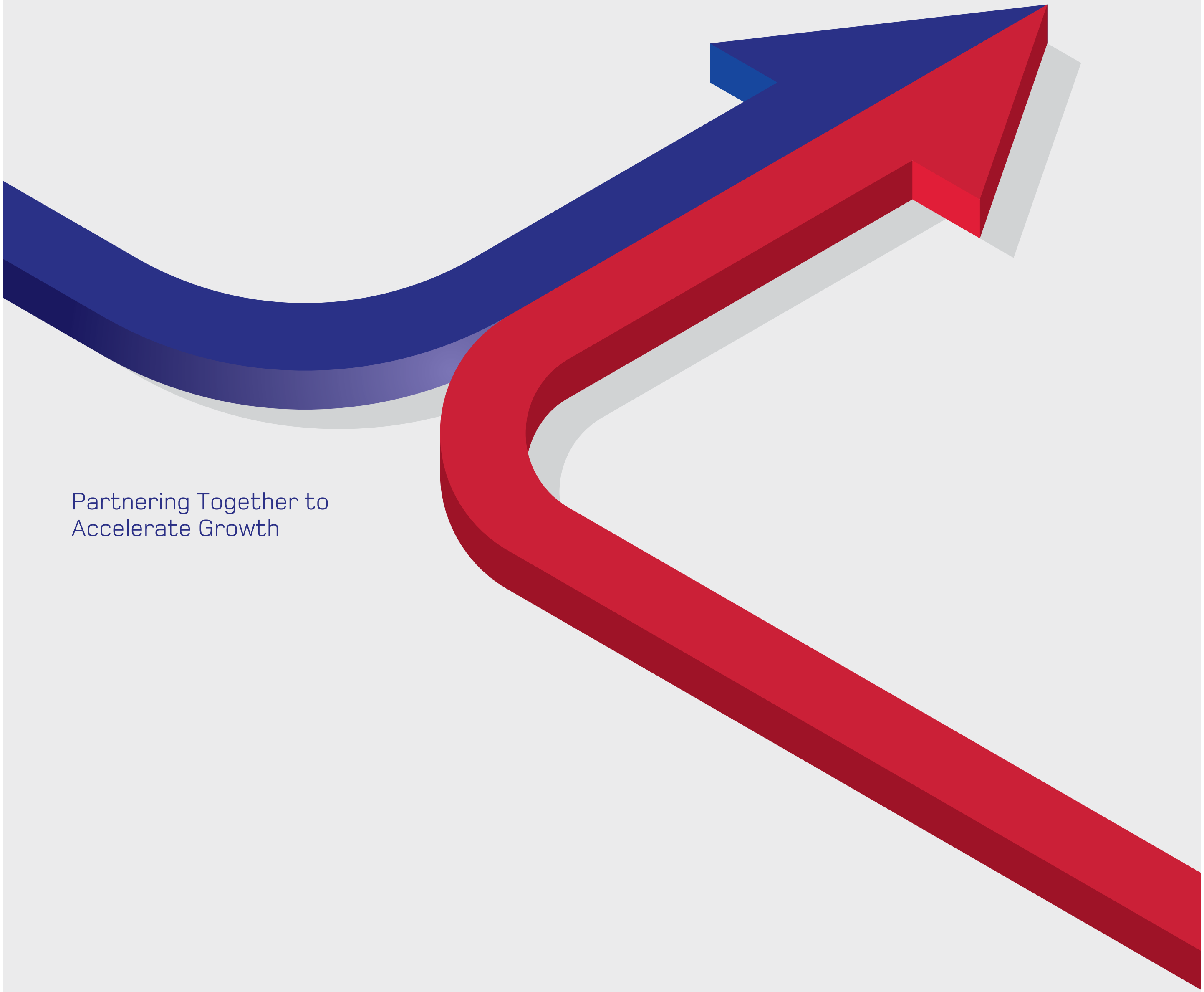
ANNUAL REPORT **2024**



Partnering Together to
Accelerate Growth

الوطنية للتمويل
national finance

ABOUT THIS REPORT

In an ever-evolving financial landscape, progress is achieved through enduring partnerships, shared aspirations, and collective momentum. At National Finance, we recognize that our success is not merely defined by numbers, but by the unwavering trust, commitment, and ambition of those who stand with us—our valued customers, partners and stakeholders.

For over three decades, National Finance has been at the forefront of Oman's financial sector, empowering individuals and businesses with solutions that go beyond transactions to create lasting impact. With 23 strategically located branches and a seamless digital presence, we have not just provided financial services—we have fostered relationships that fuel economic progress and national prosperity.

The year 2024 marks a pivotal chapter in our journey, where growth is not just an ambition but a shared mission. Together with our customers, we have gone beyond the brand, embracing the spirit of Nationalism that celebrates the values of integrity, innovation, and service excellence.

To choose National Finance is to choose the values that define Oman's resilience, ambition, and forward-thinking spirit.

Our stakeholders are the catalysts of our growth, the driving force behind our ability to evolve, innovate, and exceed expectations. Their trust fuels our determination, their vision aligns with ours, and their success is a testament to our unwavering commitment. Whether through pioneering financial solutions or an expanding digital ecosystem, we remain dedicated to accelerating progress, together.

As we reflect on yet another remarkable year, we stand poised for greater horizons, stronger partnerships, and a future where growth is a shared journey, not just a destination. National Finance is more than a financial institution—we are a trusted partner, empowering ambitions and driving Oman forward.

Together, we accelerate growth.

"Nation building and development are a public responsibility that requires the commitment of all, without exempting any one from their role, in their respective specialties, and within their capabilities."

Excerpt from the Royal Speech by
HM Sultan Haitham bin Tariq in February 2020

HIS MAJESTY
SULTAN HAITHAM BIN TARIQ

OUR VISION

Be the provider of choice for comprehensive financial and leasing solutions in our markets of operation.

OUR MISSION

To deliver the right financial solutions on time, exceed our customer expectations through partnership and continuous improvement, and provide an inspiring workplace for hard-working and dedicated people who believe in the company.

OUR VALUES

- **Integrity** by building trust through transparency and honesty.
- **Care** ensuring our performance and actions help to take care of our customers, our staff and our community.
- **Growth** by providing an environment that fosters personal development and commercial growth.
- **Relationships** by working proactively in partnership with customers and stakeholders to help them achieve their goals.
- **Service** by offering market leading service that consistently exceeds expectations.
- **Empowerment** by trusting our staff to make the right decisions for both the company and our customers.

CONTENT

BOARD OF DIRECTORS

Hani Al Zubair
Chairman (1)

AbdulAziz Al Balushi
Deputy Chairman (1) (3)

Taya Jandal Ali
Director

Subrata Kumar Mitra
Director (3)

Honorable Dr. Dhafir Al Shanfari
Director (2)

Anand Budhia
Director (2)

Sanjay Kawatra
Director (1) (3)

Muhammad Husam Al Zubair
Director (1)

Dr. Rashid Al Balushi
Director (2)

(1) Member of the Nomination, Remuneration and Executive Committee
(2) Member of the Audit Committee
(3) Member of the Risk Committee

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present to you the results of the Company for the year ended December 31, 2024.

Over the last year, while we have witnessed recovery from the effects of the pandemic (COVID-19), we have also seen the negative impact of weaker economy in many countries and higher interest rates resulting in slower growth and restrained business sentiments. The slowing of inflation in the second half of 2024 means that monetary tightening now appears to be coming to an end. However, current inflation levels in many economies still remain above their targets. Among these potential challenges are the increased uncertainties due to the geo political situation in the region and disruption to global trade and supply chains caused by these. In Oman, we have seen healthier growth rates and inflation is much better controlled than we have witnessed in certain other geographies. We are well aware of the many challenges we face but feel well prepared for these adverse situations, reassured by the impact of our growth and transformation programmes, strong systems, processes and risk management that we have demonstrated over the past several years. In this period of uncertainty, we have been proactively engaging with our people and customers to help work around these challenges.

Your Company is the market leader in the leasing sector with a well-diversified geographical presence across Oman (23 branches), coupled with a broad product profile to meet the financing requirements of Retail, Corporate and SME segments. We carry good business momentum into 2025 in our core areas of operations and expect moderate lending growth over the current year. As a result of steady progress in implementing our transformation initiatives and establishing a robust platform for future growth, we anticipate a stronger credit offtake in the medium term with a need to balance credit risk with market growth. Your Company continues to adopt a judicious approach to credit underwriting keeping in view of the overall macroeconomic scenario and perceived increase in credit risk. Within this policy, our approach has been to target customers who satisfy our credit risk appetite. We aim to continue to strengthen our market leadership position in Oman while offering our customers an optimal experience. Our reading is that the economic climate will be cautiously optimistic.

During the year 2024, your Company focused on writing good quality business with improved margins. The Profit before tax was at RO 14.25 million (RO 13.07 million in 2023) while net investment in lease was at RO 578.87 million (RO 486.86 million in 2023), an increase of 18.90% over the previous year. Profit after tax was RO 12.11 million as compared to RO 11.11 million in 2023, an increase of 9.08% over the previous year. The strong results are also testament to the ongoing focus of our strategic actions which we set out back at the beginning of the year. Your Company issued perpetual bonds for RO 35 million during the year. The issue was oversubscribed by 1.68 times demonstrating our financial strength and the trust reposed in us by our investors despite challenging market conditions.

Your Company is in full compliance with the provisioning norms prescribed by the International Financial Reporting Standards. Your Company also prudently holds an additional overlay considering the external environment and developments in the region.

The digital platform continues to play a pivotal role in our core business and we are constantly working to make the customer experience more accessible in both physical and digital spaces. We continue to build our resilience in both the financial and non-financial dimensions of risk and compliance across our varied product offerings and remain focused on our multi-year effort to embed digitization goals in our processes to maintain leadership position in the financial services domain. This also gives us the confidence to achieve our strategic goals and act decisively to grasp new business opportunities.

In each of our operating segments, we continue to invest in our transformation initiatives and focus on areas where we have demonstrated our strengths and have opportunities to grow.

The Company's dividend distribution aims at providing shareholders a reasonable return and to build reserves to achieve a strong capital base. Based on this, the Board recommends distribution of 12.6% dividend in cash and 6% dividend in stock. This dividend will be paid on the shares outstanding on the record date.

Your Company complies with all the requirements of the code of corporate governance, as specified by the Financial Services Authority (FSA). A detailed report on corporate governance is set out along with a certificate from the Statutory Auditors in compliance with FSA regulations.

In 2024, sustainability remained central to the Company's operational ethos, aligned with Oman Vision 2040. National Finance launched their Sustainability Strategic Framework, focusing on reducing environmental impact, supporting youth education, fostering talent development, and providing sustainable products and services. The commitment extended to integrating environmental and social considerations into the Company's lending practices and collaborating with SMEs.

The Company's sustainability vision is to be the leading provider of comprehensive financial and leasing solutions while ensuring the integration of high ESG and sustainability standards. National Finance aims to measure the impact through its contribution to sustainable economic growth, initiatives that contribute to building strong communities, and the environmental impact.

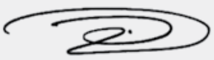
Through a partnership with the Environment Society of Oman, your Company committed to support their "Green Campus" initiative, encouraging universities and colleges to assess and reduce their environmental footprint. The continued collaboration with Injaz Oman and Sharakah further promoted youth entrepreneurship and provided SMEs with valuable insights. Your Company financed various sustainable businesses as part of its commitment to responsible lending and fostering progress in Oman's renewable energy sector. In addition, the Company partnered with Dar Al Atta'a to empower Omani Women across the Sultanate through an initiative centered on beekeeping and honey cultivation. The initiative endeavors to bolster Omani Women from economically constrained backgrounds enabling them to pursue self-employment opportunities. These collaborations align with the Company's mission to drive positive change, empower and enrich the community we serve.

A significant milestone was the establishment of the Himmah volunteer team, which participated in impactful initiatives in collaboration with Dar Al Atta'a, Oman Cancer Association and Muscat Municipality. Fostering a culture of giving amongst our employees is part of our direction to contribute positively in the community we operate in. A total of RO 188,000 was allocated to support various CSR programs during the year.

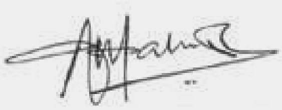
Your Company remains committed to Omanisation and as of December 31, 2024, the number of Omani employees was 353 out of the total workforce of 385. The Omanisation percentage works out to 91.69%, which is higher than the given target of 90%. Your Company continues to remain committed to providing career growth and development of Omani nationals through ongoing training in line with their job requirement to shoulder bigger responsibilities. We stayed invested in our staff training programmes and will continue to maintain momentum on employee engagement initiatives, development of future skills, managerial and leadership capabilities for professional development.

The FY 2025 Oman budget represents the fifth year of the Tenth Five-Year Development Plan (2021-2025) and is the first step towards the Oman Vision 2040 development objectives. The budget considers the recent global economic and geopolitical environment resulting in high inflation rates and growing global debt risks. The important pillars of Budget 2025 are improving the business environment and expanding the participation of the private sector in the economic development with a target of 2.7% economic growth, largely fueled by RO 4.4 billion in government investments, maintaining safe and sustainable levels of public spending, continuing to raise non-oil revenue contributions, and giving priority to projects with a social dimension such as education, health and social housing projects. These initiatives by the Government are expected to achieve better financial efficiency and foster economic growth in 2025.

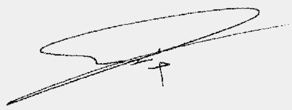
We extend our sincere gratitude to all stakeholders especially the regulators and customers for the support extended towards the growth of the Company. On behalf of the Board of Directors, we also thank the staff for their dedication and hard work which has enabled us to establish ourselves as the most trusted company in the sector.



Hani Muhammad Al Zubair
Chairman



Abdul Aziz Al Balushi
Deputy Chairman



Tariq Sulaiman Al Farsi
Chief Executive Officer

MANAGEMENT DISCUSSION & ANALYSIS REPORT

Statement of Business Objectives

National Finance Co. SAOG ('National Finance' or 'the Company') was established in November 1987 and has now completed 37 years of operations. The Company's main business objective is to be the preferred provider of financial products to its target customer base of individuals, Small and Medium Enterprises (SMEs) and Corporate entities in Oman. National Finance currently conducts its business from its twenty three branches spread across Oman.

As a public joint stock company regulated by the Central Bank of Oman, the Company's business operations are subject to compliance with the regulatory and statutory guidelines of the Central Bank of Oman, the Financial Services Authority, the Company's own manual of authority & procedures and the legal statutes of the Sultanate of Oman.

The following discussion and analysis, in the opinion of the management, is useful in understanding the Company's financial results and position. The discussion and analysis have been made keeping the going concern concept in mind and need to be read together with the financial statements and related notes forming part of the annual report.

Certain statements in these discussions are forward-looking statements, including those that discuss strategies, goals, outlook, or other non-historical matters; or projected revenues, income, returns, or other financial measures. These forward-looking statements speak only as of the date on which they are made. The forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those contained in the statements. Interest rate changes, demand and supply of the products financed, changes in Government regulations, tax laws, etc., may have an influence on the financial results of the Company.

Economic Environment Overview

Domestic Economy

The FY 2025 Oman budget represents the fifth year of the Tenth Five-Year Development Plan (2021-2025) toward Oman Vision 2040. It has been prepared keeping in view the challenges faced by Oman on account of the recent geopolitical events, and economic and oil price uncertainties. The 2025 budget highlights significant economic activity, including development and investment expenditures in various strategic projects, along with social and basic spending in key sectors of education, health, social welfare and housing and strives to give due importance to national priorities and financial efficiency.

The Government of Oman has budgeted the total revenue at RO 11.18 billion in 2025, a 1.5% increase from 2024 keeping in mind its objectives of adopting a balanced approach in maintaining social support, reducing public debt, and promoting economic diversification through participation of private sectors in development projects, and creating more job opportunities. The 2025 budget deficit is estimated to be Rials 620 million, translating to 5.5% of total estimated revenue.

There is continued focus on the need to enhance the contribution of non-oil revenue and the Government acknowledges that revenues from non-oil sectors depend significantly on private sector investment, and is committed to improving the business environment to facilitate this. Oman recorded a surplus in 2024 compared with the substantial deficits recorded in earlier years due to realization of higher oil price than the budget, the efforts made by various government units in controlling expenditure, reduction in public debt, and measures taken to increase non-hydrocarbon revenue. In recognition of these efforts, Oman credit ratings have demonstrated a positive trend compared to previous years and has worked in favour of the country's growth.

The threat of a worldwide recession, the decline in global oil demand, higher interest rates, high debt servicing costs, intensified geopolitical tensions, high inflation rates, and climate change are the challenges that we continued to witness in 2024, and these have contributed in good measure to the challenging growth environment and restrained business sentiments.

Industry Overview

The Leasing and Finance sector in Oman faced challenges in their growth during 2024 on account of a marked increase in the cost of funds and a slowdown in both the Government and private sectors. Almost all the major sectors, viz. Oil & Gas, Infrastructure, Construction, and Services have witnessed a sharp decline in credit offtake due to a dearth of new projects.

The Government has announced several initiatives to meet the overall objective of diversification of revenue streams, increased investments in development initiatives, improve efficiencies in public spending, and increased Corporate tax scrutiny and collection procedures, and as a result of these measures, we expect to witness continued long-term progressive growth.

Business Structure

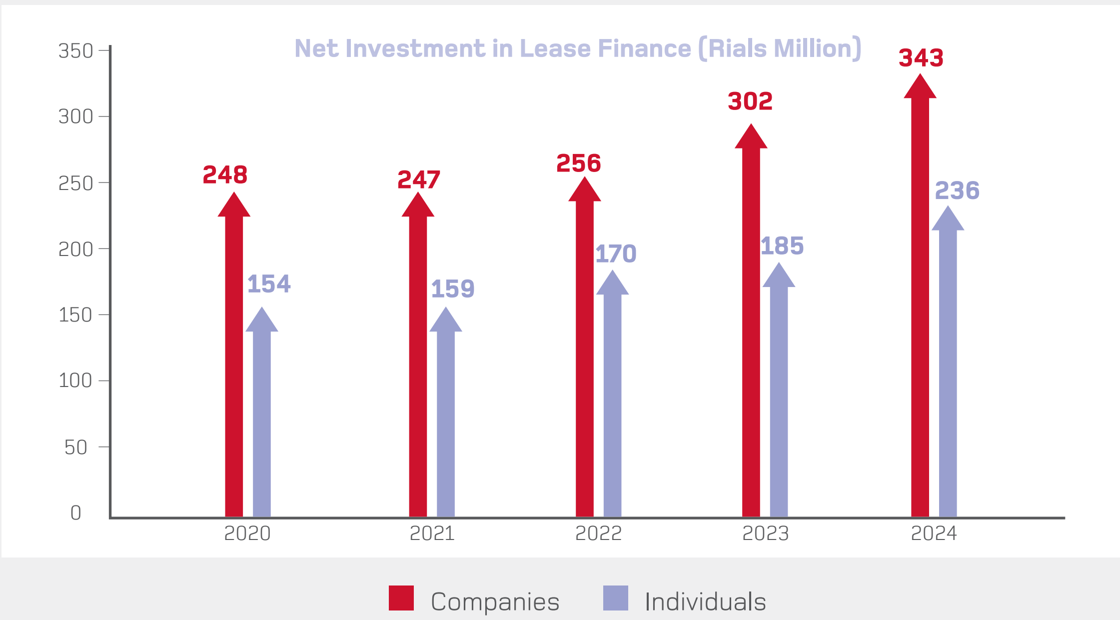
Your company is the leader of non-banking finance companies in Oman engaged in providing vehicle finance and loans to SMEs/Corporates. The company enjoys a robust sourcing, underwriting, receivables collection and operational model commensurate with the size and risks of the respective underlying asset class. Your company's major strengths are its customer base, dealer relationships, robust business practices, strong systems and experienced and committed workforce. As one of the oldest players in the industry, your Company has a mature understanding of the market and has developed systems and processes that are constantly updated to meet the market demands and face the challenges posed by the changing business environment. Our understanding of our markets and our extensive network allow us to offer a tailored proposition to our clients, combining expertise and knowledge of local regulations and procedures.

