

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

United Finance Company SAOG (“the Company”) is an Omani Joint Stock Company incorporated on 1 May 1997, licensed by the Central Bank of Oman and registered under the Commercial Companies Law of the Sultanate of Oman.

The Company is principally involved in providing vehicle and equipment financing and is also licensed to provide composite loans, bridge loans, hire purchase, debt factoring and financing of receivables and leasing in the Sultanate of Oman. The Company has its Head Office in Muscat with branches in Ibra, Ibri, Firq, Sohar, Salalah, Barka and Mawelah, all located within the Sultanate of Oman. The registered address of the Company is PO Box 3652, Postal Code 112, Ruwi, Sultanate of Oman. The Company has a primary listing on the Muscat Stock Exchange.

Statement of compliance

The financial statements have been prepared in accordance with IFRSs accounting standards as issued by the IASB, relevant requirements of the Commercial Companies Law, as amended, Financial service Authority and the applicable regulations of the Central Bank of Oman (CBO) of the Sultanate of Oman.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 New and amended IFRS applied with no material effect on the financial statements

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time and have been adopted in the preparation of the financial statements for the period ended 31 March 2025:

<i>Standard or amendments</i>	<i>Title</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements	1 January 2024
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2024

These amendments had no impact on the Company’s financial statements at 31 December 2024.

2.2 New and amended IFRS in issue but not yet effective and not early adopted

The company has not early adopted any new standards, interpretations, amendments that have been issued but are not yet effective in these financial statements. The Company intends to adopt these standards, if applicable, when they become effective.

<i>Standard or amendments</i>	<i>Title</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 21	Lack of exchangeability	1 January 2025
Amendments to IAS 9 and IFRS 9	Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to IFRS Accounting Standards— Volume 11	Various amendments	1 January 2026
Amendments to IFRS 9 and IFRS 7	Power Purchase Agreements	1 January 2026
New Standard IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2026
New Standard IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

3 MATERIAL ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements are prepared under the historical cost convention and modified to include the application of fair value measurements that are required or allowed by relevant accounting standard.

The statement of financial position is presented in order of liquidity, as this presentation is more appropriate to the Company's operations.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. In the process of applying the Company's accounting policies, management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements as disclosed in note 4.

Foreign currency transactions

Functional and presentation currency

The accounting records are maintained in Rial Omani (RO) which is the functional and presentation currency for these financial statements.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

Recognition of interest income and expenses

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses.

For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an Integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or a financial liability is the amount at which the financial asset or the financial liability is measured on initial recognition, minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance or impairment allowance.

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income and expense presented in the statement of profit or loss and OCI include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Fee commission and other income

The Company earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. The Company's revenue contracts do not include multiple performance obligations. When the Company provides a service to its customers, consideration is invoiced and generally due immediately upon satisfaction of a service provided at a point in time or at the end of the contract period for a service provided over time. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Dividend income from equity instruments measured at FVOCI is recorded in profit or loss when the right to the payment has been established.

The Company receives fixed annual fees for providing specific administrative tasks in relation to certain assets it has transferred and derecognized. These services include collecting cash flows from borrowers and remitting them to beneficial interest holders, monitoring delinquencies and executing foreclosures. As the benefit to the customer of the services is transferred evenly over the contract period, these fees are recognised as revenue evenly over the period, based on time elapsed. Payment of these fees is due and received monthly in advance.

Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation. Cost represents purchase cost together with any incidental costs of acquisition. Land is not depreciated. The cost of property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

	<i>Years</i>
Motor vehicles	3
Furniture and office equipment	3 - 6
Buildings	20

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are recognised in the statement of comprehensive income.

Financial assets and financial liabilities

(i) *Recognition and initial measurement*

Date of Recognition

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 marketplace.

Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Company recognises balances due to customers when funds are transferred to the Company.

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 FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognised in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Bank has assessed that amortising the deferred amount on a straight-line basis is appropriate. Any outstanding amount is immediately recognised in profit or loss when the instrument is derecognised or when the input(s) becomes observable.

(ii) *Classification*

A financial asset is measured at amortised cost 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 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 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.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. All other financial assets are classified as measured at FVTPL.

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.
- 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 Bank'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 solely payments of principal and interest, 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 rates

Investment securities

The 'investment securities' caption in the statement of financial position includes:

- equity investment securities designated as at FVOCI.

The Company elects to present in OCI changes in the fair value of certain investments in equity instruments that are not held for trading. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI. Cumulative gains and losses recognized in OCI are transferred to retained earnings on disposal of an investment.

Reclassifications

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:

- (i) the right to receive cash flows from the asset have expired; or
- (ii) 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
- (iii) 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.

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

(iv) Modifications of financial assets and financial liabilities

Financial assets

If 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 liabilities

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.

Instalment finance debtors

Instalment 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.

(v) Impairment

The Company recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Company assesses the ECL impact on the bank deposits at each reporting date and the impact of ECL is found to be immaterial, therefore no impact is recorded in these financial statements

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12 months ECL:

- other financial instruments (including lease receivables) on which credit risk has not increased significantly since their initial recognition.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- *financial guarantee contracts*: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Restructured 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 derecognized and ECL are measured as follows.

- 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 flow 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 that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. 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.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

In assessing whether an investment in sovereign debt is credit-impaired, the Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields;
- The rating agencies' assessments of creditworthiness; and
- The country's ability to access the capital markets for new debt issuance.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: As a provision under creditors and other payables
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Cash and cash equivalents

All bank balances with maturity of three months or less from the date of placement are considered to be cash equivalents.

Borrowings and corporate deposits

Borrowings and corporate deposits are recognised initially at fair value, net of transaction costs incurred.

After initial recognition, interest bearing borrowings and corporate deposits are subsequently carried at amortised cost using the effective interest method.

End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labor Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognized when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in creditors and other payables in the statement of financial position.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the statement of comprehensive income as incurred.

Creditors and other payables

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

Provisions

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

Financial guarantees

In the ordinary course of business, the Company's bankers issue financial guarantees to the Company's customers on behalf of the Company that are stated as contingent liabilities in the Companies' financial statements till it is cancelled or expired. In the event the bank invokes the guarantee, the Company pays the guarantee amount and debits the customers account, which would form part of the main statement of financial position.

Collateral repossessed

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Company's policy.

In its normal course of business, the Company engages external agents to recover funds from the repossessed assets, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the year in which the dividends are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Management Committee that makes strategic decisions.

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.

Fair value estimation

For investments traded in an active market, fair value is determined by reference to quoted market bid prices. The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

Directors' remuneration

The Directors' remuneration is governed as set out in the Memorandum of Association of the Company, the Commercial Companies Law and regulations issued by the Capital Market Authority.

The Annual General Meeting shall determine and approve the remuneration and the sitting fees for the Board of Directors and its sub-committees in compliance with applicable regulations.

Taxation

Taxation is provided in accordance with Omani fiscal regulations. Income tax comprises current and deferred tax. Income tax expense is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity or statement of 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 adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date. Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

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 realize the asset and settle the liability simultaneously.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS 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 judgements 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 year are discussed below.

Business models and SPPI assessment

Determining the appropriate business models and assessing the SPPI requirements for financial assets may require significant accounting judgement and have a significant impact on the financial statements. Details of the Company's classification of financial assets and liabilities are given in material accounting policies in note 3 to the financial statements.

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 31 to the financial statements, which also sets out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Companies of similar financial assets for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Company in the above areas is set out in note 31 to the financial statements.

