

MUSCAT FINANCE SAOG

Notes to the condensed interim financial information for the six-month period ended 30 June

1 Legal status and principal activities

Muscat Finance SAOG ("the Company") is an Omani Joint Stock Company established on 11 October 1987 and registered in the Sultanate of Oman. The Company is involved in the activity of instalment financing and leasing of vehicles and other assets, debt factoring, working capital and receivable financing activities. The Company derives all of its income from leasing, factoring and working capital funding within the Sultanate of Oman. The Company's shares are listed in the Muscat Stock Exchange.

The Company's principal place of business is located at Bawshar, Ghala Heights, Sultanate of Oman.

These condensed interim financial statements were approved for issue by the Board of Directors on 30 June 2025.

2 Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the applicable provisions of the Commercial Companies Law (CCL) and Regulations (CCR), Financial Services Authority (FSA), and the applicable regulations of the Central Bank of Oman (CBO) of the Sultanate of Oman.

Basis of measurement

The financial statements have been prepared under the historical cost convention and going concern assumption. The preparation of financial statements is in conformity with IFRS Accounting Standards that requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies.

Functional currencies

Accounting records are maintained in Rial Omani (RO) which is the functional and presentation currency for these financial statement. All condensed interim financial information presented in Rial Omani which has been rounded to the nearest thousands, unless otherwise stated.

Changes in accounting policies

a) Standards, amendments and interpretations effective and adopted from 1 January 2025

The following new standards, amendment to existing standards or interpretations to various IFRS Accounting Standards are mandatorily effective for the reporting period beginning on or after 1 January 2025:

Standard or Interpretation	Title
Amendments to IAS 21	Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

Lack of exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates)

On 15 August 2023, the IASB issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates (the Amendments).

These Amendments are applicable for annual reporting periods beginning on or after 1 January 2025. The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency. The Amendments also introduce additional disclosure requirements when an entity estimates a spot exchange rate because a currency is not exchangeable into another currency.

IAS 21, prior to the Amendments, did not include explicit requirements for the determination of the exchange rate when a currency is not exchangeable into another currency, which led to diversity in practice.

When applying the Amendments, an entity is not permitted to restate comparative

These amendments have no effect on the interim financial information of the Company.

2 Basis of preparation (continued)**Changes in accounting policies (continued)****(b) Standards, amendments and interpretations issued but not yet effective**

The following new/amended accounting standards and interpretations have been issued by IASB that are effective in future accounting period and the Company has decided not to adopt early.

Standard or Interpretation	Title	Effective for annual periods beginning on or after
Amendments to IFRS 9	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to IFRS 9	Contracts Referencing Nature-dependent Electricity	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

The Company does not expect these amendments and standards issued but not yet effective, to have a material impact on the financial information of the Company.

IFRS 18 Presentation and Disclosure in Financial Statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS Accounting Standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorisation and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

3 Material accounting policies

The principal accounting policies applied in the preparation of these condensed interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property and equipment

Items of property and equipment and capital work-in-progress are stated at historical cost less accumulated depreciation and impairment losses, if any, except for freehold land which is not depreciated.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of vehicles, equipment and other assets. All other expenditure is recognized in profit or loss as an expense as incurred. Depreciation assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

Description	Years
Building	25
Furniture, fixtures and office equipment	4 - 5

Freehold land is not depreciated as it is deemed to have an infinite future life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property and equipment category and depreciated in accordance with the Company's policy. Interest costs on bank borrowings to finance specific property and equipment are capitalised during the period that is required to bring the asset to a condition when it is ready for use.

3.2 Financial assets and financial liabilities**i) Recognition and initial measurement**

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances are recognised on the statement of financial position when the Company disburses funds, extending credit to the borrower. This occurs once the lease agreement is finalised, and the borrower has met any necessary conditions for funding. The Company recognises balances due to customers when funds are transferred to the customer.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVTPL), wherein transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price.

3 Material accounting policies (continued)**3.2 Financial assets and financial liabilities (continued)****ii) Classification**

A financial asset is measured at amortised cost if it meets both of the following conditions mentioned below and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at, fair value through other comprehensive income (FVOCI) only if it meets both of the following conditions and is not designated as at FVTPL

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling;
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Company considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money - e.g. periodical reset of interest rate.

3 Material accounting policies (continued)

3.2 Financial assets and financial liabilities (continued)

ii) Classification (continued)

Reclassification

Financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

Financial liabilities

The Company classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Trade and settlement date accounting

Purchases and sales of financial assets are recognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

iii) Derecognition

A financial asset (in whole or in part) is derecognised where:

- the right to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and
- either (i) the Company has transferred substantially all the risks and rewards of ownership, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control over the asset or a proportion of the asset.

iv) Modifications of financial assets and financial liabilities

Financial assets

The cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate.

Financial liability

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

Investment in finance debtors

'Investment in finance debtors' captions in the statement of financial position include loans and advances measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

3 Material accounting policies (continued)**3.2 Financial assets and financial liabilities (continued)****v) Impairment**

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:

- Deposits and balances and due from banks;
- Debt investment securities carried at amortised cost;
- Net investment in finance debtors to customers;
- Customer acceptances and other financial assets;
- Loan commitments; and
- Financial guarantees and contracts.

With the exception of purchased or originated credit impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Company if the holder of the commitment draws down the loan and the cash flows that the Company expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

Measurement of ECL

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect ECL over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component; (b) the contractual ability to demand repayment and cancel the undrawn commitment is present; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

3 Material accounting policies (continued)

3.2 Financial assets and financial liabilities (continued)

v) Impairment (continued)

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as timing of coupon payments, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more. However, the cases where the impairment is not recognised for assets beyond 90 days overdue are supported by reasonable information.

Significant increase in credit risk

The Company monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Company monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information. In order to determine the significant increase in credit risk, the Company also considers the following factors.

- Inadequate or unreliable financial and other information such as unavailability of audited financial statements;
- Non-cooperation by the borrower in matters pertaining to documentation;
- Borrower being subject to litigation by third parties that may have a significant impact on his financial position;
- Frequent changes in senior management;
- Intra-group transfer of funds without underlying transactions;
- Deferment/ delay in the date of commencement of commercial operations by more than one year; and
- Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants, etc.

3 Material accounting policies (continued)**3.2 Financial assets and financial liabilities (continued)****v) Impairment (continued)**

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the macroeconomic indicators obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, financing forward looking information includes the same economic forecasts as corporate financing with additional forecasts of local economic indicators.

The Company allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Company considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- Frequent dishonour of cheques;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the Company and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Company relies on a broad range of forward looking information as economic inputs along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgment.

