ANNUAL REPORT 2021

PATHWAYS of PROGRESS

Al Omaniya Financial Services (SAOG)

Values stronger than money

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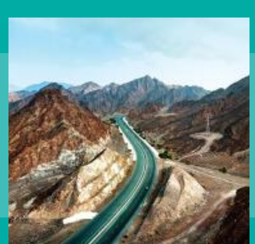


Located on the northeastern part of Oman and the eastern side of the UAE, the Hajar Mountain range on the Arabian Peninsula provides exhilarating views while driving. It spans 700 km across the two countries and is the highest mountain range in the region. In this aerial view, the specially engineered road, looks stunning.

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

CONTENTS

PATHWAYS OF PROGRESS & PARTNERSHIP

On the expressways of growth, partnership and development, nations prosper and pave the way for economic successes. Connecting, reaching and bringing significant social harmony. Roads keep the infrastructure well-oiled, by linking producers to markets, workers to jobs, students to schools, and the sick to hospitals, roads play a vital role across all development programme.

In mid 1970, when HM Sultan Qaboos bin Said ascended the throne, implementing a policy of modernization, the country lacked basic infrastructure, ranging from modern road networks to ports, airports, schools, and electricity. Thanks to the blessed renaissance that included several five-year development plans, the late Sultan ensured that all the governorates in Oman from north to south and east to west, were road linked, boosting the development process.

With an area of 309,500 square km, the Sultanate has invested its rich oil money over the years to develop a nationwide network of dual-carriage highways connecting cities, building bridges, highways and improving road links with neighbouring United Arab Emirates (UAE) and Saudi Arabia.

Ranked in the league amongst top ten countries with the best road networks is indeed a remarkable journey since the only 10 km of paved roads in the '70s. On the prudent guidance of a visionary leader, across challenging terrains, connecting Oman with world-class road networks and bringing the Sultanate to the forefront of economic development.

An extensive network of over 60,000 km including 30,000 km of paved roads and with more than 2,000 km of world-class expressways have been built, significantly easing travel in the interior regions of the Sultanate – connecting every town in the country to the network of paved roads. Essentially addressing the growing traffic needs in driving and elevating Oman elevate the driving experience and ensure safety.

The Sultanate is a high average income country falling under the League of Nations with extraordinary levels of human development indexes (HDI), according to a World Bank report. The country boasts of three major expressways – Muscat Expressway, Batinah Expressway, and Sharqiyah Expressway, in addition to several world-class road networks of Qantab and Yeti roads, Al Batinah Coastal Road, Wadi Adei-Amerat Road, Bausher-Amerat Road, Rub al Khali Road, Muscat- Sur Road, and Adam-Thumrait Road.

Truly, an engineering marvel and as one of Oman's largest road projects, the 8-lane Batinah Expressway links Muscat Expressway with the UAE border. The 270 km roadways today connect three governorates, starting at the Muscat Expressway in Halban and ahead from Khatmat Milaha in Shinas Wilayat in the Governorate of North Al Batinah.

Known as Sultan Qaboos Street, the Al Batinah Coastal Road leads inland to Wadi Hatta and Fujairah. The strategic 3-lane 250 km Sharqiyah Expressway, with a design speed of 120 km per hour passes through the governorates of North and South Al Sharqiyah, is one of the major roads linking the capital, include bridges across Wadis and boasts of a first-of-its-kind tunnel extending across 2.1 km. The first tunnel near Nidab village in Samayil is 650 meters long, with the second tunnel located in the mountain range of Wadi Alaq is 1,450 meters long.

Facilitating trade and businesses in Arab's largest economic zone, the 725-km long Rub al Khali Road connects border posts of Oman and Saudi Arabia. 161 km stretch lies in Oman, while a 564 km section is in Saudi Arabia running through the world's largest sand desert, the Empty Quarter, reducing the journey time between the countries by 16 hours saving over 800 km of travel.

Serving as the super highway of progress and of strategic importance, contributes to the integration of trade and commerce, eventually helping the economies of the two neighbouring Gulf States. The newly opened corridors will encourage Saudi investors for setting up new projects in Ibri Industrial Estate, with several offers and incentives to include rental exemptions for two years, lower rents for three years, and speedy issuance of permits. And with the new pipeline across the border to Duqm port, an emerging trans-shipment hub, for oil exports to Asia and Africa, the pathway is today a leading instance towards growth and prosperity.

On the picturesque landscape of Oman, paving the roads leading to progress and prosperity, on world-class road network infrastructure, Al Omaniya Financial Services SAOG moves on.

As an integral part of road network development process and with its wide-ranging support and across enterprises, the non-banking financial company (NBFC) has achieved excellent capital adequacy ratio, comfortable net worth, boasting of its leading position in non-performing loan coverage in the industry. Cautious and with an optimistic business approach today, boasts of sustainable dividend policy, better goodwill, value-driven management, dedicated employees, and loyal customers, makes the perfect synthesis of ingredients to sustainable and enduring growth and making the foundation, even stronger.

Celebrating our glorious 25th Anniversary, we continue on the path ahead, celebrating life in all its ever-amazing expressions.

The picturesque 35-km coastal road between Khasab and the UAE border at Tibat provides breathtaking sea views. The imposing Hajar mountains fall into the blue waters of the sea creating fjords (khors), the main attraction of Musandam. Known as the Norway of Arabia, the picture postcard setting is truly unique and looks fascinating in this aerial view.

The evening light trail from Bidbid Hill Road to Muscat, is a delight to the eyes. The interchanges, underpasses and overpasses on this road, make the driving experience truly unique. Beginning at the Rusayl-Nizwa intersection, along the Muscat Expressway, the 27-km road ends at the intersection of the Al Sharqiyah Expressway, in the wilayat of Bidbid. This road cuts down on travel time and makes travelling to the interior of Oman easy. Further expansion work, is underway.

PHILOSOPHY

Our guiding philosophy is a system of fundamental beliefs and principles of our business. Our statement of the corporate philosophy attempts to capture the essence.

We believe

We believe the purpose of our business is to create superior value for all our Stakeholders with Increased profitability that reflects the positive aspects of effective corporate governance and evolve a culture that brings out the best in our employees, through empowerment and self-realization.

What we want to be

Al Omaniya Financial services' mission is to be the best financial services company through ethics and excellence today and tomorrow.

What we want to do

It is the sum of our decision about what we will do to achieve our mission in the environment we operate. Our strategy is to position the company as a specialized financial services company, which will serve select markets and optimize the productivity of our capital base.

The principal components of our strategy are...

Specialized financial services company

The provision of financial services to consumers and corporate customers is the principal set of skills, which combine our activities. The core competency of our people is to put to test into areas where our skills are compatible with the requirements for success.

Which will serve select markets

The ability to identify potential markets where a sustainable advantage can be created is another concept in our strategy. When selecting markets, we choose the ones where we believe we have or can establish sustainable competitive advantages based upon a dedication to customer service, responsive decision-making and product innovation.

Optimize the productivity of our capital base

Balancing growth between business as that requires us to carry assets and business that produce additional revenues and profits without adding to asset size. This produces a large stream of revenue and profits from a given capital base than a strategy focused principally on asset growth.

The environment in which we operate changes constantly. Customer needs and expectations evolve in new directions. We review our strategies and remain flexible to prosper and grow in the years to come.

The amazing, long-winding mountainous Muscat-Al Amerat Road provides spectacular, well-lit evening views and easy connectivity, especially to the coastal city of Sur, Bimmah Sinkhole and Wadi Shab. Passing through Baushar, the Route 17 Road has beautiful viewpoints, where one can click pictures, and go on hiking trails. Travelling on this road is an out-of-this-world experience.

CHAIRMAN'S REPORT 2021

Khalid Said Al Wahaibi
Chairman

The Company is resilient and cautiously optimistic of posting satisfactory performance in 2021. The company is well aware of the current economic scenario and has initiated proactive mitigating measures. The company is fundamentally strong with solid net worth, clean loan book, lowest non-performing loans and high non performing asset coverage. As such the Company has the ability to operate competitively and post satisfactory performance in the coming years.

On behalf of the Board of Directors, it is my pleasure to present our 24th Annual Report, for the year ended 31st December 2021.

Economy

As we usher in the year 2022 amidst a rebound in oil prices with 84% of the targeted population having completed their vaccination doses and a launch of the booster program, Oman is set to look forward to achieving the objectives of the Tenth Five-Year Development Plan (2021-2025). Oman is projecting a fiscal deficit of OMR 1.5 billion in 2022 budget, down 32% year-on-year, as growth in state spending is outpaced by a stronger growth in revenues. The uptick in expected oil and gas revenues comes as a result of both higher oil prices and higher oil production in line with the ongoing Opec+ deal. The IMF has projected a medium term global economic growth of 3.3% and forecasted Oman's GDP to grow around 2.5% in 2021 and about 3% average growth over medium term. The country's outlook has been improved by the three rating agencies. The country is well poised to achieve fiscal sustainability and reduce the ratio of public debt to GDP.

