

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023

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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 2023 RO '000	Three months ended 31 March 2022 RO '000
Income			
Income from financing activities	12 (a)	10,824	10,479
Finance cost		(5,047)	(4,188)
Net finance income		5,777	6,291
Other operating income	6	682	852
		6,459	7,143
Expenses			
Operating expenses	7	(2,707)	(2,755)
Depreciation	13	(135)	(137)
Amortisation	14	(88)	(81)
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	(928)	(1,225)
Bad debts written (off) / back		(9)	9
Total expenses		(3,867)	(4,189)
Profit before tax		2,592	2,954
Income tax expense	8 (c)	(389)	(443)
Profit after tax		2,203	2,511
Other comprehensive income			
<u>Items that will not be reclassified to profit or loss</u>			
Movement in revaluation reserve – net of tax		2	2
Change in fair value of cash flow hedge		(4)	(89)
Other comprehensive income / (loss)		(2)	(87)
Total comprehensive income		2,201	2,424
Basic and diluted earnings per share (RO)	9	0.004	0.004

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

		31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
	Note			
ASSETS				
Cash and cash equivalents	10	5,998	3,987	5,876
Net investment in finance leases	12	352,719	354,610	355,763
Working capital and factoring receivables	12	74,223	60,697	69,689
Advances, prepayments and other receivables	30	4,966	3,398	4,907
Asset held for sale	27	1,500	1,500	1,500
Goodwill		5,950	5,950	5,950
Intangible assets	14	657	833	637
Property, equipment and right-of-use assets	13	6,497	6,615	6,572
Statutory deposit	11	250	250	250
Total assets		452,760	437,840	451,144
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors and accruals	18	13,029	15,418	9,018
Tax liabilities	8 (b)	2,753	2,710	2,364
Bank borrowings	20	306,004	276,297	287,780
Fixed deposits	21	32,114	32,603	32,091
Deferred tax liabilities	8 (b)	697	533	697
Provision for employees' end of service benefits	19	587	605	565
Total liabilities		355,184	328,166	332,515
EQUITY				
Capital and reserves				
Share capital	15	57,370	54,123	54,123
Share premium		5,786	5,786	5,786
Revaluation reserve		1,021	1,029	1,023
Foreign currency reserve	28	5,319	4,321	5,319
Voluntary reserve	29	3,000	3,000	3,000
Cash flow hedge reserve		1,269	(662)	1,273
Legal reserve	16	10,376	9,363	10,376
Retained earnings		13,435	14,645	19,529
Total shareholders' equity attributable to the equity holders of the company		97,576	91,605	100,429
Perpetual bonds	17	-	18,069	18,200
Total equity		97,576	109,674	118,629
Total liabilities and equity		452,760	437,840	451,144
Net assets per share (RO)	9	0.170	0.169	0.186

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 April 2023 and signed on their behalf by:

HANI MUHAMMAD AL ZUBAIR
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 2023	54,123	5,786	1,023	5,319	3,000	1,273	10,376	19,529	100,429	18,200	118,629
<i>Comprehensive income:</i>											
Profit for the period	-	-	-	-	-	-	-	2,203	2,203	-	2,203
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(2)	-	-	-	-	2	-	-	-
Change in fair value	-	-	-	-	-	(4)	-	-	(4)	-	(4)
<i>Total comprehensive income</i>	-	-	(2)	-	-	(4)	-	2,205	2,199	-	2,199
<i>Other transactions within equity:</i>											
Transfer to legal reserve (note 16)	-	-	-	-	-	-	-	-	-	-	-
Perpetual bond redemption (note 17)	-	-	-	-	-	-	-	-	-	(18,200)	(18,200)
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(722)	(722)	-	(722)
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(722)	(722)	(18,200)	(18,922)
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
Bonus shares under allotment (note 22)	3,247	-	-	-	-	-	-	(3,247)	-	-	-
<i>Total transactions with owners</i>	3,247	-	-	-	-	-	-	(7,577)	(4,330)	-	(4,330)
31 March 2023	57,370	5,786	1,021	5,319	3,000	1,269	10,376	13,435	97,576	-	97,576