The key strategies to enhancing the profitability of our business depend on the Company's ability:

a) To Progress strongly in delivering our strategy to accelerate returns by lending money at spreads sufficient to maintain appropriate return for the risk undertaken.
b) To maintain efficient operating platforms and infrastructure in order to run the business at competitive cost levels.
c) To originate quality new business at optimal cost through multiple customer acquisition channels.
d) To minimize credit losses by proper evaluation of the creditworthiness of the customers, both during the approval stage and post-disbursal collections.
e) To maintain a strong capital base and to leverage the business at the optimal level.

Performance Highlights
Vehicle & Equipment Finance

In vehicle finance, the company operates through established dealers as well as direct customer relationships, while in the SME market, the business is more focused on direct marketing. Our approach in SMEs has been to restrict our target to lower-risk customers.

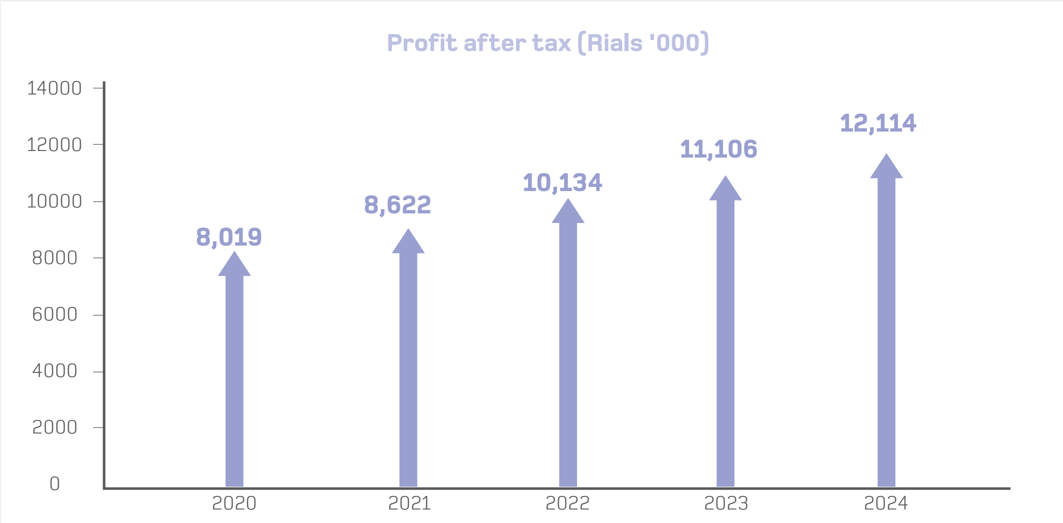


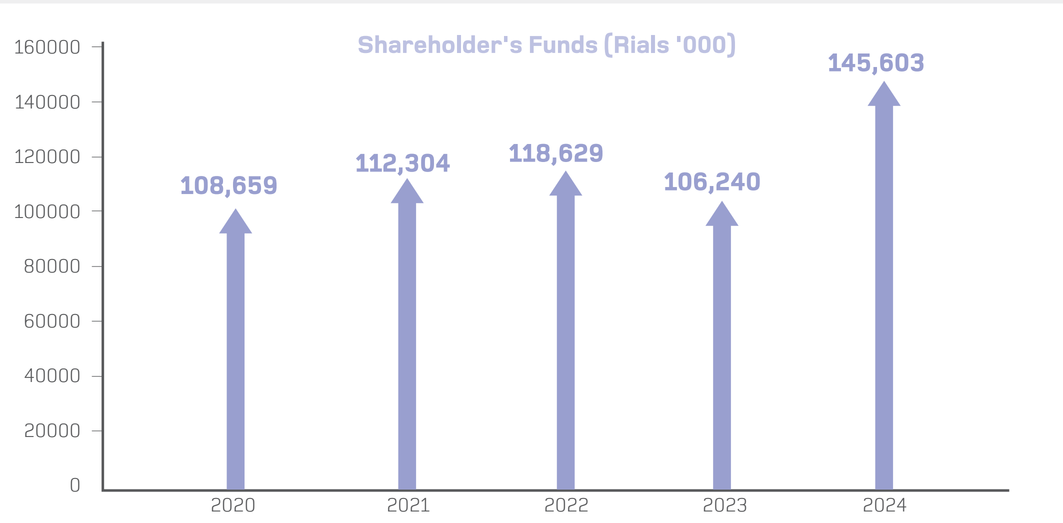
Operational Performance

We posted strong results for the year and our profit before tax grew 9.04% year-on-year. We had strong business momentum driving a 23.06% top-line growth on a year-to-year basis.

The overall summary of performance for the year is as follows:

- Total revenue amounted to Rials 63.29 million.
- Interest cost amounted to Rials 29.08 million in 2024.
- Operating income amounted to Rials 18.90 million.
- Staff, General and administrative expenses amounted to Rials 14.09 million.
- Profit after tax for the current year amounted to Rials 14.25 million
- Improved RoE to 9.30% adjusted for perpetual bond interest payout.





Funding Profile

Our gearing is at a level of 3.05 times as compared to our regulatory cap of 5 times. Our external funding comprises two main sources, bank borrowings and corporate deposits.

a) Bank Borrowings

Bank borrowings comprise our main source of funding. Since all our bank funding is from relationship banks with whom we have (and continue to cultivate) long-term relationships, banks constitute a substantial source of stable funding for us. The company's total bank borrowings as of 31st December 2024 amounted to Rials 385.51 million.

b) Fixed Deposits

Fixed deposits from Corporates are an alternate source of funding for FLCs. Fixed deposits carry the advantage of being fixed rates for the term; consequently, interest rate risk can be successfully mitigated to an extent. Our deposits tend to be from both stable relationship-based depositors as well as more opportunistic one-time depositors. As of 31 December 2024, the Company carried corporate fixed deposits totaling Rials 58.49 million.

Human Resources

National Finance firmly believes that its competitive edge is derived from its people. As a financial services company that takes pride in knowing and serving its customers better than most, people remain the Company's most valuable asset. The past success was built on the soundness of the Company's strategy, which by the quality and determination of the employees, has been turned into action. Going forward, the Company not only plans to maintain this key source of competitive advantage but also build on it through well-structured training initiatives.

With a rapidly changing business environment comes a need to constantly upgrade existing skill sets to face new challenges. Upskilling and reskilling our people continues to be a priority – more than 250 colleagues undertook learning in 2024 to build future-ready skills, including in sustainable finance, data and analytics, Fintech, cyber security, customer service, anti-money laundering and leadership.

Preparing our Omani employees for the changing environment is a strategic imperative that is followed closely within the company. The Company is well equipped in terms of processes to continue to meet the upcoming requirements of growth. As of 31 December 2024, there were 385 employees in the Company, of whom 353 employees were Omani nationals. The Omanisation ratio was at 91.69%, which is higher than the statutory target of 90%.

Information Technology

The company has a well-developed and tested Disaster Recovery infrastructure which involves the maintenance of operations in the event of the loss of the main production system. The company has also put in place Business Continuity Plans as required by best practices for financial institutions. We are in compliance with the Information Security guidelines issued by the regulators.

Risks and Concerns

Managing risk is an inherent part of the Company's business. The Company's goal in risk management is to understand, measure and monitor the various risks that arise, and to evolve up-to-date policies and procedures to mitigate and manage these risks. The Company is primarily exposed to credit risk, interest rate risk, liquidity risk, and operational risks.

The two key pillars of risk management for the company lie in:

- Adoption of standardized operating procedures;
- Review and audits to evaluate the extent of compliance as well as to spot any gaps.

Credit Risk

As the Company's core business is lease financing, credit risk forms the major risk to which the company is exposed. Credit risk is the risk that a counterparty will cause financial loss for the company by failing to discharge an obligation and the management, therefore, carefully manages its exposures to credit risk. The company employs a range of policies and practices to manage, limit, and control the concentration of credit risk to individual counterparties, groups, and industries.

The Company reviews and monitors credit exposures on an ongoing basis to identify early warning signals and take appropriate corrective action.

Operational Risk

Operational Risk is defined as the risk that the company will incur due to inadequate or failed internal processes, people, or systems.

The management of operational risk is carried out through a comprehensive system of internal controls, documented delegation of authority, separation of duties between key functions and detailed standard operating procedures. The key operational processes are centralized at the head office, which reduces the operational risk at the branch level. The company has an empowered in-house internal auditor. The company also adopts a whistle-blower policy. The company periodically reviews the information security policy and aligns the systems to the revised policy guidelines.

Market Risk

Market risk is the risk of loss arising from changes in the values of financial assets and liabilities and includes interest rate risk, foreign exchange risk, and liquidity risk.

The Company engages in financial transactions in the normal course of business that exposes the Company to these market risks. The management conducts appropriate management practices and maintains policies designed to effectively mitigate such risks. The objectives of the market risk management efforts are to preserve the economic and accounting returns of the assets by matching the re-pricing and maturity profiles of the assets with that of the liabilities.

Interest Rate Risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amounts of assets and liabilities that mature or re-price in a given period. Except for pricing the leases of varying maturity appropriately, the company does not actively hedge against interest rate risk.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter in raising funds to meet its obligations at any given time.

The mitigation technique deployed by the company is to spread the borrowing basket among different banks to reduce the concentration risk. It also monitors the structural liquidity mismatches between the assets and the liabilities on a projected cash flow basis and periodically reviews the open credit lines available with the banks. The liquidity risk is reviewed on a monthly basis by the Asset and Liability Committee (ALCO).

Foreign Currency Risk

Foreign currency risk is the risk that arises from assets or liabilities denominated in a currency that is not the entity's functional currency. The majority of the company's transactions are denominated in the local currency. Foreign currency transactions of the company are restricted to US Dollar denominated borrowings. Since the Rial is pegged to the US Dollar, foreign exchange risk is considered low. The Company reduces its foreign currency risk by booking forward cover as decided by the ALCO.

Internal Control Systems

The company has put in place extensive internal controls to mitigate risks. An established set of procedures provides a clear delegation of authorities and standard operating procedures for all parts of the business. Clear segregation of duties exists between various functions. The in-house internal auditor evaluates the adequacy and effectiveness of controls, and all audit findings are independently reported to the Audit Committee of the Board of Directors. The Risk Committee monitors the implementation of enterprise-wide risk management and control. The company has a strong IT security system to ensure information security.

Sustainability and CSR

Sustainability remains a cornerstone of our operational philosophy, and in 2024, we embraced a more concerted collective effort, fully aligned with the national priorities outlined in Oman Vision 2040. While upholding the highest standards of Environmental, Social, and Governance (ESG) practices, we are committed to fostering sustainable economic growth, empowering communities, and minimizing our environmental footprint.

A defining achievement was the launch of our Sustainability Strategic Framework, a comprehensive roadmap designed to guide our ongoing commitment to creating a positive impact across environmental, social, and governance domains. Through the implementation of this strategy, we remain focused on reducing our ecological impact, supporting youth education initiatives, fostering talent development, promoting inclusivity, and providing sustainable products and services.

Furthermore, we integrated environmental and social considerations into our lending practices and collaborate closely with SMEs. A sound sustainability governance structure was put in place to ensure the realization of our sustainability ambitions and foster a culture of collaborative efforts while executing and implementing our rigorous ESG pillars within our operations. We remain steadfast in our commitment to accountability and transparency.

We have placed a strong emphasis on the talent and capacity development of our predominantly Omani workforce, offering them a wealth of opportunities through training programs and workshops, enabling them to grow both professionally and personally. In doing so, we continue to chart a course of sustainable growth within the organization.

The tangible impact we have made over the past year through our comprehensive strategic initiatives, has not only generated widespread change but has also firmly established National Finance as a benchmark leader in the sustainability conversation within the finance and leasing sector. Our continued commitment to environmental stewardship and social responsibility serves as an inspiration, encouraging organizations across industries to adopt similar practices, ultimately contributing to a promising future for the nation.

Financial Consumer Protection Framework

Throughout the year, our company has adhered to the principles of transparency, fairness, and accountability in all our dealings with customers. We have continued to refine our processes and policies to safeguard the interests of our valued customers through enhanced transparency in our communication, better access to customer support with appropriate investment in training and technology, robust data security measures through strengthened cyber monitoring processes, adherence to regulatory standards at all times and empowering customers with financial literacy in the products that they deal in.

As we move forward, our commitment to financial consumer protection will remain a cornerstone of our operations. We recognize the importance of fostering trust and confidence among our customers, and we will persist in our efforts to uphold the highest standards of integrity and accountability.

Customer Complaints

The Company, driven by its commitment to customer satisfaction, has implemented a robust complaint management process in 2024 to ensure that customer complaints and grievances are captured and resolved within a standardized timeframe. This structured approach not only guarantees timely resolution but also provides valuable insights to drive continuous improvements by addressing the root causes of complaints.

With the recent enhancement of our complaint management system, we are dedicated to resolving customer concerns efficiently while implementing corrective actions to prevent recurrence. Our team adheres to industry-leading turnaround times (TATs), exceeding best practices to deliver high-quality customer service and swift solutions at every stage of the customer journey.

S.No.	Complaints received from customers	31-Dec-24	31-Dec-23
1	Number of complaints pending at the beginning of the year	0	0
2	Number of complaints received during the year	711	76
3	Number of complaints closed during the year	709	76
3.1	Of which, Number of complaints rejected by the FLC	12	6
4	Number of complaints pending at the end of the year	2	0
4.1	Of which, number of complaints pending beyond 30 days	2	0

The pending complaints were resolved subsequently

Future Outlook

The actual revenues of Oman for 2024 reached Rials 12.67 billion, compared to the budgeted revenue of Rials 11.01 billion, and the budgeted revenues for 2025 are at Rials 11.18 billion. The 2025 budgeted deficit is estimated at around Rials 620 million compared to the estimated actual surplus of Rials 544 million in 2024. The 2025 deficit is expected to be mainly financed through a mix of international borrowing and domestic borrowings and the balance from reserves.

We expect a positive outlook for the finance and leasing industry to enable progressive growth over the medium term. While we have witnessed recovery from the effects of the pandemic in the current year, we have also seen the negative impact of weaker economy in many countries and higher interest rates resulting in slower growth and restrained business sentiments.

Your Company will continue to strive hard to improve its service levels, the main differentiator in service-oriented industries, and will continue in its pursuit to develop strategies for maintaining margins through efficient operations. This, combined with improved asset quality and a focus on maintaining good collections, is expected to provide satisfactory returns to our shareholders.

Tariq Sulaiman Al Farsi
Chief Executive Officer

KPMG

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Private and confidential
Our ref.: aud/km/ar/20069/25

Agreed-Upon Procedures Report on Code of Corporate Governance of National Finance Company SAOG

To the Board of Directors of National Finance Company SAOG

Purpose of this Agreed-Upon Procedures Report and Restriction on Use and Distribution

Our report is solely for the purpose of assisting the National Finance Company SAOG for submission of agreed upon procedures report on the compliance with the Code of Corporate Governance (the "Code") to Financial Services Authority ("FSA") (formerly Capital Markets Authority) to assist in compliance of requirements prescribed in the FSA Circular No. E/10/2016 dated 1 December 2016 (together the "Governance Code") and may not be suitable for another purpose. This report is intended solely for the National Finance Company SAOG and the intended users and should not be used by, or distributed to, any other parties.

Responsibilities of the National Finance Company SAOG

The Board of Directors has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Management of National Finance Company SAOG is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioners' Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), Agreed-Upon Procedures Engagements. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with National Finance Company SAOG, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

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Practitioners' Responsibilities (continued)

Professional Ethics and Quality Control

We have complied with the relevant ethical requirements including independence requirements of the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) issued by the International Ethical Standards Board for Accountants.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below, which were agreed upon with the National Finance Company SAOG in the terms of engagement dated 13 July 2023, on the compliance with the Code:

S. No	Procedures	Findings
1	We checked that the corporate governance report (the Report) issued by the Board of Directors includes as a minimum, all items suggested by FSA to be covered by the Report as detailed in the Annexure 3 of the Code by comparing the Report with such suggested content in the Annexure 3.	No exceptions noted.
2	We obtained the details regarding areas of non-compliance with the Code identified by the National Finance Company SAOG Board of Directors for the year ended 31 December 2024. With respect to procedure above, we inquired from and obtained written representation from management and those charged with governance for non-compliance with the Code for the year ended 31 December 2024.	No non-compliance with the Code noted during the year.

This report relates only to the items specified above and does not extend to the National Finance Company SAOG financial statements taken as a whole.

KPMG

KPMG LLC
11 March 2025

KPMG
KPMG LLC
Children's Public Library Building
4th floor, Shatti Al Qurum
P O Box 641, PC 112
Sultanate of Oman
CR.No: 1358131

Enclosures:
National Finance Company SAOG Corporate Governance Report

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CORPORATE GOVERNANCE REPORT

CORPORATE PHILOSOPHY

The Corporate Governance philosophy of the Company aims at corporate fairness, transparency and accountability at all levels through well laid down systems and procedures. The Board of National Finance Co. SAOG firmly believes that the adopted Corporate Governance policies are aligned with the principles laid in the Code of Corporate Governance and the provisions of the Executive Regulation of the Capital Market Law dealing with disclosures to be made by issuers of securities and insider trading.

THE BOARD ROLE AND FUNCTION

The Board of Directors play a central role within the business organization in developing the Company's strategic and organizational objectives as well as in ensuring the effectiveness of the internal controls.

COMPOSITION OF THE BOARD

The Articles of Association of the Company stipulate that the Board should consist of nine directors. The company currently is governed by the Board of Directors consisting of nine members elected by the General Meeting from amongst the shareholders and non-shareholders. The members were last elected to the Board at the Annual General Meeting held on March 30, 2023 with three years tenor.

All the members have the requisite knowledge, varied backgrounds and rich experience in the field of financial services. All directors, including the Chairman, are non-executive. Out of the nine Directors, seven are independent and two are non-independent viz. Mr. AbdulAziz Al Balushi and Mr. Sanjay Kawatra, as per the regulation. All the nine directors are elected in their individual capacities. None of the directors is a member of the Board of more than four public joint stock companies whose principal place of business is in the Sultanate of Oman, nor is a Chairman of more than two such companies. Details of the members and the membership in the board of other SAOG companies are disclosed in Table 1.

The roles of the Chairman are distinct and separate from that of the Chief Executive Officer. The Secretary to the Board is Mr. R. Panneerselvam.

EXECUTIVE MANAGEMENT

The Chief Executive Officer (CEO) is responsible for the management of the Company. The CEO is assisted by the Deputy Chief Executive Officer, General Manager – Risk, Controls and Strategy, Chief Operations Officer, Deputy General Manager – Risk & Control, Deputy General Manager – Administration and Distribution Projects, Assistant General Manager – Marketing, Corporate Communication, Events & ESG and Head of Human Resources. The CEO, Deputy CEO and General Managers are part of the Management Committee of the Company. The Deputy Chief Executive Officer, General Manager – Risk, Controls and Strategy, Assistant General Manager – Marketing, Corporate Communication, Events & ESG and Head of Human Resources report to the CEO. The Chief Operations Officer reports to the Deputy Chief Executive Officer. The Deputy Chief Executive Officer is responsible for the Corporate, SME and Retail Sales, branch network, Finance, Collections, Operations, IT and Transformation, General Manager – Risk, Controls and Strategy is responsible for Credit approvals, Anti Money Laundering, Fraud Control, Loan Review, Risk Review, IFRS 9, Information Security and Operational Risk, Strategy and Compliance, Chief Operations Officer is responsible for Collections, Operations, IT and Transformation functions of the company.

