

NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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NATIONAL FINANCE COMPANY SAOG

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023

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NATIONAL FINANCE COMPANY SAOG

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

	Note	Quarter ended 30 June 2023 RO '000	Six months ended 30 June 2023 RO '000	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000
Income					
Income from financing activities	12 (a)	12,264	23,088	10,905	21,384
Finance cost		(5,491)	(10,538)	(4,428)	(8,616)
Net finance income		6,773	12,550	6,477	12,768
Other operating income	6	592	1,274	604	1,456
		7,365	13,824	7,081	14,224
Expenses					
Operating expenses	7	(3,298)	(6,005)	(3,106)	(5,861)
Depreciation	13	(135)	(270)	(152)	(289)
Amortisation	14	(94)	(182)	(81)	(162)
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	(49)	(977)	(864)	(2,089)
Bad debts written (off) / back		(19)	(28)	66	75
Total expenses		(3,595)	(7,462)	(4,137)	(8,326)
Profit before tax		3,770	6,362	2,944	5,898
Income tax expense	8 (c)	(565)	(954)	(442)	(885)
Profit after tax		3,205	5,408	2,502	5,013
Other comprehensive income					
<u>Items that will not be reclassified to profit or loss</u>					
Movement in revaluation reserve – net of tax		2		2	4
Change in fair value of cash flow hedge		(195)	(199)	943	854
Other comprehensive (loss) / income		(193)	(195)	945	858
Total comprehensive income		3,012	5,213	3,447	5,871
Basic and diluted earnings per share (RO)	9	0.006	0.009	0.004	0.008

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 2023 RO '000	30 June 2022 RO '000	31 December 2022 RO '000
	Note			
ASSETS				
Cash and cash equivalents	10	9,499	8,662	5,876
Net investment in finance leases	12	364,479	349,648	355,763
Working capital and factoring receivables	12	76,742	70,631	69,689
Advances, prepayments and other receivables	30	4,887	4,007	4,907
Asset held for sale	27	1,500	1,500	1,500
Goodwill		5,950	5,950	5,950
Intangible assets	14	623	766	637
Property, equipment and right-of-use assets	13	6,455	6,634	6,572
Statutory deposit	11	250	250	250
Total assets		470,385	448,048	451,144
LIABILITIES AND EQUITY				
LIABILITIES				
Creditors and accruals	18	11,372	9,814	9,018
Tax liabilities	8 (b)	1,902	1,623	2,364
Bank borrowings	20	320,340	287,908	287,780
Fixed deposits	21	34,878	34,324	32,091
Deferred tax liabilities	8 (b)	697	533	697
Provision for employees' end of service benefits	19	610	596	565
Total liabilities		369,799	334,798	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		1,019	1,027	1,023
Foreign currency reserve	28	-	4,321	5,319
Voluntary reserve	29	3,000	3,000	3,000
Cash flow hedge reserve		1,074	281	1,273
Legal reserve	16	10,376	9,363	10,376
Retained earnings		21,961	17,149	19,529
Total shareholders' equity attributable to the equity holders of the company		100,586	95,050	100,429
Perpetual bonds	17	-	18,200	18,200
Total equity		100,586	113,250	118,629
Total liabilities and equity		470,385	448,048	451,144
Net assets per share (RO)	9	0.175	0.176	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 July 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 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 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	-	-	-	-	-	-	-	5,408	5,408	-	5,408
<i>Other comprehensive income</i>											
Incremental depreciation – net of tax	-	-	(4)	-	-	-	-	4	-	-	-
Change in fair value	-	-	-	-	-	(199)	-	-	(199)	-	(199)
<i>Total comprehensive income</i>	-	-	(4)	-	-	(199)	-	5,412	5,209	-	5,209
<i>Other transactions within equity:</i>											
Perpetual bond redemption (note 17)	-	-	-	-	-	-	-	-	-	(18,200)	(18,200)
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	(722)	(722)	-	(722)
Foreign currency reserve (note 28)	-	-	-	(5,319)	-	-	-	5,319	-	-	-
<i>Total other transactions within equity</i>	-	-	-	(5,319)	-	-	-	4,597	(722)	(18,200)	(18,922)
<i>Transactions with owners:</i>											
Cash dividend (note 22)	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
Stock dividend (note 22)	3,247	-	-	-	-	-	-	(3,247)	-	-	-
<i>Total transactions with owners</i>	3,247	-	-	-	-	-	-	(7,577)	(4,330)	-	(4,330)
30 June 2023	57,370	5,786	1,019	-	3,000	1,074	10,376	21,961	100,586	-	100,586

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**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 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	-	-	-	-	-	-	-	5,013	5,013	-	-	5,013
<i>Other comprehensive income</i>												
Incremental depreciation – net of tax	-	-	(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	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	<u>54,123</u>	<u>5,786</u>	<u>1,027</u>	<u>4,321</u>	<u>3,000</u>	<u>281</u>	<u>9,363</u>	<u>17,149</u>	<u>95,050</u>	<u>18,200</u>	<u>113,250</u>	

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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 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.