Allowance for expected credit losses– Stage 3 loans

The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

The Company reviews its Instalment finance debtors to assess impairment at least on an annual basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debtors before the decrease can be identified with an individual debtor in that portfolio. This takes into consideration factors such as any deterioration in industry, collateral value and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impact of climate risk

Where appropriate, the Company considers climate-related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. The Company and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy.

These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company's counterparties and the underlying collateral limit the impact of this exposure. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments.

Income tax

The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on factors such as experience of previous tax assessments and interpretations of tax regulations by the Management and the responsible tax authority.

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 certain valuation techniques, derived from observable market data where possible. Where observable market data are not available, judgment is used to establish fair values.

Going concern

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

5 INTEREST INCOME ON INSTALMENT FINANCE INCOME

	2025	2024
	RO	RO
Interest income on instalment finance debtors	5,256,918	4,606,424

6 INTEREST EXPENSE

	2025	2024
	RO	RO
Interest expense on borrowed funds	1,780,816	1,553,254

7 FEE COMMISSION AND OTHER INCOME

	2025 RO	2024 RO
Documentation fees	118,179	114,214
Bad debts recovered	509,612	341,208
Insurance commission income	175,897	39,081
Penalties charged	51,149	34,439
Foreclosure charges	28,993	46,465
Others	12,584	2,266
	<u>896,414</u>	<u>577,673</u>

8 OPERATING EXPENSES

	2025 RO	2024 RO
Staff costs (note 8.1)	1,324,882	1,208,521
Repairs and maintenance	126,385	85,036
Insurance	79,754	108,915
Fees and charges	93,978	88,448
Communication and traveling	64,346	67,272
Statutory and legal expenses	91,571	65,238
Advertising and business promotion expenses	21,486	44,662
Directors' remuneration (note 27)	40,000	40,000
Directors' sitting fees (note 27)	37,100	27,400
Bank charges	80,868	56,419
Rent	31,420	30,420
Dealer incentive	100,588	53,565
Utilities	12,429	12,659
Others	85,163	68,069
	<u>2,189,970</u>	<u>1,956,624</u>

8.1 Staff costs

	2025 RO	2024 RO
Wages and salaries	1,101,891	1,024,873
Other benefits	99,314	79,561
Contributions towards the Public Authority for Social Insurance	100,688	82,873
End of service benefits (note 19.1)	22,989	21,214
	<u>1,324,882</u>	<u>1,208,521</u>

9 TAXATION

Statement of profit or loss and other comprehensive income:

	2025 RO	2024 RO
Tax charge:		
- Current tax	213,761	161,221
- Other Comprehensive income	-	-
	<u>213,761</u>	<u>161,221</u>

	2025 RO	2024 RO
Statement of financial position		
Current liability		
- Current period	213,761	161,221
- Adjustment in respect of current income tax of prior years	10,124	12,551
	<u>223,885</u>	<u>173,772</u>
Deferred tax liability/(asset)		
At 1 January	24,658	(16,923)
Movement during the period	-	-
At 30 June	<u>24,658</u>	<u>(16,923)</u>

The reconciliation of the tax on accounting profit at the applicable rate of 15% (2024: 15%) and the taxation charge in the financial statements is as follows:

	2025 RO	2024 RO
Profit before taxation	1,425,075	1,074,803
Taxation at the applicable tax rate	213,761	161,221
Add / (less) tax effect of:		
Adjustment in respect of current income tax of prior years	-	-
Tax expense	<u>213,761</u>	<u>161,221</u>

The movement in the current tax liability is as follows:

	2025 RO	2024 RO
At 1 January	379,832	328,822
Charge for the period	213,761	161,221
Paid during the current period	(369,708)	(316,271)
At 30 June	<u>223,885</u>	<u>173,772</u>

For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes. The adjustments are based on the current understanding of the existing tax laws, regulations and practices. The Company's tax assessments have been agreed with the tax authorities up to tax year 2020.

10 CASH AND CASH EQUIVALENTS

	2025 RO	2024 RO
Bank and cash balances	2,093,063	2,182,481
	<u>2,093,063</u>	<u>2,182,481</u>

The Company has assessed the ECL impact on the bank deposits and the impact of ECL is found to be immaterial, therefore no ECL is recorded in these financial statements. All these deposits in the bank accounts are made with highly rated commercial banks in Oman.

11 ASSETS HELD FOR SALE

	2025 RO	2024 RO
At 1 January	511,210	544,655
Disposal during the year	-	-
At 30 June	511,210	544,655

11.1 This represents property acquired against settlement of loan from a defaulted customer through court auction.

12 DEPOSITS WITH THE CENTRAL BANK OF OMAN

The deposit represents a capital deposit with the Central Bank of Oman made in accordance with the Banking Law of 1974. The deposit is only repayable if the Company terminates its Instalment finance business within the Sultanate of Oman and settles all outstanding obligations and claims arising from that business. The deposit earns interest at the rate of 1.5 % per annum.

13 OTHER ASSETS

	2025 RO	2024 RO
Prepaid expenses	598,280	185,803
Advances	551,206	488,136
Other receivables	1,826	1,835
	1,151,312	675,774

Advances include payments to vendor amounting to RO 433,509 (2024: RO 372,434) relating to the new ERP implementation.

14 INSTALMENT FINANCE DEBTORS

All debts are due from individuals, partnership firms and corporate bodies operating within the Sultanate of Oman. The maturity profile of debts outstanding at the reporting date is disclosed in note 31 to these financial statements.

Instalment finance debtors arising from financing activities

	2025 RO	2024 RO
Gross Instalment finance debtors	150,619,850	130,036,150
Unearned finance income	(25,603,248)	(19,842,855)
Net Instalment finance debtors	125,016,602	110,193,295
Bills discounting	759,780	210,296
	125,776,382	110,403,591
Allowance for expected credit losses	(10,813,047)	(10,615,424)
Unrecognized contractual income	(1,772,070)	(1,891,912)
	113,191,265	97,896,255

The table below represents analysis of gross instalment finance debtors and present value of instalment finance debtors for each of the following categories:

	<i>Up to 1 year RO</i>	<i>1 to 5 years RO</i>	<i>Above 5 years RO</i>	<i>Total RO</i>
At 30 June 2025				
Gross Instalment finance debtors finance and bills discounting	<u>57,930,156</u>	<u>83,825,851</u>	<u>9,623,623</u>	<u>151,379,630</u>
Instalment finance and bills discounting net of unearned interest	<u>48,666,498</u>	<u>68,647,293</u>	<u>8,462,591</u>	<u>125,776,382</u>
At 30 June 2024				
Gross Instalment finance debtors finance and bills discounting	<u>52,735,002</u>	<u>71,376,614</u>	<u>6,134,830</u>	<u>130,246,446</u>
Instalment finance and bills discounting debtors net of unearned interest	<u>45,184,084</u>	<u>59,838,407</u>	<u>5,381,100</u>	<u>110,403,591</u>

Movement in allowance for expected credit losses

The movement in the allowance for expected credit losses and reserved interest for the year was as follows:

	<i>ECL RO</i>	<i>Reserve Interest RO</i>	<i>Total RO</i>
At 1 January 2025	10,132,219	1,718,916	11,851,135
Charged during the period *	1,206,669	175,120	1,381,789
Released during the period*	(525,841)	(121,966)	(647,807)
At 30 June 2025	<u>10,813,047</u>	<u>1,772,070</u>	<u>12,585,117</u>
At 1 January 2024	10,083,686	1,877,373	11,961,059
Charged during the period*	1,591,430	219,665	1,811,095
Released during the period*	(1,059,692)	(205,126)	(1,264,818)
At 30 June 2024	<u>10,615,424</u>	<u>1,891,912</u>	<u>12,507,336</u>

*The amount charge to statement of profit or loss during the period is RO 680,828, the net of amount charged & amount released during the period. (For the period ended 30 June 2024 RO 531,738)

15 INVESTMENT SECURITIES

	<i>2025 RO</i>	<i>2024 RO</i>
Al-Soor International Holding Company (Kuwait) (note 15.1)	831,355	714,790
National Bureau of Commercial Information	1	1
	<u>831,356</u>	<u>714,791</u>

15.1 These represent unquoted investments (Al Soor International Holding Company LLC) classified as fair value through other comprehensive income. The fair value of unquoted security was determined based on market value method and the Company has considered Price/Book Value ("P/BV") multiple, to estimate the fair value (Level 3 fair value hierarchy) and has recognized an unrealised gain (net of tax) of RO 74,984 (2023: unrealised loss RO 9,359) in investment securities as at 31 December 2024. A valuation will be carried out at the end of year 2025

The percentage of holding by the Company in Al Soor International Holding Company LLC is 0.8% (2024: 0.8%).