Financial Highlights

In the year 2021, the company has achieved net operating income of RO 10.98 million as compared to RO 10.16 million in the previous year. The profit before ECL provision for the year 2021 is RO 6.514 million as compared to RO 6.115 million. The company achieved a Net Profit after tax of RO 2.563 million compared to RO 1.449 million for the same period last year. The company's net installment finance receivables stood at RO 105.6 million as of 31 December 2021.

The company has made a charge of RO 3.498 million towards estimated credit loss for the year 2021. The non-performing assets coverage including the specific reserve for non-performing assets stands at 373.8%. The company continues to maintain its No 1 position for the NPL coverage in the industry.

The company has followed a conservative and pragmatic policy in writing new businesses with focus on maintaining the asset quality and keeping the non-performing loans under control. We believe that this approach is prudent and will allow the company to dynamically build asset size when market emerges into its growth mode.

Proposed Dividend

It is the intention of your company to continue the sustainable dividend policy that the company has been following since inception. Your directors have proposed a dividend of 12% for the year 2021, after considering the CBO guidelines, comprising 7% cash and 5% unsecured non-convertible bonus stock bonds with a face value of RO 0.100 (subject to the approval at the AGM) redeemable after 60 months, thus maintaining its track record of paying consistent dividends without interruption since inception. This takes the cumulative dividend paid to shareholders to 466.33% since inception. The unsecured non-convertible redeemable bonus stock bonds will be issued from Company's Retained Earnings account.

Capital Enhancement

The company's equity capital stands at RO 29,193,517/- which is well above the regulatory requirement. The company is well capitalised, and the capital adequacy stands at a healthy 35.77%. One of the existing convertible bonus stock bonds will be converted to Equity Shares in 2022 resulting in further Capital enhancement.

Concerns

The Major concern is the current COVID 19 pandemic, which has completely devastated the world. Oman's Covid-19 situation continue to worsen since the emergence of the new Omicron variant towards the end of the year. As per directives of the Supreme Committee to combat COVID and as per directives of the CBO, the company has processed requests from the COVID affected borrowers to delay the installments which had an impact on the cash flows of the company. The reduced cash flow at the individual and corporate borrower's level could also impact delinquencies and result in dilution of the NPA coverage. The company has a strong liquidity buffer in the form of liquid deposits with local commercial banks and the company is confident of sailing through this crisis.

Corporate Social Responsibility

The Company continues to contribute for social causes as part of its Corporate Social Responsibilities. In line with the corporate objectives during the current year under CSR, the company has contributed towards National Day Celebrations, Sponsorship to cultural & sports events.

Prognosis

We continue to foresee a challenging year ahead. The company is resilient and cautiously optimistic of posting satisfactory performance in 2021. The company is well aware of the current economic scenario and has initiated proactive mitigating measures. The company is fundamentally strong with solid net worth, clean loan book, lowest Non-Performing Loans, high NPA coverage and is in a formidable position to leap as the opportunities unfold.

We assure the shareholders that, as outlined in the Report on Corporate Governance and the Management Discussion and Analysis Report by the Chief Executive Officer, the company has adequate internal control systems and processes and has good governance systems in all the areas of management and has the ability to continue as a going concern and has the ability to operate competitively to post satisfactory performance in the coming years. The Board also understands its responsibility for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law 1974 and the Capital Market Authority of the Sultanate of Oman.

Board of Directors' Appraisal

As per the regulatory requirement, the company has conducted the Board of Directors' appraisal for the year 2018, to cover the remaining tenure of the Board, through an independent consultant M/s. Crowe Mak Ghazali LLC and the report is satisfactory. Since there is a change in the directorship in the year 2021, we have obtained quotations for conducting the Board appraisal and this will be placed for approval at the AGM.

Acknowledgement

On behalf of the company and the Board of Directors, I would like to express my deep gratitude and appreciation to His Majesty Sultan Haitham bin Tarik to continue to lead the Sultanate on the path of development and prosperity.

We are also grateful to the Central Bank of Oman, Capital Market Authority and other regulatory authorities for their guidance and support. We also thank our shareholders, bankers, dealers and customers for their continued trust, confidence and support. Last, but not the least, we acknowledge the dedication and commitment of the management and staff of the company.

Khalid Said Al Wahaibi
Chairman

Set in picturesque settings, stretching along the port, past traditional fishing dhows, the beautiful Muttrah Corniche Road in Muscat is laced with pristine gardens. The 3-km long waterfront road leads to the tourist spots of Muttrah Souq, Muttrah Fort and Al Alam Palace. Flanked on one side is the harbour and the Al Hajar mountains, on the other side.

BOARD OF DIRECTORS

Khalid Said Salim Al Wahaibi
Chairman of Board

Sheikh Khalid Mustahil Ahmed Al Mashani
Deputy Chairman, Chairman of Executive Nomination & Remuneration Committee

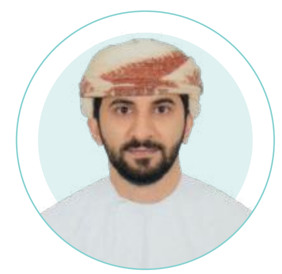
Zaki Hassan Ihsan Al Naseeb
Director & Chairman of Audit Committee

K.K. Abdul Razak
Director

Ibrahim Said Salim Al Wahaibi
Director

Sheikh Tariq Salim Mustahil Al Mashani
Director

Shikar Bipin Dharamsey Nensey
Director



Imad Salim Nasser Al Salmi
Director

Ketan Dinkarrai Vasa
Director

REPORT ON CORPORATE GOVERNANCE

FOR THE YEAR ENDED 31 DECEMBER 2021

Crowe

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Sultanate of Oman
T +968 2403 6300
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www.crowe.om
CR. No. 1/48862/7

REPORT OF FACTUAL FINDINGS TO THE SHAREHOLDERS OF AL OMANIYA FINANCIAL SERVICES SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying corporate governance report of Al Omaniya Financial Services SAOG ("the Company") as at and for the year ended 31 December 2021 and its application of corporate governance practices in accordance with amendments to CMA Code of Corporate Governance ('the Code') issued under circular No. E/10/2016 dated 01 December 2016. Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report ('the report') issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2021. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the accompanying Corporate Governance Report.

Had we performed additional procedures or had we performed an audit or a review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance Report included in the Company's annual report for the year ended 31 December 2021 and does not extend to any financial statements of Al Omaniya Financial Services SAOG, taken as a whole.

CROWE MAK GHAZALI LLC

DAVIS KALLUKARAN
MANAGING PARTNER

Muscat, Sultanate of Oman

13 March 2022

CROWE MAK GHAZALI llc
Chartered Accountants
Licence No: M H /1/95
P.O. Box: 971
Postal Code : 131
Sultanate of Oman

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2021

COMPANY PHILOSOPHY ON CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance framework introduced vide CBO circular No. BM/932 dated 4 February 2002, CMA regulations vide CMA circular No. E/4/2015 issued in July 2015 and updated in December 2016 and Decision no 27/2021 effective from 01st March 2021. Good corporate governance is about commitment to ethical business standards, culture and ensuring that adequate standards exist to promote such behaviour through out the organisation by a pro-active governance culture that has consistently adopted industry leading standards.

Al Omaniya Financial Services SAOG Board upholds the highest ethical, moral, and legal standards and emphasis quality, transparency, integrity, and honesty in all its dealing with strategic and business partners which are critical to our ongoing success and enhancement of all stakeholders' value on a long term.

BOARD OF DIRECTORS

Al Omaniya Financial Services SAOG Board has an active, well-informed, and independent Board consisting of nine non-executive and are all independent directors. The members were elected to the Board at the Annual General Meeting held on 21 March 2021, for a term of 3 years ending March 2024. The Board members are qualified and experienced professionals and businessmen, who provide effective guidance, motivation, and broad-based framework, which enable the organisation to perform at high standards.

The main responsibilities of the Board are to oversee the corporate strategies, review performance, ensure regulatory compliance and safeguard the interest of the shareholders.

BRIEF PROFILE OF THE BOARD OF DIRECTORS

Mr. Khalid Said Al Wahaibi, Chairman has a Degree in Business Administration, International Business and majored in Arts & Political Science from Pacific Lutheran University, Tacoma, Washington, USA. He has an experience of more than 26 years in several senior management positions in a large conglomerate business group. He is also on the board of National Gas Company SAOG and Bank Dhofar SAOG.

Sheikh Khalid Mustahil Ahmed Al-Mashani, Deputy Chairman is a Graduate in Economics and master's in international Boundaries. He is also on the board of joint stock companies including the Chairman of Bank Muscat SAOG and Dhofar International Development & Investment Co. SAOG.

Mr. K.K. Abdul Razak, Director has master's degree in economics and has an experience of more than five decades in senior management position. He is Group Chief Financial Officer of Muscat (Overseas) Group.

Mr. Ibrahim Said Salim Al Wahaibi, Director has a bachelor's degree in Business Administration from the University of San Diego, California, USA. He has experience of more than 24 years in various senior positions in a large business conglomerate.