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

	Note	30 June 2023 RO '000	30 June 2022 RO '000
Cash flows from operating activities			
Profit before tax		6,362	5,898
Adjustments for:			
Depreciation	13	270	289
Amortisation	14	182	162
Employees' end of service benefits charge	19	60	54
Gain on sale of property and equipment		-	(96)
Impairment on lease receivables	12 (b)	977	2,089
Bad debts written off / (back)		28	(75)
Finance costs		10,538	8,616
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		18,417	16,937
Changes in working capital:			
Net investment in financing activities, working capital and factoring receivables		(17,704)	(17,432)
Bank borrowings	23	32,176	14,936
Fixed deposits	23	2,991	3,092
Advances, prepayments and other receivables		20	(526)
Creditors and accruals		3,084	2,448
		20,567	2,518
Interest paid		(11,529)	(8,602)
Income tax paid		(1,415)	(2,607)
Employees' end of service benefits paid	19	(15)	(46)
Net cash generated from operating activities		26,025	8,200
Cash flows from investing activities			
Purchase of property and equipment	13	(153)	(137)
Purchase of intangible assets	14	(168)	(24)
Proceeds from sale of property and equipment		-	96
Net cash used in investing activities		(321)	(65)
Cash flows from financing activities			
Perpetual bond redeemed		(18,200)	-
Dividend paid		(4,330)	(4,330)
Perpetual bond interest paid		(722)	(722)
Net cash used in financing activities		(23,252)	(5,052)
Net change in cash and cash equivalents during the period		2,452	3,083
Cash and cash equivalents at the beginning of the period		5,876	5,579
Cash and cash equivalents at the end of the period		8,328	8,662

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 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 30 June 2023 (30 June 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 six months period ended 30 June 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 unaudited condensed interim financial information 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 unaudited condensed interim financial information 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 30 June 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 SIX MONTHS PERIOD ENDED 30 JUNE 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

	Quarter ended 30 June 2023 RO '000	Six months ended 30 June 2023 RO '000	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000
Income from pre-closed leases	118	275	195	472
Penal charges	132	255	94	262
Cheque related charges	152	298	132	275
Miscellaneous income	190	446	183	447
	<u>592</u>	<u>1,274</u>	<u>604</u>	<u>1,456</u>

7 Operating expenses

	Quarter ended 30 June 2023 RO '000	Six months ended 30 June 2023 RO '000	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000
Employee related expenses	2,355	4,262	1,847	3,689
Office expenses	325	630	797	1,225
Communication costs	273	494	199	421
Professional fees and subscriptions	125	234	90	185
Directors' remuneration and sitting fees (note 26)	100	150	95	175
Advertising and sales promotion	79	155	47	92
Occupancy costs	41	80	31	74
	<u>3,298</u>	<u>6,005</u>	<u>3,106</u>	<u>5,861</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 30 June 2023.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)**

8 Taxation (continued)

(b) Tax liabilities - net

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Deferred tax liability	697	533	697
Provision for income tax	1,902	1,623	2,364
Net tax liabilities	2,599	2,156	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:

	Quarter ended 30 June 2023 RO '000	Six months ended 30 June 2023 RO '000	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000
Accounting profit before income tax	3,770	6,362	2,944	5,898
Income tax expense computed at applicable tax rates	565	954	442	885
Tax charge for the period	565	954	442	885

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 2023 RO '000	Six months ended 30 June 2023 RO '000	Quarter ended 30 June 2022 RO '000	Six months ended 30 June 2022 RO '000
Profit for the period attributable to equity shareholders (RO '000)	3,205	5,408	2,502	5,013
Interest on perpetual bonds (RO '000)	-	(295)	(363)	(722)
Net profit attributable to ordinary shareholders (RO '000)	3,205	5,113	2,139	4,291
Weighted average number of shares during the period ('000)	557,736	557,736	557,736	557,736
Basic and diluted earnings per share (RO)	0.006	0.009	0.004	0.008

The calculation of net assets per share is as follows:

	30 June 2023 RO '000	30 June 2022 RO '000	31 December 2022 RO '000
Net assets attributable to ordinary shareholders (RO '000)	100,586	95,050	100,429
Number of shares at the period/ year end ('000)	573,704	541,230	541,230
Net assets per share (RO)	0.175	0.176	0.186

Earnings per share as at 30 June 2023 have been calculated using weighted average shares outstanding for the period. The weighted average shares outstanding for the period ended 30 June 2023 are 557,736,488 shares (30 June 2022: 557,736,488 shares). Net assets per share have been calculated using outstanding shares as at 30 June 2023, 30 June 2022 and 31 December 2022.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)**

10 Cash and cash equivalents

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Current accounts with banks	9,470	8,600	5,843
Cash in hand	29	62	33
	<u>9,499</u>	<u>8,662</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

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Gross investment in finance leases	506,175	488,213	490,311
Working capital finance and factoring receivables	130,631	116,520	118,034
Unearned lease income	(141,922)	(131,723)	(131,165)
	<u>494,884</u>	<u>473,010</u>	<u>477,180</u>
Allowance for expected credit losses	(53,663)	(52,731)	(51,728)
Net investment in finance leases, working capital finance and factoring receivables	<u>441,221</u>	<u>420,279</u>	<u>425,452</u>

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Net investment in finance leases	364,479	349,648	355,763
Working capital and factoring receivables	76,742	70,631	69,689
	<u>441,221</u>	<u>420,279</u>	<u>425,452</u>

(a) Unearned lease income:

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
At 1 January	131,165	116,558	116,558
Additions during the period	33,845	36,549	58,094
Recognised during the period	(23,088)	(21,384)	(43,487)
At 30 June	<u>141,922</u>	<u>131,723</u>	<u>131,165</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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:

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
At 1 January	51,728	49,265	49,265
<i>Provision</i>			
Provided during the period	7,199	12,147	16,586
Released during the period	(6,222)	(10,058)	(12,396)
	977	2,089	4,190
Write off during the period	-	-	(3,469)
	977	2,089	721
<i>Unrecognised contractual income</i>			
Provided during the period	1,724	2,011	3,651
Released during the period	(766)	(634)	(826)
Write off during the period	-	-	(1,083)
	958	1,377	1,742
At 30 June	53,663	52,731	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
30 June 2023				
Gross	12,542	130,263	494,001	636,806
Present value	8,161	88,553	398,170	494,884
30 June 2022				
Gross	15,872	125,807	463,054	604,733
Present value	11,512	85,108	376,390	473,010
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 SIX MONTHS PERIOD ENDED 30 JUNE 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	336,219	25	2,622	(2,597)	333,597	18,039	-
	Stage 2	79,053	187	11,106	(10,919)	67,947	4,625	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		415,272	212	13,728	(13,516)	401,544	22,664	-
Special Mention	Stage 1	86	4	1	3	85	6	-
	Stage 2	934	47	25	22	909	59	1
	Stage 3	6,510	313	1,380	(1,067)	5,130	90	257
Subtotal		7,530	364	1,406	(1,042)	6,124	155	258
Substandard	Stage 1	7	2	-	2	7	-	-
	Stage 2	159	40	7	33	152	12	-
	Stage 3	3,963	924	831	93	3,132	18	268
Subtotal		4,129	966	838	128	3,291	30	268
Doubtful	Stage 1	-	-	-	-	-	-	-
	Stage 2	18	7	-	7	18	3	-
	Stage 3	3,044	1,018	684	334	2,360	8	270
Subtotal		3,062	1,025	684	341	2,378	11	270
Loss	Stage 1	-	-	-	-	-	-	-
	Stage 2	18	18	1	17	17	3	-
	Stage 3	64,873	47,728	37,006	10,722	27,867	225	10,753
Subtotal		64,891	47,746	37,007	10,739	27,884	228	10,753
Total	Stage 1	336,312	31	2,623	(2,592)	333,689	18,045	-
	Stage 2	80,182	299	11,139	(10,840)	69,043	4,702	1
	Stage 3	78,390	49,983	39,901	10,082	38,489	341	11,548
	Total	494,884	50,313	53,663	(3,350)	441,221	23,088	11,549
Total - 30 June 2022	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 - 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)**