BOARD MEETINGS

During the year 2024, six board meetings were held as listed below:

Meeting No.	Board Meeting Dates
1/2024	February 4, 2024
2/2024	April 30, 2024
3/2024	July 30, 2024
4/2024	October 30, 2024
5/2024	November 17, 2024
6/2024	December 15, 2024

The maximum interval between any two meetings was 92 days which is within the stipulated maximum of 120 days as per the Code of Corporate Governance. The quorum for the meeting of the Board of Directors is a minimum of two third of its members present or represented.

BRIEF PROFILE OF DIRECTORS

MR. HANI MUHAMMAD AL ZUBAIR has been the Chairman since March 2023 having previously been Deputy Chairman since 1997. He also holds the position of Chairman of the Nomination, Remuneration and Executive Committee. A graduate of Richmond University (UK), with a Bachelor's Degree in Mathematical Science and Computer Science, Hani is a Director of The Zubair

Corporation LLC, one of the leading private sector groups in the Sultanate of Oman with diverse business interests. He has extensive knowledge and experience in finance, investment and business management areas. Furthermore, he holds the position of Chairman in the Fund for Development of Youth Projects SAOC (Sharakah), Vice-Chairman of the Board of NCAT (National College of Automotive Technology) and Vice-Chairman of the Board of Alizz Islamic Bank SAOC.

MR. ABDULAZIZ MOHAMMED AL BALUSHI, has been the Deputy Chairman since March 2023, Chairman of the Risk Committee and member of the Nomination, Remuneration and Executive Committee. He has been a Director since March 2014. He serves as the Group CEO of Oman International Development and Investment Company SAOG (OMINVEST). With over 39 years of experience in the financial services sector, he possesses a profound understanding of global market dynamics.

Since joining OMINVEST in 2014, AbdulAziz and his management team have successfully implemented a transformative vision articulated by the Board of Directors, reshaping the company's culture, structure, and policies. Under his leadership, the team executed the merger between OMINVEST and ONIC Holding, establishing Oman's largest publicly listed investment company. His tenure also saw several significant initiatives, including the IPO of the flagship insurance company National Life, the development of the OMINVEST Business Centre, and the merger of National Finance with Oman Orix Leasing Company. Furthermore, he spearheaded capital-raising efforts, including a perpetual bond issuance, and played a vital role in the merger of Oman Arab Bank with Alizz Islamic Bank, which facilitated Oman Arab Bank's listing on the Muscat Stock Exchange as an SAOG. AbdulAziz also led NLGIC's acquisition of RSA Middle East, positioning NLGIC among the top ten insurance companies in the region.

Before his role at OMINVEST, AbdulAziz served as the CEO of Ahli Bank SAOG from 2007 to 2014, where he was instrumental in transforming a single-product mortgage bank into a comprehensive commercial bank, achieving over US$ 3 billion in assets and more than US$ 450 million in equity. In recognition of his achievements, he was named "Second Best CEO in the Arab Banking World" by Forbes Middle East in November 2012 and received the "CEO of the Year" Award at the Oman Banking & Finance Awards in April 2019.

AbdulAziz holds a Master of Science in Finance from the University of Strathclyde (UK) and is a Fellow of the Chartered Institute of Bankers (UK). He has also served on various boards in the Sultanate and was an Advisory Board Member at the College of Agriculture and Marine Sciences at Sultan Qaboos University and a board member at Financial Services Authority.

Currently, he holds the position of Chairman of Ubhar Capital, Chairman of Oman Real Estate investment and services LLC, Deputy Chairman of Jabreen International Investment Company SAOC. Additionally, he is a board member of Oman Arab Bank SAOG, National Finance Company SAOG, LIVA Bahrain, as well as Injaz Oman.

MR. TAYA JANDAL ALI, a diploma graduate of the Faculty of Extra Mural Studies, Cambridge University. He was the Chairman of the Board from 1992 to March 2023 and Chairman of the Nomination, Remuneration and Executive Committee from 2000 to March 2023.

Prior to this, Mr. Taya Jandal served the Government as the Under Secretary to the Advisor of His Majesty the Sultan for Economic Planning Affairs.

MR. SANJAY KAWATRA has been appointed as a Director in May 2019 and member of the Risk Committee since July 2019 and member of the Nomination, Remuneration and Executive Committee since March 2023.

Mr. Kawatra has 25 years of solid experience in providing financial, strategic and growth leadership and is well connected globally. Mr. Kawatra possesses deep sector knowledge in relation to banking, insurance and leasing.

Mr. Kawatra currently serves as Deputy Group Chief Executive Officer of Ominvest Group and is responsible for managing Ominvest Group's Investments.

Previously, Mr. Kawatra was a partner in EY MENA and has extensive experience in matters relating to mergers and acquisitions, restructuring, divestments, performance improvement, IPOs and fund-raising transactions.

Mr. Kawatra has served as an advisor to several Regulatory Committees in Oman. He is an active presenter in business forums and contributes articles to business magazines. Mr. Kawatra is also a Board member of several listed and regulated companies in GCC and holds a Bachelor of Commerce and is a Member of the Institute of Chartered Accountants of India.

MR. MUHAMMAD HUSAM AL ZUBAIR has been appointed as Director and member of the Nomination, Remuneration and Executive Committee since June 2020.

Muhammad is an investment professional at East Lane Partners, a regional private equity investment manager, since 2020, working on transactions in several sectors such as healthcare, industrials, and technology.

Prior to joining the firm, Muhammad was an Analyst in the Private Equity team at NBK Capital Partners between 2018 and 2020. He worked on transactions in the Middle East and North Africa region in healthcare, food and beverage and technology businesses.

Prior to joining NBK Capital Partners in 2018, Mr. Muhammad worked as an Analyst at the Abraaj Group in the Middle East Private Equity team based in Dubai, where he focused on the education and healthcare sectors and the Credit team based in London, where he worked on transactions in the oil and gas and telecom sectors.

Muhammad is a Director and member of the Nomination, Remuneration and Executive Committee at Ominvest since March 2023.

Muhammad holds a bachelor's in business administration with a concentration in accounting and a minor in Economics from Northeastern University in Boston.

DR. RASHID ALI IBRAHIM AL BALUSHI has been appointed as Director since June 2020 and is currently the Chairman of the Audit Committee since August 2024. He was a member of the Risk Committee from June 2020 to July 2024.

Dr Rashid has 30 years of practical experience in civil engineering, construction management, investment & financial management of strategic projects and development of companies.

Dr Rashid currently serves as the Group Chief Investment Officer of the Zubair Corporation. Earlier he was the Chief Investment Officer in Oman Investment Corporation SAOC and before that he worked in Omantel as Head of Corporate Development. His Career started back in 1994 after graduating from the University of Louisiana with a Bachelor of Science in Civil Engineering at Muscat Municipality as Structure Engineer then moved up to Director of Projects & Maintenance.

Dr Rashid Served at Boards of many private & government companies.

Dr Rashid holds BSc. Civil Engineering from USA, he holds MSc Construction Management & PhD in Strategic Project Management from UK. He is a certified Project Management Professional. Also, he attended several senior management & leadership programs at London Business School & INSEAD.

MR. SUBRATA KUMAR MITRA has been appointed as Director since August 2020 and is currently a member of the Risk Committee since August 2024. He was the Chairman of the Audit Committee from October 2021 to July 2024.

Mr. Mitra has over 25 years of investment experience across asset classes and structures that include alternative investments (private equity (PE) and credits, venture capital, impact funds, hedge-funds, fund of funds. He has substantial experience in traded securities (stocks, bonds, commodities, derivatives, ETFs, and mutual funds). His PE transaction experience spans several Middle Eastern and Asian countries in a broad range of industries. Mr. Mitra has long experience of working for major multi-lateral and multinational organizations that include the IFC, World Bank, Royal Dutch/Shell, and Global Investment House-Kuwait. Closed/managed direct investment of over US$1 billion; and managed a private equity fund of US$500 million (initial NAV) listed on the Main Market of London Stock Exchange. He is experienced in establishing/management of PE funds and in developing strategic asset allocation for multi asset portfolios.

His sector expertise includes: life science, photovoltaics, IT, hospitality, cement, automobile, steel, paper, packaging, fiberglass, and education; in the financial services sector: conventional and Islamic banks, insurance, leasing, housing finance, consumer finance, trade finance, development finance and impact investing.

Mr. Mitra held a number of senior management positions and board memberships of listed and unlisted companies of UK, Jordan, Kuwait, and Malaysia in both financial and manufacturing sectors. Mr. Mitra has a Master of Science in Risk Management from the NYU Stern School of Business, New York University, USA; an MBA in Finance from the Institute of Business Administration (IBA), Dhaka University; and a Masters in Accounting (with Honors) from Dhaka University.

HONOURABLE DR. DHAFIR AWADH BADAR AL SHANFARI has been appointed as Director and member of the Audit Committee since December 2020.

Dr. Al Shanfari is the Group Chief Operations Officer of LIVA SAOG. He is the former Chief Executive Officer of the Public Authority for Privatisation and Partnership (PAPP) that was established in July 2019 to oversee and manage the Privatisation Programme, the Public-Private Partnership (PPP) Programme, and the Tawazun Programme known globally as "Offset". He was also the Acting Chief Executive Officer of the Competition Protection and Monopoly Prevention Centre.

Dr. Al Shanfari completed his PhD at the Deakin University, Australia in 2011 and holds an MBA from Duquesne University U.S.A. Prior to his appointment as CEO of the Public Authority for Privatisation and Partnership (PAPP), Dr. Al Shanfari was the CEO of Omani Authority for Partnership for Development (OAPFD). Prior to that, he was Head of the Management Department at the College of Economics and Political Science, Sultan Qaboos University and is the first Omani academic to specialize in entrepreneurship policy. He was also the Co-Director of the Academic Innovation Assistance Program (AIAP), a joint TRC-SQU programme aimed at fostering innovation at higher education institutions in Oman.

Dr. Al Shanfari also chairs and is a member of various Boards & Committees in the Sultanate such as Deputy Chairman of the Oman Aviation Academy Board, former Deputy Chairman of the Competition Protection and Monopoly Prevention Centre, former Board Member at Institute of Public Administration. He also chaired Committees such as Chairman of the Executive Committee of the Oman Aviation Academy, Chairman of the Advisory Committee of the Small & Medium Enterprises Development Fund (SMEF), Currently Chairman of the Steering Committee of the Advanced Cyber Security Academy (ACA); He also published a number of scientific researches and participated in many conferences as a speaker.

MR. ANAND BUDHIA has been the Director of National Finance since October 2021 and is also a member of the Audit Committee.

Mr. Anand Budhia is a Chartered Accountant, Company Secretary, Cost & Management Accountant, Chartered Financial Analyst having over 30 years (including 15 years in Oman) of experience in the field of corporate finance & investment, insurance, business and strategic management and review, treasury management, budgeting, commercial matters, corporate laws in manufacturing and other sectors.

He is a Member of Board/Audit Committee on SAOG and SAOC companies.

BRIEF PROFILE OF EXECUTIVE MANAGEMENT

MR. TARIQ SULAIMAN AL FARSI, Chief Executive Officer joined the Company in September 2021. Mr. Al Farsi, is an experienced finance professional with more than 20 years of success in personal, commercial and investment banking. Previously, the CEO of Al Raffd Fund, Mr. Al Farsi also served as a board member for the Public Authority for SME Development, as well as presiding Chairman of the Tender Committee for SME authority and Entrepreneurship Award (Riyada), he was the Deputy Chairman of the Omanisation in the Finance and Banking Sector Committee in the Ministry of Manpower. Mr. Al Farsi has a successful and distinguished record of establishing Islamic banks, both within the Sultanate of Oman and the GCC, and has vast experience in managing financial and banking transactions for individuals, companies and investment projects.

He obtained his bachelor's degree in Business Administration and Hotel Studies from the Arab Academy for Science, Technology & Maritime Transport, in Egypt and holds numerous certificates in Finance and Accounting. Moreover, Mr. Al Farsi is a graduate of the Sh Mohammed bin Rashid Center for Leadership Development programme (MBRCLD), Kennedy School of Government, Harvard University and an alumni member of INSEAD, the Business School for the World.

MR. RAKESH MAKKAR, Deputy Chief Executive Officer joined the Company in September 2023. He has 31 years of Banking and Financial services expertise spanning across new companies and business launches, Product design, Digitalization of end-to-end processes, scaling up businesses and skill building. He comes with startup and building experience of CitiFinancial (Citi Group), Fullerton (Temasek Owned) and Capital First businesses. He also created India's second largest co-branded credit card - Future Card. Rakesh's inernational market exposure includes spearheading Citifinancial's business launches in Thailand and Australia, conducting global training sessions on credit and risk management as a certified international trainer with Citigroup, and establishing a Non-Banking Financial Company (NBFC) in Vietnam for Vietname Prosperity Bank. He is a Merit rank holder Chartered Accountant, MBA from Institute of Management Technology and a Harvard University alumni (One Year-Senior Executive Leadership Program).

MR. BIKRAM SINGH MONGA, General Manager – Risk, Controls and Strategy, joined the Company in December 2018. He has over 27 years of extensive local and international experience in financial services industry. His experience includes working with leading institutions across GCC, Western & Eastern Europe and Central Asia, where he has accumulated an extensive understanding of various markets and advised businesses in multicultural environments. Prior to joining National Finance, Bikram was the Chief Risk Officer of Ominvest since June 2014. Bikram holds a BSc (with honors) in Mechanical Engineering from Moscow and an MBA from University of Alberta, Canada. Bikram is also an alumni of Harvard Business School.

MR. SAAM ABDULLAH AL HABSI, Chief Operations Officer joined the company in April 2023. Saam in his role as Chief Operating Officer (COO) oversees Operations, Collections, and IT. In this capacity, Saam is instrumental in identifying market trends, optimizing resources, and managing various transformation projects his keen insight into operational efficiency ensures that the organization remains at the forefront of industry developments and technological advancements.

Before stepping into the role of COO, Saam functioned as the Chief Recoveries and Remedial Officer. In this position, he was responsible for recovering overdue accounts, handling legal proceedings, negotiating settlements and tracking non-performing accounts. Saam's strategic approach and negotiation skills were pivotal in significantly reducing the volume of delinquent accounts and improving the overall financial health of the organization.

Saam's past roles include Assistant General Secretary of Admin & Finance Affairs at the Supreme Judicial Council, DG Administration & Finance at Public Prosecution, IT Manager at Public Prosecution, and DBA at Royal Flight.

Saam holds a Master's in Strategic Studies for National Security and Defence from SQU, Oman (2020), an MBA from Hull University, UK (2013), a Bachelor's in Computer Science from Staffordshire University, UK (1999), and a Diploma in Computer Science from Dublin Institute of Technology, Ireland (1998). Additionally, Saam attended a one year National Defence College Program in 2019.

HONOURABLE DR. SHAMSA MASOUD AL SHEIBANI is the Deputy General Manager – Risk and Control at National Finance Company overseeing four functions: Credit Approvals, Anti Money Laundering, Fraud Control and Loan Review. She previously served in key leadership roles at Ominvest as the Vice President and Head of Economics Research. She also temporarily took on the role of Chief Risk Officer at Ominvest, assuming the responsibility for groupwide risk management. From 2011 to 2015, she demonstrated her leadership as the Head of Risk Management at National Finance, overseeing and establishing a comprehensive risk management department from the ground up. Her career path has also encompassed significant tenures at renowned institutions such as the National Bank of Oman, Alliance Housing Bank, and Oman International Bank. In addition to that, she is a member of Oman's State Council in its Eighth Term (2023-2027) and an active member in the Economic Committees of three esteemed organisations: The State Council Oman, The Oman Chamber of Commerce and Industry, and The Omani Economic Association.

She holds a Ph.D. in Economics from the University of Reading, UK, 2020. Her educational journey also includes an MBA from the University of Strathclyde Graduate Business School, UK, in 2007, and she achieved a Bachelor of Science in Economics with distinction from Sultan Qaboos University in Oman in 2002. In 2013, she earned the designation of a Certified Credit Risk Professional from the LEORON Institute in Dubai, UAE. Additionally, she holds a Diploma in Modern Techniques of Bank Credit Analysis, which she acquired from the Arab Academy for Banking in Jordan in 2004. She also studied ESG and Sustainable Finance at the Institute for Sustainable Development, European Law & Governance School

JANAAB AL SAYYID KHALIFA SAMIH AL SAID, Deputy General Manager – Administration and Distribution Projects joined the company in 15 November 2020. Al Sayyid Khalifa has over 29 years of experience in the Banking industry with expertise across areas of Business, Investment, Operations, Administration and Human Resources. He has worked in different capacities with local and international banks. He holds a Master's of Administration from University of Hull, U.K.

BOARD SUB-COMMITTEES

Nomination, Remuneration and Executive Committee

The Nomination, Remuneration and Executive Committee comprises of 4 Directors and is currently headed by the Company's Chairman Mr. Hani Muhammad Al Zubair. The other members of the Nomination, Remuneration and Executive Committee are Mr. AbdulAziz Al Balushi, Mr. Sanjay Kawatra and Mr. Muhammad Husam Al Zubair.

The Nomination, Remuneration and Executive Committee is responsible for recommending new Directors for approval by the Shareholders, identification and remuneration of the key management, approval of banking facilities and credit facilities within the authority levels delegated by the Board of Directors. The Nomination, Remuneration and Executive Committee also reviews and recommends to the Board of Directors the annual budget of the Company and strategic plans and monitors the ongoing performance of the Company. During the year 2024, the Nomination, Remuneration and Executive Committee met five times and considered matters requiring urgent decision by circulation. The quorum for the committee is at least two members.

AUDIT COMMITTEE

The Audit Committee comprises of 3 Directors, all being non-executive directors nominated by the Board. Currently, the Committee is headed by Dr. Rashid Al Balushi. The other members of this Committee are Dr. Dhafir Al Shanfari and Mr. Anand Budhia. The Committee assists the Board in fulfilling its oversight responsibilities. The Committee reviews the financial reporting process, the system of internal control, adhering to its own Manual of Authority and Procedures and co-ordinates the audit process.

During the year 2024, the Committee met four times, viz. on 28th January, 25th April, 24th July and 27th October. Attendance of the Members during these meetings is shown in Table 1. The discussions held in the meetings of the Audit Committee are minuted and reviewed by the Board of Directors. The quorum for the committee is at least two members.

RISK COMMITTEE

The Risk Committee comprises of 3 Directors, all being non-executive directors nominated by the Board. Currently, the Committee is headed by Mr. AbdulAziz Al Balushi. The other members of this Committee are Mr. Sanjay Kawatra and Mr.Subrata Kumar Mitra.

The Risk Committee reviews the management of overall risks and company's process for monitoring compliance with laws and regulations. During the year 2024, the Risk Committee met four times.

INTERNAL CONTROL

The internal control system encompassing the entire gamut of the financial, operational and risk management functions of the Company are periodically reviewed by the Audit Committee, Risk Committee and the Nomination, Remuneration and Executive Committee set up by the Board of Directors.

The Company has set up an in-house internal audit department as per the regulatory requirements of the Financial Services Authority (FSA). The functions of the internal audit department are overseen by the Audit Committee. The internal audit reports are reviewed by the Audit Committee and the findings are placed before the Board of Directors. The Company has adequate and effective internal controls in place, which are regularly reviewed and modified as and when the business processes undergo a change.