Mr. Zaki Hassan Al Naseeb, Director is a graduate of business administration from the United Kingdom. He has 28 years of experience in finance and Project Management. He also holds directorship in Joint Stock companies including Computer Stationary Industry SAOG, Oman Education & Training Investment SAOG and Global Financial Investments Holding SAOG. He is also a Board member of Gulf Plastic Industries Co SAOC

Mr. Shikar Bipin Dharamsey Nensey, Director holds Bachelor of Science in Finance & Economics, Babson College (School of Business) and MBA from Indian Institute of Management, Calcutta, India.

Mr. Ketan Dinkarrai Vasa, Director is a Chartered Accountant as well as CFA Charter Holder. He has more than 23 years of experience in the field of Investments and Finance. Currently, he is working as Senior Analyst at Civil Service Employees Pension Fund, in its Monitoring and Reporting Section.

Sheikh Tariq Salim Mustahil Al Mashani, Director is a businessman having family business. He is the member of Al Tamman Trading Establishment. He is also the Chairman of Muscat International Bitumen LLC. He is a director of Bank Dhofar SAOG and Dhofar University.

Imad Salim Nasser Al Salmi, Director holds a bachelor's degree in Economics from Sultan Qaboos University. Chartered Alternative Investment analyst (CAIA) from CAIA Association, USA. He is a senior investment Analyst-private equity with MOD Pension Fund Since 2016. He is experienced in customized portfolio solutions and buyout strategies. He is a board member in two companies in the Hospitality and Hotel Management.

BRIEF PROFILE OF TOP MANAGEMENT WITH EXECUTIVE POWERS

Mr. Aftab Patel, Chief Executive Officer, is a Commerce Graduate and a Chartered Accountant with an experience of over 5 decades in several areas of banking, financial services, investments and general management. He was associated with reputable organization like A. F. Ferguson & Co. and 'Associated Cement Co.' in India. In Oman he was involved with a major corporate group. He also holds directorship in a joint stock company.

Mr. Salim Al Awadi, Deputy Chief Executive Officer, is a management accountant, holds a degree in Business Administration and Post Graduate Diploma in Accountancy and MBA from University of Lincoln, with a rich experience of over 32 years in banking, oil and gas. He is also on the board of various companies.

Mrs. Latha Ramakrishan, General Manager – Risk Management is an Economic Graduate and a Cost Accountant and has been working with the Company for the last 25 years. She has worked in various capacities including Chief Accountant, Finance Manager and also coordinated in the Company's new IT system.

Mr. Braik Musallam Mohammed Al Amri, General Manager – Products & Services is a post graduate diploma holder from University of Kent, UK and MBA from the University of Northampton, UK and has been with the Company since November 2007. He has 25 years of experience in senior position. He is also on the board of various companies.

Details of the Board members, whom they are representing and details of their directorship in other SAOG companies excluding Al Omaniya Financial Services are set out in Table I

TABLE I	Attendance at the last AGM	No. of meetings attended			Number of directorship in other public companies
		Board	Executive, Nomination& Remuneration Committee	Audit Committee	
Mr. Khalid Said Al Wahaibi, Chairman, Independent Member	Yes	5	-	4	2
Sheikh Khalid Mustahil Al Mashani, Deputy Chairman, Independent Member	Yes	5	4	-	3
Mr. Ibrahim Said Al Wahaibi, Director representing himself	Yes	5	4	-	-
Mr. Zaki Hassan Al Naseeb representing himself	Yes	5	-	4	3
Mr. K. K. Abdul Razak, Director representing himself	Yes	5	-	4	-
Brig. Gen. Saif Salim Saif Al Harthi, Director representing MOD Pension Fund (Completion of Board Tenure)	No	1	-	1	-
Sheikh Tariq Salim Mustahil Al Mashani, Independent Member	Yes	5	4	-	1
Mr. Imad Salim Nasser Al Salmi, Independent Member (Joined the Directorship from 21st March 2021)	No	4	-	3	-
Mr. Shikar Bipin Dharamsey Nensey representing himself	Yes	5	4	-	1
Mr. Ketan Dinkarrai Vasa Independent Member.	Yes	5	4	-	-

BOARD MEETINGS

The meetings are generally scheduled in advance and the notice of each Board meeting is given in writing to each director. The Board meets at least 4 times in a year with a maximum gap of 4 months between the meetings. The Board Secretary in consultation with the Chairman prepares the detailed agenda for the meeting. The Board papers and other explanatory notes are circulated well in advance. The Board has complete access to all information of the Company.

During the year under review, the Board met five times. The meetings were held on 10th February 21st March, 06th May, 02nd August and 31st October 2021.

The attendance of each director at the last AGM and Board meetings is set out in Table - I.

BOARD COMMITTEES

EXECUTIVE, NOMINATION & REMUNERATION COMMITTEE

The Executive, Nomination and Remuneration Committee consists of five Directors, who are appointed by the Board. It is chaired by an independent director, who is nominated by the Board.

The purpose of the committee is to review the overall operations of the Company and initiate actions, as required, to ensure smooth operation of the business functions, to assist the board in decision making in the matters concerning the operations of the Company which are beyond the authority of the Management. The committee also assist the general meeting in the nomination of proficient directors, assist the Board in selecting the appropriate and necessary executives for the executive management and also fixing the appropriate remuneration and incentives to retain and attract the competent human resources for the Company.

The committee shall meet at least twice in a year. The meetings may be called on the request of the Management or by the Executive, Nomination and Remuneration Committee.

The minimum quorum is 3 members and the committee functions within defined terms of reference and the minutes of the committee meetings are circulated and discussed with the Board.

The Committee Chairman was Sheikh Khalid Mustahil Al Mashani and other members are Mr. Ibrahim Al Wahaibi, Sheikh Tariq Salim Al Mashani, Mr. Shikhar Bipin Dharamsey Nensey and Mr. Ketan Dinkarrai Vasa.

The Committee met four times during the year 2021 on 10th February, 06th May, 02nd August and 31st October 2021.

The number of meetings attended by the members are set out in Table - 1.

AUDIT COMMITTEE

The Audit Committee consists of four non-executive directors and the majority members are independent directors, who are appointed by the Board.

The Audit Committee is constituted in accordance with the provisions of the Corporate Governance requirement.

The Committee Chairman was Mr. Zaki Hassan Al Naseeb and other members are Mr. Khalid Said Al Wahaibi, Mr. K. K. Abdul Razak and Mr. Imad Salim Nasser Al Salmi.

All the members of the Audit Committee are qualified and experienced in the fields of finance and accounts. The quorum for the Audit Committee is two members. The Committee meets at least 4 times in a year. The working plan of the committee is approved by the Board. The terms of reference of the Audit Committee are as per Annexure 3 of the code of Corporate Governance.

The Audit Committee met four times during the year 2020 on 10th February 25th April, 28th July and 27th October 2021 and the number of meetings attended by the members are set out in Table - 1.

INTERNAL CONTROL

The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company.

The scope of internal audit is to obtain sufficient knowledge of specific business, risks and control status within the Company, obtain sufficient data to support the risk assessment of the Company, review of the economy, efficiency and effectiveness of operations and of the internal controls and to identify and test the key internal controls.

The Company has an independent internal audit function reporting to the Audit Committee. Mr. Jayanta Kumar Mitra, Head of Internal Audit is a qualified chartered accountant with over 20 years of experience.

The Audit Committee has met the internal auditors during the year to review the internal audit reports, recommendations, and management comments thereupon. They have also met the external auditors to review audit findings and management letter. The Audit Committee has also met the compliance officer, internal and external auditors in absence of management as required under the code of Corporate Governance. The Audit Committee has further briefed the Board on a quarterly basis at the board meeting about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that an adequate and effective internal control system is in place and that there are no significant concerns.

PROCESS OF NOMINATION OF DIRECTORS

The formation of the Board of Directors is subject to the provision of the Commercial Companies Law and as per CMA directives.

REMUNERATION MATTERS

During the year 2021, the Directors were paid sitting fees for the Board meetings, Executive, Nomination and Remuneration Committee meetings and Audit Committee meetings, fees paid to each director is as follows:

Director	Sitting Fees in RO
Mr. Khalid Said Salim Al Wahaibi	9,200
Sheikh Khalid Mustahil Al Mashani	9,200
Mr. Ibrahim Said Salim Al Wahaibi	9,200
Mr. K.K. Abdul Razak	9,200
Brig. Gen. Saif Salim Saif Al-Harthi (Completion of Board Tenure)	2,000
Sheikh Tariq Salim Al Mashani	9,200
Mr. Zaki Hassan Ihsan Naseeb	9,200
Mr. Shikar Bipin Dharamsey Nensey	9,200
Mr. Ketan Dinkarrai Vasa	9,200
Mr. Imad Salim Nasser Al Salmi (Joined Directorship on 21st March 2021)	7,200

The Board has proposed RO 300,000/- as Directors' Remuneration subject to the approval of the Shareholders at the AGM.

The gross remuneration paid to the top 5 officers of the Company including variable components, traveling expenses outside Sultanate of Oman and cost of local transport during the year 2021 was RO 1,622,559/-.

The Company has a Board approved performance appraisal mechanism which is being done annually. The year-end performance benefits are distributed based on the performance appraisal of the staff members.