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 29 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

However, the Company still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

Purchased or originated credit-impaired (POCI) financial assets

Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Restructured or modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

3 Material accounting policies (continued)**3.2 Financial assets and financial liabilities (continued)****v) Impairment (continued)**

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flows from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Write-offs

Financial assets are written-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

3.3 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3.4 Investment property

Investment property is a property which is held either to earn rental income, for capital appreciation or both. Investment property is initially recognised at cost, which includes all the expenditures directly attributable to the construction of the property and bringing the investment property to the condition necessary for it to be capable of operating in the manner intended by management.

Investment property is subsequently measured at cost less accumulated depreciation. The Company uses the cost model for the measurement of investment property and the depreciation is recognised on a straight-line basis over the estimated useful life of the investment property. Freehold land is not depreciated as it is deemed to have an infinite future life.

3.5 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and bank balances, net of bank overdraft. In the statement of financial position, bank overdraft is included as part of liabilities.

3.6 Borrowings and corporate deposits

Borrowings which include corporate deposits are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

3 Material accounting policies (continued)**3.7 End of service benefits and leave entitlements**

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the statement of profit or loss as incurred. For non-Omani employees, provision is made for amounts payable under the new Oman Labour Law (Royal Decree 53/2023), based on the employees' accumulated periods of service at the statement of financial position date. This provision is classified as a non-current liability. Employee entitlements to annual leave and leave passage are recognised when they accrue to the employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the statement of financial position date. These accruals are included in current liabilities.

3.8 Other liabilities

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

3.9 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

3.10 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

3.11 Revenue recognition

Income from finance leases represents gross earnings on finance leases allocated to the period of the lease using the net investment method, which reflects a constant periodic rate of return. The lease finance income is recognised in profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Interest on factoring and working capital finance receivables is recognised using the effective interest rate method over the tenure of the agreement.

Interest on past due and impaired loans is not recognised in income and is transferred to reserve account. This is reversed from reserve account and is taken to profit or loss when actually received in cash.

Penal charges, lease processing charges, insurance and other operating fees are recognised when realised.

Dividend income is accounted for when the right to receive dividend is established.

3.12 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

The Company presents net assets per share for its ordinary shares. Net assets per share is calculated by dividing the net assets as at the year-end by the number of shares outstanding at the year-end.

3 Material accounting policies (continued)**3.13 Interest expense**

Interest expense is recognised on an accrual basis using effective interest method.

3.14 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is engaged in leasing activities, all of which are carried out in the Sultanate of Oman. The Company has retail and corporate customers, the entire lease portfolio is managed internally as two business unit. All the Company's funding and costs are allocated between these two portfolios (refer Note 29).

3.15 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at either the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation, at the year-end exchange rates, of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities such as instruments held at fair value through profit or loss are recognised in profit or loss as part of the fair value gains or losses.

3.16 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly to shareholders' equity or other comprehensive income, in which case it is recognised in shareholders' equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefits will be realised.

3.17 Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.18 Commitments

Lease commitments are stated at contracted values at year end.

3.19 Directors' remuneration and sitting fees

The Board of Directors' remuneration is accrued within the limits specified by the Financial Services Authority and the requirements of the Commercial Companies Law and Regulations of the Sultanate of Oman. These costs are recorded as expenses in the period in which they are incurred.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed by the Company to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates. Estimates and judgments are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial period are discussed below:

4.1 Economic useful lives of property and equipment

The Company's property and equipment are depreciated on a straight-line basis over their economic useful lives. The economic useful lives of property and equipment are reviewed periodically by management. The review is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefit to the Company.

4.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: Valuation techniques based on observable inputs. This category includes instruments valued using quoted market prices in the active market for similar instruments, quoted market prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3: Valuation techniques using significant unobservable inputs. This category includes instruments that are valued based on quoted prices of similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

4.3 Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

4.4 Taxation

Uncertainties exist with respect to the interpretation of tax regulations. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

4 Critical accounting estimates and judgments (continued)**4.5 Significant increase of credit risk**

ECLs are measured as an allowance equal to 12-months ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 or stage 3 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information. A significant increase in credit risk is presumed if a customer is more than 29 days past due in making a contractual payment.

4.6 IFRS 9 models and assumptions used

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Establishing group of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. product type of retail facilities). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-months to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-months or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario.

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

4.7 Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and it satisfied that it has the resources to continue in business for the foreseeable future. Further more, management is not aware about any material uncertainties that may cast a significant doubt on the Company's ability to continue as a going concern. Therefore, the condensed interim financial statements continue to be prepared on a going concern basis.

MUSCAT FINANCE SAOG

Notes to the condensed interim financial information for the six-month period ended 30 June 202

5 Cash and bank balances	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Balances with banks	238	2,039	2,054
Cash and cheques in hand	21	11	5
Cash and bank balances	259	2,050	2,059
Less: bank overdraft (Note 16)	(286)	(1,745)	(1,436)
	(27)	305	623

6 Investment securities	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Investment at fair value through profit or loss ("FVTPL") (Note 22)	776	505	-
	776	505	-

During the quarter, the Company has invested RO 0.776 million in bonds.

7 Net investment in finance debtors	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Gross investment in finance leases	146,458	132,428	148,176
Unearned lease income	(24,168)	(19,577)	(24,672)
Net instalment finance debtors	122,290	112,851	123,504
Debt factoring	10,308	10,327	10,244
	132,598	123,178	133,748
Less: allowance for impairment on above	(25,199)	(22,876)	(24,013)
Unrecognised contractual income	(9,882)	(8,661)	(8,954)
	97,517	91,641	100,781

The movement of unearned lease income during the year was as follows:

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
At 1 January	24,672	14,288	14,288
Additions during the year	4,174	8,990	18,383
Recognised during the period (Note 20)	(4,678)	(3,701)	(7,999)
At 30 June	24,168	19,577	24,672

The movement in allowance for finance debtors during the year was as follows:

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
At 1 January	24,013	22,127	22,127
Charge during the period, net	1,186	749	1,886
At 30 June	25,199	22,876	24,013

MUSCAT FINANCE SAOG**Notes to the condensed interim financial information for the six-month period ended 30 June 202****7 Net investment in finance debtors (continued)**

At 30 June 2025, Investment in finance debtors include receivable from related parties amounting to RO 1.89 million (2024: RO 1.41 million - refer to Note 26).

The movement in unrecognised contractual income during the year was as follows:

	30-Jun-25	30-Jun-24	31-Dec-24
	RO' 000	RO' 000	RO' 000
At 1 January	8,954	7,702	7,702
Addition during the period	928	959	1,252
At 30 June	9,882	8,661	8,954

As at 30 June 2025, finance debtors which are past due and impaired on which contractual income is not being accrued or has not been recognised amounted to RO 45.78 million (30 June 2024: RO 45.52 million).

