 1	351,858	756	7,995	(7,239)	343,863	27,014	-
	Stage 2	36,950	216	3,880	(3,664)	33,070	2,969	4
	Stage 3	66,286	41,114	36,689	4,425	29,597	638	8,658
	Total	455,094	42,086	48,564	(6,478)	406,530	30,621	8,662
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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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	10,038	37	185	(148)	9,853	715	-
	Stage 2	59,973	24	6,825	(6,801)	53,148	3,783	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		70,011	61	7,010	(6,949)	63,001	4,498	-
Classified as non-performing	Stage 1	25	6	1	5	24	-	-
	Stage 2	11	10	1	9	10	-	-
	Stage 3	8,868	4,391	4,899	(508)	3,969	-	1,457
Subtotal		8,904	4,407	4,901	(494)	4,003	-	1,457
Total	Stage 1	10,063	43	186	(143)	9,877	715	-
	Stage 2	59,984	34	6,826	(6,792)	53,158	3,783	-
	Stage 3	8,868	4,391	4,899	(508)	3,969	-	1,457
	Total	78,915	4,468	11,911	(7,443)	67,004	4,498	1,457
Total - 30 September 2021	Stage 1	14,910	389	1,176	(787)	13,734	933	-
	Stage 2	5,793	43	359	(316)	5,434	488	2
	Stage 3	3,729	2,339	2,632	(293)	1,097	26	842
	Total	24,432	2,771	4,167	(1,396)	20,265	1,447	844
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	3,879	3,461	3,879	3,461	-	-
Provisions required as per CBO norms / held as per IFRS 9	59,430	50,748	55,595	48,564	3,835	2,184
Gross NPL ratio	16.8	15.1	16.6	14.6	0.2	0.5
Net NPL ratio	5.1	4.5	8.5	7.1	(3.4)	(2.6)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2022							
Cost or valuation							
At 1 January 2022	1,050	4,201	4,817	270	-	268	10,606
Additions	-	-	249	-	-	66	315
Disposals	-	-	-	(96)	-	-	(96)
At 30 September 2022	1,050	4,201	5,066	174	-	334	10,825
Accumulated depreciation							
At 1 January 2022	-	181	3,242	232	-	231	3,886
Charge for the period	-	129	236	38	-	31	434
Disposals	-	-	-	(96)	-	-	(96)
At 30 September 2022	-	310	3,478	174	-	262	4,224
Net book value							
At 30 September 2022	1,050	3,891	1,588	-	-	72	6,601
At 30 September 2021							
Cost or valuation							
At 1 January 2021	1,050	3,958	4,925	270	219	268	10,690
Additions	-	-	173	-	44	-	217
Transfers	-	243	20	-	(263)	-	-
Disposals	-	-	(342)	-	-	-	(342)
At 30 September 2021	1,050	4,201	4,776	270	-	268	10,565
Accumulated depreciation							
At 1 January 2021	-	13	3,220	194	-	168	3,595
Charge for the period	-	126	281	38	-	50	495
Disposals	-	-	(342)	-	-	-	(342)
At 30 September 2021	-	139	3,159	232	-	218	3,748
Net book value							
At 30 September 2021	1,050	4,062	1,617	38	-	50	6,817

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 2021- RO 4.19 million, 31 December 2021- RO 4.19 million).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

14 Intangible assets

	30 September 2022			30 September 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	51	-	51	14	-	14	100
	<u>456</u>	<u>1,792</u>	<u>2,248</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	54	192	246	58	192	250	330
	<u>323</u>	<u>1,216</u>	<u>1,539</u>	<u>253</u>	<u>960</u>	<u>1,213</u>	<u>1,293</u>
Closing balance	<u>133</u>	<u>576</u>	<u>709</u>	<u>66</u>	<u>832</u>	<u>898</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 September 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 September 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 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Creditors	4,563	4,959	5,298
Accruals and other liabilities	4,244	3,878	3,445
Lease liabilities	67	14	11
Fair value of derivatives	-	295	573
	<u>8,874</u>	<u>9,146</u>	<u>9,327</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

19 End of service benefits

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

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Opening balance	588	666	666
Expenditure recognized in the statement of comprehensive income	74	67	82
Payments during the period	(73)	(160)	(160)
Closing balance	<u>589</u>	<u>573</u>	<u>588</u>

20 Bank borrowings

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Bank overdrafts	-	1,629	-
Short-term loans	79,062	123,944	107,194
Current portion of long-term loans	103,477	81,854	86,836
Long-term loans	103,117	66,469	78,889
	<u>285,656</u>	<u>273,896</u>	<u>272,919</u>

(a) During the period, interest was charged on the above borrowings at rates ranging between 4.20% and 6.50% per annum (30 September 2021- 2.80% 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 September 2022, the notional amount of foreign currency forward contract amounted to RO 84.02 million [USD 218.45 million] (30 September 2021 RO 63.19 million [USD 164.29 million], 31 December 2021 - RO 71.67 million [USD 186.34 million]) to repay US Dollar term loans.