The severance notice period for these officer's ranges from one to three months with end of service benefits payable as per Omani Labour Law.

DETAILS OF NON-COMPLIANCE BY THE COMPANY

The company has complied with all the regulatory requirements during the year 2021.

MEANS OF COMMUNICATIONS WITH THE SHAREHOLDERS

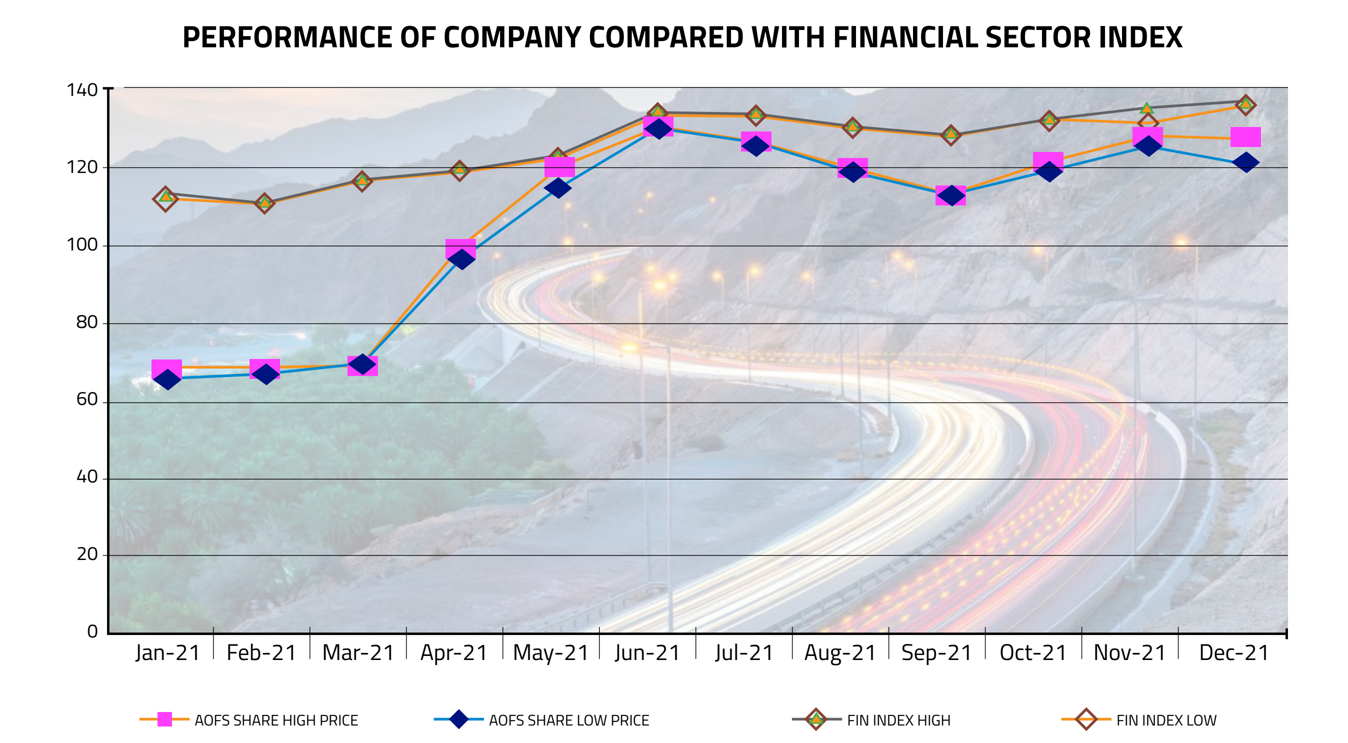
Al Omaniya Financial Services SAOG has 415 shareholders; most of the major shareholders are institutional investors. The main channel of communication is through the annual report, which is mailed to them well before the AGM. The quarterly and annual results of the Company are published in both the Arabic and English newspapers. Quarterly results are mailed to the shareholders based on their request.

The AGM is the principle forum for face-to-face communication with the shareholders and the Company. The Board acknowledges its responsibilities towards the shareholders and encourages open dialogue with them, whenever approached. The Company has its website www.aofsoman.com. As part of the regulatory requirement the Company also publishes the quarterly results and the news items in the MSM website

Management Discussion and Analysis is given as part of annual report, which assures the fair presentation of the financial statements.

MARKET DATA

a) The monthly high/low price of Company's share during the year 2021 and performance in comparison to MSM financial sector index is given in the graph below:



PERFORMANCE OF COMPANY COMPARED WITH FINANCIAL SECTOR INDEX

b) The distribution of Shareholding as of 31 December 2021 is as under:

S. No.	SHARHOLDER NAME	NO. OF SHARES	%
1	MUSCAT OVERSEAS	52,871,825	18.11
2	CIVIL SERVICE EMPLOYEES PENSION FUND	32,820,949	11.24
3	HINA BIPIN DHARAMSEY	28,959,935	9.92
4	SH. SALIM MUSTAHIL AL MASHANI	26,345,748	9.02
5	ASSARAIN ENTEPRISE LLC	21,715,335	7.44
6	MINISTRY OF DEFENSE PENSION FUND	14,736,371	5.05
7	HASSAN IHSAN NASEEB	12,300,000	4.21
8	BANK MUSCAT	11,699,341	4.01
9	PUBLIC AUTHORITY FOR SOCIAL INSURANCE	7,813,345	2.68
391	OTHER SHAREHOLDERS	82,672,322	28.32
415	**TOTAL SHARES**	**291,935,171**	**100.00**

OUTSTANDING COMPULSORILY CONVERTIBLE BONDS

The Outstanding Compulsorily Convertible Bonds, which would impact the equity on its conversion and the terms of conversion of such bonds are explained in detail in the Notes to the audited financial statements.

PROFESSIONAL PROFILE OF THE STATUTORY AUDITOR

Crowe Oman is one of the leading accounting and advisory firms in Oman. Crowe Oman is a member firm of Crowe Global, which has a history of 100+ years. Crowe Global is one of the top 10 accounting networks worldwide, operating with more than 200 member firms in 146 countries, with 794 offices and employing more than 38,154 partners and staff. Crowe practitioners help multinational organizations reduce uncertainty in measuring and reporting the implications of transactions in and across diverse jurisdictions. Crowe provides audit & assurance, tax advisory, risk advisory, business advisory, management consultancy and forensic services to numerous SAOG, SAOC and other prestigious privately owned companies/groups in the Sultanate of Oman. Their clients can rely on extensive knowledge in specialized areas and personal delivery from the professionals they work with. Please see www.crowe.com/om to learn more. Crowe Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's). As per 12th Principle (para 2) of the Code of Corporate Governance and is eligible for reappointment as per MSM & CMA Regulation.

During the year 2021, Crowe Mak Ghazali LLC billed an amount of RO 15,750 towards audit and fee for verification of XBRL reports rendered to the Company.

The Company has prepared the financial statements in accordance with the applicable standards and rules and it has also complied with the provisions of the Corporate Governance and has reported it as per reporting requirements of Capital Market Authority. The Board hereby acknowledges that there are no material things that affect the continuation of the Company and its ability to continue its operations during the next financial year.

KHALID SAID AL WAHAIBI
Chairman

AFTAB PATEL
Chief Executive Officer

MANAGEMENT TEAM

AFTAB PATEL
Chief Executive Officer

Salim Abdullah Al Awadi
Deputy Chief Executive Officer

Braik Musallam Al Amri
GM - Products & Services

Latha Ramakrishnan
GM - Risk Management

S. Chandrasekar
Chief Manager - Finance

Mohammad Ibrahim Abdulla
Chief Manager - IT

M.V.V. Ram Kumar
Chief Manager - Retail Credit

Viju Varghese
Head of Corporate Credit

Samia Al Hassani
Manager - HR

Aftab Patel
CEO, Al Omaniya Financial Services

From just 7-km of paved road in 1970, Oman has excellent connectivity with smooth roads and expressways. Adding to the beauty of Oman roads, car lights create colourful lines, at night. This is a spectacular view from a pedestrian bridge, on one of the main streets in Muscat that looks even more beautiful, after sunset. Mountainous roads in Oman, makes driving, a thrilling and adventurous experience.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Overview

Al Omaniya Financial Services (AOFS) has completed 25 years of successful operations as a Non-Banking Financial Institution, offering a comprehensive range of financial products. Over its tenure of more than two decades, the company has established a strong market presence with good systems and processes and has crossed many significant milestones.

The following discussion and analysis provide information that the management believes, is useful in understanding AOFS's operating results and financial position. The discussion is based on AOFS's continuing operations and should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this report.

Certain statements in the MD&AR describing the company's views, objectives, projections, estimates, expectations, etc. may be extrapolative within the ambit of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors like changes in government regulations, tax laws, interest rates in the domestic and international markets, demand and supply of capital goods, etc. may influence the company's operating results.