During the year 2024, all the significant activities of the company were reviewed by internal audit. The management has initiated appropriate action on the recommendations of the internal audit department.

RELATED PARTY DISCLOSURE

Details of all commercial and financial transactions where Directors have potential interest are provided to the Board at quarterly intervals. All related party transactions have been effected on arm's length basis without any preferential advantage accruing to any related party concerned.

REMUNERATION

Members of the Board

The Chairman and other members of the Board were entitled for sitting fees of RO 500 each per meeting. During the year 2024, the Directors were paid sitting fees for the Board meetings, Nomination, Remuneration and Executive Committee meetings, Audit Committee meetings and Risk Committee meetings, details of which are provided in Table 1.

The company has provided an amount of RO 300,000 (RO 300,000 paid in 2024 for 2023 remuneration) during the year on account of Directors' remuneration which will be paid in 2025 if approved by the shareholders at the annual general meeting.

TOP FIVE OFFICIALS OF THE COMPANY

The top five managerial executives of the Company are employed through service contracts and the contracts are open ended, which can be terminated by the Company or the executive by giving a notice of three months. The gross remuneration paid to the top 5 Officials of the Company amounted to

RO 1,057K which includes all allowances, travel and transport expenses, perquisites and bonus.

EVALUATION OF BOARD OF DIRECTORS

As per the code of Corporate Governance for Public Listed Companies issued by the Financial Services Authority in July 2015, the performance of the Board of Directors needs to be reviewed impartially and independently by a third party appointed by the annual general meeting in accordance with a benchmark and standards set by the board or the general meeting once during the term of the Board of Directors. The members were last elected to the Board at the Annual General Meeting held on March 30, 2023 with three years tenor. The evaluation of the Board of Directors will be carried out during the year 2025.

EXTERNAL QUALITY ASSURANCE REVIEW OF THE INTERNAL AUDIT UNIT

As per the guidelines issued by the FSA in December 2018, the company should conduct a comprehensive external evaluation of the Internal Audit Unit work at least once every four years through a specialized third party - other than the Company's external auditor, provided that the first evaluation is carried out within a period not exceeding one year from the date of implementation of this code. Accordingly, an independent entity has carried out an evaluation of the Internal Audit Unit during 2023 and submitted their report. The Audit Committee has reviewed the evaluation report and submitted to the Board of Directors. Moore concluded that the Internal Audit Activity of National Finance "generally conforms" to the International Professional Practices Framework (IPPF) and local regulations relevant to Internal Audit activities.

SHAREHOLDERS

Channels of Contact with Shareholders and investors

The quarterly financials of the Company are available in digital form at the website of Muscat Stock Exchange viz. www.msx.om. The quarterly, half yearly and annual results of the Company are published in two national dailies, one in English and one in Arabic. The financials of the Company are also available at the website of the Company which is: www.nationalfinance.co.om

The audited financial statements and other reports of the Company for the year ended 31 December 2024 will be discussed in the Shareholders' meeting scheduled to be held in March 2025.

After completion of the statutory audit, the annual report and financial statements (including the Board of Directors Report, Corporate Governance Report and the Management Discussion and Analysis Report) are sent through the Muscat Clearing and Depository portal to all the shareholders along with the invitation to the Annual General Meeting.

DISTRIBUTION OF SHARE HOLDING

The following institutions hold more than 5% of the Company's shares:

Name	% of holding
Oman International Development & Investment Co. SAOG	34.603
Al Hilal Investment Company LLC	29.431

The remaining shareholding pattern as at 31 December 2024 was as follows:

Category	No. of shareholders	% of holding
0-30,000	142	0.181
30,001 - 60,000	10	0.077
60,001 - 90,000	4	0.051
90,001 - 120,000	3	0.053
120,001 - 150,000	2	0.048
Over 150,001	40	35.556
Total	**201**	**35.966**

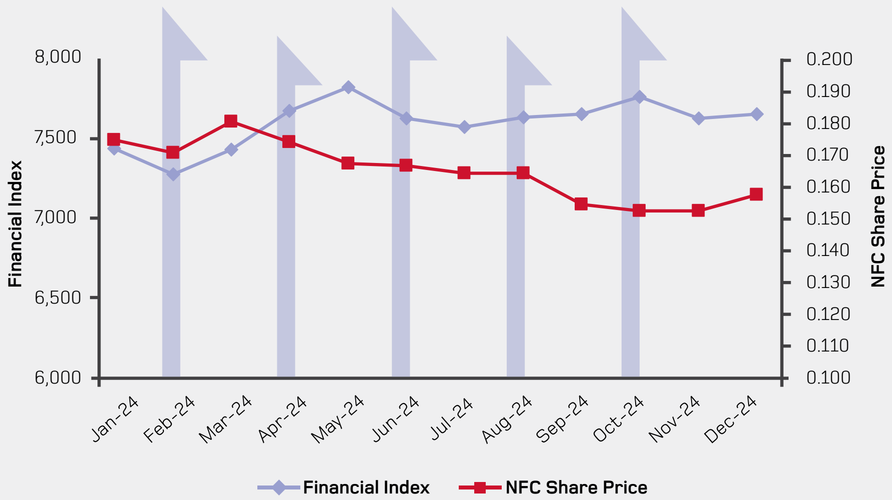
At 31 December 2024, the authorised share capital of the Company comprises 750,000,000 ordinary shares and issued and fully paid-up share capital comprises of 573,704,281 shares. During April 2024, the company had issued RO 35 million of perpetual bonds.

STATEMENT ON MARKET PRICE

The Company's shares are listed in the Muscat Stock Exchange. The closing share price as at 31 December 2024 was RO 0.140 per share. The market price quotes for the traded shares during 2024 were as follows.

Month	High	Low	Close	Traded Volume	Value RO
January	0.166	0.166	0.166	46,094	7,652
February	0.160	0.150	0.160	2,600	415
March	0.175	0.160	0.175	23,085	3,707
April	0.175	0.165	0.165	14,225	2,433
May	0.165	0.155	0.155	282,500	45,540
June	0.154	0.150	0.154	8,496	1,282
July	0.150	0.150	0.150	10,000	1,500
August	0.150	0.139	0.150	118,320	16,767
September	0.150	0.135	0.135	46,607	6,431
October	0.133	0.132	0.132	50,000	6,630
November	0.132	0.132	0.132	500	66
December	0.150	0.125	0.140	78,697	10,599

Performance of the company in comparison with MSX index for Financial Sector.



STATUTORY AUDITORS

The shareholders of the Company appointed KPMG LLC as its external auditors for 2024. KPMG has been operating in Oman since 1974 and is part of KPMG Lower Gulf Limited. KPMG in Oman employs more than 160 people, amongst whom are six partners and Seven directors, including Omani nationals. KPMG is a global network of professional services firms providing Audit, Tax and Advisory services. It operates in 143 countries and territories and have 265,000 people working in member firms around the world. KPMG LLC and KPMG Lower Gulf Limited are member firms of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

The audit fee charged by KPMG for professional services provided to the Company in the year 2024 amounts to RO 53,448/-, inclusive of VAT.

DETAILS OF NON-COMPLIANCE

The Company has complied with all regulatory requirements except for few instances during the year 2023. An amount of RO 20,000 was paid as penalty to the Central Bank of Oman during 2023 for certain non-compliances. The Company has already taken corrective steps for compliance and is committed to full compliance of laws, rules and regulations at all times.

ACKNOWLEDGMENT

The Board of Directors confirms its liability in respect of preparation of the financial statement in accordance with the applicable rules and standards. The Board also confirms that it has reviewed the efficiency and adequacy of internal control systems of the Company and confirms that they comply with internal rules and regulations. Further, the Board confirms that there are no material items that affect the continuation of the Company and its ability to continue its operations during the next financial year.

Hani Muhammad Al Zubair
Chairman

Table 1

Name of the Director	Whether attended last AGM held on March 28, 2024	No. of meetings attended				Directorship in other SAOG Companies	Sitting Fees paid to each Director during 2024 RO	Directors Remuneration paid to each Director during 2024 RO
		Board	Nomination, Remuneration and Executive Committee	Audit Committee	Risk Committee			
Hani Al Zubair	Yes	6	5	-	-	-	5,500	60,000
AbdulAziz Al Balushi	Yes	6	5	-	4	2	7,500	30,000
Taya Jandal Ali	Yes	6		-	-	-	3,000	30,000
Sanjay Kawatra	Yes	6	5	-	4	1	7,500	30,000
Muhammad Husam Al Zubair	Yes	6	5	-	-	1	5,500	30,000
Dr. Rashid Al Balushi	Yes	4	-	1	2	2	3,500	30,000
Subrata Kumar Mitra	Yes	6	-	3	1	1	5,000	30,000
Dr. Dhafir Al Shanfari	Yes	5	-	4	-	-	4,500	30,000
Anand Budhia	Yes	6	-	4	-	2	5,000	30,000
Total							**47,000**	**300,000**

All the directors are elected in their individual capacities.

AUDITOR'S REPORT ON FINANCIAL STATEMENTS

KPMG LLC
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Sultanate of Oman
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Independent auditors' report

To the Shareholders of National Finance Company SAOG

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Finance Company SAOG ("the Company"), which comprise the statement of financial position as at 31 December 2024, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (continued)

Impairment of net investment in finance leases, working capital and factoring receivables

See notes 3.1 and 12 of the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company recognised allowances for credit losses in the financial statements using expected credit loss ("ECL") models. The Company exercises significant judgement and makes a number of assumptions in developing ECL models determined as a function of the probability of default ("PD"), loss given default ("LGD"), adjusted for the forward-looking information, and exposure at default ("EAD") associated with the underlying exposures subject to ECL. Complex disclosure requirements exist regarding credit quality of the portfolio including disclosure of key judgments and material inputs used in estimation of ECL. It is necessary to estimate ECLs on an unbiased forward-looking basis incorporating a range of economic conditions. Significant management judgment is applied in determining the economic scenarios used and the probability weights applied to them. This is considered a key audit matter, as the estimation of ECL involves significant management judgement, estimates, use of complex models and assumptions and has a material impact on the financial statements of the Company.	Our audit procedures in this area include the following, among others: • Evaluating the appropriateness of the methodology adopted based on the requirements of IFRS 9, and our business understanding. • Obtaining an understanding of the ECL accounting estimate by performing walkthrough on the ECL process including, but not limited to, obtaining information about the Company's control environment in relation to the estimate, obtaining an understanding of the process by which the estimate is developed, understanding the methods, assumptions and data used to develop the accounting estimate. Assessing the design, implementation and testing the operating effectiveness of selected controls in relation to governance and data migration. • Involving our Financial Risk Management ("FRM") specialists, for a selection of models, to assess the reasonableness and appropriateness of the methodology and assumptions used in various components of ECL modelling and the application of expert credit judgment to determine the ECL. This includes, where applicable, challenging key assumptions / judgments relating to significant increase in credit risk ("SICR"), definition of default, PD, use of macro-economic variables and probability weighted outcomes to check that the ECL amounts recorded are reflective of underlying credit quality and macroeconomic trends. • Testing the completeness and accuracy of the data used within the ECL calculation by sample testing over key data inputs used in estimating the ECL. • Involving our Information Technology ("IT") specialists to test the relevant general IT and application controls over key systems used for data extraction used in the ECL process.

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Continued from page 2

Key Audit Matters (continued)

Impairment of net investment in finance leases, working capital and factoring receivables

See notes 3.1 and 12 of the financial statements.

The key audit matter	How the matter was addressed in our audit
	• Re-performing key aspects of the Company's SICR determinations for selected samples of exposures to determine whether a SICR event was appropriately identified. • Performing credit assessments for a sample of selected customers, including Stage 3 customers, to test the appropriateness of the credit grades, including staging, assessing the financial performance of the borrower, source of repayment and future cash flows of the borrower, and as necessary, challenging the appropriateness of the ECL calculation by involving FRM specialists to reperform calculation for a sample of borrowers. • Assessing the adequacy of the Company's disclosures by reference to the requirements of the relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the Chairman's Report, Management Discussion and Analysis Report and Corporate Governance Report, which we obtained prior to the date of this auditors' report, and the 2024 Annual Report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.
If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and their preparation in compliance with the relevant requirements of the Financial Services Authority (formerly the Capital Market Authority) and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

— Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Further, we report that these financial statements as at and for the year ended 31 December 2024, comply, in all material respects, with the:

- relevant requirements of the Financial Services Authority (formerly the Capital Market Authority); and
- applicable provisions of the Commercial Companies Law of 2019.

11 March 2025

KPMG LLC

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FINANCIAL STATEMENT'S FOR THE YEAR ENDED 31 DECEMBER 2024

NATIONAL FINANCE COMPANY SAOG

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RO '000	2023 RO '000
Income			
Income from financing activities	12 (a)	**60,471**	48,907
Finance cost		**(29,084)**	(23,062)
Net finance income		**31,387**	25,845
Other operating income	6	**2,814**	2,520
		34,201	28,365
Expenses			
Operating expenses	7	**(14,090)**	(12,311)
Depreciation	13	**(848)**	(577)
Amortisation	14	**(366)**	(347)
Net impairment loss on finance leases, working capital finance and factoring receivables	12 (b)	**(4,412)**	(2,027)
Bad debts written off		**(234)**	(34)
Total expenses		**(19,950)**	(15,296)
Profit before tax		**14,251**	13,069
Income tax expense	8 (b)	**(2,137)**	(1,963)
Profit after tax		**12,114**	11,106
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Gain on revaluation of Land & Building – net of tax		**-**	403
Items that are or may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedge		**(524)**	(647)
Other comprehensive loss		**(524)**	(244)
Total comprehensive income		**11,590**	10,862
Basic and diluted earnings per share (RO)	9	**0.019**	0.018

The notes and other explanatory information on pages 42 to 89 form an integral part of these financial statements.

Independent auditors' report - pages 31 - 35.

NATIONAL FINANCE COMPANY SAOG

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	2024 RO '000	2023 RO '000
ASSETS			
Cash and cash equivalents	10	**7,577**	5,559
Net investment in finance leases	12	**458,363**	397,162
Working capital	12	**120,041**	89,544
Factoring receivables	12	**465**	149
Advances, prepayments and other receivables	31	**4,600**	4,843
Asset held for sale	27	**1,500**	1,500
Goodwill	4.3	**5,950**	5,950
Intangible assets	14	**158**	424
Property, equipment and right-of-use assets	13	**7,587**	7,105
Statutory deposit	11	**250**	250
Total assets		**606,491**	512,486
LIABILITIES AND EQUITY			
LIABILITIES			
Creditors and accruals	18	**12,665**	9,889
Tax liabilities	8 (e)	**2,516**	2,799
Bank borrowings	20	**385,512**	351,736
Fixed deposits	21	**58,489**	40,343
Deferred tax liabilities	8 (d)	**1,032**	863
Provision for employees' end of service benefits	19	**674**	617
Total liabilities		**460,888**	406,247
EQUITY			
Capital and reserves			
Share capital	15	**57,370**	57,370
Share premium		**5,786**	5,786
Revaluation reserve		**1,399**	1,420
Foreign currency reserve	28	**-**	-
Voluntary reserve	29	**-**	-
Cash flow hedge reserve	3.2.1	**102**	626
Impairment reserve	30	**8,670**	7,717
Legal reserve	16	**12,699**	11,487
Retained earnings		**24,577**	21,833
Total shareholders' equity attributable to the equity holders of the company		**110,603**	106,239
Perpetual bonds	17	**35,000**	-
Total equity		**145,603**	106,239
Total liabilities and equity		**606,491**	512,486
Net assets per share (RO)	9	**0.193**	0.185

These financial statements including notes and other explanatory information on pages 37 to 89 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 30 January 2025 and signed on their behalf by:

Hani Muhammad Al Zubair
Chairman

Tariq Sulaiman Al Farsi
Chief Executive Officer

Independent auditors' report - pages 31 - 35.

NATIONAL FINANCE COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2024

	Share capital	Share premium	Revaluation reserve	Foreign currency reserve	Voluntary reserve	Cash flow hedge reserve	Impairment reserve	Legal reserve	Retained earnings	Total	Perpetual bonds	Total
	RO'000	RO'000	RO'000	RO '000	RO '000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1 January 2024	57,370	5,786	1,420	–	–	626	7,717	11,487	21,833	106,239	–	106,239
Comprehensive income:												
Profit for the year	–	–	–	–	–	–	–	–	12,114	12,114	–	12,114
Other comprehensive income												
Change in fair value	–	–	–	–	–	(524)	–	–	–	(524)	–	(524)
Total comprehensive income	–	–	–	–	–	(524)	–	–	12,114	11,590	–	11,590
Other transactions within equity:												
Incremental depreciation – net of tax	–	–	(21)	–	–	–	–	–	21	–	–	–
Issue of perpetual bond (note 17)	–	–	–	–	–	–	–	–	–	–	35,000	35,000
Perpetual Bond issue cost	–	–	–	–	–	–	–	–	(358)	(358)	–	(358)
Transfer to legal reserve (note 16)	–	–	–	–	–	–	–	1,212	(1,212)	–	–	–
Transfer to impairment reserve (note 30)	–	–	–	–	–	–	953	–	(953)	–	–	–
Perpetual bond interest (note 17)	–	–	–	–	–	–	–	–	(1,360)	(1,360)	–	(1,360)
Total other transactions within equity	–	–	(21)	–	–	–	953	1,212	(3,862)	(1,718)	35,000	33,282
Transactions with owners:												
Cash dividend (note 22)	–	–	–	–	–	–	–	–	(5,508)	(5,508)	–	(5,508)
Total transactions with owners	–	–	–	–	–	–	–	–	(5,508)	(5,508)	–	(5,508)
31 December 2024	57,370	5,786	1,399	–	–	102	8,670	12,699	24,577	110,603	35,000	145,603

The notes and other explanatory information on pages 42 to 89 form an integral part of these financial statements.

Independent auditors' report - pages 31 - 35.

NATIONAL FINANCE COMPANY SAOG
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

	Share capital	Share premium	Revaluation reserve	Foreign currency reserve	Voluntary reserve	Cash flow hedge reserve	Impairment reserve	Legal reserve	Retained earnings	Total	Perpetual bonds	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO'000	RO '000	RO '000	RO '000	RO '000	RO '000
1 January 2023	54,123	5,786	1,023	5,319	3,000	1,273	-	10,376	19,529	100,429	18,200	118,629
Comprehensive income:												
Profit for the year	-	-	-	-	-	-	-	-	11,106	11,106	-	11,106
Other comprehensive income												
Gain on revaluation of Land & Building – net of tax (note 13)	-	-	403	-	-	-	-	-	-	403	-	403
Change in fair value	-	-	-	-	-	(647)	-	-	-	(647)	-	(647)
Total comprehensive income	-	-	403	-	-	(647)	-	-	11,106	10,862	-	10,862
Other transactions within equity:												
Incremental depreciation – net of tax	-	-	(6)	-	-	-	-	-	6	-	-	-
Perpetual bond redemption (note 17)	-	-	-	-	-	-	-	-	-	-	(18,200)	(18,200)
Transfer to legal reserve (note 16)	-	-	-	-	-	-	-	1,111	(1,111)	-	-	-
Transfer to Foreign currency reserve (note 28)	-	-	-	(5,319)	-	-	-	-	5,319	-	-	-
Transfer from voluntary reserve (note 29)	-	-	-	-	(3,000)	-	-	-	3,000	-	-	-
Transfer to impairment reserve (note 30)	-	-	-	-	-	-	7,717	-	(7,717)	-	-	-
Perpetual bond interest (note 17)	-	-	-	-	-	-	-	-	(722)	(722)	-	(722)
Total other transactions within equity	-	-	(6)	(5,319)	(3,000)	-	7,717	1,111	(1,225)	(722)	(18,200)	(18,922)
Transactions with owners:				-	-							
Cash dividend (note 22)	-	-	-	-	-	-	-	-	(4,330)	(4,330)	-	(4,330)
Stock dividend (note 22)	3,247	-	-	-	-	-	-	-	(3,247)	-	-	-
Total transactions with owners	3,247	-	-	-	-	-	-	-	(7,577)	(4,330)	-	(4,330)
31 December 2023	57,370	5,786	1,420	-	-	626	7,717	11,487	21,833	106,239	-	106,239

The notes and other explanatory information on pages 42 to 89 form an integral part of these financial statements.