21 Fixed deposits

At 30 September 2022, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 36.16 million (30 September 2021 - 32.24 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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

23 Change in cash flows from financing activities (Principal)

Particulars	30 September 2022		30 September 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	261,747	15,646	199,621	13,352
Repayments during the period	(249,581)	(10,983)	(209,037)	(6,100)
Closing balance	284,314	35,214	271,692	31,178
Change in cash flows	12,166	4,663	(9,416)	7,252

24 Commitments

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Approved lease commitments (refer 'a')	6,787	6,409	6,648
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	24	14	14
	6,811	6,423	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 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Bank guarantees	59	154	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 September were as follows:

	Nine months ended 30 September 2022 RO '000	Nine months ended 30 September 2021 RO '000
Operating expenses	11	6
System support	25	-
Sales incentive paid	-	11
Directors' fees and remuneration		
Directors' sitting fees and proposed remuneration (note 7)	263	150
Remuneration to key members of management during the period		
Salaries and other benefits	632	693

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2022 (continued)**

26 Related party transactions and balances (continued)

The following balances were payable to related parties:

	30 September 2022 RO '000	30 September 2021 RO '000	31 December 2021 RO '000
Corporate deposit	5,482	5,184	5,256
Sales incentive payable	<u>12</u>	<u>-</u>	<u>13</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. 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	30 September 2022 RO'000	30 September 2021 RO'000	31 December 2021 RO'000
Financial assets			
Cash and cash equivalents	5,012	2,872	5,579
Net investment in finance leases	354,111	349,199	350,158
Working capital finance and factoring receivables	69,932	57,331	56,154
Other receivables	144	161	151
Statutory deposit	250	250	250
Total financial assets	<u>429,449</u>	<u>409,813</u>	<u>412,292</u>
	30 September 2022 RO'000	30 September 2021 RO'000	31 December 2021 RO'000
Financial liabilities			
Bank overdrafts and short-term loans	79,062	125,573	107,194
Creditors and accruals	8,874	9,146	8,754
Corporate deposits	36,162	32,242	31,269
Long term loans	206,594	148,323	165,725
Total financial liabilities	<u>330,692</u>	<u>315,284</u>	<u>312,942</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 September 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	5,012	-	-	-	5,012
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	11,799	132,090	466,239	-	610,128
Advances, prepayments and others	-	3,725	974	-	4,699
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	709	709
Property and equipment	-	-	-	6,601	6,601
Total assets	16,811	137,315	467,213	13,510	634,849
Equity and liabilities					
Total equity	-	-	-	115,009	115,009
Liabilities:					
Bank borrowings and fixed deposits	40,979	184,508	113,542	-	339,029
Creditors and accruals	-	8,874	-	-	8,874
End of service benefits	-	-	-	589	589
Tax liabilities	-	1,941	-	533	2,474
Total equity and liabilities	40,979	195,323	113,542	116,131	465,975
Liquidity gap	(24,168)	(58,008)	353,671	(102,621)	
Cumulative liquidity gap	(24,168)	(82,176)	271,495	168,874	

At 30 September 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	2,872	-	-	-	2,872
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	17,127	128,672	423,532	-	569,331
Advances and prepayments	-	3,129	-	-	3,129
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible asset	-	-	-	898	898
Property and equipment	-	-	-	6,817	6,817
Total assets	19,999	133,301	423,532	13,915	590,747
Equity and liabilities					
Total equity	-	-	-	109,686	109,686
Liabilities:					
Bank borrowings and fixed deposits	72,452	171,714	71,181	-	315,347
Creditors and accruals	-	9,146	-	-	9,146
End of service benefits	-	-	-	573	573
Tax liabilities	-	2,075	-	328	2,403
Total equity and liabilities	72,452	182,935	71,181	110,587	437,155
Liquidity gap	(52,453)	(49,634)	352,351	(96,672)	
Cumulative liquidity gap	(52,453)	(102,087)	250,264	153,592	

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 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 54.52 million available as on 30 September 2022 (30 September 2021 – RO 17.61 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.