World Economic Outlook

As we usher into the year 2022, more than 62% of the world population stands vaccinated raising the hopes of a turnaround in the pandemic, though renewed waves and new variants of the virus pose concerns on the outlook. Extraordinary support from Governments and Central Banks helped to avoid the worst hit from the pandemic. A rapid increase in demand as economies reopen has pushed up prices in key commodities such as oil and metals as well as food, which has a stronger effect on inflation in emerging markets. The disruption to supply chains caused by the pandemic has added to cost pressures. The World Bank slashed its global growth forecast for 2022 and 2023, and cautioned that a rise in inflation, debt and income inequality could jeopardize the recovery in emerging and developing economies. The IMF projects that emerging markets are expected to witness inflation rates as high as 6.8% in 2021. However, this is expected to decline and average to 4% from 2022 onwards.

According to the World Bank, Global growth is expected to slow to 4.1% in 2022 and 3.2% in 2023 as more nations start unwinding the fiscal and monetary policy support provided to tackle the fallout from the pandemic The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support and exposure to cross-country spill overs.

Domestic Economy

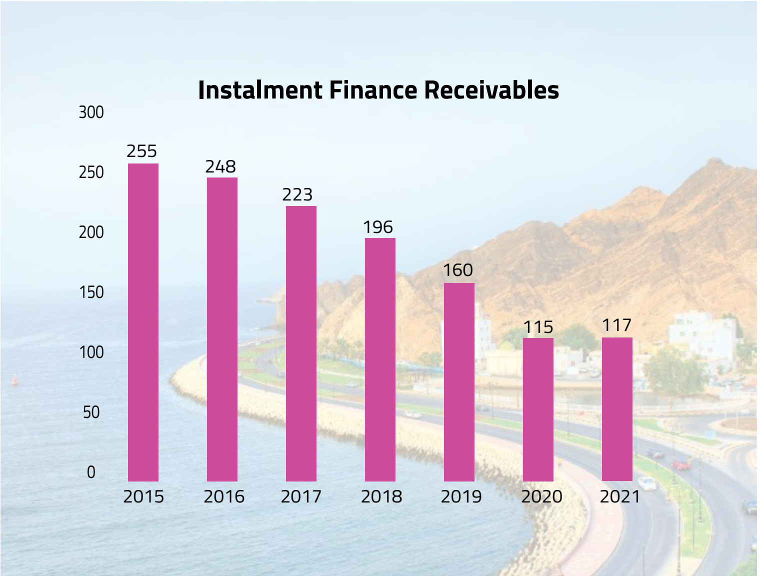
The pandemic has inflicted heavy job losses shrinking the economy. The sultanate has adopted various fiscal measures over the past year to support the economy, including interest-free emergency loans, tax and fee reductions and waivers, the flexibility to pay taxes in instalments and a Job Security Fund to support citizens who lost their jobs. Oil & Gas continue to be the major revenue source of Oman economy. S&P predicted an economic rebound from 2022, supported by higher oil and gas revenue and a rebound in non-oil sector growth contribution from the logistics, manufacturing, agriculture, fisheries, and tourism sectors. As of late November, 84% of the targeted population got two vaccination doses and a booster programme had begun.

Fitch Ratings has revised Oman's Outlook to Stable from Negative. The revision of the Outlook is on account of actual and expected improvements in key fiscal metrics including government debt/GDP and the budget deficit, driven by higher oil prices and fiscal reforms, and a lessening of external financing pressures. Fitch Ratings forecasts the budget deficit to narrow to 1.6% of GDP in 2022, given a strong year for oil and gas revenue, a full year of VAT revenue, lower oil and gas capex and some decline in subsidy costs.

The 2022 Oman budget reflects the objectives of the Tenth Five-Year Development Plan (2021-2025) paving the way to implement Oman Vision 2040. Oil & Gas revenues are budgeted at RO 7.2 billion, assuming a conservative oil price of US$ 50/bbl, which represent an increase of 34% compared to the 2021 budget of RO 5.4 billion. Non-hydrocarbon revenues are budgeted at RO 3.3 billion. Estimated total revenues under 2022 budget stood at RO 10.580bn and public spending is estimated at RO 12.13bn resulting in a budget deficit of RO 1.55 billion, which is the smallest since 2014. A major part of the deficit in 2022 will be financed from external and internal borrowing, while the rest of the deficit will be funded through withdrawal from the state's reserves.

Oman executed smoothly its funding plan for 2021 easing the external financing pressures to some extent. External maturities will peak in 2022 at USD 6.1 billion, including a USD 3.6 billion syndicated Chinese loan, before moderating to an average of USD 3 billion in 2023-2026. The Central Bank of Oman's gross foreign reserves have increased in 2021 supported by higher Oil & Gas revenue.

Amidst the tightening of liquidity in the market leading to increase in the cost of funding, the banking and NBFC sector continued to support the economy by providing relief to the affected borrowers in the form of deferment of loans besides extending additional credit to meet the financing needs of the economy. Additional stress on domestic banks could be triggered by the economic consequences of a more protracted recovery from the pandemic. This in turn could lead to a rise in bankruptcies and weaken the balance sheets of the banking and non-banking sectors.

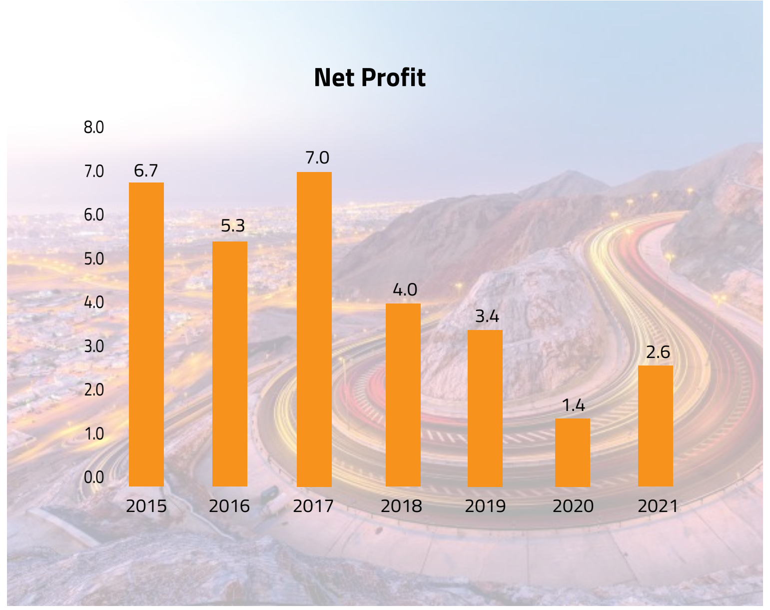


Opportunities and Threats

While the economy appears to have entered a subdued recovery, policymakers face formidable challenges -- in public health, debt management, budget policies, central banking and structural reforms -- as they try to ensure that this still-fragile global recovery gains traction and sets a foundation for robust growth. The economic disruption caused by the pandemic may instigate the economic slowdown and result in further downward revisions of growth forecasts, credit ratings and higher risks to asset quality.

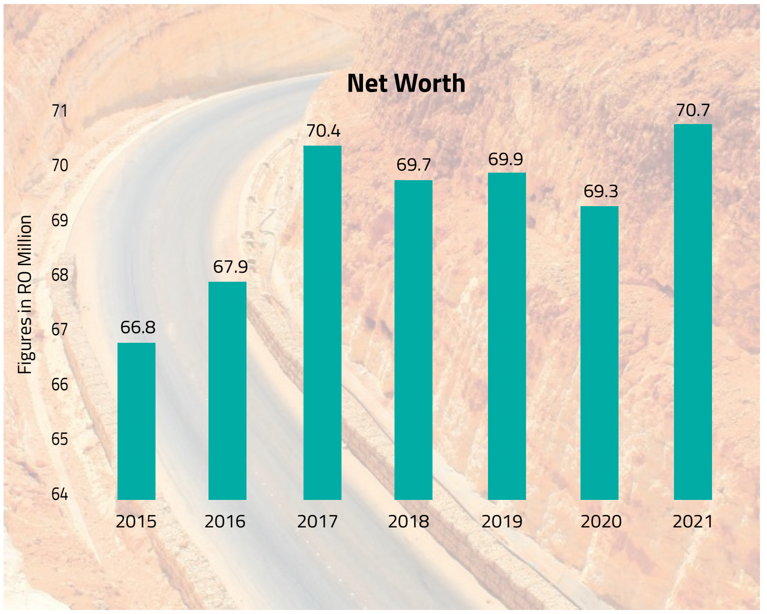
The company has focussed and succeeded in rationalising the costs and improved collection mechanisms leading to the achievement of lowest NPA ratio in the industry.

The company has over the years, planned the necessary human resources, enhanced the capital base and is continuously seeking to upgrade and develop IT system to address the need of the hour. The company has recently made new investment in Electronic Document Management System (EDMS) and Migrated the Technology for Application Server & ERP. Further continuous upgrade and development of IT system to address the need of new products and services like mobile app, web app etc. are on the pipeline.



The company follows a prudent and aggressive provisioning policy and this has given it an advantageous NPA coverage of 374% (including the specific reserve for non-performing assets) which will help the company to tide over any unforeseen losses. However, shrinking cash flows and tight liquidity could increase delinquencies which might warrant higher provisioning subject to behaviour of the debt.