Independent auditors' report - pages 31 - 35.

NATIONAL FINANCE COMPANY SAOG

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 RO '000	2023 RO '000
Cash flows from operating activities			
Profit before tax		**14,251**	13,069
Adjustments for:			
Depreciation	13	**848**	577
Amortisation	14	**366**	347
Employees' end of service benefits charge	19	**118**	95
Gain on sale of property and equipment		**(3)**	(1)
Impairment on lease receivables	12 (b)	**4,412**	2,027
Bad debts written off		**234**	34
Net finance income		**(31,387)**	(25,845)
Cash flows from operating activities before working capital changes and payment of end of service benefits, interest and tax		**(11,161)**	(9,697)
Changes in working capital:			
Net investment in finance leases, working capital and factoring receivables		**(98,362)**	(65,088)
Bank borrowings	23	**34,391**	63,853
Fixed deposits	23	**17,934**	8,146
Advances, prepayments and other receivables		**243**	64
Creditors and accruals		**3,306**	1,742
		(42,488)	8,717
Interest received		**60,471**	48,907
Interest paid		**(29,486)**	(22,851)
Income tax paid	8 (e)	**(2,251)**	(1,415)
Employees' end of service benefits paid	19	**(61)**	(43)
Net cash (used in) / generated from operating activities		**(24,976)**	23,618
Cash flows from investing activities			
Purchase of property and equipment	13	**(1,046)**	(550)
Purchase of intangible assets	14	**(100)**	(134)
Proceeds from sale of property and equipment		**8**	1
Net cash used in investing activities		**(1,138)**	(683)
Cash flows from financing activities			
Proceeds from issuance of Perpetual bond		**35,000**	-
Perpetual bond redeemed		**-**	(18,200)
Dividend paid		**(5,508)**	(4,330)
Perpetual bond interest paid		**(1,360)**	(722)
Net cash generated from / (used in) financing activities		**28,132**	(23,252)
Net increase / (decrease) in cash and cash equivalents during the year		**2,018**	(317)
Cash and cash equivalents at the beginning of the year		**5,559**	5,876
Cash and cash equivalents at the end of the year	10	**7,577**	5,559

The notes and other explanatory information on pages 42 to 89 form an integral part of these financial statements.

Independent auditors' report - pages 31 - 35..

1. GENERAL

1.1 Legal status and principal activities

National Finance Company SAOG (the Company or NFC) is an Omani joint stock Company registered under the Commercial Companies Law of the Sultanate of Oman and is listed on the Muscat Securities Market. The principal activity of the Company is leasing business. The Company derives all of its income from financing operations, factoring and working capital funding within the Sultanate of Oman.

The Company operates across the Sultanate of Oman in 23 branches as at 31 December 2024 (31 December 2023: 21 locations).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

(a) Compliance with IFRS

The financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and comply with the requirements of the Commercial Companies Law and the relevant disclosure requirements of the Capital Market Authority ("CMA") and applicable regulations of the Central Bank of Oman (CBO).

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention except for asset held for sale, derivatives, freehold land and buildings which are measured at fair value.

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

(c) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of certain critical estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods effected.

(d) Standards, amendments and interpretations effective in 2024 and relevant for the Company's operation

For the year ended 31 December 2024, the Company has adopted all of new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2024. The following amendments to existing standards and framework have been applied by the Company in preparation of these financial statements.

- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a sale and Lease back – Amendments to IFRS 16
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

Other amendments and interpretations apply for the first time in 2024, but do not have an impact on the Company's financial statements.

2 Summary of material accounting policies (continued)

2.1 Basis of preparation (continued)

(e) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Company has not early adopted the new and amended standards in preparing these financial statements.

- Lack of Exchangeability (Amendments to IAS 21) [effective from 1 January 2025]
- Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 [effective from 1 January 2026]
- IFRS 18 Presentation and Disclosures in Financial Statements [effective from 1 January 2027]
- IFRS 19 Subsidiaries without Public Accountability [effective from 1 January 2027]
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments listed above are not expected to have any significant impact on the Company's financial statements of future periods.

2.2 INCOME

(a) Interest Income

Interest income and expense are recognised in profit or loss on accrual basis using the effective interest method. The 'effective interest rate' is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the carrying amount of the financial asset or the amortised cost of the financial liability. The calculation of the effective interest rate includes transaction costs 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 a financial liability.

(b) Finance lease income

The Company follows the finance lease method in accounting for the recognition of lease income. Under this method, the unearned lease income i.e. the excess of gross lease rentals and the estimated residual value over the cost of the leased assets is deferred and taken to income over the term of the lease contract, so as to produce a systematic return on the net investment in finance lease.

(c) Other income

Penal charges and other fees are recognised when realised. The amount of fee received represents the transaction price for the services identified as distinct performance obligations.

2.3 NET INVESTMENT IN FINANCE LEASES

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets owned by the Company and subject to finance leases are included in the statement of financial position as "Net investment in finance leases" at an amount equivalent to the present value of the future minimum lease payments plus initial direct costs, discounted using the interest rate implicit in the lease. The difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. The initial direct costs include amounts such as commissions and legal fees that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing team. Interest on factoring and working capital finance receivables is recognised over the tenure of agreement.

2 **Summary of material accounting policies (continued)**

2.4 FINANCIAL ASSETS AND LIABILITIES

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (FVPL) are expensed in the statement of profit or loss.

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

Immediately after initial recognition, an Expected Credit Loss (ECL) is recognised for financial assets measured at amortised cost and fair value through other comprehensive income, which results in an accounting loss being recognised in the statement of profit or loss when an asset is newly originated.

2.4.1 FINANCIAL ASSETS

Classification and subsequent measurement of financial assets

The Company classifies and measures its financial assets that are debt instruments at amortised cost. Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as cash and cash equivalents, working capital finance, statutory deposit and other financial receivables.

Classification and subsequent measurement of debt instruments depend on:

- The Company's business model for managing the asset; and
- The cash flow characteristics of the asset.

Based on the following factors, the Company classifies its debt instruments at amortised cost:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised. Interest earned from these financial assets is recognised in the statement of profit or loss using the effective interest rate method.

Business model: The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL.

Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is internally evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For instance, the Company may hold liquidity portfolio of assets as part of liquidity management. This portfolio generally will be classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near

2 Summary of material accounting policies (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in 'other' business model and measured at FVPL.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payment of principal and interest (the 'SPPI' test). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Financial assets that do not pass SPPI criteria are measured at fair value through profit or loss. The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

Impairment

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

- Net investment in finance leases
- Working capital and factoring receivables;
- Balance in current account with banks
- Statutory deposits
- Other receivables
- Undrawn finance lease commitments
- Bank guarantees; and
- Staff advances

The Company assesses on a forward-looking basis the ECL associated with its financial assets carried at amortized cost. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Details of measuring the expected credit loss allowance is provided in note 3.1.

2 Summary of material accounting policies (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

Modification of financial assets

The Company sometimes renegotiates or otherwise modifies the contractual cash flows of financial assets receivable from customers. When this happens, the Company assesses whether the new terms are substantially different to the original terms. The Company does this by considering, among others, the following factors:

- If the borrower/lessee is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower/lessee is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share / equity-based return that substantially affects the risk profile of the product.
- Significant extension of the term when the borrower/lessee is not in financial difficulty.
- Significant change in the interest rate.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the product.

If the terms are substantially different, the Company derecognises the original financial asset and recognises a 'new' asset at fair value and recalculated a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in carrying amount are also recognised in the statement of profit or loss as a gain or loss on de-recognition.

If terms are not substantially different, the renegotiation or modification does not result in de-recognition and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in the statement of profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

The Company has recognised modification gain or loss for the leases where payment holiday has been offered as per CBO guidelines.

In case of Corporate and SME customers requesting for deferral of repayments, the Company has granted deferral to such customers at the original effective rate over their outstanding principal and extended the original maturity period of the loan. For retail customers who have suffered job losses or reduction in salary, the Company has waived the interest during the deferral period.

The Company has determined that the modifications due to deferment of instalment and waiver of profit allowed is in line with CBO guidelines.This resulted in the Company recognising a modification loss of around 0.29% of the income from finance activities during the year ended 31 December 2024 which was presented as part of net financing income. The modification loss earlier recognized was largely due to interest waiver for customers who has suffered job losses or reduction in salary and repayment deferral on Corporate and SME customers.

Stage-wise analysis of customers benefiting from payment deferrals

The following table contains an analysis of the deferred amount of principal outstanding and accrued interest profit pertinent to finance lease receivables of the customers, who have been provided with such benefits and still under the deferral period and the related ECL:

2 Summary of material accounting policies (continued)

2.4 Financial assets and liabilities (continued)

2.4.1 Financial assets (continued)

RO'000 31 December 2024	Stage 1	Stage 2	Stage 3	Total
Investment in finance leases, working capital and factoring receivables.	**465,028**	**90,996**	**84,606**	**640,630**
Total lease wise exposure of customers benefiting from payment deferrals	**1,849**	**14**	**50**	**1,913**
Of which:				
Deferred amount	**588**	**3**	**15**	**606**
Total ECL on exposure to customers benefiting from payment deferrals	**322**	**2**	**10**	**334**

RO'000 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Investment in finance leases, working capital and factoring receivables.	377,162	86,755	78,351	542,268
Total exposure to customers benefiting from payment deferrals	1,292	6	97	1,395
Of which:				
Deferred amount	364	3	18	385
Total ECL on exposure to customers benefiting from payment deferrals	200	1	19	220

De-recognition other than on modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either the Company transfers substantially all the risks and rewards of ownership, or the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

2.4.2 FINANCIAL LIABILITIES

Classification and measurement

Financial liabilities are initially recognised at fair value, including transaction costs, and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading, and other financial liabilities designated as such at initial recognition.
- Financial guarantee contracts and lease commitments.

De-recognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

2 Summary of material accounting policies (continued)

2.4 Financial assets and liabilities (continued)

2.4.2 Financial liabilities (continued)

Modification of financial liabilities

If the modification of a financial liability is not accounted for as de-recognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument. There is no modification of financial liabilities for the year.

Derivatives and hedging

The Company has elected to apply the hedge accounting requirements on adoption of IFRS 9. Derivatives are initially recognised at fair value on the date on which the derivative contract is entered and are subsequently re-measured at fair value. The Company documents, at the inception of the hedge, the relationship between hedged items and hedging instruments as well as its risk management objective and strategy for undertaking various hedge transactions. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Company documents, at the inception of the hedge, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statement of profit or loss.

Amounts accumulated in equity are recycled to the statement of profit or loss in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur (for example, the recognised hedged asset is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the statement of profit or loss.

2.5 PROPERTY AND EQUIPMENT

Freehold land and buildings are shown at revalued amounts, based on valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of valuation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

2 Summary of material accounting policies (continued)

2.5 Property and equipment (continued)

Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit or loss during the financial period in which they are incurred. Freehold land and capital work-in-progress are not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful lives of items of property and equipment. The estimated useful lives are as follows:

	Years
Buildings	25
Furniture, fixtures and equipment	4-10
Motor vehicles	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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 disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the statement of profit or loss.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, current accounts and short-term deposits with banks, other short-term highly liquid investments with original maturities of three months or less.

2.7 BORROWINGS

Borrowing which include corporate deposits are recognised initially at fair value, being their issue proceeds (fair value of consideration received). Borrowings are subsequently stated at amortised cost; any difference between proceeds, and the redemption value is recognised in the statement of profit or loss over the repayment period of the borrowings using the effective interest rate method.

2.8 SHARE CAPITAL

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.9 CREDITORS AND ACCRUALS

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

2 Summary of material accounting policies (continued)

2.10 EMPLOYEES' END OF SERVICE BENEFITS AND LEAVE ENTITLEMENTS

Provision for end of service indemnity for non-Omani employees has been made in accordance with the terms of the Oman Labour Law 2003 and its amendments and is based on current remuneration rates and cumulative years of service at the statement of financial position date. Employee's entitlements to annual leave and leave passage are recognised when they accrue to the employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability. Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the statement of profit or loss as incurred. In accordance with the provisions of IAS 19, Employee Benefits, the Company carried out an exercise to assess the present value of the Company's obligations as of the reporting date, in respect of employees' end of service benefits payable and determined that it is not materially different from the provision made. Under this method, an assessment is made of an employee's expected service period with the Company and the expected basic salary at the date of leaving the service, discounted over the period of remaining expected period using the risk-free rate.

2.11 FOREIGN CURRENCY TRANSACTIONS

(a) Functional and presentation currency

Items included in the Company's financial statements are measured using Rial Omani which is the currency of the Sultanate of Oman, being the economic environment in which the Company operates (the functional currency). The financial statements are prepared in Rial Omani, rounded to the nearest thousand.

(b) 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 recognised in the statement of profit or loss and other comprehensive income.

2.12 TAXATION

Income tax on the result for the year comprises current and deferred tax. 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 tax is calculated in respect of temporary differences between the carrying amounts for financial reporting purposes and the tax bases. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

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

2 Summary of material accounting policies (continued)

2.13 DIVIDEND DISTRIBUTION

The Company's dividend distribution policy encompasses the following factors:

a. Provide shareholders a reasonable return commensurate with the size of their investment in the Company; and
b. Build reserves to achieve a strong capital base.

After due consideration of the above factors, the Company's Board of Directors propose the amount of dividend to be approved by the shareholders at the Ordinary General Meeting subject to the approval of the Central Bank of Oman. Dividends are recognised as liability in the period in which these are approved by shareholders' in the Annual General Meeting.

2.14 DIRECTORS' REMUNERATION

The Directors' remuneration is governed as set out by the Commercial Companies Law of 2019 and the rules prescribed by the Capital Market Authority of the Sultanate of Oman.

The Annual General Meeting determines and approves the remuneration and the sitting fees for the Board of Directors and its sub-committees in accordance with the provisions of Commercial Companies Law of 2019.

2.15 OFFSETTING

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

2.16 SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expense, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's chief operating decision maker to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

2.17 INTANGIBLE ASSETS AND GOODWILL

2.17.1 GOODWILL

Goodwill arising on the acquisition is measured at cost less accumulated impairment losses. It is subject to impairment testing at least on an annual basis.

2.17.2 INTANGIBLE ASSETS

Intangible assets (customer relationships) acquired by the Company have finite useful lives and are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. Goodwill is not amortised.

The estimated useful lives for customer relationship are 7 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

2 Summary of material accounting policies (continued)

2.18 PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.19 LEASE LIABILITIES

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

2.20 FINANCIAL GUARANTEES

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks and financial institutions on behalf of customers to secure banking facilities.

2.21 EARNINGS AND NET ASSETS PER SHARE

i. Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to ordinary shareholders of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (note 9).

ii. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares (note 9).

2 Summary of material accounting policies (continued)

2.21 Earnings and net assets per share (continued)

iii. Net assets per share

Net assets per share is calculated by dividing:

- the net assets attributable to ordinary shareholders of the Company
- by the number of ordinary shares outstanding at 31 December (note 9).

3 FINANCIAL RISK MANAGEMENT

The Company believes that sound risk management practices are imperative in ensuring that strong results can be delivered to stakeholders. The Company aims to ensure that its risk management structure provides the infrastructure for it to be able to implement best practices according to the size of its operations.

The Company aims to follow a strategy of minimising risk in order to reduce its vulnerability to adverse market conditions and this is reflected in the risk appetite set by the Board of Directors and implemented by management. The low assumption of risk is mainly achieved through diversification of the asset portfolio.

Risk management functions are carried out by the Risk Manager. The Company has policies and procedures which address credit risk, market risk (interest rate risk and foreign currency risk) and liquidity risk which arise from the Company's business.

3.1 CREDIT RISK

As the Company's core business is lease financing, working capital finance and factoring, credit risk forms the significant risk to which the Company is exposed. Credit risk is the risk that counterparty will cause financial loss to the Company by failing to discharge an obligation.

The Company considers credit risk with respect to balances placed with banks and provides for loss allowance.

Similarly, management believes that credit risk related to advances and other receivables is minimum as the Company has a long history of dealing with its dealers and other suppliers.

The Company employs a range of policies and practices to manage, limit and control concentration of credit risk to individual counter parties, groups and industries with respect to its lease receivables.

The level of credit risk in relation to each individual counterparty and its associates is structured by placing a maximum ceiling on exposure levels for each grade. Such risks are monitored on a regular basis and review reports are placed before the Board of Directors.

3.1.1 Credit risk measurement

The estimation of counterparty credit exposure for risk management purposes is a complex mechanism and requires the use of credit risk models in place to determine various factors like changes in portfolio exposures, customer behaviors, market conditions, expected cash flows, probability of a customer to default etc. Under IFRS 9, the Company measures its credit risk using three drivers which are probability of default (PD) that derives likelihood of each customer to default based on its characteristics and credit behavior, loss given default (LGD) that determines the maximum amount a Company will lose in case a client defaults and exposure at default (EAD) that is computed based on future contractual payments expected to receive from counterparty.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

The Company is using an internally developed credit risk rating mechanism to segregate/pool its customers based on their propensity to default. To determine credit risk related to each customer, the Company assesses various internal and external characteristics at the time of application, which may include but not limited to disposable income, level of collateral, external credit bureau information, type of industry operations, revenue turnover etc. In addition to it, all these input factors are assessed by Credit Risk Officer which are also considered as an input to credit risk rating mechanism for each client and exposure.

Under IFRS 9, the Company uses a 'three-stage' model to determine significant increase in credit risk for each counterparty since origination and uses a sum of marginal losses approach to determine expected credit loss (ECL) / impairment for each exposure. Significant factors determining the ECL calculations are 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.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'
- 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.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis.

The key judgements and assumptions adopted by the Company in addressing the requirements of IFRS 9 are discussed below:

- Significant increase in credit risk, including quantitative (e.g. for each group of assets, lifetime PD band at initial recognition and increase in lifetime PD at reporting date which is considered significant) and qualitative criteria.
- Choosing appropriate models and assumptions for the measurement of ECL which includes estimation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD);
- Definition of default and credit-impaired assets.
- Measuring ECL – Explanation of inputs, assumptions and estimation techniques.
- Forward-looking information incorporated in the ECL models (including economic variable assumptions and sensitivity analysis).
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Judgement to determine when a default event has occurred.
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Grouping of instruments for losses measured on a collective basis.

Further, to assess counterparty credit risk in depth, the Company uses following factors specific to each portfolio in depth:

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Retail portfolio:

Once an asset is recognised for retail business, the Company monitors and assesses payment behavior of each borrower periodically to determine the creditworthiness of the client using factors like Days Past Due (DPD) as of current date, maximum DPD as of previous 6 months from reporting date.

Small Medium Enterprise (SME) portfolio:

Once an asset is recognised for SME business, the Company monitors and assesses payment behavior, revenues and financial statements of each borrower periodically along with qualitative factors to determine creditworthiness of client using factors like DPD as of current date, maximum DPD as of previous 6 months from reporting date.

Corporate portfolio:

Once an asset is recognised for corporate business, Company monitors and assess payment behavior, revenues and financial statements of each borrower periodically along with qualitative factors to determine creditworthiness of client using factors like DPD as of current date, maximum DPD as of previous 6 months from reporting date.