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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 2022	54,123	5,786	<u>0</u>	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)	-	-	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	(89)	-	-	(89)	-	-	(89)
<i>Total comprehensive income</i>	-	-	(2)	-	-	(89)	-	2,513	2,422	-	-	2,422
<i>Other transactions within equity:</i>												
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(722)	(722)	-	-	(722)
<i>Total other transactions within equity</i>	-	-	-	-	-	-	-	(722)	(722)	-	-	(722)
<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)
31 March 2022	<u>54,123</u>	<u>5,786</u>	<u>1,029</u>	<u>4,321</u>	<u>3,000</u>	<u>(662)</u>	<u>9,363</u>	<u>14,645</u>	<u>91,605</u>	<u>18,069</u>	<u>109,674</u>	

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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 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 year	-	-	-	-	-	-	-	10,134	10,134	-	10,134
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(8)	-	-	-	-	8	-	-	-
Change in fair value	-	-	-	-	-	1,846	-	-	1,846	-	1,846
<i>Total comprehensive income</i>	-	-	(8)	-	-	1,846	-	10,142	11,980	-	11,980
<i>Other transactions within equity:</i>											
Transfer to legal reserve (note 16)	-	-	-	-	-	-	1,013	(1,013)	-	-	-
Transfer to Foreign currency reserve (note 28)	-	-	-	998	-	-	-	(998)	-	-	-
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(1,456)	(1,456)	-	(1,456)
Perpetual bond issue cost amortisation	-	-	-	-	-	-	-	-	-	131	131
<i>Total other transactions within equity</i>	-	-	-	998	-	-	1,013	(3,467)	(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)
31 December 2022	54,123	5,786	1,023	5,319	3,000	1,273	10,376	19,529	100,429	18,200	118,629

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 CASH FLOWS FOR THE THREE MONTHS PERIOD ENDED

	Note	31 March 2023 RO '000	31 March 2022 RO '000
Cash flows from operating activities			
Profit before tax		2,592	2,954
Adjustments for:			
Depreciation	13	135	137
Amortisation	14	88	81
Employees' end of service benefits charge	19	37	39
Gain on sale of property and equipment		-	(95)
Impairment on lease receivables	12 (b)	928	1,225
Bad debts written off / (back)		9	(9)
Finance costs		5,047	4,188
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		8,836	8,520
Changes in working capital:			
Net investment in financing activities, working capital and factoring receivables		(3,441)	(10,914)
Bank borrowings	23	18,149	3,391
Fixed deposits	23	181	1,518
Advances, prepayments and other receivables		(60)	(197)
Creditors and accruals		691	2,374
		15,520	(3,828)
Interest paid		(5,129)	(4,385)
Income tax paid		-	(1,208)
Employees' end of service benefits paid	19	(15)	(22)
Net cash generated from operating activities		19,212	(923)
Cash flows from investing activities			
Purchase of property and equipment	13	(60)	(32)
Purchase of intangible assets	14	(108)	(10)
Proceeds from sale of property and equipment		-	95
Net cash used in investing activities		(168)	53
Cash flows from financing activities			
Perpetual Bond redeemed		(18,200)	-
Perpetual bond interest paid		(722)	(722)
Net cash used in financing activities		(18,922)	(722)
Net change in cash and cash equivalents during the period		122	(1,592)
Cash and cash equivalents at the beginning of the period		5,876	5,579
Cash and cash equivalents at the end of the period	10	5,998	3,987

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 THREE MONTHS PERIOD ENDED 31 MARCH 2023****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 31 March 2023 (31 March 2022: 20 locations, 31 December 2022: 21 locations).

2 Summary of significant accounting policies

This unaudited condensed interim financial information as at and for the three months period ended 31 March 2023 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 2022.