8 Other receivables and prepayments

	30-Jun-25	30-Jun-24	31-Dec-24
	RO' 000	RO' 000	RO' 000
Other receivables and prepayments	501	350	365
	501	350	365

9 Deferred tax

Deferred tax are calculated on all material temporary differences under the liability method using a principal tax rate of 15% (2023: 15%). Deferred tax asset is in respect of tax losses, primarily for the year 2020, and vehicles and equipment. The deferred tax asset recognised in the statement of financial position which has amounted to RO 0.398 million as at 30 June 2025 (30 June 2024: RO 0.485 million).

MUSCAT FINANCE SAOG
Notes to the condensed interim financial information for the six-month period ended 30 June 2025
10 Property and equipment

(a) The movement in property and equipment is as set out below:

30 June 2025		Furniture, fixtures and office equipment RO'000	Total RO'000	
Cost	Land and building RO'000			
At 1 January 2025	1,945	1,206	3,151	
Additions during the period	-	10	10	
At 30 June 2025	<u>1,945</u>	<u>1,216</u>	<u>3,161</u>	
Accumulated depreciation				
At 1 January 2025	73	805	878	
Charged during the period	30	58	88	
At 30 June 2025	<u>103</u>	<u>863</u>	<u>966</u>	
Net book amount				
At 30 June 2025	<u>1,842</u>	<u>353</u>	<u>2,195</u>	
30 June 2025		Furniture, fixtures and office equipment RO'000	Capital work in progress RO'000	Total RO'000
Cost	Land and building RO'000			
At 1 January 2024	1,883	1,047	62	2,992
Additions during the period	-	41	-	41
At 30 June 2024	<u>1,883</u>	<u>1,088</u>	<u>62</u>	<u>3,033</u>
Accumulated depreciation				
At 1 January 2024	15	693	-	708
Charged during the period	28	55	-	83
At 30 June 2024	<u>43</u>	<u>748</u>	<u>-</u>	<u>791</u>
Net book amount				
At 30 June 2024	1,840	340	62	2,242

MUSCAT FINANCE SAOG
Notes to the condensed interim financial information for the six-month period ended 30 June 2025
10 Property and equipment (continued)
December 2024

	Land and building RO'000	Furniture, fixtures and office equipment RO'000	Capital work in progress RO'000	Total RO'000
Cost				
At 1 January 2024	1,883	1,047	62	2,992
Additions during the period	-	159	-	159
Transferred from capital work-in-progress	62	-	(62)	-
At 31 December 2024	1,945	1,206	-	3,151
Accumulated depreciation				
At 1 January 2024	15	693	-	708
Charged during the period	58	112	-	170
At 31 December 2024	73	805	-	878
Net book amount				
At 31 December 2024	1,872	401	-	2,273

(b) At the reporting date, the lease agreement with the landlord for any of the branch is not more than a period of one year. Hence, the Company has applied the exemption available in IFRS 16 relating to short-term leases.

(c) Land and building includes land of RO 450,000.

11 Investment property	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Cost			
At 1 January	717	717	717
Accumulated depreciation			
At 1 January	36	7	7
Charged during the period	14	14	29
At 30 June	50	21	36
Net book amount			
At 30 June	667	696	681

The Company acquired land and building on the Sultan Qaboos Street in the year 2023. The building is comprising of ground and eight floors. The Company is using the ground and five floors as its head office and intends to let out the remaining three floors on rentals. Accordingly, the Company has classified the three floors as investment property. The building has been recently acquired and the acquisition value reflects the fair market value of the property.

The fair value of investment property was determined by external, independent property valuer, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

12 Statutory deposit

The Company is required to maintain a deposit of RO 250,000 (2024: RO 250,000) with CBO in accordance with the applicable licensing regulations. During the year, the deposit earned interest at the annual rate of 1.5% (2024: 1.5%).

13 Share capital

The authorised share capital of the Company comprises 500,000,000 (30 June 2024: 500,000,000) ordinary shares of 100 baiza each and paid up capital at 30 June 2025 comprised of 307,146,325 (30 June 2024: 307,146,325) fully paid shares of 100 baiza each.

The details of major shareholders who own 10% or more of the Company's shares are as follows:

Name of the shareholders holding greater than 10% of shares:

	30-Jun-25	30-Jun-24	31-Dec-24
	%	%	%
Fincorp Investment Co. LLC	18.259	21.949	18.259
Zawawi Trading Co. LLC	17.450	17.450	17.450

14 Legal reserve

The legal reserve which is not available for distribution is calculated in accordance with Article 132 of the Commercial Companies Law. The annual appropriation required is 10% of the net profit for the year after tax, until such time as the legal reserve amounts to at least one-third of the issued and fully paid-up share capital of the Company. Such legal reserve may be used for covering the Company's losses and the increase of its share capital by way of issuing shares and it shall not be distributed to the shareholders as dividends except where the Company reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction. During the period ended 30 June 2025, no amount has been transferred to the legal reserve as appropriation from profits are made on an annual basis (30 June 2024: RO Nil).

15 Impairment reserve

In accordance with circular 1149 of the guidelines issued by the Central Bank of Oman (CBO), the Company is required to create an impairment reserve in equity for an amount equal to the excess of the provision for non-performing loans computed under CBO guidelines compared to provisions for expected credit losses computed under IFRS 9 on instalment finance debtors. This impairment reserve is not available for the distribution of dividend or for inclusion in capital and reserves for the purposes of computation of leverage ratio as per the CBO requirements. The Company has transferred RO 1.095 million during the period ended 30 June 2025 (30 June 2024: RO 0.907 million).

MUSCAT FINANCE SAOG**Notes to the condensed interim financial information for the six-month period ended 30 June 2025**

16 Bank borrowings	30-Jun-25	30-Jun-24	31-Dec-24
	RO' 000	RO' 000	RO' 000
Bank overdrafts (Note 5)	286	1,745	1,436
Short-term loans	27,250	20,800	27,100
Current portion of long-term loans	2,668	6,493	4,318
Bank borrowings due within a year	<u>30,204</u>	<u>29,038</u>	<u>32,854</u>
Non-current portion of long-term loans	2,596	3,264	1,411
	<u><u>32,800</u></u>	<u><u>32,302</u></u>	<u><u>34,265</u></u>

- Interest on long term loans are as per the agreed commercial rates. The interest rates on overdrafts are subject to change at the discretion of the banks, upon renewal of the facilities, which takes place generally on an annual basis.
- Short term bank borrowings have a tenure of less than 1 year whereas long term loans have a tenure of 1 - 4 years.
- The fair value of short-term borrowings approximates their carrying value.
- The related interest rate risk and maturity profile are given under Note 31.