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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	17,942	-	1,056	(1,056)	16,886	891	-
	Stage 2	62,389	187	10,730	(10,543)	51,659	3,659	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		80,331	187	11,786	(11,599)	68,545	4,550	-
Classified as non-performing	Stage 1	57	4	1	3	56	3	-
	Stage 2	68	22	5	17	63	4	-
	Stage 3	6,289	3,658	2,775	883	3,514	-	985
Subtotal		6,414	3,684	2,781	903	3,633	7	985
Total	Stage 1	17,999	4	1,057	(1,053)	16,942	894	-
	Stage 2	62,457	209	10,735	(10,526)	51,722	3,663	-
	Stage 3	6,289	3,658	2,775	883	3,514	-	985
	Total	86,745	3,871	14,567	(10,696)	72,178	4,557	985
Total - 30 June 2022	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 - 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	977	2,089	977	2,089	-	-
Provisions required as per CBO norms / held as per IFRS 9	61,862	55,336	53,663	52,731	8,199	2,605
Gross NPL ratio	16.1	15.5	15.8	15.3	0.3	0.2
Net NPL ratio	4.1	4.3	8.5	7.5	(4.4)	(3.2)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 30 June 2023						
Cost or valuation						
At 1 January 2023	1,050	4,201	5,173	174	334	10,932
Additions	-	-	153	-	-	153
Disposals	-	-	-	-	-	-
At 30 June 2023	1,050	4,201	5,326	174	334	11,085
Accumulated depreciation						
At 1 January 2023	-	352	3,566	174	268	4,360
Charge for the period	-	85	173	-	12	270
Disposals	-	-	-	-	-	-
At 30 June 2023	-	437	3,739	174	280	4,630
Net book amount						
At 30 June 2023	1,050	3,764	1,587	-	54	6,455
	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 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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 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 (30 June 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 SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

14 Intangible assets

	30 June 2023			30 June 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	168	-	168	24	-	24	62
	<u>635</u>	<u>1,792</u>	<u>2,427</u>	<u>429</u>	<u>1,792</u>	<u>2,221</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	54	128	182	34	128	162	329
	<u>396</u>	<u>1,408</u>	<u>1,804</u>	<u>303</u>	<u>1,152</u>	<u>1,455</u>	<u>1,622</u>
Closing balance	<u>239</u>	<u>384</u>	<u>623</u>	<u>126</u>	<u>640</u>	<u>766</u>	<u>637</u>

15 Share capital

The authorised share capital of the Company comprises 750,000,000 ordinary shares of Baizas 100 each (30 June 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 573,704,281 shares of Baizas 100 each (30 June 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

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Creditors	7,429	5,980	4,325
Accruals and other liabilities	3,898	3,768	4,625
Lease liabilities	45	66	68
	<u>11,372</u>	<u>9,814</u>	<u>9,018</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

19 Provision for employees' end of service benefits

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

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Opening balance	565	588	588
Charge for the period	60	54	91
Payments during the period	(15)	(46)	(114)
Closing balance	<u>610</u>	<u>596</u>	<u>565</u>

20 Bank borrowings

	30 June 2023	30 June 2022	31 December 2022
	RO '000	RO '000	RO '000
Bank overdrafts	1,171	-	-
Short-term loans	98,092	80,530	67,561
Current portion of long-term loans	118,057	102,218	112,261
Non-current portion of long-term loans	103,020	105,160	107,958
	<u>320,340</u>	<u>287,908</u>	<u>287,780</u>

(a) During the period, interest was charged on the above borrowings at rates ranging between 4.95% and 6.75% per annum (30 June 2022- 3.40% 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 30 June 2023, the notional amount of foreign currency forward contract amounted to RO 59.67 million [USD 155.14 million] (30 June 2022 RO 93.40 million [USD 242.85 million], 31 December 2022 - RO 75.32 million [USD 195.82 million]) to repay US Dollar term loans.

21 Fixed deposits

At 30 June 2023, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 34.88 million (30 June 2022 - 34.32 million, 31 December 2022 - RO 32.09 million), with tenure ranging from 3 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 2022 amounted to RO 4,329,844 and stock dividend is amounted to RO 3,247,382 was distributed during the period. The cash dividend paid for 2021 amounted to RO 4,329,844 was distributed during 2022.