2.1 Basis of preparation*(a) Compliance with IFRS*

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) 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 (CBO).

(b) Historical cost convention

These interim financial statements have been prepared under the historical cost convention except for asset held for sale, derivatives, freehold land and buildings 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) New and amended standards adopted by the Company

For the period ended 31 March 2023, 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 (IFRS IC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2023.

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 2022. There have been no changes in the risk management policies since that date.

4 Critical estimates and judgements

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

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 2022.

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 other comprehensive income and notes to the interim financial statements.

6 Other operating income

	Three months ended 31 March 2023 RO '000	Three months ended 31 March 2022 RO '000
Income from pre-closed leases	157	277
Penal charges	123	168
Cheque related charges	146	143
Miscellaneous income	256	264
	<u>682</u>	<u>852</u>

7 Operating expenses

	Three months ended 31 March 2023 RO '000	Three months ended 31 March 2022 RO '000
Employee related expenses	1,907	1,842
Office expenses	305	428
Communication costs	221	222
Professional fees and subscriptions	109	95
Directors' remuneration and sitting fees (note 26)	50	80
Advertising and sales promotion	76	45
Occupancy costs	39	43
	<u>2,707</u>	<u>2,755</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% (2022 – 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 2022 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 2023.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

8 Taxation (continued)

(b) Tax liabilities - net

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Deferred tax liability	697	533	697
Provision for income tax	2,753	2,710	2,364
Net tax liabilities	3,450	3,243	3,061

(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 ended 31 March 2023 RO '000	Three months ended 31 March 2022 RO '000
Accounting profit before income tax	2,592	2,954
Income tax expense computed at applicable tax rates	389	443
Tax charge for the period	389	443

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 2023	Three months ended 31 March 2022
Profit for the period attributable to equity shareholders (RO '000)	2,203	2,511
Interest on perpetual bonds (RO '000)	(295)	(359)
Net profit attributable to ordinary shareholders (RO '000)	1,908	2,152
Weighted average number of shares during the period ('000)	541,591	541,591
Basic and diluted earnings per share (RO)	0.004	0.004

The calculation of net assets per share is as follows:

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Net assets attributable to ordinary shareholders (RO '000)	97,576	91,605	100,429
Number of shares at the period/ year end ('000)	573,704	541,230	541,230
Net assets per share (RO)	0.170	0.169	0.186

Earnings per share as at 31 March 2023 have been calculated using weighted average shares outstanding for the period. The weighted average shares outstanding for the period ended 31 March 2023 are 541,591,275 shares (31 March 2022: 541,591,275 shares). Net assets per share have been calculated using outstanding shares as at 31 March 2023, 31 March 2022 and 31 December 2022.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

10 Cash and cash equivalents

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Current accounts with banks	5,964	3,929	5,843
Cash in hand	34	58	33
	<u>5,998</u>	<u>3,987</u>	<u>5,876</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% (2022-1.5%) per annum.

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

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Gross investment in finance leases	489,643	493,408	490,311
Working capital finance and factoring receivables	129,447	97,048	118,034
Unearned lease income	(138,470)	(123,965)	(131,165)
	<u>480,620</u>	<u>466,491</u>	<u>477,180</u>
Allowance for expected credit losses	(53,678)	(51,184)	(51,728)
Net investment in finance leases, working capital finance and factoring receivables	<u>426,942</u>	<u>415,307</u>	<u>425,452</u>

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Net investment in finance leases	352,719	354,610	355,763
Working capital and factoring receivables	74,223	60,697	69,689
	<u>426,942</u>	<u>415,307</u>	<u>425,452</u>

(a) Unearned lease income:

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
At 1 January	131,165	116,558	116,558
Additions during the period	18,129	17,886	58,094
Recognised during the period	(10,824)	(10,479)	(43,487)
At 31 March	<u>138,470</u>	<u>123,965</u>	<u>131,165</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