17 Other liabilities	30-Jun-25	30-Jun-24	31-Dec-24
	RO' 000	RO' 000	RO' 000
Payable to vendors for finance debtors	3,037	6,347	7,124
Accruals for expenses	618	703	498
Advances received from customers	299	469	452
Interest payable	490	562	506
Employees' benefit liabilities	100	123	92
Other payables	334	153	366
	<u><u>4,878</u></u>	<u><u>8,357</u></u>	<u><u>9,038</u></u>

The movement in employees' end of service benefits during the year is as follows:

	30-Jun-25	30-Jun-24	31-Dec-24
	RO' 000	RO' 000	RO' 000
At 1 January	92	96	96
Charge for the period (Note 23)	15	29	33
Paid during the year	(7)	(2)	(37)
At 30 June	<u><u>100</u></u>	<u><u>123</u></u>	<u><u>92</u></u>

18 Taxation

The Company is subject to income tax at the rate of 15% (2024:15%) of the taxable income in accordance with the Income Tax Law of the Sultanate of Oman. Provision for tax has been made, after giving due consideration to adjustments for potential allowances and disallowances. Tax assessments have been completed and agreed for all the years up to 2020 with the Oman Tax Authority. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 30 June 2025.

19 Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 3 months upto 60 months. Refer note 26 for corporate deposits with related parties.

MUSCAT FINANCE SAOG
Notes to the condensed interim financial information for the six-month period ended 30 June 2025

	Six-month period ended 30-Jun-25 RO' 000	Six-month period ended 30-Jun-24 RO' 000
20 Interest income		
Installment finance (Note 7)	4,678	3,701
Debt factoring	547	514
	<u>5,225</u>	<u>4,215</u>
21 Interest expense		
Corporate deposits	774	617
Bank borrowings	1,257	1,154
	<u>2,031</u>	<u>1,771</u>
22 Other operating income		
Fees, service charges and documentation charges	138	100
Other charges and recoveries	232	216
Profit on investment through FVTPL (Note 6)	-	34
Interest on bonds	25	4
	<u>395</u>	<u>354</u>
23 Selling, general and administrative expenses		
Staff costs *	1,150	1,286
Statutory and court fees	281	214
Office expenses	170	139
Rent	20	21
Marketing and promotion expenses	39	65
Professional fees	30	30
Communications	20	25
	<u>1,710</u>	<u>1,780</u>
23 Selling, general and administrative expenses (continued)		
* Staff costs		
Salaries and allowances	891	965
Other benefits	152	210
Employees' benefit liabilities (Note 17)	15	29
Contribution to the Public Authority for Social Insurance	92	82
	<u>1,150</u>	<u>1,286</u>

MUSCAT FINANCE SAOG**Notes to the condensed interim financial information for the six-month period ended 30 June 2025****24 Basic and diluted earnings per share**

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	Six-month period ended 30-Jun-25 RO' 000	Six-month period ended 30-Jun-24 RO' 000
Profit for the period attributable to ordinary shareholders RO' 000	<u>520</u>	<u>149</u>
Weighted average number of ordinary shares in issue during the year	<u>307,146</u>	<u>307,146</u>
Basic and diluted earnings per share	<u><u>0.0017</u></u>	<u><u>0.0005</u></u>

For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share. The basic and diluted earnings per share has been annualized for the period ended 30 June 2025 and 30 June 2024.

25 Net assets per share

The calculation of net assets per share is as below:

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Net asset value	<u>39,075</u>	<u>38,373</u>	<u>39,052</u>
Number of ordinary shares outstanding at 31 March	<u>307,146</u>	<u>307,146</u>	<u>307,146</u>
Net assets per share (RO)	<u><u>0.127</u></u>	<u><u>0.125</u></u>	<u><u>0.127</u></u>

MUSCAT FINANCE SAOG**Notes to the condensed interim financial information for the six-month period ended 30 June 2025****26 Related parties****Transactions with related parties during the period**

The Company has entered into transactions in the ordinary course of business with related parties which include shareholders with significant influence, entities over which directors have an interest, members of the board of directors and key management personnel. During the period, the following transactions were carried out with related parties.

	Six-month period ended 30-Jun-25 RO' 000	Six-month period ended 30-Jun-24 RO' 000	
Interest income	82	64	
	Six-month period ended 30-Jun-25 RO' 000	Six-month period ended 30-Jun-24 RO' 000	
Other operating expenditure			
Insurance premium	95	76	
Office expenses	11	11	
Directors' sitting fees	26	23	
Directors' remuneration	45	-	
Interest on corporate deposit	78	111	
	255	221	
Equipment purchased	1	17	
Related party balances at period end are as follows:	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Receivable from related parties:			
Lease and factoring financing (Note 7)	1,894	1,411	1,985
Net instalment finance debtors	1,894	1,411	1,985
Payable to related parties:			
Other liabilities (Note 17)	97	66	2
Corporate deposits (Note 19)	2,240	3,537	6,260
	2,337	3,603	6,262
Key management compensation	30-Jun-25 RO' 000	30-Jun-24 RO' 000	
Salaries and other benefits	140	185	
End of service benefits	26	25	
	166	210	

27 Commitments

The Company has no approved commitments to customers as on 30 June 2025 which is contingent upon fulfilment of the terms and conditions attached thereto.

28 Contingent liabilities**Letter of credit and financial guarantees**

At 30 June 2025, there were no contingent liabilities (30 June 2024: RO Nil).

MUSCAT FINANCE SAOG

Notes to the condensed interim financial information for the six-month period ended 30 June 2025

29 Segmental information

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is primarily engaged in leasing activities, all of which are carried out in the Sultanate of Oman.

The reportable operating segments derive their revenue primarily from corporate (non-vehicular, factoring, working capital) and retail (vehicular and consumer durables), therefore these have been reported with unallocated items only for reconciliation.

Management assesses the performance of the operating segments primarily based on segmental revenue and profit before tax. Profit before tax is arrived at basis of allocation of funding cost and other costs between two segments.

The segment information provided to the management committee for the reportable segments for the period ended 30 June 2025 and 30 June 2024 is as follows:

	Corporate RO' 000	Retail RO' 000	Un-allocated items RO' 000	Total RO' 000
30 June 2025				
Segmental revenues				
Interest income	2,089	3,136	-	5,225
Interest expense	(812)	(1,219)	-	(2,031)
Net interest income	1,277	1,917	-	3,194
Other operating income	158	237	-	395
Gross income	1,435	2,154	-	3,589
Segmental expenses				
Operating expenses	(684)	(1,026)	(71)	(1,781)
Depreciation	(41)	(61)	-	(102)
	(724)	(1,088)	(71)	(1,883)
Profit before allowance for impairment	710	1,067	(71)	1,706
Allowance for impairment	(474)	(712)	-	(1,186)
Segmental profit for the period before tax	236	355	(71)	520
Taxation	-	-	-	-
Segmental profit for the period	236	355	(71)	520
Total assets	38,985	58,532	5,046	102,563
Total liabilities	23,431	35,179	4,878	63,488