Lease receivable impairment

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 lease receivables recognised during the period, as well as releases for lease receivables 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.
- Financial assets de-recognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the investment in finance leases, working capital and factoring receivables between the beginning and the end of the annual period due to these factors:

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Lease receivable impairment (continued)

Investment in finance leases, working capital and factoring receivables	Stage 1	Stage 2	Stage 3	Total
31 December 2024	RO' 000	RO' 000	RO' 000	RO' 000
At 1 January	377,162	86,755	78,351	542,268
Transfer from 1 to 2	(25,923)	25,923	–	–
Transfer from 1 to 3	(5,673)	–	5,673	–
Transfer from 2 to 3	–	(8,246)	8,246	–
Transfer from 2 to 1	12,457	(12,457)	–	–
Transfer from 3 to 1	742	–	(742)	–
Transfer from 3 to 2	–	873	(873)	–
New leases originated	249,847	–	–	249,847
Repayment / write-off during the year	(143,584)	(1,852)	(6,049)	(151,485)
At 31 December	465,028	90,996	84,606	640,630

Investment in finance leases, working capital and factoring receivables	Stage 1	Stage 2	Stage 3	Total
31 December 2023	RO' 000	RO' 000	RO' 000	RO' 000
At 1 January	301,564	101,205	74,411	477,180
Transfer from 1 to 2	(43,397)	43,397	-	-
Transfer from 1 to 3	(3,840)	-	3,840	-
Transfer from 2 to 3	-	(7,601)	7,601	-
Transfer from 2 to 1	18,776	(18,776)	-	-
Transfer from 3 to 1	784	-	(784)	-
Transfer from 3 to 2	-	2,269	(2,269)	-
New leases originated	203,367	-	-	203,367
Repayment / write-off during the year	(100,092)	(33,739)	(4,448)	(138,279)
At 31 December	377,162	86,755	78,351	542,268

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Lease receivable impairment (continued)

The following tables explain the changes in the expected credit loss allowance between the beginning and the end of the annual period:

Allowance for expected credit losses 31 December 2024	Stage 1 RO' 000	Stage 2 RO' 000	Stage 3 RO' 000	Total RO' 000
At 1 January	2,194	9,888	43,331	55,413
Transfer from 1 to 2	(738)	738	–	–
Transfer from 1 to 3	(1,290)	–	1,290	–
Transfer from 2 to 3	–	(3,058)	3,058	–
Transfer from 2 to 1	140	(140)	–	–
Transfer from 3 to 1	18	–	(18)	–
Transfer from 3 to 2	–	20	(20)	–
Changes in ECL	2,828	3,129	4,534	10,491
ECL of matured leases	(298)	(407)	(3,438)	(4,143)
At 31 December	2,854	10,170	48,737	61,761

Allowance for expected credit losses 31 December 2023	Stage 1 RO' 000	Stage 2 RO' 000	Stage 3 RO' 000	Total RO' 000
At 1 January	1,791	12,141	37,796	51,728
Transfer from 1 to 2	(833)	833	-	-
Transfer from 1 to 3	(780)	-	780	-
Transfer from 2 to 3	-	(2,070)	2,070	-
Transfer from 2 to 1	350	(350)	-	-
Transfer from 3 to 1	44	-	(44)	-
Transfer from 3 to 2	-	670	(670)	-
Changes in ECL	1,814	(186)	4,418	6,046
ECL of matured leases	(192)	(1,150)	(1,019)	(2,361)
At 31 December	2,194	9,888	43,331	55,413

Significant increase in credit risk

Under IFRS 9, when determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Company will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Company's historical experience, expert credit assessment and forward-looking information.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Significant increase in credit risk (continued)

The Company will primarily identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated on initial recognition of the exposure.

The Company renegotiates loans to customers in financial difficulties (referred to as restructured facilities) to maximise collection opportunities and minimise the risk of default. The loan restructuring facility is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

Generally, restructuring a facility is a qualitative indicator of default and credit impairment and expectations of restructuring are relevant to assessing whether there is a significant increase in credit risk and hence ECL is measured at lifetime loss for such cases. Following restructuring, a customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be in default/credit-impaired or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECLs.

Assessment of Significant Increases in Credit Risk

All exposure in excess of RO 500,000 are subject to an assessment for a Significant Increase in Credit Risk. The assessment of SICR shall be done based on the IFRS 9 standards and the CBO guidelines. The criteria for the assessment are categorized into Quantitative Criteria and Qualitative criteria.

- **Quantitative criteria for the measurement of SICR:**
  - If an account is 30 days past due
  - Two notch downgrades of the internally assigned rating from the previous assessment.
- **Qualitative criteria for measurement of SICR**
  - 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-group 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, banks and 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.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Significant increase in credit risk (continued)

- A fall in the debt service coverage ratio to below 1.
- A significant deterioration in the Loan-to-Value ratio owing to the depletion of the security/ collateral value.
- Changes in laws/ regulations governing the business of the borrower that may have a significant impact on the operations/performance.

Staging Criteria

- Stage 1: All the exposures which do not meet any of the above mentioned quantitative or qualitative SICR criteria shall fall under Stage 1 and attract 12 month expected credit losses as impairment.
- Stage 2: An exposure which meets any of the SICR criteria mentioned above shall fall under Stage 2.
- Default/ Stage 3 criteria: An exposure is considered to be in default, and thus migrated to stage 3, when that account is 90 days past due. If one client account is in default, all accounts of that customer are considered to be in default.

Definition of default

Under IFRS 9, the Company will consider a financial asset to be in default 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 more than 90 days past due on any credit obligation to the Company.

Measuring Expected Credit Loss (ECL) – Explanation of inputs, assumptions and estimation techniques.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD); and
- Exposure at Default (EAD).

Probability of Default (PD) estimates are estimates at a certain date, which will be calculated based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures.

These statistical models will be based on internally compiled data comprising both quantitative and qualitative factors. PDs will be estimated considering the contractual maturities of exposures and estimated prepayment rates.

Loss Given Default (LGD) is the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim and recovery costs of any collateral that is integral to the financial asset.

Exposure at Default (EAD) represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset will be the gross carrying amount at default.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.1 Credit risk measurement (continued)

Forward-looking information incorporated in the ECL models (economic variable assumptions and sensitivity analysis).

Under IFRS 9, the Company incorporated forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. These key drivers include Inflation rates, Consumer Price Index and oil prices.

The ECL has been calculated as probability weighted figure for three scenarios i.e. Base case, Optimistic and Pessimistic with 50%, 35% and 15% weightings respectively (31 December 2023 – 50%, 35% and 15%).

The following table shows a comparison of the Company's allowances for expected credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 based on the probability weightings of three scenarios with allowances for expected credit losses resulting from simulations of each scenario weighted at 100%.

	ECL	Impact on reported ECL
	RO' 000	RO' 000
Base scenario – 100%	**13,291**	**267**
Optimistic scenario – 100%	**11,288**	**(1,736)**
Pessimistic scenario – 100%	**16,407**	**3,383**

Definition of write off

As a matter of policy, the Company considers waiver / write-off or settlement only in such cases where it is satisfied that the recovery of the full outstanding liabilities from the borrower is not possible in the normal course of business or out of the securities realisation or through enforcement of the guarantee (wherever available) and that legal action will not yield higher recoveries after considering the time and costs involved. When such amounts are recovered are considered as bad debts written back.

Critical estimates and judgements

The measurement of the expected credit loss allowance for financial assets and finance lease receivables is an area that requires the use of statistical models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Establishing groups of similar financial assets for the purposes of measuring ECL.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk-characteristics that include:

- Customer type
- Credit risk grading

In the above context, there are three segments considered for the IFRS 9 modelling – Retail, SME and Corporate.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.2 Credit risk control and mitigation policies

The Company's portfolio comprises leases of vehicles and equipment wherein the lending is collateralised by the assets financed. The Company holds collaterals in respect of lease receivable exposures in the form of joint title to the vehicles and equipment financed. The values against these collaterals are written down on a periodical basis based on the estimated useful life of these assets and considering guidelines issued by the Central Bank of Oman. In addition to these collaterals, the Company also holds additional security in the form of property collaterals for certain leases in order to strengthen its risk position.

In order to minimise credit loss, wherever deemed necessary, additional credit enhancements such as charges on immoveable and moveable assets, personal guarantees of the major shareholders, corporate guarantee of the parent Company in case of group exposures, key man life insurance and assignment of contract proceeds are obtained.

The Company's credit policy identifies certain categories of customers as "negative customers" and they are not considered for financial assistance. These include known defaulters, customers with poor market standing and other categories based upon statistics published by the Central Bank of Oman. The repayments are primarily through post-dated cheques. Dishonoured cheques are monitored closely and proper follow up is ensured.

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

- frequent dishonour of cheques
- inability to reach the customer over phone or in person
- lack of response to written communications
- utilised limits in excess of authorised limits as disclosed by Mala'a data
- inability to obtain current financial statements
- adverse market feedback

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.3 Impairment

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

As at 31 December 2024

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount RO' 000	Provision required as per CBO norms RO' 000	Provision held as per IFRS 9 RO' 000	Difference RO' 000	Net carrying amount RO' 000	Interest recognized as per IFRS 9 RO' 000	Reserve interest as per CBO norms RO' 000
	Stage 1	464,833	6	2,850	(2,844)	461,983	50,160	–
Standard	Stage 2	90,487	11	10,155	(10,144)	80,332	9,558	–
	Stage 3	–	–	–	–	–	–	–
Subtotal		555,320	17	13,005	(12,988)	542,315	59,718	–
	Stage 1	84	4	2	2	82	14	–
Special mention	Stage 2	428	21	12	9	416	58	1
	Stage 3	3,368	162	640	(478)	2,728	254	135
Subtotal		3,880	187	654	(467)	3,226	326	136
	Stage 1	107	27	1	26	106	11	–
Substandard	Stage 2	30	8	1	7	29	6	–
	Stage 3	2,819	662	637	25	2,182	170	170
Subtotal		2,956	697	639	58	2,317	187	170
	Stage 1	–	–	–	–	–	–	–
Doubtful	Stage 2	19	9	1	8	18	4	–
	Stage 3	2,063	781	490	291	1,573	62	172
Subtotal		2,082	790	491	299	1,591	66	172
	Stage 1	4	4	1	3	3	–	–
Loss	Stage 2	32	32	1	31	31	16	–
	Stage 3	76,356	56,048	46,970	9,078	29,386	158	13,707
Subtotal		76,392	56,084	46,972	9,112	29,420	174	13,707
	Stage 1	465,028	41	2,854	(2,813)	462,174	50,185	–
Total	Stage 2	90,996	81	10,170	(10,089)	80,826	9,642	1
	Stage 3	84,606	57,653	48,737	8,916	35,869	644	14,184
	Total	640,630	57,775	61,761	(3,986)	578,869	60,471	14,185

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.3 Impairment (continued)

As at 31 December 2023

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount RO' 000	Provision required as per CBO norms RO' 000	Provision held as per IFRS 9 RO' 000	Difference RO' 000	Net carrying amount RO' 000	Interest recognized as per IFRS 9 RO' 000	Reserve interest as per CBO norms RO' 000
	Stage 1	376,958	5	2,192	(2,187)	374,766	38,532	-
Standard	Stage 2	85,874	35	9,872	(9,837)	76,002	9,180	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		462,832	40	12,064	(12,024)	450,768	47,712	-
	Stage 1	94	5	1	4	93	12	-
Special mention	Stage 2	765	38	15	23	750	100	1
	Stage 3	3,544	170	689	(519)	2,855	260	142
Subtotal		4,403	213	705	(492)	3,698	372	143
	Stage 1	109	27	1	26	108	5	-
Substandard	Stage 2	90	22	1	21	89	12	-
	Stage 3	3,192	751	674	77	2,518	168	190
Subtotal		3,391	800	676	124	2,715	185	190
	Stage 1	-	-	-	-	-	-	-
Doubtful	Stage 2	11	4	-	4	11	2	-
	Stage 3	3,233	1,073	891	182	2,342	71	278
Subtotal		3,244	1,077	891	186	2,353	73	278
	Stage 1	1	1	-	1	1	1	-
Loss	Stage 2	15	15	-	15	15	4	-
	Stage 3	68,382	50,096	41,077	9,019	27,305	560	11,638
Subtotal		68,398	50,112	41,077	9,035	27,321	565	11,638
	Stage 1	377,162	38	2,194	(2,156)	374,968	38,550	-
Total	Stage 2	86,755	114	9,888	(9,774)	76,867	9,298	1
	Stage 3	78,351	52,090	43,331	8,759	35,020	1,059	12,248
	Total	542,268	52,242	55,413	(3,171)	486,855	48,907	12,249

Provision held as per IFRS 9 includes the interest reserved by the Company as per CBO norms against impaired finance lease receivables, working capital and factoring receivables.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.3 Impairment (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for restructured accounts:

As at 31 December 2024

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount RO' 000	Provision required as per CBO norms RO' 000	Provision held as per IFRS 9 RO' 000	Difference RO' 000	Net carrying amount RO' 000	Interest recognized as per IFRS 9 RO' 000	Reserve interest as per CBO norms RO' 000
Classified as performing	Stage 1	19,155	-	285	(285)	18,870	1,988	-
	Stage 2	50,657	11	8,899	(8,888)	41,758	5,041	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		69,812	11	9,184	(9,173)	60,628	7,029	-
Classified as non-performing	Stage 1	189	31	3	28	186	20	-
	Stage 2	5	-	-	-	5	1	-
	Stage 3	13,215	9,419	6,838	2,581	6,377	-	2,367
Subtotal		13,409	9,450	6,841	2,609	6,568	21	2,367
Total	Stage 1	19,344	31	288	(257)	19,056	2,008	-
	Stage 2	50,662	11	8,899	(8,888)	41,763	5,042	-
	Stage 3	13,215	9,419	6,838	2,581	6,377	-	2,367
	Total	83,221	9,461	16,025	(6,564)	67,196	7,050	2,367

As at 31 December 2023

Asset classification as per CBO norms	Asset classification as per IFRS 9	Gross carrying amount Rial' 000	Provision required as per CBO norms Rial' 000	Provision held as per IFRS 9 Rial' 000	Difference Rial' 000	Net carrying amount Rial' 000	Interest recognized as per IFRS 9 Rial' 000	Reserve interest as per CBO Norms Rial' 000
Classified as performing	Stage 1	17,917	-	416	(416)	17,501	2,109	-
	Stage 2	59,266	35	9,239	(9,204)	50,027	6,305	-
	Stage 3	-	-	-	-	-	-	-
Subtotal		77,183	35	9,655	(9,620)	67,528	8,414	-
Classified as non- performing	Stage 1	164	30	1	29	163	11	-
	Stage 2	6	-	-	-	6	1	-
	Stage 3	7,490	5,022	3,608	1,414	3,882	-	1,187
Subtotal		7,660	5,052	3,609	1,443	4,051	12	1,187
Total	Stage 1	18,081	30	417	(387)	17,664	2,120	-
	Stage 2	59,272	35	9,239	(9,204)	50,033	6,306	-
	Stage 3	7,490	5,022	3,608	1,414	3,882	-	1,187
	Total	84,843	5,087	13,264	(8,177)	71,579	8,426	1,187

Out of the above, the outstanding amount of restructured under the CBO window for affected borrowers as of 31 December 2024 is RO 72.78 million (December 2023 – RO 74.73 million) and ECL held is RO 10.01 million (December 2023 - RO 8.37 million).

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.3 Impairment (continued)

Stage As per IFRS-9	Gross carrying amount 2024 (RO '000)	Gross carrying amount 2023 (RO '000)	Provision held as per IFRS 9 2024 (RO '000)	Provision held as per IFRS 9 2023 (RO '000)
Stage 1	**19,154**	17,912	**285**	416
Stage 2	**41,601**	50,563	**3,869**	5,309
Stage 3	**12,029**	6,254	**5,858**	2,644
Total	**72,784**	74,729	**10,012**	8,369

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

	As per CBO norms		As per IFRS 9		Difference	
	Current year RO' 000	Previous year RO' 000	Current year RO' 000	Previous year RO' 000	Current year RO' 000	Previous year RO' 000
Impairment loss charged to profit or loss	**4,412**	2,027	**4,412**	2,027	**-**	-
Provisions required as per CBO norms / held as per IFRS 9	**71,960**	64,491	**61,761**	55,413	**10,199**	9,078
Gross NPL ratio	**13.3**	14.6	**13.2**	14.4	**0.1**	0.2
Net NPL ratio	**4.1**	4.9	**6.2**	7.2	**(2.1)**	(2.3)

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk – financial instruments subject to impairment:

	31 December 2024				31 December 2023
	Stage 1 RO '000	Stage 2 RO '000	Stage 3 RO '000	Total RO '000	Total RO '000
Current accounts with banks (note 10)	7,446	-	-	7,446	5,488
Investment in finance leases, working capital and factoring receivables (note 3.1.3)	465,028	90,996	84,606	640,630	542,268
Statutory deposit (note 11)	250	-	-	250	250
Undrawn finance lease commitments (refer below)	6,835	-	-	6,835	10,964
Bank guarantees (note 25)	90	24	-	114	169
Advances	361		30	391	299
Other receivables	-	-	3,147	3,147	3,091
Carrying amount before ECL	480,010	91,020	87,783	658,813	562,529
Expected credit loss allowance	(2,928)	(10,171)	(49,207)	(62,306)	(55,855)
Carrying amount after ECL	477,082	80,849	38,576	596,507	506,674

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.4 Maximum exposure to credit risk before collateral held or other credit enhancements (continued)

The Expected credit loss allowance of RO 62.306 million (December 2023 - RO 55.855 million) includes RO 0.545 million (December 2023 - RO 0.442 million) of items other than investment in finance leases, working capital and factoring receivables. These include provisions on bank balances, bank guarantees, undrawn finance lease commitments, advances and other receivables.

Expected credit loss for financial instruments other than net investment in finance leases, working capital, factoring receivables and other receivables are held under the other liabilities in the Statement of financial position.

Allowance for ECL for impairment against other receivables includes provision held against legal fee and other charges recoverable from various individual and corporate parties under litigations.

The table below shows the maximum exposure to credit risk – financial instruments unfunded:

	31 December 2024 RO'000	31 December 2023 RO'000
Undrawn finance lease commitments (note 24)	**6,835**	10,964
Carrying amount	**6,835**	10,964

The above tables represent a worst-case scenario of credit risk exposure of the Company at 31 December 2024 and 31 December 2023.

Management is confident in its ability to continue to control and sustain acceptable exposure of credit risk to the Company resulting from both its net investment in finance leases, working capital, factoring receivables and other financial instruments.

3.1.5 Finance lease receivables, working capital and factoring receivables

The table (note 3.1.4) provides overview of the exposure amount and allowance for credit losses by financial asset class broken down into stages as per IFRS 9 requirements.

Collateral held

The Company holds collateral against certain of its credit exposures. The fair value of those collateral as at 31 December 2024 is RO 616.6 million (December 2023 - RO 533.1 million). The Company considers the fair value of its collateral only for registrable assets, excluding the value of un-registerable assets. Collateral is held against stage 3 credit exposure, where the fair value of the collateral amount exceeds the stage 3 net investment in finance leases, working capital, and factoring receivables balances.

The Company evaluates its collateral value by applying the reducing balance method in the value of equipment and vehicles held as collateral. Value of property held as collateral is obtained from external valuers.

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.6 Concentration of risks

Credit risk grading

A broad based segregation of the Loan Portfolio is carried out in order to comply with the IFRS disclosures requirements. Accordingly a mapping exercise is conducted on in the following manner to segregate the portfolio into Low, Medium and High Risk Categories.