23 Change in cash flows from financing activities (Principal)

Particulars	30 June 2023		30 June 2022	
	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	286,759	31,314	272,148	30,551
Additions during the period	233,820	12,236	203,777	8,425
Repayments during the period	(201,644)	(9,245)	(188,841)	(5,333)
Closing balance	<u>318,935</u>	<u>34,305</u>	<u>287,084</u>	<u>33,643</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

Change in cash flows	<u>32,176</u>	<u>2,991</u>	<u>14,936</u>	<u>3,092</u>
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24 Commitments

	30 June 2023 RO '000	30 June 2022 RO '000	31 December 2022 RO '000
Approved lease commitments (refer 'a')	8,481	7,363	5,169
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	-	24	12
	<u>8,481</u>	<u>7,387</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

	30 June 2023 RO '000	30 June 2022 RO '000	31 December 2022 RO '000
Bank guarantees	<u>59</u>	<u>59</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 30 June were as follows:

	Six months ended 30 June 2023 RO '000	Six months ended 30 June 2022 RO '000
Operating expenses	37	9
Purchase of property and equipment	<u>9</u>	<u>17</u>
Directors' fees and remuneration		
Directors' sitting fees and proposed remuneration (note 7)	<u>150</u>	<u>175</u>
Remuneration to key members of management during the period		
Salaries and other benefits	<u>583</u>	<u>453</u>

The following balances were payable to related parties:

	30 June 2023 RO '000	30 June 2022 RO '000	31 December 2022 RO '000
Corporate deposit	-	5,405	5,558
Sales incentive payable	<u>-</u>	<u>12</u>	

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

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 41, in modification to the conditions stipulated in circular FM 11 the finance leasing Companies are exempted from creating exchange reserve (20%), in case the foreign currency borrowings (in excess of 40% of net worth) is denominated in US Dollars or in any other currency, where the exchange rate risk is fully hedged. As of 30 June 2023, the Company has foreign currency borrowing of RO 59.67 million [USD 155.14 million] (30 June 2022 RO 93.40 million [USD 242.85 million], 31 December 2022 - RO 75.32 million [USD 195.82 million]) which is fully hedged against exchange rate risk.

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

	30 June 2023 RO'000	30 June 2022 RO'000	31 December 2022 RO'000
Other receivables	2,662	2,839	2,936
Fair value of derivatives	1,074	281	1,273
Prepayments	953	793	536
Advances	198	94	162
	<u>4,887</u>	<u>4,007</u>	<u>4,907</u>

31 Financial instruments by category

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

	30 June 2023 RO'000	30 June 2022 RO'000	31 December 2022 RO'000
Financial assets			
Fair Value			
Derivative financial instrument	1,074	281	1,273
Amortised cost			
Cash and cash equivalents (note 10)	9,499	8,662	5,876
Net investment in finance leases (note 12)	364,479	349,648	355,763
Working capital finance and factoring receivables (note 12)	76,742	70,631	69,689
Other receivables	198	94	166
Statutory deposit (note 11)	250	250	250
Total financial assets	<u>452,242</u>	<u>429,566</u>	<u>433,017</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

31 Financial instruments by category (continued)

	30 June 2023 RO'000	30 June 2022 RO'000	31 December 2022 RO'000
Financial liabilities			
Amortised cost			
Bank overdrafts (note 20)	1,171		
Short-term loans (note 20)	98,092	80,530	67,561
Creditors and accruals (note 18)	11,372	9,814	9,018
Fixed deposits (note 21)	34,878	34,324	32,091
Long term loans (note 20)	221,077	207,378	220,219
Total financial liabilities	366,590	332,046	328,889

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 30 June 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	9,499	-	-	-	9,499
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	12,542	130,263	494,001	-	636,806
Advances and prepayments	-	4,887	-	-	4,887
Assets held for sale	-	1,500	-	-	1,500
Goodwill	-	-	-	5,950	5,950
Intangible assets	-	-	-	623	623
Property and equipment	-	-	-	6,455	6,455
Total assets	22,041	136,650	494,001	13,278	665,970
Equity and liabilities					
Total equity	-	-	-	100,586	100,586
Liabilities:					
Bank borrowings and fixed deposits	78,864	181,748	111,211	-	371,823
Creditors and accruals	-	11,372	-	-	11,372
End of service benefits	-	-	-	610	610
Tax liabilities	-	1,902	-	697	2,599
Total equity and liabilities	78,864	195,022	111,211	101,893	486,990
Liquidity gap	(56,823)	(58,372)	382,790	(88,615)	
Cumulative liquidity gap	(56,823)	(115,195)	267,595	178,980	

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

32 Maturity analysis of assets and liabilities (continued)

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 and prepayments	-	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	51,890	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 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 33.09 million available as on 30 June 2023 (30 June 2022 – RO 62.57 million, 31 December 2022 – RO 78.69 million) to mitigate the impact of negative mismatch. The Company expects, given experience, local practice and discussions with lenders that short-term

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2023 (continued)

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.