MUSCAT FINANCE SAOG
Notes to the condensed interim financial information for the six-month period ended 30 June 2
29 Segmental information (continued)

30 June 2024	Corporate RO' 000	Retail RO' 000	Un-allocated items RO' 000	Total RO' 000
Segmental revenues				
Interest income	1,860	2,355	-	4,215
Interest expense	(782)	(989)	-	(1,771)
Net interest income	1,079	1,365	-	2,444
Other operating income	156	198	-	354
Gross income	1,235	1,563	-	2,798
Segmental expenses				
Operating expenses	(786)	(994)	(23)	(1,803)
Depreciation	(43)	(54)	-	(97)
	(828)	(1,049)	(23)	(1,900)
Profit before allowance for impairment	406	515	(23)	898
Allowance for impairment	(331)	(418)	-	(749)
Segmental profit for the period before tax	76	96	(23)	149
Taxation	-	-	-	-
Segmental profit for the period	76	96	(23)	149
Total segmental comprehensive income for the period	76	96	(23)	149
Total assets	40,445	51,196	6,578	98,219
Total liabilities	22,724	28,765	8,357	59,846

MUSCAT FINANCE SAOG
Notes to the condensed interim financial information for the six-month period ended 30 June 2
29 Segmental information (continued)

31 December 2024	Corporate RO' 000	Retail RO' 000	Un-allocated items RO' 000	Total RO' 000
Segmental revenues				
Interest income	3,465	5,721	-	9,186
Interest expense	(1,347)	(2,223)	-	(3,570)
Net interest income	2,118	3,498	-	5,616
Other operating income	297	490	-	787
Gross income	2,415	3,988	-	6,403
Gross income				
Operating expenses	(1,264)	(2,088)	(51)	(3,403)
Depreciation	(75)	(124)	-	(199)
	(1,339)	(2,212)	(51)	(3,602)
Profit before allowance for impairment	1,076	1,776	(51)	2,801
Allowance for impairment	(711)	(1,175)	-	(1,886)
	-	-	-	-
Segmental profit for the period before tax	364	602	(51)	915
Taxation	(33)	(54)	-	(87)
Segmental profit for the period	332	547	(51)	828
Total segmental comprehensive income for the period	332	547	(51)	828
Total assets	38,015	62,766	6,026	106,807
Total liabilities	22,148	36,569	9,038	67,755

30 Financial risk management**Financial risk factors**

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the management under the policies approved by the Board of Directors. The management identifies, evaluates and hedges financial risks in close cooperation with Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity.

Market risk

Market risk is the risk of loss due to adverse changes in interest rate and foreign exchange rates. The Company does not actively participate in trading on debts, equity securities, and foreign exchange.

Foreign exchange risk

Foreign currency risk is the risk arising from future commercial transactions or recognized financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. The Company is not exposed to foreign exchange risk as significant proportion of the Company's borrowings are denominated in functional currency or US Dollar which is pegged with Rial Omani.

Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The most important sources of such risk are the Company's borrowings, and its financing activities, where fluctuations in interest rates, if any, are reflected in the results of operations.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate change during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rates on short-term and long-term borrowings with banks are subject to change upon re-negotiation of the facilities, which takes place on an annual basis in the case of overdrafts. The Company uses sensitivity analysis to analyses variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that a change in 50 basis points in the average funding cost would change interest cost on borrowings by RO 0.29 million (30 June 2024: RO 0.26 million). The Company's exposure to interest rate risk is shown under Note 31.

The Company is exposed to fluctuation in interest rates on its term loan balance. Derivative financial instruments are used to reduce exposure to fluctuations in interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

30 Financial risk management (continued)**Financial risk factors (continued)****Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is crucial for the Company's business; therefore management carefully manages its exposure to credit risk. The Company has established credit policies and procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining securities such as lien on title on leased assets, security deposits, personal guarantees and mortgages over properties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Exposure to credit risk is managed through regular analysis of the ability of lessees to meet repayment obligations. Debt factoring activity debtors includes amounts advanced to clients in respect of debts factored, interest on the amounts advanced and related charges. In the event of default in settlement of debts factored by customers of the client, the Company has recourse to the client.

The estimation of counterparty credit exposure for risk management purposes is a complex mechanism and requires the use of credit risk models in place to determine various factors like changes in portfolio exposures, customer behaviours, market conditions, expected cash flows, probability of a customer to default etc. Company measures its credit risk using three drivers which are probability of default (PD) that derives likelihood of each customer to default based on its characteristics and credit behaviour, loss given default (LGD) that determines maximum amount a company will lose in case a client defaults and exposure at default (EAD) that is computed based on future contractual payments expected to receive from counterparty.

Incorporation of forward-looking information

Under IFRS 9, Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Company for strategic planning and budgeting.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

30 Financial risk management (continued)**Financial risk factors (continued)****Credit risk (continued)****Measurement of ECL**

The key inputs used for measuring ECL are:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The calculation are on a discounted cash flow basis. Regulatory LGDs are taken for portfolios with limited historic data and low default portfolios.

EAD is an estimate of the current exposure for funded facilities. For non-funded facilities the EAD is taken as the product of the applicable credit conversion factors and contract values. Exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Company uses EAD models that reflect the characteristics of the portfolios.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Company's contractual ability to demand repayment and cancel.

For such financial instruments the Company measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Company does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments.

30 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Measurement of ECL (continued)

This is because these financial instruments are managed on a collective basis and are cancelled only when the Company becomes aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Company expects to take to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade; and
- Collateral type.

The Company uses external benchmark information for portfolios with limited historical data and for low default portfolios where there is no instances of historical default.

The Company has in place policies, which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Company's major collaterals are mortgaged properties, vehicles & other registerable assets or non-registerable assets.

The Company has clear policies in place to identify early warning signals and to initiate appropriate and timely remedial actions. Some of the early warning indicators are listed below:

- Frequent dishonour of cheques;
- Inability to reach the customer over phone or in person;
- Lack of response to written communications; and
- Adverse market feedback.