The Company uses a 10 point rating scale to grade all large exposure (above RO 250,000). The 10 Point rating scale has categories Standard customers from 1-6, Special Mention Customers as 7, Sub-Standard customers as 8, Doubtful Customers as 9 and Loss Customers as 10. In the mapping process all borrowers rated from 1-6 are categorised as Low Risk, borrowers categorised as 7 are medium risk whilst borrowers rated 8,9,10 are categorised as high risk. Standard unrated exposures (ratings not refreshed) with DPD less than 30 Days are categorised as Low Risk whist those greater than or equal 30 days and less than 90 days are categorised as medium risk)

All exposures below 250,000 are segregated based on the days past due, where all exposures with days past due of up to 90 days are tagged as low risk, whilst exposures up to 180 days are tagged as medium risk whilst any exposure in excess of 180 days is tagged as high risk.

31 December 2024 (Gross Exposure)	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Low	457,568	73,156	194	530,918
Medium	5,350	9,459	3,563	18,372
High	2,110	8,381	80,849	91,340
	465,028	90,996	84,606	640,630

31 December 2023 (Gross Exposure)	Stage 1	Stage 2	Stage 3	Total
	RO '000	RO '000	RO '000	RO '000
Low	373,623	85,891	299	459,813
Medium	3,539	864	4,386	8,789
High	-	-	73,666	73,666
	377,162	86,755	78,351	542,268

a. Customer concentration of net investment in finance leases, working capital and factoring receivables by type of customer

	2024	2023
	RO '000	RO '000
Individuals	235,743	192,645
SME and Corporate	343,126	294,210
	578,869	486,855

3 Financial risk management (continued)

3.1 Credit risk (continued)

3.1.6 Concentration of risks (continued)

b. Geographical concentration

All the Company's financial lease receivable, working capital and factoring receivables are concentrated within the Sultanate of Oman.

c. Economic sector concentration of net investment in finance leases, working capital finance and factoring receivables.

	2024	2023
	RO '000	RO '000
Trading, contracting and services	310,697	265,798
Individuals	235,743	192,645
Manufacturing	32,429	28,412
	578,869	486,855

3.2 MARKET RISK

The Company is exposed to the market risk due to changes in market, such as interest rate and foreign exchange rates.

3.2.1 Interest rate risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period.

As the Company has significant interest-bearing financial assets and liabilities, the Company's income and operating cash flows are substantially dependent on market interest rates. The finance lease receivables and deposits from corporate entities carry fixed interest rates. The interests on these items are fixed at the inception. Accordingly, any changes in applicable market rates would not expose the Company to interest rate risk. However, the Company's bank borrowings carry variable interest rates which expose the Company to interest rate risk.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios the Company calculates the impact on its profit or loss of a 1% interest rate increase. The simulation is presented to the Asset and Liability Committee (ALCO) on a monthly basis. Based on the simulation performed at the year end, the impact on the Company's profit after tax of a 1% increase in interest rates would be a maximum of RO 2.32 million (December 2023 - RO 2.07 million).

Derivative financial instruments

The Company has used interest rate swaps to hedge the cash flow volatility risk on its borrowed funds and uses pay fixed/receive floating interest rate in respect of USD SOFR interest rate (to hedge the volatility of SOFR based loan). Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria. The carrying amount of the hedged items is included in Bank borrowings on the statement of financial position with the notional amount totalling to RO 6.47 million equivalent to US$ 16.83 million.

3 Financial risk management (continued)

3.2 Market risk (continued)

3.2.1 Interest rate risk (continued)

The table below shows the positive and negative fair values of derivative financial instruments, together with the undiscounted cash flows analysed by the term of their maturity.

At 31 December 2024			Nominal cash flows by term to maturity			
	Assets	Liabilities	Notional cash flows	Up to 1 month	> 1 month to 1 year	> 1 year to 5 years
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Derivative for Hedging						
Cash flow hedge (RO '000)	**102**	**-**	**(6,473)**	**-**	**(6,473)**	**-**
Cash flow hedge (US$ '000)	**266**	**-**	**(16,829)**	**-**	**(16,829)**	**-**

At 31 December 2023			Nominal cash flows by term to maturity			
	Assets	Liabilities	Notional cash flows	Up to 1 month	> 1 month to 1 year	> 1 year to 5 years
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Derivative for Hedging						
Cash flow hedge (RO '000)	626	-	(18,221)	-	(11,749)	(6,472)
Cash flow hedge (US$ '000)	1,628	-	(47,376)	-	(30,547)	(16,829)

Since the notional amount of the Bank borrowings and Interest rate swap arrangement is the same as RO 6.47 million (USD 16.83 million) as at 31 December 2024 {RO 18.22 million (USD 47.38 million) as at 31 December 2023}, the hedge is 100% effective and there is no element of hedge ineffectiveness. Gross carrying amount of the derivative assets, as at 31 December 2024 is RO 102K and the present value of which approximate to RO 102K.

All other assumptions remaining unchanged, had the SOFR rate increased by 50 basis point, the present value of the derivative assets would increase by RO 16,000.

Foreign currency risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. The Company's foreign currency transactions are restricted to certain long-term borrowings amounting to RO 68.31 million at 31 December 2024 (31 December 2023 - RO 77.66 million) which are denominated in US Dollar. The functional currency is fixed to the US Dollar and accordingly foreign exchange risk is considered minimal. The Company has entered into a one to three month rolling forward cover arrangement in order to manage the foreign currency risk arising in relation to the Company's borrowings denominated in US Dollar. The notional amount of forward cover as at 31 December 2024 is RO 68.31 million (31 December 2023 – RO 77.66 million).

3 Financial risk management (continued)

3.3 LIQUIDITY RISK

Liquidity risk is defined as the current and prospective risk to earnings or capital arising from the Company's inability to meet its obligations and commitments on the due dates and to replace funds when they are withdrawn, or facilities expire.

The Company's liquidity is managed on a day to day basis. The Company has a liquidity risk policy and contingency funding plan approved by the Board of Directors. The liquidity position is currently monitored by the ALCO on a monthly basis, including: (i) day to day funding to ensure that daily requirements are met; (ii) monitoring liquidity gaps and ratios as per the documented liquidity risk policy guidelines; and (iii) monitoring, reviewing and reporting liquidity position in line with the Company's contingency funding plan. Management monitors to ensure availability of funds to meet the Company's credit commitments.

3.4 FUNDING APPROACH

Sources of funding are regularly reviewed by the management, diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products like corporate deposits and seeking fixed interest rates for longer tenure etc.

3.4.1 Cash flows

The table below exhibits the cash flows payable by the Company under financial liabilities by remaining contractual maturity. The amounts show gross undiscounted cash flows.

At 31 December 2024	**Up to 1 year**	**1-2 Years**	**2-3 Years**	**3-4 Years**	**>4 Years**	**Non-fixed maturity**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Bank borrowings	**309,826**	**71,012**	**22,596**	**2,975**	**-**	**-**	**406,409**
Fixed deposits	**38,968**	**8,042**	**3,319**	**15,238**	**-**	**-**	**65,567**
Creditors and accruals	**12,665**	**-**	**-**	**-**	**-**	**-**	**12,665**
Tax and other liabilities	**2,689**	**-**	**-**	**-**	**674**	**859**	**4,222**
Financial liabilities	**364,148**	**79,054**	**25,915**	**18,213**	**674**	**859**	**488,863**

At 31 December 2023	Up to 1 year	1-2 Years	2-3 Years	3-4 Years	>4 Years	Non-fixed maturity	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Bank borrowings	264,573	72,682	24,404	5,655	-	-	367,314
Fixed deposits	36,033	1,890	2,494	1,848	-	-	42,265
Creditors and accruals	9,889	-	-	-	-	-	9,889
Tax and other liabilities	2,799	-	-	-	617	863	4,279
Financial liabilities	313,294	74,572	26,898	7,503	617	863	423,747

3 **Financial risk management (continued)**

3.4 **Funding approach (continued)**

3.4.2 Off balance sheet items

	2024 RO '000	2023 RO '000
Approved lease commitments (note 24)	**6,835**	10,964
Bank guarantees (note 25)	**114**	169
	6,949	11,133

The Company expects the majority of the approved lease commitments to be exercised by the customers and disbursed by the Company within 3 months (2023- 3 months) of the reporting date.

3.5 FAIR VALUES

Fair value information

Based on the valuation methodology outlined below, the fair value of all on and off-statement of financial position financial instruments at 31 December 2024 and 31 December 2023 is considered by the management except as disclosed below not to be materially different from their carrying values.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair value of assets and liabilities:

Assets held for sale and land and building

The fair values of the land and buildings and assets held for sale are disclosed in note 13 and 27 to these financial statements. These are revalued by independent third party valuers.

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

Fair value is calculated based on discounted expected future principal and interest cash flows. Repayments are assumed to occur at contractual repayment dates, where applicable. Expected future cash flows are estimated considering credit risk and any indication of impairment. Expected future cash flows for homogeneous categories of finances are estimated on a portfolio basis and discounted at current rates offered for similar loans to new borrowers with similar credit profiles. The fair value of net investment in finance leases, working capital finance and factoring receivable as at 31 December 2024 is RO 584.89 million (carrying value is RO 578.87 million) {31 December 2023 is RO 500.44 million (carrying value is RO 486.86 million)}. The estimated fair values of finances reflect changes in credit status since the finances were made and changes in interest rates in the case of fixed rate leases. The fair value measurement of the net investment in finance leases, working capital finance and factoring receivables have been categorized as Level 3 fair value measurements.

Bank borrowings and fixed deposits

The estimated fair value of fixed-maturity bank borrowings and fixed deposits is based on discounted cash flows using rates currently offered of similar remaining maturities. The value of long-term relationships with bankers and depositors is not taken into account in estimating fair values.

Derivatives

The Company recognised valuation models to determine the fair value of interest rate swaps, that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for exchange-traded derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The fair value measurement of the derivatives have been categorized as Level 2 fair value measurements.

3 Financial risk management (continued)

3.5 Fair values (continued)

Fair value versus carrying amounts

The fair value of other financial assets and liabilities approximates their carrying values as stated in the statement of financial position.

Fair value category

The financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets;
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3.6 CAPITAL MANAGEMENT

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

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts.

The Company also has the objective with respect to meeting the capital requirements of the Central Bank of Oman, the regulatory authority. The Company was required to increase its issued share capital to RO 25 million before 31 December 2016. As of the statement of financial position date, the Company's paid up capital is in line with Central Bank of Oman guidelines.

In accordance with the provisions of the Commercial Companies Law of Oman, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to at least one third of the Company's paid-up share capital. This reserve is not available for distribution.

The Company monitors its gearing ratio in order to maintain it within the limits prescribed by the regulatory authority.

Gearing ratio

The Company reviews the capital structure on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Company has a limit of gearing ratio of 5 times as stipulated by the Capital Adequacy norms specified by the Central Bank of Oman.

3 Financial risk management (continued)

3.6 Capital management (continued)

The gearing ratio was as follows:

	2024 RO '000	2023 RO '000
Bank borrowings	**385,512**	351,736
Fixed deposits	**58,489**	40,343
Creditors and other liabilities	**16,887**	14,168
Net debt	**460,888**	406,247
Total equity	**145,603**	106,239
Gearing ratio (times)	**3.17**	3.82

4 CRITICAL ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 IMPAIRMENT LOSSES ON LEASE RECEIVABLES

The measurement of the expected credit loss allowance for financial assets and finance lease receivables 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 3.1, 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:

- Significant increase in credit risk, including quantitative (e.g. for each group of assets, lifetime PD band at initial recognition and increase in lifetime PD at reporting date which is considered significant) and qualitative criteria.
- Choosing appropriate models and assumptions for the measurement of ECL which includes estimation of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD);
- Definition of default and credit-impaired assets.
- Measuring ECL – Explanation of inputs, assumptions and estimation techniques.
- Forward-looking information incorporated in the ECL models (including economic variable assumptions and sensitivity analysis).
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL
- Judgement to determine when a default event has occurred; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.
- Grouping of instruments for losses measured on a collective basis.

4 **Critical estimates and judgements (continued)**

4.2 PERPETUAL BONDS

The Company has issued perpetual bond securities listed on the Muscat Securities Market of the Sultanate of Oman, which have been classified as equity in accordance with IAS 32: Financial Instruments – Classification. The key features of the instruments are as follows:

- no fixed date of maturity;
- payment of interest and/or capital is solely at the discretion of the Company;
- the instruments are deeply subordinated and rank just above the ordinary shareholders; and
- these securities also allow the Company to write-down (in whole or in part) any amounts due to the holders in the event of non-viability with the approval of the Central Bank of Oman.

The determination of equity classification of these instruments requires significant judgement as certain clauses, particularly the "Events of Default", require interpretation. The Company, after factoring in the clauses relating to the write-down, non-payment and subordination in the instrument offering document consider that the Company will not reach the point of insolvency before a write-down is affected due to a non-viability event. Accordingly, such clauses were assessed by the Company as not being substantive for the purpose of determining the debt vs equity classification. The Company has considered appropriate independent legal advice in forming their judgement around this matter.

4.3 IMPAIRMENT OF GOODWILL

At the end of reporting period, the Company assessed the recoverable amount of goodwill using key assumptions: 2.5% terminal growth rate, cost of capital of 9.67% (2023 – 9.67%) and forecast period of five years. The impairment amongst others, is significantly dependent upon cost of capital and achievement of projected results.

The recoverable amount of the acquired portfolio was based on its value in use, determined by discounting the future cash flows to be generated from the portfolio. The carrying amount of the portfolio was determined to be lower than its recoverable amount and no impairment loss during 2024 (2022: Nil) was recognised.

The movement in goodwill for the year is as follows:

	2024	2023
	RO '000	RO '000
At 1 January	**5,950**	5,950
Impairment of goodwill	**–**	-
At 31 December	**5,950**	5,950

All other assumptions remaining unchanged, had the discount rate increased by 1%, the value in use would have decreased by RO 12.5 million, to RO 83.9 million, against the carrying amount of RO 67.1 million. No impairment would have resulted even if there was an increase of discount rate by such extent. The carrying amount and goodwill is related to assets and liabilities acquired from Oman ORIX leasing Company SAOG.

5 OPERATING SEGMENTS

The Company has only one reportable segment namely, leasing and financing activities which includes leasing activities, working capital and debt factoring, all of which are carried out in Oman; hence no geographical segmentation is disclosed. Although the Company has individual and corporate customers, the entire lease portfolio is managed internally as one operating segment. All the Company's funding and costs are common. All relevant information relating to this reportable segment is disclosed in the statement of financial position, statement of profit or loss and other comprehensive income and notes to the financial statements.

6 OTHER OPERATING INCOME

	2024 RO '000	2023 RO '000
Income from pre-closed leases	505	512
Penal charges	489	500
Cheque related charges	798	631
Miscellaneous income	1,022	877
	2,814	2,520

7 OPERATING EXPENSES

	2024 RO '000	2023 RO '000
Employee related expenses (refer note 'b' below)	10,490	9,026
Office expenses	1,480	1,241
Communication costs	908	720
Professional fees and subscriptions	367	422
Advertising and sales promotion	357	383
Directors' remuneration and sitting fees (note 26)	347	354
Occupancy costs	141	165
	14,090	12,311

Total employee related expenses included under operating expenses comprise:

	2024 RO '000	2023 RO '000
Salaries and allowances	8,327	7,541
Social security costs	667	577
Other benefits	1,378	813
Charge for end of service benefits (note 19)	118	95
	10,490	9,026

The total number of employees as at 31 December 2024 is 385 (31 December 2023: 356).

8 TAXATION

The Company is liable to income tax in accordance with the income tax law of the Sultanate of Oman at the tax rate of 15% (2023 – 15%) on the taxable profits.

(a) Status of tax assessments

The Company's tax assessments have been completed by the tax authorities up to tax year 2020. Assessments of the Company for tax years 2021 to 2024 are subject to agreement with the Oman Taxation Authorities. The management is of the opinion that the additional taxes assessed in respect of open tax assessments, if any, would not be material to the Company's financial position as at 31 December 2024.

8 Taxation (continued)

(b) Tax charge for the year

	2024 RO '000	2023 RO '000
Current tax - current year	**1,968**	1,961
Deferred tax - current year	**169**	2
	2,137	1,963

(c) Tax liabilities – net

	2024 RO '000	2023 RO '000
Deferred tax liability (refer note 'd' below)		
Provision for income tax (refer note 'e' below)	**1,032**	863
	2,516	2,799

(d) Deferred tax liability

Deferred tax liability arises in respect of revaluation of buildings and intangible assets. The deferred tax liability recognised in the statement of financial position and the movements during the year are as follows:

	2024 RO '000	2023 RO '000
At 1 January	**863**	697
Additions during the year	**169**	166
At 31 December	**1,032**	863

(e) Income tax liability

The provision for income tax recognised in the statement of financial position and the movements during the year are as follows:

	2024 RO '000	2023 RO '000
At 1 January	**2,799**	2,364
Income tax charge for the year	**1,968**	1,961
Deferred tax liability provided during the year	**-**	(111)
Paid during the year	**(2,251)**	(1,415)
At 31 December	**2,516**	2,799

8 Taxation (continued)

(f) Reconciliation of tax expense

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

	2024 RO '000	2023 RO '000
Accounting profit before income tax	14,251	13,069
Income tax expense computed at applicable tax rates	2,138	1,961
Items not deductible (net) in determining taxable profits	(170)	-
Tax charge for the year	1,968	1,961

9 BASIC AND DILUTED EARNINGS PER SHARE AND NET ASSETS PER SHARE

The calculation of earnings per share is as follows:

	2024 RO '000	2023 RO '000
Profit for the year attributable to equity shareholders (RO '000)	12,114	11,106
Interest on perpetual bonds (RO '000)	(1,360)	(722)
Net profit attributable to ordinary shareholders (RO '000)	10,754	10,384
Net assets attributable to ordinary shareholders (RO '000)	110,603	106,239
Weighted average number of shares during the year ('000)	573,704	573,704
Number of shares at the year end ('000)	573,704	573,704
Basic and diluted earnings per share (RO)	0.019	0.018
Net assets per share (RO)	0.193	0.185

Earnings per share as at 31 December 2024 have been calculated using weighted average shares outstanding for the year. Net assets per share have been calculated using outstanding shares as at 31 December 2024 and 31 December 2023.

10 CASH AND CASH EQUIVALENTS

	2024 RO '000	2023 RO '000
Current accounts with banks	7,446	5,488
Cash in hand	131	71
	7,577	5,559

The Company classifies its bank balances under Stage 1. In relation to exposures with banks, the credit risk exposure is expected to be minimal because the Company transacts with reputable and rated local banks, with global ratings by Moody's Investors Service ranging between Aa3 to Ba2.

11 STATUTORY DEPOSIT

The Company is required to maintain capital deposit of RO 250,000 with the Central Bank of Oman (CBO) in accordance with the applicable licensing requirements. During the year, the deposit earned effective interest at the rate of 1.5% (2023-1.5%) per annum.