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

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

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

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
At 1 January	51,728	49,265	49,265
<i>Provision</i>			
Provided during the period	4,969	7,543	16,586
Released during the period	(4,041)	(6,317)	(12,396)
	928	1,226	4,190
Write off during the year	-	-	(3,469)
	928	1,226	721
<i>Unrecognised contractual income</i>			
Provided during the period	1,304	1,068	3,651
Released during the period	(282)	(375)	(826)
Write off during the period	-	-	(1,083)
	1,022	693	1,742
At 31 March	53,678	51,184	51,728

(c) The current and non-current amounts are disclosed in note 32 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 2023				
Gross	12,187	126,387	480,516	619,090
Present value	7,854	86,279	386,487	480,620
31 March 2022				
Gross	15,356	121,833	453,267	590,456
Present value	11,461	84,698	370,332	466,491
31 December 2022				
Gross	12,005	129,126	467,214	608,345
Present value	7,754	89,095	380,331	477,180

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (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	304,024	104	1,681	(1,577)	302,343	8,211	-
	Stage 2	94,124	189	11,493	(11,304)	82,631	2,522	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		398,148	293	13,174	(12,881)	384,974	10,733	-
Special Mention	Stage 1	89	4	1	3	88	2	-
	Stage 2	986	49	34	15	952	30	9
	Stage 3	7,439	356	1,606	(1,250)	5,833	-	314
Subtotal		8,514	409	1,641	(1,232)	6,873	32	323
Substandard	Stage 1	7	2	-	2	7	-	-
	Stage 2	89	22	2	20	87	5	-
	Stage 3	3,768	879	724	155	3,044	-	252
Subtotal		3,864	903	726	177	3,138	5	252
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	10	5	-	5	10	1	-
	Stage 3	8,859	2,502	2,817	(315)	6,042	-	993
Subtotal		8,869	2,507	2,817	(310)	6,052	1	993
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	20	20	1	19	19	1	-
	Stage 3	61,205	45,205	35,319	9,886	25,886	52	10,045
Subtotal		61,225	45,225	35,320	9,905	25,905	53	10,045
Total	Stage 1	304,120	110	1,682	(1,572)	302,438	8,213	-
	Stage 2	95,229	285	11,530	(11,245)	83,699	2,559	9
	Stage 3	81,271	48,942	40,466	8,476	40,805	52	11,604
	Total	480,620	49,337	53,678	(4,341)	426,942	10,824	11,613
Total - 31 March 2022	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 December 2022	Stage 1	301,564	116	1,791	(1,675)	299,773	32,964	-
	Stage 2	101,205	177	12,141	(11,964)	89,064	9,896	-
	Stage 3	74,411	46,845	37,796	9,049	36,615	627	10,591
	Total	477,180	47,138	51,728	(4,590)	425,452	43,487	10,591

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (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 required as per CBO norms	Provision held as per IFRS 9	Difference RO' 000	Net carrying amount RO' 000	Interest recognised as per IFRS 9 RO' 000	Reserve interest as per CBO Norms RO' 000
			RO' 000	RO' 000				
Classified as performing	Stage 1	11,782	-	419	(419)	11,363	235	-
	Stage 2	66,667	185	10,712	(10,527)	55,955	1,759	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		78,449	185	11,131	(10,946)	67,318	1,994	-
Classified as non-performing	Stage 1	33	3	1	2	32	1	-
	Stage 2	17	11	1	10	16	1	1
	Stage 3	9,318	4,000	3,845	155	5,473	-	1,305
Subtotal		9,368	4,014	3,847	167	5,521	2	1,306
Total	Stage 1	11,815	3	420	(417)	11,395	236	-
	Stage 2	66,684	196	10,713	(10,517)	55,971	1,760	1
	Stage 3	9,318	4,000	3,845	155	5,473	-	1,305
	Total	87,817	4,199	14,978	(10,779)	72,839	1,996	1,306
Total - 31 March 2022	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 December 2022	Stage 1	11,333	4	229	(225)	11,104	686	-
	Stage 2	71,519	76	11,172	(11,096)	60,347	6,622	-
	Stage 3	7,125	3,763	3,194	569	3,931	-	980
	Total	89,977	3,843	14,595	(10,752)	75,382	7,308	980