16 PROPERTY AND EQUIPMENT

	<i>Land RO</i>	<i>Buildings RO</i>	<i>Motor vehicles RO</i>	<i>Furniture and office equipment RO</i>	<i>Total RO</i>
Cost					
1 January 2024	1,969,215	769,966	-	1,548,209	4,287,390
Additions	-	-	59,195	19,902	79,097
Disposal	-	-	-	(3,600)	(3,600)
30 June 2024	1,969,215	769,966	59,195	1,564,511	4,362,887
1 January 2025	1,969,215	778,744	76,748	1,614,894	4,439,601
Additions	-	11,047	-	39,501	50,548
Disposals	-	-	-	(4,535)	(4,535)
30 June 2025	1,969,215	789,791	76,748	1,649,860	4,485,614
Depreciation					
1 January 2024	-	637,719	-	1,316,578	1,954,297
Charged for the period	-	19,140	8,594	39,944	67,678
Disposals	-	-	-	(3,597)	(3,597)
30 June 2024	-	656,859	8,594	1,352,925	2,018,378
1st January 2025	-	676,211	21,610	1,398,999	2,096,820
Charge for the period	-	19,816	11,271	45,556	76,643
Disposal	-	-	-	(4300)	(4,300)
30 June 2025		696,027	32,881	1,440,255	2,169,163
Carrying value					
30 June 2025	1,969,215	93,764	43,867	209,605	2,316,451
30 June 2024	1,969,215	113,107	50,601	211,586	2,344,509

The Company's bankers hold a pari passu charge over substantial portion of assets of the Company for the credit facilities granted.

17 SHARE CAPITAL

Share capital comprises 356,127,298 (2024: 356,127,298) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (2023: RO 50,000,000).

The shareholders who own 5% or more of the Company's shares are as follows:

	<i>Number of shares</i>		<i>Percentage of holding (%)</i>	
	<i>2025 RO</i>	<i>2024 RO</i>	<i>2025</i>	<i>2024</i>
Oman Hotels and Tourism Company SAOC	119,579,488	119,579,488	33.58	33.58
Global Financial Investments Holding SAOG	89,031,772	89,031,772	25.00	25.00
Al Saud Company Ltd – Ubar Financial Investment	26,900,000	26,900,000	7.55	7.55
Oman Holdings International Company SAOC	-	20,126,338	-	5.65
United Securities Company/Trust Omani	20,126,338	-	5.65	-
Abdullah Salim Rashid Al Khayari	18,719,970	-	5.26	-

18 RESERVES

(a) Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, as amended, the Company sets aside ten percent of the net profits, after deduction of taxes, for establishing a legal reserve until such legal reserve amounts to at least one third of the Company's share capital. 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 H1 2025, the Company has transferred to legal reserve of RO 121,131 (2024: RO 91,358).

(b) Special reserve

As per policy, the Company creates a special reserve to the extent of 1% of loans disbursed each year till it reaches 2% of the net Instalment finance debtors. The special reserve is being maintained to cover any delinquencies arising from unforeseen contingencies. During 2025, the Company has not made any transfer to special reserve (2024: Nil).

Special reserve is not available for distribution without prior approval of the Central Bank of Oman.

(c) Impairment reserve

As per Circular BM 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 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. The Company is holding an impairment reserve of RO 1.31 million (2024: RO 1.845 million).

19 CREDITORS AND OTHER PAYABLES

	2025 RO	2024 RO
Trade creditors	4,246,073	1,968,810
Other Payables	783,730	598,352
Advances received from customers	612,347	662,763
End of service benefits (note 19.1)	249,661	244,542
Accrued expenses	185,943	220,885
Interest payable	608,983	417,734
Proposed dividend (3.5% Bond dividend)	1,246,445	-
	<u>7,933,182</u>	<u>4,113,086</u>

19.1 End of service benefits

	2025 RO	2024 RO
At 1 January	257,405	271,778
Charge for the period	22,989	21,214
Payments made during the period	(30,733)	(48,450)
	<u>249,661</u>	<u>244,542</u>

20 BORROWINGS

	2025 RO	2024 RO
Short-term borrowings (note 20.1)	11,625,000	24,145,000
Current portion of long-term loans (note 20.2)	8,380,445	8,680,458
	<u>20,005,445</u>	<u>32,825,458</u>
Short-term borrowings	11,679,000	6,909,445
Non - current portion of term loans (note 20.2)	31,684,445	39,734,903
	<u>31,684,445</u>	<u>39,734,903</u>

20.1 Short-term borrowings

The Company availed short-term borrowing facilities from various commercial banks. The contractual limits of these borrowings are approximately RO 30 million (2024: RO 30 million), which are entirely secured against pari-passu charges over net investment in finance leases, working capital finance and factoring receivables. Maturities of the short-term loans are disclosed in note 31 to these financial statements.

During the period, interest was charged on the above borrowings at rates ranging between 5.5% and 6.6% per annum (30 June 2024: 5% and 6.85% per annum).

20.2 Long term loans

The Company has entered into long term loan facility agreements with commercial banks. The aggregate contractual limit of long-term loans is RO 32 million (2024: RO 22 million). These loans are secured by a pari-passu charge over the total assets of the Company. The maturity dates of the aforementioned facilities range from 2025 to 2029.

During the period, interest was charged on the above borrowings at rates ranging between 6.25% and 7.25 % per annum (30 June 2024- 5.75 % and 7.25 % per annum).

The tenure of the long-term loans range between 2 years and 4 years (2024: 2 years and 4 years).

20.3 The Company is subject to certain covenants primarily relating to its borrowings. The Company was in compliance with covenants at 30 June 2025. At 30 June 2025, the company had undrawn bank facilities amounting 28.35 million (2024: RO 8.22 million).

21 UNSECURED NON-CONVERTIBLE SENIOR BONDS

The Company has issued unsecured non-convertible senior bonds for an amount of RO 15 million in June 2025 for a period of 3 years. The coupon rate on this bond is 7% per annum and the coupon interest is payable semiannually.

22 CORPORATE DEPOSITS

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 3 months. The interest rate and maturity profile are given in note 31 to the financial statements. As on reporting date the company held corporate deposit of RO 16.80 million (2024: RO 11.89 million).

23 DIVIDENDS PROPOSED AND PAID

The Board of Directors have proposed a dividend of 7% for the year 2024 comprising 3.5% cash and 3.5% unsecured non-convertible redeemable bonus stock bonds (2024: 3% cash dividend) and the same has been approved by the shareholders at the Annual general meeting held on 25th March 2025. The dividend has been appropriated from the retained earnings and cash dividend was paid in April 2025. The bonus stock bond transferred to creditors & other payable as on reporting date pending approval from FSA.