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Notes to the condensed interim financial information for the six-month period ended 30 June 2025

30 Financial risk management (continued)

Credit risk (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for six-month period ended 30 June 2025:

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Amount (3)	* Provision required as per CBO Norms (4)	Provision held as per IFRS 9 (5)	* Difference between CBO provision required and provision held (6) = (4) - (5)	Net Amount as per CBO norms (7) = (3 - 4 - 10)	Net Amount as per IFRS 9 (8) = (3) - (5)	Interest recognised as per IFRS 9 (9)	Reserve interest as per CBO norms (10)
		RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
Standard	Stage 1	75,993	-	563	(563)	75,993	75,430	4,422	-
	Stage 2	10,802	-	1,182	(1,182)	10,802	9,620	624	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		86,795	-	1,745	(1,745)	86,795	85,050	5,046	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	1,625	52	975	(923)	984	650	-	589
	Stage 3	1,067	52	371	(319)	980	696	26	35
Subtotal		2,692	104	1,346	(1,242)	1,964	1,346	26	624
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	944	222	345	(123)	677	599	1	45
Subtotal		944	222	345	(123)	677	599	1	45
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	233	89	88	1	126	145	6	18
Subtotal		233	89	88	1	126	145	6	18
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	41,934	30,705	31,557	(852)	2,034	10,377	146	9,195
Subtotal		41,934	30,705	31,557	(852)	2,034	10,377	146	9,195
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Total	Stage 1	75,993	-	563	(563)	75,993	75,430	4,422	-
	Stage 2	12,427	52	2,157	(2,105)	11,786	10,270	624	589
	Stage 3	44,178	31,068	32,361	(1,293)	3,817	11,817	179	9,293
Total		132,598	31,120	35,081	(3,961)	91,596	97,517	5,225	9,882

* Excluding reserve interest as per CBO norms.

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Notes to the condensed interim financial information for the six-month period ended 30 June 2025
30 Financial risk management (continued)
Credit risk (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for the six-month period ended 30 June 2024:

Asset Classification as per CBO Norms (1)	Asset Classification as per IFRS 9 (2)	Gross Amount (3) RO' 000	* Provision required as per CBO Norms (4) RO' 000	Provision held as per IFRS 9 (5) RO' 000	* Difference between CBO provision required and provision held (6) = (4) - (5) RO' 000	Net Amount as per CBO norms (7) = (3) - (4) - (10) RO' 000	Net Amount as per IFRS 9 (8) = (3) - (5) RO' 000	Interest recognised as per IFRS 9 (9) RO' 000	Reserve interest as per CBO norms (10) RO' 000
Standard	Stage 1	66,990	-	434	(434)	66,990	66,556	3,558	-
	Stage 2	10,667	-	733	(733)	10,667	9,934	568	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	77,657	-	1,167	(1,167)	77,657	76,490	4,126	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	819	40	240	(200)	753	579	21	26
	Subtotal	819	40	240	(200)	753	579	21	26
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	868	204	231	(27)	610	637	-	54
	Subtotal	868	204	231	(27)	610	637	-	54
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4,515	2,089	1,057	1,032	2,149	3,458	3	277
	Subtotal	4,515	2,089	1,057	1,032	2,149	3,458	3	277
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	39,319	28,368	28,842	(474)	2,647	10,477	65	8,304
	Subtotal	39,319	28,368	28,842	(474)	2,647	10,477	65	8,304
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
	Subtotal	-	-	-	-	-	-	-	-
Total	Stage 1	66,990	-	434	(434)	66,990	66,556	3,558	-
	Stage 2	10,667	-	733	(733)	10,667	9,934	568	-
	Stage 3	45,521	30,701	30,370	331	6,159	15,151	89	8,661
	Total	123,178	30,701	31,537	(836)	83,816	91,641	4,215	8,661

* Excluding reserve interest as per CBO norms.

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Notes to the condensed interim financial information for the six-month period ended 30 June 2025

30 Financial risk management (continued)

Credit risk (continued)

Groupings based on shared risks characteristics

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	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms	Net Carrying Amount as per IFRS 9	Interest recognised as per IFRS 9	Reserve interest as per CBO norms
		RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as non performing assets June 2025	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	5,832	52	1,675	(1,623)	5,191	4,157	-	589
	Stage 3	1,828	1,418	1,082	336	139	746	-	271
Classified as non performing assets June 2024	Stage 1	711	-	8	(8)	711	703	-	-
	Stage 2	82	-	3	(3)	82	79	-	-
	Stage 3	7,599	3,660	2,188	1,472	2,944	5,411	-	995

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

	2025			2024		
	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000	As per CBO Norms RO'000	As per IFRS 9 RO'000	Difference RO'000
Impairment loss charged to profit and loss	1,186	1,186	NA	749	749	NA
Provisions required as per CBO norms/ held as per IFRS 9	31,120	35,081	(3,961)	30,701	31,537	(836)
Gross NPA ratio (percentage)	33%	33%	0%	37%	37%	0%
Net NPA ratio (percentage)	4%	12%	(7%)	7%	17%	(8%)

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Notes to the condensed interim financial information for the six-month period ended 30 June 20

30 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

The table below gives the maximum exposure to credit risk. The maximum exposures are shown before the effect of mitigation through the use of collateral agreements:

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Bank balances (Note 5)	238	2,039	2,054
Gross investment in finance debtors (Note 7)	132,598	123,178	133,748
Other receivables	501	350	365
	<u>133,337</u>	<u>125,567</u>	<u>136,167</u>

The above table represents a worst case scenario of credit risk exposure to the Company at 30 June 2025 and 30 June 2024 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As can be seen above, the most significant exposures arise from gross investment in finance debtors to customers (including commitments) and bank balances.

At 30 June 2025 and 30 June 2024, the Company did not have any individual customer concentration of net investment in finance debtors. No single customer owes more than 10% of the aggregate amounts of net investment in finance debtors.

Economic sector concentration of gross investment in finance debtors

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Retail customers (individual)	45,367	39,926	45,050
Corporate customers	87,231	83,252	88,698
	<u>132,598</u>	<u>123,178</u>	<u>133,748</u>

All leases extended by the Company are against security of assets financed and in certain cases if required against additional security. The Company regularly monitors credit quality of its financial assets.

Restructured finance debtors

Restructured lease receivables as at 30 June 2025 are RO 7.66 million (30 June 2024: RO 8.39 million and 31 December 2024: RO 7.43 million) and include impaired loans of RO 1.83 million (30 June 2024: RO 7.60 million and 31 December 2024: RO 1.81 million).

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Notes to the condensed interim financial information for the six-month period ended 30 June 20

30 Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may result in unavailability of certain sources of funding.

Sources of funding are regularly reviewed by the management and the asset liability management committee and monitored by diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products such as corporate deposits, seeking fixed interest rates for longer tenure. Fund management has been carried out by treasury function of the Company. It includes managing and monitoring day to day cash flows and funding needs. This is achieved through maintaining approved credit facilities to cover net future funding needs and monitoring cash flows projections. The maturity profile of the Company's financial liabilities is set out under Note 31.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure and to confirm to regulations, the Company may take appropriate strategic decisions.

Central Bank of Oman (CBO) requires the Company to maintain a minimum paid up capital of RO 25 million which has been complied with.

Consistent with the regulations prevailing in the industry, the Company monitors capital on the basis of the gearing and leverage ratios. The gearing ratio is calculated as total borrowing (including 'current and non-current borrowings') divided by total equity as shown in the statement of financial position. Leverage ratio is calculated as total liabilities divided by net worth (excluding specific reserves, impairment reserve and proposed cash dividend).