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

	As per CBO norms		As per IFRS 9		Difference	
	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	928	1,225	928	1,225	-	-
Provisions required as per CBO norms / held as per IFRS 9	60,950	51,951	53,678	51,184	7,272	767
Gross NPL ratio	17.2	15.1	16.9	14.9	0.3	0.2
Net NPL ratio	5.1	4.5	9.3	7.2	(4.2)	(2.7)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

13 Property, equipment and right-of-use assets

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Right-of-use assets RO '000	Total RO '000
At 31 March 2023						
Cost or valuation						
At 1 January 2023	1,050	4,201	5,173	174	334	10,932
Additions	-	-	60	-	-	60
Disposals	-	-	-	-	-	-
At 31 March 2023	1,050	4,201	5,233	174	334	10,992
Accumulated depreciation						
At 1 January 2023	-	352	3,566	174	268	4,360
Charge for the period	-	43	86	-	6	135
Disposals	-	-	-	-	-	-
At 31 March 2023	-	395	3,652	174	274	4,495
Net book amount						
At 31 March 2023	1,050	3,806	1,581	-	60	6,497
	Freehold land RO '000	Buildings RO '000	Furniture, fixtures & equipment RO '000	Motor vehicles 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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)**

13 Property, equipment and right-of-use assets (continued)

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Right-of-use assets RO '000	Total RO '000
At 31 December 2022						
Cost or valuation						
At 1 January 2022	1,050	4,201	4,817	270	268	10,606
Additions	-	-	356	-	66	422
Disposals	-	-	-	(96)	-	(96)
At 31 December 2022	<u>1,050</u>	<u>4,201</u>	<u>5,173</u>	<u>174</u>	<u>334</u>	<u>10,932</u>
Accumulated depreciation						
At 1 January 2022	-	181	3,242	232	231	3,886
Charge for the year	-	171	324	38	37	570
Disposals	-	-	-	(96)	-	(96)
At 31 December 2022	<u>-</u>	<u>352</u>	<u>3,566</u>	<u>174</u>	<u>268</u>	<u>4,360</u>
Net book amount						
At 31 December 2022	<u>1,050</u>	<u>3,849</u>	<u>1,607</u>	<u>-</u>	<u>66</u>	<u>6,572</u>

A valuation of the freehold 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 freehold land and buildings were stated on the historical cost basis, the amount would be RO 4.19 million (31 March 2022- RO 4.19 million, 31 December 2022- RO 4.19 million).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

14 Intangible assets

	31 March 2023			31 March 2022			31 December 2022
	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	467	1,792	2,259	405	1,792	2,197	2,197
Additions	108	-	108	10	-	10	62
	<u>575</u>	<u>1,792</u>	<u>2,367</u>	<u>415</u>	<u>1,792</u>	<u>2,207</u>	<u>2,259</u>
Accumulated Amortization							
Opening balance	342	1,280	1,622	269	1,024	1,293	1,293
Charge for the period/year	24	64	88	17	64	81	329
	<u>366</u>	<u>1,344</u>	<u>1,710</u>	<u>286</u>	<u>1,088</u>	<u>1,374</u>	<u>1,622</u>
Closing balance	<u>209</u>	<u>448</u>	<u>657</u>	<u>129</u>	<u>704</u>	<u>833</u>	<u>637</u>

15 Share capital

The authorised share capital of the Company comprises 750,000,000 ordinary shares of Baizas 100 each (31 March 2022 and 31 December 2022 - 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 and bonus shares under allotment of 32,473,827 shares of Baizas 100 each (31 March 2022 - 541,230,454 shares of Baizas 100 each and 31 December 2022 - 541,230,454 shares of Baizas 100 each).