24 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to shareholders by the weighted average number of shares.

	2025 RO	2024 RO
Profit for the period ended 30 June	<u>1,211,314</u>	<u>913,582</u>
	Number of Shares	
	2025 RO	2024 RO
Weighted average number of shares	<u>356,127,298</u>	<u>356,127,298</u>

	Baizas	
	2025	2024
Basic earnings per share for the year	0.007	0.005

The diluted earnings per share is same as basic earnings per share as the Company does not have any instruments having dilutive effect.

25 NET ASSETS PER SHARE

The calculation of net assets per share is as below:

	2025 RO	2024 RO
Net asset value	48,679,047	48,717,961
Number of ordinary shares outstanding	356,127,298	356,127,298
Net asset per share	0.137	0.137

26 SEGMENTAL INFORMATION

The Company operates in the finance industry and its operations are confined to the Sultanate of Oman. Management has determined the operating segments based on the reports reviewed by the Management Committee that makes strategic decisions.

The Management Committee considers the business from a product perspective only, as geographically, all of the business is located locally in the Sultanate of Oman.

The reportable operating segments derive their revenue primarily from corporate and retail. The insurance and factoring segments are not meeting the quantitative thresholds required by IFRS - 8 Operating Segments, therefore they are reported only for reconciliation purposes as well as the unallocated items.

The Management Committee assesses the performance of the operating segments based on a measure of profit before tax.

The segment information provided to the Management Committee for the reportable segments is as follows:

<i>30 June 2025</i>	<i>Corporate RO</i>	<i>Retail RO</i>	<i>Others (insurance and debt factoring) RO</i>	<i>Unallocated items RO</i>	<i>Total RO</i>
Segmental revenues					
Interest income on instalment finance income	1,516,956	3,709,245	30,717	-	5,256,918
Interest expense	(623,286)	(1,157,530)	-	-	(1,780,816)
Net instalment finance income	893,670	2,551,715	30,717	-	3,476,102
Fee commission and other income	451,046	256,887	175,897	12,584	896,414
Segmental expenses					
Operating expenses	(766,490)	(1,423,480)	-	-	(2,189,970)
Depreciation	-	-	-	(76,643)	(76,643)
Profit before tax and allowance for ECL	578,226	1,385,122	206,614	(64,059)	2,105,903
Allowance for expected credit losses	(440,391)	(240,437)	-	-	(680,828)
Segmental profit for the year before tax	137,835	1,144,685	206,614	(64,059)	1,425,075
Income tax expense	-	-	-	(213,761)	(213,761)
Segmental profit for the year	137,835	1,144,685	206,614	(277,820)	1,211,314
Total assets	39,005,067	73,544,169	642,029	7,153,393	120,344,657
Total liabilities	-	-	-	71,665,610	71,665,610

30 June 2024	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Interest income on instalment finance income	1,253,792	3,329,871	22,761	-	4,606,424
Interest expense	(543,639)	(1,009,615)	-	-	(1,553,254)
Net instalment finance income	710,153	2,320,256	22,761		3,053,170
Fee commission and other income	313,252	223,073	39,081	2,267	577,673
Segmental expenses					
Operating expenses	(684,819)	(1,271,805)	-	-	(1,956,624)
Depreciation	-	-	-	(67,678)	(67,678)
Profit before tax and allowance for ECL	338,586	1,271,524	61,842	(65,411)	1,606,541
Allowance for expected credit losses	(351,769)	(179,969)	-	-	(531,738)
Segmental profit for the year before tax	(13,183)	1,091,555	61,842	(65,411)	1,074,803
Income tax expense	-	-	-	(161,221)	(161,221)
Segmental profit for the year	(13,183)	1,091,555	61,842	(226,632)	913,582
Total assets	34,093,346	63,646,478	156,431	6,729,133	104,625,388
Total liabilities	-	-	-	55,907,427	55,907,427

27 RELATED PARTIES

Transactions included in statement of profit or loss and comprehensive income are as follows:

	2025 RO	2024 RO
Directors' sitting fees (note 8)	37,100	27,400
Directors' remuneration (note 8)	40,000	40,000
Other related parties:		
Interest income on instalment finance income	26,336	48,824

Compensation of the key management personnel is as follows :

	2025 RO	2024 RO
Salaries and allowances	309,184	279,996
End of service benefits	9,237	9,041
	318,421	289,037

Transactions relating to Instalment finance debtors during the year are as follows:

	2025 RO	2024 RO
Other related parties:		
Disbursements:	300,000	8,000
Other related parties:		
Collections:	124,910	1,036,042
Amounts due from related parties:		
Instalment finance debtors due	604,450	562,288

The provision pertaining to the above balances have been covered as part of the expected credit loss measurement.

Amounts due to related parties:

	2025 RO	2024 RO
Lease financing	267,470	196,260
Amount due	25,023	55,685
Corporate deposits received during the period	3,000,000	5,350,000
Subscription to the Unsecured Non-convertible Senior Bonds	1,750,088	-
Corporate deposits repaid during the period	1,150,000	-
Corporate deposits renewed during the period	700,000	-
Interest paid on corporate deposit during the period	107,578	5,500
Interest accrued on corporate deposit and not paid	65,201	129,872

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are approved by the Company's Board of Directors. The Company maintains balances with these related parties which arise in the normal course of business. The Company has entered into transactions in the ordinary course of business with other related parties in which certain directors have a significant influence and with senior management. The terms and conditions of these transactions are at arm's length pricing and mutually agreed.

28 CONTINGENT LIABILITIES

At 30 June 2025, there were contingent liabilities of 379,536 (2024: RO 376,704) in respect of financial guarantees given to banks/Customers in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

29 COMMITMENTS

The Company has approved commitments to customers as on 30 June 2025 amounting to 2,103,439 (30 June 2024: RO 1,166,976), which is contingent upon fulfilment of the terms and conditions attached thereto. The company has approved commitments to vendors (New core system) as on 30 June 2025 amounting to RO 450,729 (30 June 2024: RO 157,566) towards major capital expenditure.

30 FAIR VALUE INFORMATION

It is the Company's intention to hold loans and advances to customers to maturity. As a result, the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company considers that the fair value of financial instruments at 30 June 2025 and 2024 are not significantly different to their carrying value at each of those dates.

Fair value hierarchy

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 prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

	<i>Total RO</i>	<i>Level 1 RO</i>	<i>Level 2 RO</i>	<i>Level 3 RO</i>
30 June 2025				
Financial Instruments measured at FVOCI	<u>831,356</u>	<u>-</u>	<u>-</u>	<u>831,356</u>
30 June 2024				
Financial Instruments measured at FVOCI	<u>714,791</u>	<u>-</u>	<u>-</u>	<u>714,791</u>

During the year ended 31 March 2025 and 31 March 2024, there were no transfers between Level 1, Level 2 and Level 3 measurements.

31 FINANCIAL RISK MANAGEMENT

The Company's activities expose it to variety of financial risks: credit risk, market risk (including foreign exchange risk and interest rate risk), liquidity risk and operational risk. The Company continuously strives to face challenges and exploit the opportunities the market offers through a process of proactively assessing market forces and economic factors to maintain a competitive edge by devising appropriate strategies to mitigate and manage risk.