During the period ended 30 June 2025 and 30 June 2024, the Company's strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 30 June 2025 and 30 June 2024 were as follows:

	30-Jun-25 RO' 000	30-Jun-24 RO' 000	31-Dec-24 RO' 000
Borrowings and deposits - (1)	<u>58,610</u>	<u>51,489</u>	<u>58,717</u>
Total liabilities - (2)	<u>63,488</u>	<u>59,846</u>	<u>67,755</u>
Total equity - (3)	<u>39,075</u>	<u>38,373</u>	<u>39,052</u>
Net worth (defined above) - (4)	<u>34,042</u>	<u>31,723</u>	<u>35,114</u>
Gearing ratio (times) [1 / 3]	<u>1.50</u>	<u>1.34</u>	<u>1.50</u>
Leverage ratio (times) [2 / 4]	<u>1.86</u>	<u>1.89</u>	<u>1.93</u>

31 Financial instruments and financial risk management

(a) Interest rate risk

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's total assets and total liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates as on 30 June 2025:

Period - 30 June 2025	Up to 6 month	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Fixed rate or non-interest rate sensitive	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
ASSETS							
Cash and bank balances	-	-	-	-	-	259	259
Net investment in finance debtors	14,065	13,794	24,896	17,895	26,867	-	97,517
Investment securities	776	-	-	-	-	-	776
Other receivables and prepayment	-	-	-	-	-	501	501
Deferred tax asset	-	-	-	-	-	398	398
Property and equipment	-	-	-	-	-	2,195	2,195
Investment property	-	-	-	-	-	667	667
Statutory deposit	-	250	-	-	-	-	250
Total assets	14,841	14,044	24,896	17,895	26,867	4,020	102,563
Liabilities							
Short term bank borrowings	27,536	-	-	-	-	-	27,536
Other liabilities	3,037	-	-	-	-	1,841	4,878
Corporate deposits	13,946	9,829	1,324	443	268	-	25,810
Long term loans (including current position)	2,186	482	964	964	668	-	5,264
Total liabilities	46,705	10,311	2,288	1,407	936	1,841	63,488
Gap between assets and liabilities	(31,864)	3,733	22,608	16,488	25,931	2,179	39,075
Cumulative gap between assets and liabilities	(31,864)	(28,131)	(5,523)	10,965	36,896	39,075	39,075

31 Financial instruments and financial risk management (continued)

(a) Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates as on 30 June 2024:

Period - 30 June 2024	Up to 6 month RO' 000	6 to 12 months RO' 000	1 to 2 years RO' 000	2 to 3 years RO' 000	Over 3 years RO' 000	Fixed rate or non-interest rate sensitive RO' 000	Total RO' 000
ASSETS							
Cash and bank balances	-	-	-	-	-	2,050	2,050
Net investment in finance debtors	14,389	13,420	22,874	16,415	24,543	-	91,641
Investment securities	505	-	-	-	-	-	505
Other receivables and prepayment	-	-	-	-	-	350	350
Deferred tax asset	-	-	-	-	-	485	485
Property and equipment	-	-	-	-	-	2,242	2,242
Investment property	-	-	-	-	-	696	696
Statutory deposit	-	250	-	-	-	-	250
Total assets	<u>14,894</u>	<u>13,670</u>	<u>22,874</u>	<u>16,415</u>	<u>24,543</u>	<u>5,823</u>	<u>98,219</u>
Liabilities							
Short term bank borrowings	22,545	-	-	-	-	-	22,545
Other liabilities	6,347	-	-	-	-	2,010	8,357
Corporate deposits	14,887	3,590	500	73	137	-	19,187
Long term loans (including current position)	4,548	5,209	-	-	-	-	9,757
Total liabilities	<u>48,327</u>	<u>8,799</u>	<u>500</u>	<u>73</u>	<u>137</u>	<u>2,010</u>	<u>59,846</u>
Gap between assets and liabilities	<u>(33,433)</u>	<u>4,871</u>	<u>22,374</u>	<u>16,342</u>	<u>24,406</u>	<u>3,813</u>	<u>38,373</u>
Cumulative gap between assets and liabilities	<u>(33,433)</u>	<u>(28,562)</u>	<u>(6,188)</u>	<u>10,154</u>	<u>34,560</u>	<u>38,373</u>	<u>38,373</u>

31 Financial instruments and financial risk management (continued)

(a) Interest rate risk (continued)

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates as on 31 December 2024:

Year - 31 December 2024	Up to 6 month	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Fixed rate or non-interest rate sensitive	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
ASSETS							
Cash and bank balances	-	-	-	-	-	2,059	2,059
Net investment in finance debtors	14,289	13,283	24,656	19,318	29,235	-	100,781
Investment securities	-	-	-	-	-	-	-
Other receivables and prepayment	-	-	-	-	-	365	365
Deferred tax asset	-	-	-	-	-	398	398
Property and equipment	-	-	-	-	-	2,273	2,273
Investment property	-	-	-	-	-	681	681
Statutory deposit	-	250	-	-	-	-	250
Total assets	<u>14,289</u>	<u>13,533</u>	<u>24,656</u>	<u>19,318</u>	<u>29,235</u>	<u>5,776</u>	<u>106,807</u>
Liabilities							
Short term bank borrowings	28,536	-	-	-	-	-	28,536
Other liabilities	7,124	-	-	-	-	1,914	9,038
Corporate deposits	14,127	5,930	4,039	83	273	-	24,452
Long term loans (including current position)	2,465	1,853	149	1,040	222	-	5,729
Total liabilities	<u>52,252</u>	<u>7,783</u>	<u>4,188</u>	<u>1,123</u>	<u>495</u>	<u>1,914</u>	<u>67,755</u>
Gap between assets and liabilities	<u>(37,963)</u>	<u>5,750</u>	<u>20,468</u>	<u>18,195</u>	<u>28,740</u>	<u>3,862</u>	<u>39,052</u>
Cumulative gap between assets and liabilities	<u>(37,963)</u>	<u>(32,213)</u>	<u>(11,745)</u>	<u>6,450</u>	<u>35,190</u>	<u>39,052</u>	<u>39,052</u>

31 Financial instruments and financial risk management (continued)

(b) Liquidity risk

The amounts disclosed in table below analyses the Company's assets and liabilities as on 30 June 2025 and 30 June 2024 into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of the discounting is not significant.