16 Legal reserve

In accordance with the Commercial Companies Law of Oman 2019, 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. During the period, these bonds have been redeemed.

18 Creditors and accruals

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Creditors	5,233	7,134	4,325
Accruals and other liabilities	3,465	3,292	4,625
Lease liabilities	1	-	68
Fair value of derivatives	-	662	-
Dividend payable	4,330	4,330	-
	<u>13,029</u>	<u>15,418</u>	<u>9,018</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

19 Provision for employees' end of service benefits

The movement in end of service benefit during the period is stated below:

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Opening balance	565	588	588
Charge for the period	37	39	91
Payments during the period	(15)	(22)	(114)
Closing balance	<u>587</u>	<u>605</u>	<u>565</u>

20 Bank borrowings

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Bank overdrafts	521	570	-
Short-term loans	73,277	99,870	67,561
Current portion of long-term loans	119,074	90,071	112,261
Non-current portion of long-term loans	113,132	85,786	107,958
	<u>306,004</u>	<u>276,297</u>	<u>287,780</u>

(a) During the period, interest was charged on the above borrowings at rates ranging between 4.75% and 6.75% per annum (31 March 2022- 2.58% and 6.50%, 31 December 2022-2.57% and 6.50% 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 2023, the notional amount of foreign currency forward contract amounted to RO 66.54 million [USD 172.98 million] (31 March 2022 RO 81.84 million [USD 212.78 million], 31 December 2022 - RO 75.32 million [USD 195.82 million]) to repay US Dollar term loans.

21 Fixed deposits

At 31 March 2023, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 32.11 million (31 March 2022 - 32.60 million, 31 December 2022 - RO 32.09 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

Approved

The shareholders at the latest Annual General Meeting approved a cash dividend of Baizas 8 per share (8%) and stock dividend of 6% on the shares outstanding on the record date. The cash dividend is amounted to RO 4,329,844 and stock dividend is amounted of RO 3,247,382. These financial statements reflect these dividends, which accounted for in shareholders' equity as an appropriation of retained earnings in 2023. The stock dividend was approved by MCD on 05 April 2023.

The cash dividend paid for 2021 amounted to RO 4,329,844.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

23 Change in cash flows from financing activities (Principal)

Particulars	31 March 2023		31 March 2022	
	Cash flow from bank borrowings	Cash flow from fixed deposits	Cash flow from bank borrowings	Cash flow from fixed deposits
	RO '000	RO '000	RO '000	RO '000
Opening balance	286,759	31,314	272,148	30,551
Additions during the period	96,321	2,691	105,806	3,950
Repayments during the period	(78,172)	(2,510)	(102,415)	(2,432)
Closing balance	<u>304,908</u>	<u>31,495</u>	<u>275,539</u>	<u>32,069</u>
Change in cash flows	<u>18,149</u>	<u>181</u>	<u>3,391</u>	<u>1,518</u>

24 Commitments

	31 March 2023	31 March 2022	31 December 2022
	RO '000	RO '000	RO '000
Approved lease commitments (refer 'a')	7,762	4,330	5,169
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	-	12	12
	<u>7,762</u>	<u>4,342</u>	<u>5,181</u>

- (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 2023	31 March 2022	31 December 2022
	RO '000	RO '000	RO '000
Bank guarantees	<u>35</u>	<u>98</u>	<u>113</u>

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 2023	Three months ended 31 March 2022
	RO '000	RO '000
Operating expenses	29	1
Sales incentive paid	-	-
Purchase of property and equipment	1	-
Acceptance / rollover of corporate deposit	<u>5,592</u>	-
Directors' fees and remuneration		
Directors' sitting fees and proposed remuneration (note 7)	<u>50</u>	80
Remuneration to key members of management during the		

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

period		
Salaries and other benefits	429	281

26 Related party transactions and balances (continued)

The following balances were payable to related parties:

	31 March 2023 RO '000	31 March 2022 RO '000	31 December 2022 RO '000
Corporate deposit	5,636	5,329	5,558
Sales incentive payable	-	8	