The company is proactive, confident and properly geared up to meet the challenges and exploit the available opportunities for a profitable and sustained growth both in the short as well as long run without compromising on the asset quality.



Product Wise Performance

The company with its existing product lines of project funding through consortium financing, working capital funding, asset financing, bills discounting and debt factoring, including its 'Lifeline' and 'Lifestyle' segments has managed to retain quality assets.

The retail asset financing product under the brand name '**Lifeline'** offers a variety of specialised finance products for the self-employed, salaried individuals, transport operators, small and large businesses, etc. The '**Lifestyle**' loan segment (micro credit program) continues to do exceedingly where the company has a good network through its branches and employer tie-ups.

Our service has the unique attributes of speed, transparency, quick response, empathy, understanding customer concerns and ethical fair practices. We endeavour to build products and services around customer needs. Our deliverables of simple documentation, quick credit approvals, competitive interest rates and other value added services have created a large satisfied clientele for the company.

Business Continuity Plan

Based on the Board approved Business Continuity Plan (BCP), and based on Business Impact analysis, the company has tested the BCP successfully from its BCP site at Nizwa on the 16 December 2021.

The company has the necessary BCP set up at its alternate site at Nizwa and back up and disaster recovery operations for its IT Systems were tested and found robust. The company has the capacity to continue major operational activities in the unfortunate event of major disruptions with minimum down time.

Risks and Concerns

Managing risks means understanding the static and dynamic risks involved in our businesses and assessing the potential impacts and likelihood of each risk. The overall risk governance framework of the company includes strong corporate oversight, independent internal audit function and well laid down policies and processes.
The company is exposed to strategic risk, credit risk, liquidity risk and interest rate risk.

Strategic Risk

Strategic risk is the potential for loss arising from ineffective business strategies, the absence of integrated business strategies, the inability to implement integrated business strategies, and the inability to adapt the strategies to changes in the business environment.

The company's overall strategy is established and approved by the Board in consultation with the Management and the Senior Executive Team. The most significant strategic risks faced by the company are identified, assessed, managed and mitigated by Senior Management, with oversight by the Board.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The company attempts to control credit risk by setting limits for individual borrowers, monitoring credit exposures, limiting transactions with specific counter parties and assessing continually the creditworthiness of counter parties.

The default risk for the company is at an acceptable level. The company has substantially lowered its NPA percentage and has one of the lowest NPA levels in the industry.

Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its liabilities when they fall due. The business of lending has an inherent risk of liquidity arising from the mismatch of tenure of funds borrowed vis a vis lent, in addition to unforeseen adverse recovery patterns.

To limit the liquidity risk, the Management through their carefully drawn up strategies, has diversified sources of funds, avoids undue concentration on a single lender, periodically reviews cash flows and manages its collection in a systematic manner. Anticipating the stress in liquidity at the onset of the pandemic, the company has converted few short-term loans maturing towards end of 2019 to term loans and extended those term loans which were about to mature towards the end of 2021 and the beginning of 2022 up to 2023 at a very competitive rate lower than the existing rate. The company has also mobilised USD term loans from local banks (two loans at a fixed rate and one loan packaged with an IRS Swap deal) and has also mobilised USD term loans from offshore banks at a very competitive rate.

The company has been maintaining deposits for past several years. The funds are purely generated through the collection of receivables which could not be re-deployed. The deposits are placed with well-regulated and well-capitalized local commercial banks with an option to withdraw the deposit anytime by serving a short notice and with an option to avail loans against them and both options have been testified. Hence, these deposits are risk-free and demonstrate robust cash flows and liquidity strength. The deposits have not only acted as a great leverage in arresting any increase in interest cost but have also given better negotiation power with our lenders besides strengthening the financial sector as a whole.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period.
The company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

Internal Control and Adequacy

The company believes that Internal Control is a necessary concomitant of the principle of governance and has made conscious efforts to ensure quality in its deliverables and processes.

The company has Board committees and Management committees, which are charged with strategic decision making, efficient and effective operations of the company and ensuring that good corporate governance policies, conforming to regulatory requirements are in place.

The company has a well-defined organization structure, clearly defined authority levels well documented policies and guidelines approved by the Board and good in-house IT systems to ensure process efficiency.

The company has put in place a mechanism to minimize operational risk by way of effective Internal Controls, Systems Reviews and an on–going Internal Audit program. The company has an in-house Internal Audit department, and the internal auditor undertakes comprehensive audits and reports directly to the Audit Committee of the Board. The Audit Committee of the Board reviews the internal audit reports, the adequacy of the internal controls and reports on the same to the Board.

Financial Performance 2021

Operational Performance

The year 2021 was a challenging year for the world economy as a whole. The company managed to retain its position in terms of its asset quality. Considering the delinquency issues triggered initially by the fall in global oil prices and then by the pandemic, we take pride in the company achieving a leadership position in the industry in maintaining quality assets and lowest NPA's. This accomplishment has been achieved with careful planning and clear strategies, supported by sound vision and guidance by the Board.

The company has successfully overcome the liquidity stress by maintaining a prudent mix of short term vs long term borrowing and consistently maintaining a liquidity buffer.

The non-performing loans of the company are under control and the company's existing Estimated Credit Loss level of RO 11.85 Million (including ECL on Deposits) is more than the provisions requirement of Central Bank of Oman. The non-performing assets coverage including the specific reserve for non-performing assets stands at 373.8%.

The company maintained its Loan Book at the last year level of RO 105.6 million at the year end. The net operating income stood at RO 10.98 million as compared to RO 10.16 million in the previous year. The company was able to register a net profit of RO 2.56 million for the year 2021 producing earnings per share of RO 0.009.

For all the regulatory purposes, the company's net worth stands at RO 70.658 million, against the previous year figure of RO 69.262 million. The Book Value / Net Asset Value of the company's share stands at RO 0.223. The company has proposed a dividend of 12% for the year 2021, comprising 7% cash and 5% unsecured non-convertible redeemable bonus stock bonds, which is subject to approval at the AGM. This would take the total pay-out since inception to 466.33%.

Performance review						(in RO '000)
	Years					
Details	2016	2017	2018	2019	2020	2021
Total income	18,963	19,790	18,284	17,640	16,222	15,671
Interest expenses	(6,256)	(6,470)	(6,141)	(6,028)	(6,061)	(4,684)
Net Income	**12,707**	**13,320**	**12,143**	**11,612**	**10,161**	**10,987**
Operating expenses	(4,834)	(4,737)	(4,449)	(4,401)	(4,046)	(4,449)
Loss on Derivative	-	-	-	-	-	(24)
Estimated Credit Loss	(1,601)	(3,100)	(2,956)	(3,176)	(4,706)	(3,498)
Reversal of Taxed Provision for Impairment Instalment Receivables	-	2,939	-	-	-	-
Profit before taxation	**6,272**	**8,422**	**4,738**	**4,035**	**1,409**	**3,016**
Income Tax (Expense) / Credit	(961)	(1,000)	(245)	(605)	40	(452)
Income Tax Expense - Prior Yr	-	-	(466)	-	-	-
Deferred Tax Adjustment		441	-	-	-	-
Net profit	**5,311**	**6,981**	**4,027**	**3,430**	**1,449**	**2,564**
Gross HP assets	247,619	222,800	196,200	160,363	114,558	117,036
Net HP assets	**238,896**	**216,745**	**189,725**	**153,716**	**105,698**	**105,558**
Estimated Credit Loss	8,723	6,055	6,975	6,925	9,091	11,851
Total Assets	275,875	244,604	236,235	243,767	181,454	197,547
Net bank borrowings	153,370	136,713	107,295	71,227	28,667	21,915
Net worth	67,944	70,366	69,663	69,871	69,263	70,658
Earnings per share (stated in 100 Baisas per Share for comparative purpose)	0.020	0.026	0.014	0.012	0.005	0.009
Debt Equity ratio (net bank borrowing)	2.26	1.94	1.54	1.02	0.41	0.31
ECL on Instalment finance receivable as a percentage of assets	3.52%	2.72%	3.30%	4.14%	7.73%	9.81%
Dividend %	25%	20%	16.28%	11.05%	4.0%	*12.0%

* **Dividend for 2021 (7% cash and 5% Non-Convertible redeemable bonus stock bonds subject to approval at the AGM).**

Human Resources

Employees are a critical part of our competitive advantage. We have sound Human Resource policies, on and off the job training, counselling and a scientifically designed reward system, which helps us to create a dependable, highly skilled and motivated work force. During the year the company maintained its Omanisation percentage.

Our Customer

AOFS is committed to delivering superior value through a powerful, distinctive branding which ensures better customer retention, better value and increased business with each customer. Our huge client base stands testimony to this fact.

Capital Structure

The Company's objective of the capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the current year.

The Company's lead regulator Central Bank of Oman sets and monitors capital requirement as a whole. The Company's current paid up capital is RO 29.194 which is well above the regulatory requirement of RO 25 million.