The Board of Directors sets the overall risk parameters and tolerances and the significant risk management parameters & associated policies. The Audit and Risk Committee of the Board reviews and reports to the Board of Directors on the Company's risk profile and risk-taking activities. The Asset Liability Management committee (ALCO), chaired by the CEO reviews the risks associated to liquidity, foreign exchange risk & interest rate risk. Risk Management department on a quarterly basis provide detailed report to the Audit and Risk Committee covering all the aspects of Risk Management framework. The risk management control process is based on a detailed structure of policies, procedures and limits and comprehensive risk measurement and management systems for the control, monitoring and reporting of risks. Periodic reviews by the internal and external auditors and regulatory authorities subject the risk management processes to additional scrutiny that help to further strengthen the risk management environment.

Credit risk

The measurement of ECL uses the information and approaches that the Company uses to manage credit risk, though certain adjustments are made in order to comply with the requirements of IFRS 9. The approach taken for IFRS 9 measurement purposes is discussed separately in material accounting policies in note 3 to the financial statements.

31 FINANCIAL RISK MANAGEMENT

Credit risk is the risk of suffering financial loss, should any of the Company's customers, clients or market counterparties fail to fulfil their contractual obligations to the Company. Credit risk arises mainly from consumer financing, and loan commitments arising from such lending activities, but can also arise from credit enhancement provided, such as financial guarantees, endorsements and acceptances.

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. Well defined policies and processes are in place at both the business units and corporate level that are intended to ensure that risks are assessed and properly approved and monitored. Formal credit limits are applied at the individual transaction, counter party, and portfolio levels. Overall exposures are also evaluated to ensure a broad diversification of credit risk. The credit management process involves the monitoring of concentrations by product, industry, single obligor, risk grade and geography. The Company attempts to control credit risk through continuously reviewing and improving its credit policies to meet the demanding needs of market, setting and monitoring credit exposures, limiting transactions with specific counter parties and assessing their creditworthiness and restricting exposure to any particular industry or individuals or Companies of customers in a particular region / location. In addition, to mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of the borrowers. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use.

Maximum exposure to credit risk

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

	2025 RO	2024 RO
Instalment finance debtors	125,776,382	110,403,591
Bank balances and deposits (including deposit with CBO)	2,325,446	2,408,708
Other receivables	1,826	1,835
Total credit risk exposure	<u>128,103,654</u>	<u>112,814,134</u>

Collateral held and other credit enhancement

The Company's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Company since the prior period. The underlying asset subject to lease is held as a collateral in addition to personal guarantees of the lessee and other properties in certain cases.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer below notes for a description of how the Company determines when a significant increase in credit risk has occurred.

31 FINANCIAL RISK MANAGEMENT

- If the financial instrument is credit-impaired, the financial instrument is then moved to ‘Stage 3’. Please refer below for description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer below for description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please refer below for estimating impairment for explanation of how the Company has incorporated this in its ECL models.

The Company allocates each exposure to a credit risk bucket based on days past due and other variety of data (quantitative and qualitative factors) that is determined to be predictive of the risk of default and applying experienced credit judgement. These factors vary depending on the nature of the exposure and the type of borrower.

The ageing of gross instalment finance debtors that were not impaired at the reporting date is as follows:

	2025 RO	2024 RO
Neither past due nor impaired	104,409,274	85,836,733
Past due 1-30 days	2,011,213	3,350,638
Past due 31-60 days	769,054	1,638,570
Past due 61-89 days	481,554	349,997
	<u>107,671,094</u>	<u>91,175,938</u>

The total impaired assets as at 30 June 2025 amounts to **18.11** million (2024: RO 19.23 million).

Credit risk buckets are defined and calibrated such that the risk of default occurring increases exponentially as the credit risk deteriorates so, for example, the difference in risk of default between credit risk grades 1 and 2 is smaller than the difference between credit risk grades 2 and 3.

Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk buckets.

Generating the term structure of PD

Credit risk buckets are primary inputs into the determination of the term structure of PD for exposures. The Company collects performance information about its credit risk exposures analysed by type of product and borrower as well as by credit risk buckets.

The Company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in default rates and changes in key macro-economic factors as well as in-depth analysis of the impact of certain other factors on the risk of default.

For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/or real estate prices. Based on advice from Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Company formulates a ‘base scenario’ of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios (see discussion below on incorporation of forward-looking information). The Company then uses these forecasts to adjust its estimates of PDs.

Significant increase in credit risk (SICR)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Quantitative criteria for determining the significant increase in credit risk are summarized in the below table:

Portfolio	Days past due
Corporate	More than 30 days
Retail	More than 30 days

Further, as per CBO guidance BM 1149 circular, in respect of corporate borrowers where the exposure is RO 500,000 or more, the Company also considers the occurrence of any one or more of the following events as evidence of significant increase in credit risk :

- 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 is the subject of litigation by third parties that may have a significant impact on his financial position.
- Frequent changes in senior management.
- Intra-Company transfer of funds without underlying transactions.
- Deferment / delay in the date for commencement of commercial operations by more than one year.
- Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants, etc. In applying this requirement, FLCs may be guided by the extant instructions of CBO in regard to treating an account as restructured.
- A fall of 25 percent or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in net worth by more than 20 percent as compared to the previous year end coupled with an increase in leverage.
- A fall in the debt service coverage ratio to below 1.

Definition of default and credit-impaired assets

The Company considers a financial asset to be in default and credit impaired when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The borrower is past due more than 89 days on any material credit obligation to the Company. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

In assessing whether a borrower is in default and credit impaired, the Company considers indicators that are:

- Qualitative - e.g. breaches of covenant;
- Quantitative - e.g. 90 days overdue status and non-payment on another obligation of the same borrower to the Company; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The definition of default largely aligns with that applied by the Company for regulatory capital purposes.

Measuring ECL - explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

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

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information as described below:

PD estimates are estimates at a certain date, which are calculated using statistical models tailored to various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Where it is available, market data may also be used to derive the PD for large corporate counterparties. If a counterparty or exposure migrates between buckets, then this will lead to a change in the estimate of the associated PD. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates.

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of Default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. For lending commitments and financial guarantees, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

However, for undrawn loan commitment, the Company measures ECL over a period longer than the maximum contractual period if the Company's contractual ability to cancel the undrawn commitments does not limit the Company's exposure to credit losses to the contractual notice period. The Company can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but 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 and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a loan with fixed repayment terms.

Forward-looking information incorporated in the ECL models

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on advice from the Risk Management Committee and economic experts and consideration of a variety of external actual and forecast information, the Company formulates a 'base case' view of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios.

This process involves developing additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Company operates, supranational organisations such as the OECD and the International Monetary Fund, and selected private-sector and academic forecasters.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The economic scenarios used as at 31 December 2024 included the following ranges of key indicators for Sultanate of Oman for the years ending 31 December 2024 to 2028.

	2025	2026	2027	2028	2029
GDP growth	3.1%	4.4%	4.0%	3.6%	3.6%

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed considering Company's historical data and readily available papers issued by Basel committee on banking supervision.

For computation of ECL, the Company considers three scenario viz. base case, best case and worst case with weightage of 60%, 20% and 20% (2023: 60%, 20% and 20%) respectively.

The following table sets out information about the credit quality of financial assets measured at amortised cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Credit quality analysis

Explanation of the terms: 12-month ECL, lifetime ECL and credit-impaired are included in material accounting policies in Note 3.