The maturity profile of total assets and total liabilities at the year end is based on the contractual repayments and the same as at 30 June 2025 is as follows:

Period - 30 June 2025	Up to 6 month	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Fixed rate or non-interest rate sensitive	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
ASSETS							
Cash and bank balances	259	-	-	-	-	-	259
Net investment in finance debtors	14,065	13,794	24,896	17,895	26,867	-	97,517
Investment securities	776	-	-	-	-	-	776
Other receivables and prepayment	-	-	-	-	-	501	501
Deferred tax asset	-	-	-	-	-	398	398
Property and equipment	-	-	-	-	-	2,195	2,195
Investment property	-	-	-	-	-	667	667
Statutory deposit	-	-	-	-	-	250	250
Total assets	15,100	13,794	24,896	17,895	26,867	4,011	102,563
Liabilities							
Short term bank borrowings	27,536	-	-	-	-	-	27,536
Other liabilities	3,037	-	-	-	-	1,841	4,878
Corporate deposits	13,946	9,829	1,324	443	268	-	25,810
Long term loans (including current position)	2,186	482	964	964	668	-	5,264
Total liabilities	46,705	10,311	2,288	1,407	936	1,841	63,488
Gap between assets and liabilities	(31,605)	3,483	22,608	16,488	25,931	2,170	39,075
Cumulative gap between assets and liabilities	(31,605)	(28,122)	(5,514)	10,974	36,905	39,075	39,075

31 Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of total assets and total liabilities at the year end is based on the contractual repayments and the same as at 30 June 2024 is as follows:

Period - 30 June 2024	Up to 6 month	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Fixed rate or non-interest rate sensitive	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
ASSETS							
Cash and bank balances	2,050	-	-	-	-	-	2,050
Net investment in finance debtors	14,389	13,420	22,874	16,415	24,543	-	91,641
Investment securities	505	-	-	-	-	-	505
Other receivables and prepayment	-	-	-	-	-	350	350
Deferred tax asset	-	-	-	-	-	485	485
Property and equipment	-	-	-	-	-	2,242	2,242
Investment property	-	-	-	-	-	696	696
Statutory deposit	-	-	-	-	-	250	250
Total assets	<u>16,944</u>	<u>13,420</u>	<u>22,874</u>	<u>16,415</u>	<u>24,543</u>	<u>4,023</u>	<u>98,219</u>
Liabilities							
Short term bank borrowings	22,545	-	-	-	-	-	22,545
Other liabilities	6,347	-	-	-	-	2,010	8,357
Corporate deposits	14,887	3,590	500	73	137	-	19,187
Long term loans (including current position)	4,548	5,209	-	-	-	-	9,757
Total liabilities	<u>48,327</u>	<u>8,799</u>	<u>500</u>	<u>73</u>	<u>137</u>	<u>2,010</u>	<u>59,846</u>
Gap between assets and liabilities	<u>(31,383)</u>	<u>4,621</u>	<u>22,374</u>	<u>16,342</u>	<u>24,406</u>	<u>2,013</u>	<u>38,373</u>
Cumulative gap between assets and liabilities	<u>(31,383)</u>	<u>(26,762)</u>	<u>(4,388)</u>	<u>11,954</u>	<u>36,360</u>	<u>38,373</u>	<u>38,373</u>

31 Financial instruments and financial risk management (continued)

(b) Liquidity risk (continued)

The maturity profile of total assets and total liabilities at the year end is based on the contractual repayments and the same as at 31 December 2024 is as follows:

Period - 31 December 2024	Up to 6 month	6 to 12 months	1 to 2 years	2 to 3 years	Over 3 years	Fixed rate or non-interest rate sensitive	Total
	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000	RO' 000
ASSETS							
Cash and bank balances	2,059	-	-	-	-	-	2,059
Net investment in finance debtors	14,289	13,283	24,656	19,318	29,235	-	100,781
Investment securities	-	-	-	-	-	-	-
Other receivables and prepayment	-	-	-	-	-	365	365
Deferred tax asset	-	-	-	-	-	398	398
Property and equipment	-	-	-	-	-	2,273	2,273
Investment property	-	-	-	-	-	681	681
Statutory deposit	-	-	-	-	-	250	250
Total assets	<u>16,348</u>	<u>13,283</u>	<u>24,656</u>	<u>19,318</u>	<u>29,235</u>	<u>3,967</u>	<u>106,807</u>
Liabilities							
Short term bank borrowings	28,536	-	-	-	-	-	28,536
Other liabilities	7,124	-	-	-	-	1,914	9,038
Corporate deposits	14,127	5,930	4,039	83	273	-	24,452
Long term loans (including current position)	2,465	1,853	149	1,040	222	-	5,729
Total liabilities	<u>52,252</u>	<u>7,783</u>	<u>4,188</u>	<u>1,123</u>	<u>495</u>	<u>1,914</u>	<u>67,755</u>
Gap between assets and liabilities	<u>(35,904)</u>	<u>5,500</u>	<u>20,468</u>	<u>18,195</u>	<u>28,740</u>	<u>2,053</u>	<u>39,052</u>
Cumulative gap between assets and liabilities	<u>(35,904)</u>	<u>(30,404)</u>	<u>(9,936)</u>	<u>8,259</u>	<u>36,999</u>	<u>39,052</u>	<u>39,052</u>

32 Fair value

Financial instruments consist of financial assets and liabilities. Financial assets and liabilities carried on the statement of financial position include cash and bank balances, net investment in finance debtors and other financial assets at amortised cost, other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

In the opinion of the Company's management, the fair values of the financial assets and liabilities are not materially different from their carrying amounts.

33 Climate related risks

Muscat Finance SAOG recognizes the critical importance of addressing climate-related risks that have the potential to impact our business operations, financial performance, and strategic objectives. These risks are categorized into two primary domains: physical risks arising from acute weather events and long-term climate pattern shifts, and transition risks emerging from regulatory, technological, and market transformations towards a low-carbon economy.

In Oman, physical risks are particularly pronounced, including tropical cyclones threatening coastal infrastructure, flash floods in wadis and low-lying areas, sustained high temperatures leading to water scarcity, and rising sea levels causing potential shoreline erosion. Transition risks encompass evolving regulatory landscapes, potential policy changes aligned with Oman's Vision 2040, increasing environmental compliance requirements, and shifting market dynamics favoring sustainable practices. To effectively manage these risks, Muscat Finance is committed to integrating comprehensive risk assessment strategies, conducting scenario analyses, developing green financing solutions, and enhancing stakeholder engagement.

34 Comparative figures

Certain comparative figures of the previous period have been either regrouped or reclassified, wherever necessary, in order to conform with the presentation adopted in the current period's condensed interim financial statements. Such regrouping or reclassification did not affect either previously reported net profit or shareholders' equity.

35 Dividend

For the financial year ended 31 December 2024, the Board of Directors had proposed cash dividends of 1.62% which was approved by the shareholders in the annual general meeting held on 24 March 2025. Accordingly, the Company has paid cash dividends of 1.62 Baizas per share amounting to RO 0.497 million from the Company's retained earnings.

36 Subsequent events

There were no events subsequent to 30 June 2025 and occurring before the date of the approval that are expected to have a significant impact on these condensed interim financial statements.