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 2023. The Company has recently valued this property on 6 December 2022 at RO 1.50 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 Advances, prepayments and other receivables

	31 March 2023 RO'000	31 March 2022 RO'000	31 December 2022 RO'000
Other receivables	2,650	2,707	2,936
Fair value of derivatives	1,269	-	1,273
Prepayments	869	573	536
Advances	178	118	162
	<u>4,966</u>	<u>3,398</u>	<u>4,907</u>

31 Financial instruments by category

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

	31 March 2023	31 March 2022 RO'000	31 December 2022 RO'000
Financial assets			
Fair Value			
Derivative financial instrument	1,269	-	1,273
Amortised cost			
Cash and cash equivalents (note 10)	5,998	3,987	5,876
Net investment in finance leases (note 12)	352,719	354,610	355,763
Working capital finance and factoring receivables (note 12)	74,223	60,697	69,689
Other receivables	183	119	166
Statutory deposit (note 11)	250	250	250

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

Total financial assets	<u>434,642</u>	<u>419,663</u>	<u>433,017</u>
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31 Financial instruments by category (continued)

	31 March 2023 RO'000	31 March 2022 RO'000	31 December 2022 RO'000
Financial liabilities			
Fair Value			
Derivative financial instrument	-	662	-
Amortised cost			
Short-term loans (note 20)	73,798	100,440	67,561
Creditors and accruals (note 18)	13,029	14,756	9,018
Fixed deposits (note 21)	32,114	32,603	32,091
Long term loans (note 20)	232,206	175,857	220,219
Total financial liabilities	<u>351,147</u>	<u>324,318</u>	<u>328,889</u>

32 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 2023	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	5,998	-	-	-	5,998
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	12,187	126,387	480,516	-	619,090
Advances and prepayments	-	4,966	-	-	4,966
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	657	657
Property and equipment	-	-	-	6,497	6,497
Total assets	<u>18,185</u>	<u>132,853</u>	<u>480,516</u>	<u>13,354</u>	<u>644,908</u>
Equity and liabilities					
Total equity	-	-	-	97,576	97,576
Liabilities:					
Bank borrowings and fixed deposits	71,520	161,612	122,303	-	355,435
Creditors and accruals	9,563	3,466	-	-	13,029
End of service benefits	-	-	-	587	587
Tax liabilities	-	2,753	-	697	3,450
Total equity and liabilities	<u>81,083</u>	<u>167,831</u>	<u>122,303</u>	<u>98,860</u>	<u>470,077</u>
Liquidity gap	<u>(62,898)</u>	<u>(34,978)</u>	<u>358,213</u>	<u>(85,506)</u>	
Cumulative liquidity gap	<u>(62,898)</u>	<u>(97,876)</u>	<u>260,337</u>	<u>174,831</u>	

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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 December 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	5,876	-	-	-	5,876
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	12,005	129,126	467,214	-	608,345
Advances and prepayments	-	4,907	-	-	4,907
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	637	637
Property and equipment	-	-	-	6,572	6,572
Total assets	17,881	135,533	467,214	13,409	634,037
Equity and liabilities					
Total equity	-	-	-	118,629	118,629
Liabilities:					
Bank borrowings and fixed deposits	58,183	161,207	116,550	-	335,940
Creditors and accruals	4,325	4,693	-	-	9,018
End of service benefits	-	-	-	565	565
Tax liabilities	-	2,364	-	697	3,061
Total equity and liabilities	62,508	168,264	116,550	119,891	467,213
Liquidity gap	(44,627)	(32,731)	350,664	(106,482)	
Cumulative liquidity gap	(44,627)	(77,358)	273,306	166,824	

The Company had unutilised credit facilities amounting to RO 65.57 million available as on 31 March 2023 (31 March 2022 – RO 73.84 million, 31 December 2022 – RO 78.69 million) to mitigate the impact of negative

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED 31 MARCH 2023 (continued)

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.