	2025			2024	
	<i>ECL Staging</i>				
	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>		
	<i>12-month</i>	<i>Lifetime ECL</i>	<i>Lifetime ECL</i>	<i>Total</i>	<i>Total</i>
	<i>ECL</i>	<i>not credit-</i>	<i>credit-</i>	<i>RO</i>	<i>RO</i>
	<i>RO</i>	<i>impaired</i>	<i>impaired</i>		
	<i>RO</i>	<i>RO</i>	<i>RO</i>		
Instalment finance debtors:					
Standard	104,755,073	2,916,022	-	107,671,095	91,175,937
Special mention	-	-	718,340	718,340	610,733
Substandard	-	-	875,368	875,368	519,167
Doubtful	-	-	215,978	215,978	352,164
Loss	-	-	16,295,601	16,295,601	17,745,590
	104,755,073	2,916,022	18,105,287	125,776,382	110,403,591
Allowance for ECL	(1,025,251)	(655,330)	(10,898,055)	(12,578,636)	(12,502,575)
Allowance for ECL (Undrawn Commitments)	(6,157)	(278)	(46)	(6,481)	-
	(6,157)	(278)	(46)	(6,481)	(4,761)
Carrying amount	103,723,665	2,260,414	7,207,186	113,191,265	97,896,255
Undrawn Commitments	1,979,032	106,483	17,924	2,103,439	1,166,976
Allowance for ECL	(6,157)	(278)	(46)	(6,481)	(4,761)
Net undrawn Commitments	1,972,875	106,205	17,878	2,096,958	1,162,215

Amounts arising from ECL

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

Write-off policy

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Company’s recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

The Company may write-off financial assets that are still subject to enforcement activity or there is no reasonable expectation of recovery. The outstanding contractual amounts of such assets written off during the period Q2 2025 was Nil (2024: Nil).

Climate risk considerations

The effect of climate risk on credit risk is current being assessed, however and the impact in the current year is not estimated to be significant at 30 June 2025. Refer to note 4 for further details on judgements made as part of this assessment.

**Comparison of provision held as per IFRS 9 and required as per CBO norms
30 June 2025**

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) = (3)-(4)-(10)	(8) (3)-(5)-(10)	(9)	(10)
Standard	Stage 1	104,755	288	997	(709)	104,438	103,729	5,055	29
	Stage 2	2,916	-	626	(626)	2,887	2,261	88	29
	Stage 3	-	-	-	-	-	-	-	-
		107,671	288	1,623	(1,335)	107,325	105,990	5,143	58
Special mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	718	35	161	(126)	664	538	22	19
		718	35	161	(126)	664	538	22	19
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	875	206	197	9	618	627	15	51
		875	206	197	9	618	627	15	51
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	216	93	40	53	109	162	4	14
		216	93	40	53	109	162	4	14
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	16,296	11,088	8,786	2,302	3,578	5,880	73	1,630
		16,296	11,088	8,786	2,302	3,578	5,880	73	1,630
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	6	(6)	-	(6)	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
		-	-	6	(6)	-	(6)	-	-
Total	Stage 1	104,755	288	1,003	(715)	104,438	103,723	5,055	29
	Stage 2	2,916	-	626	(626)	2,887	2,261	88	29
	Stage 3	18,105	11,422	9,184	2,238	4,969	7,207	114	1,714
		125,776	11,710	10,813	897	112,294	113,191	5,257	1,772

30 June 2024

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) = (3)-(4)-(10)	(8) (3)-(5)-(10)	(9)	(10)
Standard	Stage 1	88,193	132	863	(731)	88,005	87,274	4,373	56
	Stage 2	2,982	40	383	(343)	2,898	2,555	108	44
	Stage 3	-	-	-	-	-	-	-	-
		91,175	172	1,246	(1,074)	90,903	89,829	4,481	100
Special mention	Stage 1								
	Stage 2								
	Stage 3	611	31	121	(90)	561	471	17	19
		611	31	121	(90)	561	471	17	19
Substandard	Stage 1								
	Stage 2								
	Stage 3	519	122	93	29	368	397	6	29
		519	122	93	29	368	397	6	29
Doubtful	Stage 1								
	Stage 2								
	Stage 3	352	139	74	65	187	252	2	26
		352	139	74	65	187	252	2	26
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	17,746	12,322	9,076	3,246	3,706	6,952	100	1718
		17,746	12,322	9,076	3,246	3,706	6,952	100	1,718
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	5	(5)	-	(5)	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
		-	-	5	(5)	-	(5)	-	-
Total	Stage 1	88,193	132	863	(731)	88,005	87,274	4,373	56
	Stage 2	2,982	40	383	(343)	2,898	2,555	108	44
	Stage 3	19,228	12,614	9,364	3,250	4,822	8,072	125	1,792
		110,403	12,786	10,615	2,171	95,725	97,896	4,606	1,892

The gross carrying amount in the above table represents the classification of loans as per the requirements of IFRS 9.

Loans with renegotiated terms

Loans with renegotiated terms are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Company has made concessions by agreeing to terms and conditions that are more favorable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Renegotiated finance debtors as at 31 June 2025 was RO 4.33 million (2024: RO 3.48 million). Out of these finance debtors amounting to RO 3.9 million (2024: RO 3.04 million) were impaired at the time of renegotiation.

Restructured accounts

30 June 2025

<i>Assets classification as per CBO Norms</i> (1)	<i>Assets classification as per IFRS 9</i> (2)	<i>Gross carrying amount</i> (3) <i>RO'000</i>	<i>Provision required as per CBO Norms</i> (4) <i>RO'000</i>	<i>Provisions held as per IFRS 9</i> (5) <i>RO'000</i>	<i>Difference between CBO provision required and provision held</i> (6)=(4)-(5) <i>RO'000</i>	<i>Net carrying amount as per CBO</i> (7)=(3)-(4)-(10) <i>RO'000</i>	<i>Net carrying amount as per IFRS9</i> (8)=(3)-(5)-(10) <i>RO'000</i>	<i>Interest recognized as per IFRS 9</i> (9) <i>RO'000</i>	<i>Reserve interest as per CBO norms</i> (10) <i>RO'000</i>
Classified as performing	Stage 1	22	-	5	(5)	22	17	1	-
	Stage 2	954	-	343	(343)	947	611	8	7
	Stage 3	-	-	-	-	-	-	-	-
		976	-	348	(348)	969	628	9	7
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,354	1,621	1,480	141	1,405	1,546	19	328
		3,354	1,621	1,480	141	1,405	1,546	19	328
Total	Stage 1	22	-	5	(5)	22	17	1	7
	Stage 2	954	-	343	(343)	947	611	8	328
	Stage 3	3,354	1,621	1,480	141	1,405	1,546	19	335
		4,330	1,621	1,828	(207)	2,374	2,174	28	335

30 June 2024

<i>Assets classification as per CBO Norms (1)</i>	<i>Assets classification as per IFRS 9 (2)</i>	<i>Gross carrying amount (3) RO'000</i>	<i>Provision required as per CBO Norms (4) RO'000</i>	<i>Provisions held as per IFRS 9 (5) RO'000</i>	<i>Difference between CBO provision required and provision held (6)=(4)-(5) RO'000</i>	<i>Net carrying amount as per CBO (7)=(3)-(4)-(10) RO'000</i>	<i>Net carrying amount as per IFRS9 (8)=(3)-(5)-(10) RO'000</i>	<i>Interest recognized as per IFRS 9 (9) RO'000</i>	<i>Reserve interest as per CBO norms 10 RO'000</i>
Classified as performing	Stage 1	279	-	5	(5)	279	274	20	-
	Stage 2	4	-	-	-	4	4	-	-
	Stage 3	-	-	-	-	-	-	-	-
		283	-	5	(5)	283	278	20	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,199	1,472	1,273	199	1,431	1,630	17	296
		3,199	1,472	1,273	199	1,431	1,630	17	296
Total	Stage 1	279	-	5	(5)	279	274	20	-
	Stage 2	4	-	-	-	4	4	-	-
	Stage 3	3,199	1,472	1,273	199	1,431	1,630	17	296
		3,482	1,472	1,278	194	1,714	1,908	37	296

Impairment allowance and loss as at 30 June 2025 and 2024

	<i>As per CBO Norms</i>		<i>As per IFRS 9</i>		<i>Difference</i>	
	2025	2024	2025	2024	2025	2024
Impairment loss charged to profit and loss account (RO)	40	35	681	532	641	497
Provisions required as per CBO norms / held as per IFRS 9 (RO)*	13,482	14,678	12,585	12,507	(897)	(2,171)
Gross NPL ratio %	14.39	17.42	14.39	17.42	-	-
Net NPL ratio %	4.12	4.75	4.88	6.86	0.76	2.11

* Provisions required as per CBO norms and provisions held as per IFRS 9 disclosed above for the year ended 30 June 2025 and 30 June 2024 include reserve interest.