12 NET INVESTMENT IN FINANCE LEASES, WORKING CAPITAL FINANCE AND FACTORING RECEIVABLES

	2024 RO '000	2023 RO '000
Gross investment in finance leases	**645,064**	552,996
Unearned finance lease income	**(139,955)**	(112,405)
	505,109	440,591
Working capital finance*	**134,422**	100,984
Factoring receivables	**1,099**	693
	640,630	542,268
Allowance for expected credit losses	**(61,761)**	(55,413)
Net investment in finance leases, working capital finance and factoring receivables	**578,869**	486,855

*This does not include unearned interest income of RO 57.84 million from Working Capital finance (31 December 2023 RO 45.30 million)

	2024 RO '000	2023 RO '000
Net investment in finance leases	**458,363**	397,162
Working capital	**120,041**	89,544
Factoring receivables	**465**	149
	578,869	486,855

(a) Unearned finance lease income:

	2024 RO '000	2023 RO '000
At 1 January	**112,405**	95,681
Additions during the year	**76,193**	56,305
Recognised during the year	**(48,643)**	(39,581)
At 31 December *	**139,955**	112,405

*This does not include unearned interest income of RO 57.84 million from Working Capital finance (31 December 2023 RO 45.30 million)

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

Income from financing activities

	2024 RO '000	2023 RO '000
Finance lease income	48,643	39,581
Working capital and factoring receivables	11,828	9,326
	60,471	48,907

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

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

	2024 RO '000	2023 RO '000
At 1 January	55,413	51,728
Provision		
Provided during the year	11,768	10,990
Released during the year	(7,356)	(8,963)
	4,412	2,027
Unrecognised contractual income		
Provided during the year	3,197	2,841
Released during the year	(1,261)	(1,183)
	1,936	1,658
At 31 December	61,761	55,413

(c) The current and non-current amounts are disclosed in note 33 to these financial statements.

(d) The table below represents analysis of investment in finance leases, working capital finance and factoring receivables (gross and present value) for each of the following periods:

	Up to 1 year RO'000	1-2 Years RO'000	2-3 Years RO'000	3-4 Years RO'000	4-5 Years RO'000	>5 Year RO'000	Total RO'000
31 December 2024							
Gross	184,688	163,333	137,725	111,465	78,544	162,796	838,551
Present value	120,357	113,521	101,016	86,416	63,049	156,271	640,630
31 December 2023							
Gross	157,049	139,666	115,803	89,319	64,839	133,294	699,970
Present value	105,009	99,447	86,919	69,731	52,776	128,386	542,268

13 PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Right-of-use assets RO '000	Total RO '000
At 31 December 2024						
Cost or valuation						
At 1 January 2023	1,122	4,066	5,723	174	231	11,316
Additions	-	-	1,030	16	284	1,330
Disposals	-	-	(14)	(8)	(59)	(81)
At 31 December 2024	1,122	4,066	6,739	182	456	12,565
Accumulated depreciation						
At 1 January 2024	-	-	3,939	174	98	4,211
Charge for the year	-	162	585	2	99	848
Disposals	-	-	(14)	(8)	(59)	(81)
At 31 December 2024	-	162	4,510	168	138	4,978
Net book amount						
At 31 December 2024	1,122	3,904	2,229	14	318	7,587

	Freehold land RO '000	Buildings RO '000	Furniture, fixtures and equipment RO '000	Motor vehicles RO '000	Right-of-use assets RO '000	Total RO '000
At 31 December 2023						
Cost or valuation						
At 1 January 2023	1,050	4,201	5,173	174	334	10,932
Additions	-	-	550	-	106	656
Disposals	-	-	-	-	(205)	(205)
Revaluation adjustment	-	(521)	-	-	(4)	(525)
Revaluation surplus	72	386	-	-	-	458
At 31 December 2023	1,122	4,066	5,723	174	231	11,316
Accumulated depreciation						
At 1 January 2023	-	352	3,566	174	268	4,360
Charge for the year	-	169	373	-	35	577
Disposals	-	-	-	-	(205)	(205)
Revaluation adjustment	-	(521)	-	-	-	(521)
At 31 December 2023	-	-	3,939	174	98	4,211
Net book amount						
At 31 December 2023	1,122	4,066	1,784	-	133	7,105

A valuation of the freehold land and buildings was last performed by third party independent valuers as on 24 December 2023 on an open market value basis. The revaluation surplus net of applicable deferred income tax was credited to other comprehensive income and is shown in 'revaluation reserve'. If the freehold land and buildings were stated on the historical cost basis, the amount would be RO 4.19 million (31 December 2023- RO 4.19 million). The fair value measurement of the land and building have been categorized as Level 3 fair value measurements.

14 INTANGIBLE ASSETS

	2024 Computer software RO '000	2024 Intangible assets on acquisition RO '000	2024 Total RO '000	2023 Computer software RO '000	2023 Intangible assets on acquisition RO '000	2023 Total RO '000
At 1 January	601	1,792	2,393	467	1,792	2,259
Additions	100	-	100	134	-	134
At 31 December	701	1,792	2,493	601	1,792	2,393
Accumulated Amortisation						
At 1 January	433	1,536	1,969	342	1,280	1,622
Charge for the year	110	256	366	91	256	347
At 31 December	543	1,792	2,335	433	1,536	1,969
Net book amount						
At 31 December	158	-	158	168	256	424

15 SHARE CAPITAL

The authorised share capital of the Company comprises 750,000,000 ordinary shares of Baizas 100 each (2023 - 750,000,000 ordinary shares of Baizas 100 each). The Company's issued and fully paid-up share capital amounts to 573,704,281 shares of Baizas 100 each (2023 - 573,704,281 ordinary shares of Baizas 100 each).

Shareholders who own 10% or more of the Company's share capital are:

	2024 Number of shares held	2024 %	2023 Number of shares held	2023 %
Oman International Development and Investment Company SAOG	198,521,557	34.60	198,521,557	34.60
Al Hilal Investment Co. LLC	168,850,287	29.43	168,850,287	29.43

16 LEGAL RESERVE

In accordance with the Commercial Companies Law of Oman 2019, annual appropriations of 10% of the profit for the year are made to the legal reserve until the accumulated balance of the reserve is equal to at least one third of the Company's share capital. This reserve is not available for distribution.

17 PERPETUAL BONDS

The Company has successfully completed the issuance of perpetual bonds on 03rd April 2024, in the amount of RO 35 million, with an annual coupon rate of 7.75%.

The Company issued 8% perpetual bonds for RO 18.200 million through private placement in 2018 for payment of purchase consideration to Oman ORIX Leasing Company (OOLC) shareholders. First call date is 5 years from the issue date. The Company exercised its call option to redeem the perpetual bonds in March 2023.

18 CREDITORS AND ACCRUALS

	2024 RO '000	2023 RO '000
Creditors	**7,107**	5,224
Accruals and other liabilities	**5,292**	4,547
Lease liabilities (refer note 'b' below)	**266**	118
	12,665	9,889

a. The movement of lease liability is as follows:

	2024 RO '000	2023 RO '000
At 1 January	**118**	68
Addition	**284**	106
Adjustment for reassessment	**-**	(4)
Interest expense	**21**	4
Payment	**(157)**	(56)
At 31 December	**266**	118

b. Lease liabilities

Current	**110**	82
Non-Current	**156**	36
	266	118

19 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

The movement in end of service benefit as at 31 December is stated below:

	2024 RO '000	2023 RO '000
At 1 January	**617**	565
Charge for the year [note 7 (b)]	**118**	95
Payments during the year	**(61)**	(43)
At 31 December	**674**	617

Valuation methodology and assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

Discount rate – 6.70% (31 December 2023 – 6.80%)

Future salary growth rate – 5.10% (31 December 2023 – 4.00%)

The valuation discount rate was set based on the expected average borrowing rate.

19 Provision for employees' end of service benefits (continued)

Sensitivity analysis

The following table shows the results of the valuation of the provision for end of service benefit liability post change of the actuarial assumptions as below:

	Percentage change	Actuarial provision as at 31 December 2024	Percentage of change
	%	RO	%
Discount rate	+0.5%	658	-2%
Discount rate	-0.5%	690	2%
Salary increase	+0.5%	690	2%
Salary decrease	-0.5%	657	-3%

20 BANK BORROWINGS

	2024	2023
	RO '000	RO '000
Bank overdrafts	–	61
Short-term loans	**178,129**	134,858
Current portion of long-term loans	**115,339**	118,534
Non-current portion of long-term loans	**92,044**	98,283
	385,512	351,736

a. During the year, interest was charged on the above borrowings at rates ranging between 5.75% and 6.95% per annum (31 December 2023-4.60% and 7.20% per annum).

b. At the reporting date, all outstanding borrowings were secured by a pari-passu floating charge on the Company's receivables from its customers.

c. Foreign currency forward contracts

As at 31 December 2024, the notional amount of foreign currency forward contract amounted to RO 68.31 million [USD 177.61 million] (31 December 2023 - RO 77.66 M [USD 201.91 M]) to repay US Dollar term loans.

21 FIXED DEPOSITS

At 31 December 2024, the Company has accepted fixed deposits from corporate entities based in Oman for a total amount of RO 58.49 million (31 December 2023 - RO 40.34 million), with tenure ranging from 3 months to 5 years as per guidelines issued by the Central Bank of Oman. The carrying amount includes interest accrued till the end of the year.

22 PROPOSED AND APPROVED DIVIDENDS

Proposed

The Board of Directors at the forthcoming Annual General Meeting propose a cash dividend of Baizas 12.6 per share (12.6%) and stock dividend of 6% on the shares outstanding on the record date. The cash dividend is expected to amount to RO 7,228,674 and stock dividend is expected to amount of RO 3,442,226. These financial statements do not reflect these dividends, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year of approval.

The cash dividend for 2023 amounting to RO 5,507,561 (cash dividend of Baizas 9.6 per share) was distributed during the year.

23 CHANGE IN CASH FLOWS FROM OPERATING ACTIVITIES (PRINCIPAL)

Particulars	2024		2023	
	Cash flow from bank borrowings RO '000	Cash flow from fixed deposits RO '000	Cash flow from bank borrowings RO '000	Cash flow from fixed deposits RO '000
At 1 January	**350,612**	**39,460**	286,759	31,314
Additions during the year	**416,553**	**54,803**	532,162	24,711
Repayments during the year	**(382,162)**	**(36,869)**	(468,309)	(16,565)
At 31 December	**385,003**	**57,394**	350,612	39,460
Change in cash flows	**34,391**	**17,934**	63,853	8,146

24 COMMITMENTS

	2024 RO '000	2023 RO '000
Approved lease commitments (refer 'a')	**6,835**	10,964
Operating lease in respect of rentals of branches (short term leases) (refer 'b')	**120**	44
	6,955	11,008

a. Approved lease commitments expected to be paid within 30 days from the date of lease creation.

b. The operating lease pertain to the approved rentals to be paid in the future for the respective branches.

25 CONTINGENCIES

	2024 RO '000	2023 RO '000
Bank guarantees	**114**	169

In its ordinary course of business, the Company has arranged for bank guarantees in favour of its customers from banks in Oman.

26 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Key management personnel are those personnel having authority and responsibility for planning, directing and controlling the activities of the Company.

The Company has entered into transactions in the ordinary course of business with related parties. Such transactions with related parties only on arm's length terms and in accordance with the relevant laws and regulations. Significant related party transactions during the year ended 31 December were as follows:

26 Related party transactions and balances (continued)

	2024 RO '000	2023 RO '000
Transactions with entities under common control		
Operating expenses	**92**	66
Purchase of property and equipment & intangible assets	**13**	3
Income from financing activities	**306**	256
Directors' fees and remuneration		
Directors' proposed remuneration	**300**	300
Directors' sitting fees	**47**	54
Remuneration to key members of management during the year		
Salaries and other benefits	**1,057**	965

At 31 December, the following balances were outstanding to related parties:

	2024 RO '000	2023 RO '000
Investment in finance leases and working capital finance	**4,270**	4,263

27 ASSET HELD FOR SALE

Assets held for sale represents land acquired by the Company in part settlement of amounts due by the borrower following the conclusion of all credit recovery procedures available to the Company. This property was valued in September 2019 at RO 1.50 million and subsequently expected to be sold in the year 2025. The Company has recently valued this property on 18 December 2024 at RO 1.50 million. The property is based in Muscat at Ghala Heights, Wilayat Bausher.

28 FOREIGN CURRENCY RESERVE

In accordance with the CBO circular FM 41, in modification to the conditions stipulated in circular FM 11 the finance leasing Companies are exempted from creating exchange reserve (20%), in case the foreign currency borrowings (in excess of 40% of net worth) is denominated in US Dollars or in any other currency, where the exchange rate risk is fully hedged. As of 31 December 2024, the Company has foreign currency borrowing of RO 68.31 million [USD 177.61 million] (31 December 2023 - RO 77.66 million [USD 201.91 million]) which is fully hedged against exchange rate risk. In accordance with FM 41, in 2023 the Company has transferred RO 5.32 million from the foreign currency reserve into retained earnings.

29 VOLUNTARY RESERVE

In addition to the existing allowance for non-performing assets, the Company had maintained a voluntary reserve of RO 3 million as of 31 December 2022 for non-performing assets. This reserve is non distributable in nature and transfer out of this reserve requires approval of the Board of Directors.

In accordance with the Board of Directors' approval, in 2023 the Company transferred RO 3 million from the voluntary reserve into retained earnings.

30 IMPAIRMENT RESERVE

In accordance with Central Bank of Oman (CBO) circular BM 1149, the mandatory regulatory impairment reserve is created when the provisions and reserve interest required as per CBO norms exceeds the allowance for expected credit losses held as per IFRS 9. The regulatory impairment reserve will not be available for payment of dividend or for inclusion in regulatory capital. Any subsequent utilisation of the impairment reserve would require prior approval of the CBO.

Impairment reserve net of tax is created by appropriation from retained earnings when the calculated provision as per CBO norms is higher than IFRS 9 ECL.

	2024 RO '000	2023 RO '000
Provisions required as per CBO norms	**71,960**	64,491
Provisions held as per IFRS 9	**(61,761)**	(55,413)
Difference	**10,199**	9,078
Impairment reserve (net of tax)	**8,670**	7,717

During the year 2024, an amount of RO 0.95 million was transferred to the impairment reserve in compliance with the guidelines issued by the CBO. As of 31 December 2024, the Company holds an impairment reserve of RO 8.67 million net of tax for the difference (31 December 2023: RO 7.72 million).

31 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2024 RO '000	2023 RO '000
Other receivables	**3,058**	2,976
Fair value of derivatives	**102**	626
Prepayments	**1,049**	942
Advances	**391**	299
	4,600	4,843

32 FINANCIAL INSTRUMENTS BY CATEGORY

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

	2024 RO '000	2023 RO '000
Financial assets		
Fair Value		
Derivative financial instrument	**102**	626
Amortised cost		
Cash and cash equivalents (note 10)	**7,577**	5,559
Net investment in finance leases (note 12)	**458,363**	397,162
Working capital finance and factoring receivables (note 12)	**120,506**	89,693
Other receivables	**395**	303
Statutory deposit (note 11)	**250**	250
Total financial assets	**587,193**	493,593

32 Financial instruments by category (continued)

	2024 RO '000	2023 RO '000
Financial liabilities		
Amortised cost		
Bank overdrafts (note 20)	–	61
Short-term loans (note 20)	178,129	134,858
Creditors and accruals (note 18)	12,665	9,889
Fixed deposits (note 21)	58,489	40,343
Long term loans (note 20)	207,383	216,817
Total financial liabilities	456,666	401,968

33 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below analyses the contractual maturities of assets and liabilities at the reporting date. The amounts show gross undiscounted cash flows.

At 31 December 2024	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Total RO '000
Assets					
Cash and cash equivalents	7,577	–	–	–	7,577
Statutory deposit	–	–	–	250	250
Investment in finance leases, working capital and factoring receivables	16,062	168,626	653,863	–	838,551
Advances and prepayments	–	4,600	–	–	4,600
Total assets	23,639	173,226	653,863	250	850,978
Equity and liabilities					
Total equity	–	–	–	145,603	145,603
Liabilities:					
Bank borrowings and fixed deposits	136,547	212,247	123,182	–	471,976
Creditors and accruals	7,107	5,558	–	–	12,665
Tax and other liabilities	–	2,689	674	859	4,222
Total equity and liabilities	143,654	220,494	123,856	146,462	634,466
Liquidity gap	(120,015)	(47,268)	530,007	(146,212)	
Cumulative liquidity gap	(120,015)	(167,283)	362,724	216,512	

33 Maturity analysis of assets and liabilities (continued)

At 31 December 2023	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Total RO '000
Assets					
Cash and cash equivalents	5,559	-	-	-	5,559
Statutory deposit	-	-	-	250	250
Investment in finance leases, working capital and factoring receivables	13,607	143,442	542,921	-	699,970
Advances and prepayments	-	4,843	-	-	4,843
Total assets	19,166	148,285	542,921	250	710,622
Equity and liabilities					
Total equity	-	-	-	106,239	106,239
Liabilities:					
Bank borrowings and fixed deposits	90,198	210,408	108,973	-	409,579
Creditors and accruals	5,224	4,665	-	-	9,889
Tax and other liabilities	-	2,799	617	863	4,279
Total equity and liabilities	95,422	217,872	109,590	107,102	529,986
Liquidity gap	(76,256)	(69,587)	433,331	(106,852)	
Cumulative liquidity gap	(76,256)	(145,843)	287,488	180,636	

The Company had unutilised credit facilities amounting to RO 60.74 million available as on 31 December 2024 (31 December 2023 – RO 52.04 million) to mitigate the impact of negative mismatch. The Company expects, given experience, local practice and discussions with lenders that short-term borrowing facilities will be extended, renewed or replaced on expiry and fixed deposits maturing within one year will be renewed if required as well as other measures to meet the gap in maturity. Accordingly, these financial statements been prepared on a going concern basis.

34 EFFECTIVE INTEREST RATE ANALYSIS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Interest rate sensitivity analysis

The Company's interest rate sensitivity position, based on the contractual reprising or maturity dates is set out below. The amounts show gross undiscounted cash flows.

34 Effective interest rate analysis of financial assets and financial liabilities (continued)

At 31 December 2024	Effective interest rate %	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Non-interest bearing RO '000	Total RO '000
Assets							
Cash and cash equivalents		-	-	-	-	7,577	7,577
Fair value of derivatives	5.00% - 5.48%	-	102	-	-	-	102
Statutory deposit	1.5%	-	-	-	250	-	250
Investment in finance leases, working capital and factoring receivables	6%-17%	16,062	168,626	653,863	-	-	838,551
Total assets		16,062	168,728	653,863	250	7,577	846,480
Liabilities							
Bank borrowings and fixed deposits	5.75%-6.95%	136,547	212,247	123,182	-	-	471,976
Total liabilities		136,547	212,247	123,182	-	-	471,976
On-balance sheet position gap		(120,485)	(43,519)	530,681	250	7,577	374,504
Off-balance sheet position gap		-	6,473	(6,473)	-	-	-
Total sensitivity gap		(120,485)	(37,046)	524,208	250	7,577	374,504
Cumulative interest rate sensitivity gap		(120,485)	(157,531)	366,677	366,927	374,504	

31 December 2023	Effective interest rate %	Up to 1 month RO '000	> 1 month to 1 year RO '000	> 1 year RO '000	Non-fixed maturity RO '000	Non-interest bearing RO '000	Total RO '000
Assets							
Cash and cash equivalents	4.60%	-	-	-	-	5,559	5,559
Fair value of derivatives	5.48%	-	502	124	-	-	626
Statutory deposit	1.5%	-	-	-	250	-	250
Investment in finance leases, working capital and factoring receivables	6%-17%	13,607	143,442	542,921	-	-	699,970
Total assets		13,607	143,944	543,045	250	5,559	706,405
Liabilities	4.60%						
Bank borrowings and fixed deposits	-7.20%	90,198	210,408	108,973	-	-	409,579
Total liabilities		90,198	210,408	108,973	-	-	409,579
On-balance sheet position gap		(76,591)	(66,464)	434,072	250	5,559	296,826
Off-balance sheet position gap		-	6,472	(6,472)	-	-	-
Total sensitivity gap		(76,591)	(59,992)	427,600	250	5,559	296,826
Cumulative interest rate sensitivity gap		(76,591)	(136,583)	291,017	291,267	296,826	