Concentrations of credit risk

Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to instalment finance debtors to any single counterparty as of 30 June 2025. An industry sector analysis of the Company's Instalment finance debtors (net) before considering collateral held is as follows:

	2025 RO	2024 RO
Personal / car loans	33,671,358	34,019,447
Corporate loan:		
- Services	42,290,247	33,678,413
- Construction contracts	14,998,167	14,315,863
- Construction equipment	2,775,161	2,684,007
- Manufacturing	9,111,966	3,672,624
- Trading	5,898,027	3,878,758
- Other	4,446,339	5,647,143
	113,191,265	97,896,255

Credit quality per class of financial assets

The credit quality of financial assets is regularly monitored by the Company.

Aging analysis of past due but not impaired instalment finance debtors after deduction of unearned finance income is set out as below:

	2025 RO	2024 RO
1 to 89 days	3,261,821	5,339,205

Aging analysis of past due and impaired instalment finance debtors after deduction of unearned finance income is set out as below:

	2024 RO	2023 RO
90 to 364 days	1,809,686	1,482,064
365 days and above	16,295,601	17,745,590
	18,105,287	19,227,654

All loans extended by the Company are against security of assets financed and in certain cases, if required, against additional security. All loans are additionally secured by personal guarantees of the borrowers.

The Company limits its credit risk with regard to bank deposits by dealing with reputable banks.

Market risk

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

Foreign exchange risk

Currency risk arises from the possibility of changes in the value of financial assets due to changes in the foreign currency rates. As there is an exchange parity agreement between Oman and the United States of America, the exchange rates have remained stable over the years.

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 Company manages this risk by matching the re-pricing of assets and liabilities and through risk management strategies. The loans extended by the Company are for periods varying from one to over five years are at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the Company's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The Company mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates.

The interest rates on 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 and at more frequent intervals in the case of short-term loans. The Company uses sensitivity analysis to analyse and measure interest rate on the variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that change in 100 basis points in the average funding cost would change net interest income.

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's financial instruments and other assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

30 June 2025	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non-interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	831,356	831,356
Deposit with Central Bank of Oman**	-	-	-	-	-	250,000	250,000
Instalment finance debtors***	17,278,668	16,979,989	25,744,725	19,182,859	34,005,024		113,191,265
Other receivables	-	-	-	-	-	1,151,312	1,151,312
Cash and cash equivalents	2,093,063	-	-	-	-	-	2,093,063
TOTAL FINANCIAL ASSETS	19,371,731	16,979,989	25,744,725	19,182,859	34,005,024	2,232,668	117,516,996
Liabilities							
Borrowings	17,162,445	2,843,000	7,936,000	2,743,000	1,000,000	-	31,684,445
Corporate deposits*	8,954,960	5,519,480	1,325,000	1,000,000	-	-	16,799,440
Unsecured Non-convertible Senior Bonds****	-	-	-	15,000,000	-	-	15,000,000
Creditors and other payables	7,530,930	152,591	-	-	-	249,661	7,933,182
TOTAL FINANCIAL LIABILITIES	33,648,335	8,515,071	9,261,000	18,743,000	1,000,000	249,661	71,417,067
Interest rate sensitivity gap	(14,276,604)	8,464,918	16,483,725	439,859	33,005,024	1,983,007	46,099,929
Cumulative gap	(14,276,604)	(5,811,686)	10,672,039	11,111,898	44,116,922	46,099,929	-

* Corporate deposits are at market rates with interest rates within the range of 4.5% to 7.1%

** Effective interest rate is considered at 1.5% per annum.

*** Instalment finance debtors are at market rates with interest rates within the range of 1.7% to 19.12%

**** Unsecured Non-convertible Senior Bonds are issued at an interest rate of 7% per annum

30 June 2024	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non-interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	714,791	714,791
Deposit with Central Bank of Oman**	-	-	-	-	-	250,000	250,000
Instalment finance debtors***	15,274,483	14,391,827	22,070,808	17,878,545	28,280,592		97,896,255
Other receivables	-	-	-	-	-	675,774	675,774
Cash and cash equivalents	2,182,481	-	-	-	-		2,182,481
TOTAL FINANCIAL ASSETS	17,456,964	14,391,827	22,070,808	17,878,545	28,280,592	1,640,565	101,719,301
Liabilities							
Borrowings	27,749,124	5,076,334	4,680,445	1,736,000	493,000	-	39,734,903
Corporate deposits*	2,450,000	6,435,666	2,000,000	1,000,000	-	-	11,885,666
Creditors and other payables	3,746,861	121,683	-	-	-	244,542	4,113,086
TOTAL FINANCIAL LIABILITIES	33,945,985	11,633,683	6,680,445	2,736,000	493,000	244,542	55,733,655
Interest rate sensitivity gap	(16,489,021)	2,758,144	15,390,363	15,142,545	27,787,592	1,396,023	45,985,646
Cumulative gap	(16,489,021)	(13,730,877)	1,659,486	16,802,031	44,589,623	45,985,646	-

* Corporate deposits are at market rates with interest rates within the range of 4.5% to 7.1 %

** Effective interest rate is considered at 1.5% per annum.

*** Instalment finance debtors are at market rates with interest rates within the range of 1.7 % to 19.1%

Liquidity risk

Liquidity risk is that an entity will encounter when it is unable to meet its obligations at any given time. The Company's conservative liability management policies are designed to ensure that even in adverse situations the Company should be in a position to meet its obligations. In normal conditions the objective is to ensure that there are sufficient funds available not only to meet current financial commitments but also to facilitate business expansion. The objectives are met through the application of prudent liquidity controls.

The amounts disclosed in table below analyses the Company's financial instruments and other assets and liabilities into relevant maturity based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of the discounting is not significant. The Company has unutilized credit facilities of RO 28.35 million (2024: RO 8.22 million).

30 June 2025	0 – 6 Months RO	6 – 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	831,356	831,356
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Instalment finance debtors	17,278,668	16,979,989	25,744,725	19,182,859	34,005,024	-	113,191,265
Other receivables and prepaid expenses	1,151,312	-	-	-	-	-	1,151,312
Cash and cash equivalents	2,093,063	-	-	-	-	-	2,093,063
TOTAL	20,523,043	16,979,989	25,744,725	19,182,859	34,005,024	1,081,356	117,516,996
Liabilities							
Borrowings	17,162,445	2,843,000	7,936,000	2,743,000	1,000,000	-	31,684,445
Corporate deposits	8,954,960	5,519,480	1,325,000	1,000,000	-	-	16,799,440
Unsecured Non-convertible Senior Bonds	-	-	-	15,000,000	-	-	15,000,000
Creditors and other payables	7,530,930	152,591	-	-	-	249,661	7,933,182
Current tax liabilities	-	-	-	-	-	223,885	223,885
Deferred tax liabilities	-	-	-	-	-	24,658	24,658
TOTAL LIABILITIES	33,648,335	8,515,071	9,261,000	18,743,000	1,000,000	498,204	71,665,610
Gap in maturity (excluding off balance sheet items)	(13,125,292)	8,464,918	16,483,725	439,859	33,005,024	583,152	45,851,386
Cumulative gap in maturity	(13,125,292)	(4,660,374)	11,823,351	12,263,210	45,268,234	45,851,386	-
Unearned finance income	4,793,078	4,470,580	6,800,112	4,389,669	5,149,809	-	25,603,248
Total assets (including off balance sheet items)	25,316,121	21,450,569	32,544,837	23,572,528	39,154,833	1,081,356	143,120,244

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn commitment is included in the time band containing the earliest date it can be drawn down.

<i>30 June 2025</i>	<i>0 – 6 months RO</i>	<i>6 – 12 months RO</i>	<i>1 - 2 years RO</i>	<i>2 - 3 years RO</i>	<i>More than 3 years RO</i>	<i>Non-fixed maturity RO</i>	<i>Total RO</i>
Liabilities off balance sheet							
Interest payable on loans	1,403,009	940,888	1,560,619	597,328	32,705	-	4,534,549
Contingent liabilities	379,536	-	-	-	-	-	379,536
Undrawn Commitments to Customers	2,103,439	-	-	-	-	-	2,103,439
Undrawn Commitments to vendor	-	450,729	-	-	-	-	450,729
Total liabilities off balance sheet	3,885,984	1,391,617	1,560,619	597,328	32,705	-	7,468,253

<i>30 June 2024</i>	<i>0 – 6 Months RO</i>	<i>6 – 12 months RO</i>	<i>1 - 2 years RO</i>	<i>2 - 3 years RO</i>	<i>More than 3 years RO</i>	<i>Non-fixed maturity RO</i>	<i>Total RO</i>
Assets							
Investment securities	-	-	-	-	-	714,791	714,791
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Instalment finance debtors	15,274,483	14,391,827	22,070,808	17,878,545	28,280,592		97,896,255
Other receivables and prepaid expenses	675,774	-	-	-	-	-	675,774
Cash and cash equivalents	2,182,481	-	-	-	-	-	2,182,481
	<u>18,132,738</u>	<u>14,391,827</u>	<u>22,070,808</u>	<u>17,878,545</u>	<u>28,280,592</u>	<u>964,791</u>	<u>101,719,301</u>
TOTAL	<u>18,132,738</u>	<u>14,391,827</u>	<u>22,070,808</u>	<u>17,878,545</u>	<u>28,280,592</u>	<u>964,791</u>	<u>101,719,301</u>
Liabilities							
Borrowings	27,749,124	5,076,334	4,680,445	1,736,000	493,000	-	39,734,903
Corporate deposits	2,450,000	6,435,666	2,000,000	1,000,000	-	-	11,885,666
Creditors and other payables	3,746,861	121,683	-	-	-	244,542	4,113,086
Current tax liabilities	-	-	-	-	-	173,772	173,772
	<u>33,945,985</u>	<u>11,633,683</u>	<u>6,680,445</u>	<u>2,736,000</u>	<u>493,000</u>	<u>418,314</u>	<u>55,907,427</u>
TOTAL LIABILITIES	<u>33,945,985</u>	<u>11,633,683</u>	<u>6,680,445</u>	<u>2,736,000</u>	<u>493,000</u>	<u>418,314</u>	<u>55,907,427</u>
Gap in maturity (excluding off balance sheet items)	<u>(15,813,247)</u>	<u>2,758,144</u>	<u>15,390,363</u>	<u>15,142,545</u>	<u>27,787,592</u>	<u>546,477</u>	<u>45,811,874</u>
Cumulative gap in maturity	<u>(15,813,247)</u>	<u>(13,055,103)</u>	<u>2,335,260</u>	<u>17,477,805</u>	<u>45,265,397</u>	<u>45,811,874</u>	<u>-</u>
Unearned finance income	<u>3,919,573</u>	<u>3,631,346</u>	<u>5,458,277</u>	<u>3,362,548</u>	<u>3,471,111</u>	<u>-</u>	<u>19,842,855</u>
Total assets (including off balance sheet items)	<u>22,052,311</u>	<u>18,023,173</u>	<u>27,529,085</u>	<u>21,241,093</u>	<u>31,751,703</u>	<u>964,791</u>	<u>121,562,156</u>

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn commitment is included in the time band containing the earliest date it can be drawn down.

<i>30 June 2024</i>	<i>0 – 6 months RO</i>	<i>6 – 12 months RO</i>	<i>1 - 2 years RO</i>	<i>2 - 3 years RO</i>	<i>More than 3 years RO</i>	<i>Non-fixed maturity RO</i>	<i>Total RO</i>
Liabilities off balance sheet							
Interest payable on loans	916,647	472,007	374,503	66,050	3,427	-	1,832,634
Contingent liabilities	376,704	-	-	-	-	-	376,704
Undrawn Commitments to Customers	1,166,976						1,166,976
Undrawn Commitments to vendor	-	157,566					157,566
Total liabilities including off balance sheet items	2,460,327	629,573	374,503	66,050	3,427	-	3,533,880

Capital management

The primary objective of the Company’s capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve and retained earnings, and is measured at RO 48.68 million as at 30 June 2025 (2024: RO 48.72million).

The Company is in compliance with the Central Bank of Oman’s minimum capital requirement of RO 25 million.

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 outside liabilities divided by net worth (excluding specific reserves and proposed dividends).

During 2025 and 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 2024 were as follows:

	2025 RO’000	2024 RO’000
Total borrowings	63,484	51,621
Total other liabilities	71,666	55,907
Total equity	48,679	48,718
Net worth (defined above)	44,172	43,789
Gearing ratio (times)	1.30	1.06
Leverage ratio (times)	1.62	1.28

32 CLIMATE RELATED RISKS

The Company and its customers may face significant climate-related risks in the future. These risks include the threat of financial loss and adverse non-financial impacts that encompass the political, economic and environmental responses to climate change. The key sources of climate risks have been identified as physical and transition risks. Physical risks arise as the result of acute weather events such as hurricanes, floods and wildfires, and longer-term shifts in climate patterns, such as sustained higher temperatures, heat waves, droughts and rising sea levels and risks. Transition risks may arise from the adjustments to a net-zero economy, e.g., changes to laws and regulations, litigation due to failure to mitigate or adapt, and shifts in supply and demand for certain commodities, products and services due to changes in consumer behaviour and investor demand. These risks are receiving increasing regulatory, political and societal scrutiny, both within the country and internationally. While certain physical risks may be predictable, there are significant uncertainties as to the extent and timing of their manifestation. For transition risks, uncertainties remain as to the impacts of the impending regulatory and policy shifts, changes in consumer demands and supply chains.

The Company is currently under progress in embedding climate risk in its Risk framework, including the development of appropriate risk appetite metrics and maintaining policies, processes and controls to incorporate climate risks in the management of principal risk categories.

In addition, the Company is currently evaluation its model landscape to incorporate climate-related risks and their impact on borrower’s credit risk. The Company is also under progress in the development of climate risk scenarios that will be used to assess the impact of climate risk on forward-looking information; and in building the knowledge and capacity of its workforce in matters relating to climate-related risk. Despite the progress, the Company acknowledges the need for further efforts to fully integrate climate in the Company’s risk assessments and management protocols.

33 **GENERAL**

Figures have been rounded off to the nearest RO unless otherwise stated.