Future Outlook

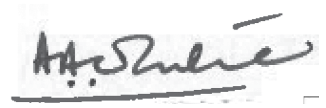
The company has reached its healthy position in the industry today after undergoing many business cycles under challenging economic circumstances. The company has also capitalized every single growth opportunity with its enviable strengths namely,

- Sound and innovative capital structure.
- Superior service to its loyal customers.
- Novel and valuable integrated business model.
- Lesser delinquency ratio due to very effective collection mechanism.
- Good provisioning for impairment.
- Timely product diversification.
- Consistent earnings.
- Highly automated IT real time systems and processes.

We remain focused on maintaining quality assets with the objective of consistent returns for all our stakeholders. Our priorities for the coming year are:

- Cautious lending policies in all existing product lines.
- Products structuring & better packaging to suit the market demand.
- To manage the liquidity and costs judiciously to ensure sustainable earnings and profitability.
- Continue our leadership excellence and continue training and retaining the highly skilled and diverse work force.
- Offer superior delivery mechanism and personalised customer service to build customer loyalty and superior brand positioning.

From inception till date the company has been delivering on its commitment of increasing shareholders' wealth. It's a relentless pursuit of excellence and a commitment to continual improvement. Our endeavor is to constantly seek out new processes, products and efficiencies aimed at making things better for our customers. Our success is attributable to the dedication of our employees and our continued focus on keeping commitments to our stakeholders. Management believes that though weakening economy has an impact on all businesses and industries, the company has an operational and capital structure that can put it into the pedestal of growth as and when the opportunity arise. The sound guidance and encouragement from our Board of Directors has played a significant role in maintaining the asset quality and enhancing our profitability. Success is not final and failure is not fatal – we are committed to continue our legacy of excellence aiming to make AOFS an admirable and illustrious financial service provider for today and the next generation.



AFTAB PATEL
Chief Executive Officer

Independent Auditor's Report to the Shareholders of Al Omaniya Financial Services SAOG

Crowe

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL OMANIYA FINANCIAL SERVICES SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Omaniya Financial Services SAOG ('the Company'), which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 'Auditor's 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' Code of Ethics for Professional Accountants (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.

Crowe

Key audit matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected credit loss allowance against investment in finance leases, working capital finance and other advances	
As at 31st December 2021, the gross investment in finance leases, working capital finance and other advances of the Company were OMR 117 million against which an expected credit loss ("ECL") allowance of OMR 11.4 million was maintained. We consider this as a key audit matter, as the determination of ECL involves significant management judgement and this has a material impact on the financial statement of the Company. Moreover, the ongoing COVID-19 pandemic has resulted in heightened uncertainty about the economic outlook, in particular and increased the level of judgement needed to determine the ECL. The key areas of judgement include: 1. Categorization of loans into stage 1, 2 and 3 based on the identification of exposures with a significant increase in credit risk ("SICR") since their origination; and individually impaired/defaulted exposures. 2. Additional judgements to identify and estimate the likelihood of borrowers that might have experienced SICR notwithstanding the various government support programs that resulted in deferrals to counterparties, as deferrals were not deemed to have triggered SICR by themselves.	Our procedures included, amongst others: • Gain an understanding of management's treatment of impairment of investment in finance leases, working capital finance and other advances including the Company's internal rating model, ECL impairment allowance policy and modelling methodology including the enhancements made in the light of the COVID-19 pandemic. • Compared the Company's ECL allowance policy and the ECL methodology with the requirements of IFRS 9. • Assessment of the design and implementation, and testing of the operating effectiveness of the key controls (including IT general and application controls) over: o the IT system and applications underpinning the ECL models; o the modelling process, including governance over the monitoring of the model, including approvals of the key assumptions and post model adjustments; o the classification of borrowers into various stages and timely identification of SICR and the determination of default/individually impaired exposures; and o the integrity of data inputs into the ECL model.

Crowe

Key audit matters (continued)

3. Assumptions used in the ECL model for determining probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD") including the incorporation of forward-looking assumptions, macro-economic factors and the associated scenarios and expected probabilities weightages. 4. The application of post model adjustments/ overlays using expert credit judgment to reflect all relevant risk factors that might not be captured by the ECL model. Refer to the summary of significant accounting policy note 2.5.15.1 for the impairment of financial assets; note 2.3.2 which contains the disclosures of critical accounting judgements, estimates and assumptions relating to impairment losses relating to financial assets and the impairment assessment methodology used by the Company; note 8 which contains the disclosure of impairment against investment in finance leases, working capital finance and other advances; and note 29(a) for details of credit quality analysis and key assumptions and factors considered in determination of ECL.	• For a sample of customers, we assessed: o the internal rating determined by the management based on the Company's internal rating model and confirmed that these were in line with the rating used in the ECL model; o the staging as identified by the management; and o management's computations for ECL • Testing of the appropriateness of the company's criteria for the determination of SICR and identification of "default" or "individually impaired" exposures; and their classification into stages and the application for a sample of exposures. • Assessed the qualitative factors which were considered by the Company to incorporate any post model adjustments/overlays and the governance process around them. • Assessed the reasonableness of the underlying assumptions used by the Company in the ECL model including forward-looking assumptions cognizant of the uncertainty and volatility in economic scenarios due to ongoing COVID-19 pandemic. • Tested the completeness and accuracy of data underpinning the ECL calculations as at 31 December 2021 • Where relevant, we involved our specialists to assist us in reviewing model calculations, evaluating interrelated inputs and assessing reasonableness of assumptions used in ECL model, particularly around macroeconomic scenarios and probability weights. • Assessed the adequacy of the disclosures in the financial statements.

Other matter

The financial statements of the Al Omaniya Financial Services Company SAOG for the year ended 31 December 2020 were audited by another auditor, whose report dated 18th March 2021, expressed an unmodified opinion on these financial statements.

Other information included in the Company's 2021 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2021 Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the other information comprising the Chairman's Report, Corporate Governance Report and Management Discussion and Analysis Report prior to the date of our auditor's report, and we expect to obtain the published 2021 Annual report after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 obtained prior to the date of auditor's 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.

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 IFRSs, the disclosure requirements of the Capital Market Authority and the applicable provision of the Commercial Companies Law of the Sultanate of Oman, 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL OMANIYA FINANCIAL SERVICES SAOG (continued)

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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.

Crowe

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL OMANIYA FINANCIAL SERVICES SAOG (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditor's 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 the financial statements of the Company as at end for the year ended 31 December 2021 comply in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the relevant disclosure requirements for Public Joint Stock Companies issued by the Capital Market Authority.

CROWE MAK GHAZALI LLC

Davis Kallukaran
Managing Partner

Muscat, Sultanate of Oman
13 March 2022

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2021 RO**	2020 RO
Interest income on finance lease, working capital finance and other advances		**11,649,591**	11,856,961
Interest expense		**(4,684,518)**	(6,060,770)
Net instalment finance income		**6,965,073**	5,796,191
Finance income		**3,656,894**	3,701,965
Other income	3	**364,813**	663,591
Operating expenses	4	**(4,326,886)**	(3,920,202)
Provision for expected credit loss, net	6, 8	**(3,498,275)**	(4,705,916)
Loss on derivative		**(23,640)**	-
Depreciation	10	**(121,992)**	(126,087)
Profit before tax		**3,015,987**	1,409,542
Income tax	5	**(452,398)**	39,920
Profit and total comprehensive income for the year		**2,563,589**	1,449,462
Basic earnings per share	21	**0.009**	0.005
Diluted earnings per share	22	**0.009**	0.005

The attached notes on pages 47 to 93 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RO	2020 RO
Assets			
Cash and Bank balances	6	**89,585,385**	73,477,589
Deposit with the Central Bank of Oman	7	**250,000**	250,000
Net investment in finance lease, working capital finance and other advances	8	**105,557,952**	105,697,820
Other assets and prepayments	9	**1,201,943**	1,011,711
Property, equipment and right-of-use assets	10	**951,762**	1,016,788
Total assets		**197,547,042**	181,453,908
Liabilities and equity			
Liabilities			
Short term loans	11	**18,000,000**	33,500,000
Deposits	12	**3,000,000**	2,000,000
Term loans	13	**93,873,250**	68,874,370
Compulsorily convertible bonds	20	**5,569,143**	5,569,143
Other liabilities	14	**11,313,457**	7,356,045
Income tax payable	5	**701,921**	460,927
Total liabilities		**132,457,771**	117,760,485
Equity			
Share capital	15	**29,193,517**	29,193,517
Share premium	16	**112,272**	112,272
Legal reserve	17	**9,731,173**	9,731,173
Exchange reserve	18	**3,616,822**	-
Special reserve for non-performing assets	23	**4,997,937**	4,997,937
Retained earnings		**17,437,550**	19,658,524
Total equity		**65,089,271**	63,693,423
Total liabilities and equity		**197,547,042**	181,453,908
Contingent liabilities	14	**-**	549,589
Net assets per share		**0.223**	0.218

The financial statements were approved by the Board of Directors on 27th January 2022 and are signed on their behalf by:

Chairman **Chief Executive Officer** **Director**

The attached notes on pages 47 to 93 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share capital RO	Share premium RO	Legal reserve RO	Exchange reserve RO	Special reserve for non-performing assets RO	Retained Earnings RO	Total RO
At 1 January 2020		29,193,517	1,280,013	9,731,173	523,316	4,997,937	19,743,889	65,469,845
Profit and total comprehensive income for the year		-	-	-	-	-	1,449,462	1,449,462
Transactions with owners, recognised directly in equity								
Issue of compulsory convertible bonus stock bonds		-	(1,167,741)	-	-	-	-	(1,167,741)
Dividend paid	19	-	-	-	-	-	(2,058,143)	(2,058,143)
Reversal of exchange reserve	18	-	-	-	(523,316)	-	523,316	-
Balance at 31 December 2020		29,193,517	112,272	9,731,173	-	4,997,937	19,658,524	63,693,423
At 1 January 2021		**29,193,517**	**112,272**	**9,731,173**	**-**	**4,997,937**	**19,658,524**	**63,693,423**
Profit and total comprehensive income for the year		**-**	**-**	**-**	**-**	**-**	**2,563,589**	**2,563,589**
Transactions with owners, recognised directly in equity								
Dividend paid	19	**-**	**-**	**-**	**-**	**-**	**(1,167,741)**	**(1,167,741)**
Transfer to Exchange reserve	18	**-**	**-**	**-**	**3,616,822**	**-**	**(3,616,822)**	**-**
Balance at 31 December 2021		**29,193,517**	**112,272**	**9,731,173**	**3,616,822**	**4,997,937**	**17,437,550**	**65,089,271**

As approved by the regulatory authority and more fully explained in note 20, the unsecured fully compulsorily convertible bonds amounting to RO 5,569,143 (2020: RO 5,569,143) are treated as part of the Company's net worth for computing all regulatory limits. Accordingly, the net worth as of 31 December 2021 for all regulatory purposes is RO 70,658,414 (2020: RO 69,262,566).

The attached notes on pages 47 to 93 are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RO	2020 RO
Operating activities			
Profit before taxation		**3,015,987**	1,409,542
Adjustments for:			
Depreciation	10	**121,992**	126,087
(Profit) / Loss on disposal of property and equipment	3	**(966)**	1,497
Provision for ECL of instalment finance receivable - net	6, 8	**3,498,275**	4,705,916
Operating profit before working capital changes:		**6,635,288**	6,243,042
Instalment finance receivable, working capital finance and other advances		**(3,215,847)**	43,264,662
Other assets and prepayments		**(190,232)**	255,488
Other liabilities		**3,957,412**	(2,289,463)
Income tax paid		**(211,404)**	(586,383)
Net cash from operating activities		**6,975,217**	46,887,346
Investing activities			
Purchase of property and equipment	10	**(56,966)**	(43,144)
Proceeds from disposal of property and equipment		**966**	2,000
Net cash used in investing activities		**(56,000)**	(41,144)
Financing activities			
Proceeds from short term loans		**186,500,000**	92,600,000
Repayment of short term loans		**(202,000,000)**	(128,100,000)
Proceeds from deposits		**1,000,000**	-
Repayment of deposits		**-**	(2,228,243)
Proceeds from term loans		**116,655,693**	34,624,370
Repayment of term loans		**(91,656,813)**	(55,684,079)
Dividends paid	19	**(1,167,741)**	(2,058,143)
Net cash from / (used in) financing activities		**9,331,139**	(60,846,095)
Net change in cash and cash equivalents		**16,250,356**	(13,999,893)
Cash and cash equivalents at the beginning of year		**73,707,629**	87,707,522
Cash and cash equivalents at the end of year	6	**89,957,985**	73,707,629

The attached notes on pages 47 to 93 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Omaniya Financial Services SAOG ("the Company") is an Omani general joint stock Company, licensed by the Central Bank of Oman and registered under the Commercial Companies Law of the Sultanate of Oman. The Company is engaged in the hire purchase and lease finance for motor vehicles and other assets, debt factoring, bills discounting, bridge loans, working capital loans and project and construction loans (construction loans restricting to manufacturing including warehousing only). The Company's registered office is at PO. Box 1087, Jibroo, Postal Code 114, Muscat, Sultanate of Oman.

The Company operates in the Sultanate of Oman and employed 147 employees as of 31 December 2021 (2020: 149). The Company's shares and compulsory convertible bonds are listed on Muscat Securities Market.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are prepared on the historical cost basis. The accounting records are maintained in Rial Omani (RO) which is the functional and reporting currency for these financial statements.

2.2 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs) as promulgated by the International Accounting Standards Board, applicable regulations of the Central Bank of Oman, applicable requirements of the Commercial Companies Law, and the Capital Market Authority of the Sultanate of Oman.

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

2.3 Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 affected. In particular, estimates that involve uncertainties and judgements which have a significant effect on the financial statements are set out below:

2.3.1 Taxes

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

Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.3 Use of estimates and judgements (continued)

2.3.2 Financial Instruments

Judgements made in applying accounting policies that have most significant effects on the amounts recognized in the financial statements of the year ended 31 December 2021 pertain to the changes introduced as a result of adoption of IFRS 9: Financial instruments which impact:

- Classification of financial assets: assessment of business model within which the assets are held and assessment of whether the contractual terms of the financial assets are solely payment of principal and interest of the principal amount outstanding.
- Calculation of expected credit loss (ECL): changes to the assumptions and estimate on uncertainties that have a significant impact on ECL for the year ended 31 December 2021. The impact is mainly driven by inputs, assumptions and techniques used for ECL calculation under IFRS 9 methodology.

Inputs, assumptions and techniques used for ECL calculation – IFRS 9 Methodology

The measurement of ECL both under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

2.3.3 Significant judgement in determining the lease term of contracts with renewal and termination options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate.

2.4 (a) Standards, amendments and interpretations effective in 2021 and relevant for the Company's operations

The following new standards are effective from 1 January 2021 that do not have a material effect on the Company's financial statements;

– Definition of a Business (Amendments to IFRS 3)

– Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (the Phase 2 amendments)

2.4 (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted, however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following new and amended standards are not expected to have a significant impact on the Company's financial statements.

Standards/Amendments to Standards	Effective Date
COVID-19 Related Rent Concessions beyond 30 June 2021	01 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	01 January 2022
Annual Improvements to IFRS Standards 2018-2020	01 January 2022
Property, Plant and Equipment: Proceeds before intended Use (Amendments to IAS 16)	01 January 2022
Reference to the Conceptual Framework (Amendment to IFRS 3)	01 January 2022
Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)	01 January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17	01 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	01 January 2023
Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendment to IAS 12)	01 January 2023
Sale or Contribution of Assets between an Investor and its Associate Or Joint Venture (Amendment to IFRS 10 and IAS 28)	Deferred indefinitely

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.1 Revenue recognition

Finance Lease Income

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 financial statements 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, and 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. Initial direct costs include amounts that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing teams. Income from finance leases represents gross earnings on finance leases allocated to the period of the lease using the net investment method, which reflects a constant periodic rate of return. The gross return is adjusted by way of transaction costs incurred that are directly attributable to the origination of lease contract such as dealer commission etc. Lease processing fee charges are recognised within 'finance income' based on effective interest rate.

The lease finance income is recognised in the statement of profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Interest Income on working capital and other loans and interest expenses

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

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

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

Interest income includes income on factoring and working capital finance receivables is recognised over the tenure of agreement. Factoring contracts are generally for a term ranging between 90 days to 180 days.

For the financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. Penal charges. insurance fee and other operating fees are recognised when realised.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.2 Directors' remuneration

The Board of Directors' remuneration is accrued as an expense for the year within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

2.5.3 Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with Omani fiscal regulations. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2.5.4 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash on hand, current accounts and deposit held at call with financial institutions with original maturities of less than three months, which are subject to insignificant risk of changes in fair value, and are used by the Bank in the management of its short-term commitments.

Cash and cash equivalents are non-derivative financial assets stated at amortised cost in the statement of financial position.

2.5.5 Lease assets

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 lease, working capital finance and factoring receivables 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 recognized over the tenure of agreement. Factoring contracts are generally for a term ranging between 90 days to 180 days.

2.5.6 Property and equipment

Property and equipment are stated at historical cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. Land is not depreciated. The cost of property and equipment is depreciated on the straight-line method over the estimated useful lives of the assets. The estimated useful lives are:

- Vehicles	5 years
- Furniture and office equipment	5 years
- Buildings	25 years
- Right-of-use assets	5 years

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.6 Property and equipment *(continued)*

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are recognised in the statement of profit or loss. Depreciation methods, useful lives and residual values are reassessed at each reporting date. Right-of-use assets are depreciated on a straight-line basis over the lease term.

2.5.7 Compulsorily convertible bonds

Compulsorily convertible bonds are non-derivative financial instruments for which the entity is obliged to deliver a variable number of the entity's own share. These are recorded as financial liabilities until conversion to shares and are carried on the statement of financial position at their principal cost. Interest is charged as it accrues, with unpaid amounts included in other liabilities. On conversion, the financial liability is reclassified to equity and no gain or loss is recognised.

2.5.8 Bank borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2.5.9 Deposits

Deposits are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing deposits are subsequently measured at amortised cost using the effective interest method.

2.5.10 Other liabilities

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

2.5.11 Employee's end of service benefits

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 recognized when they accrue to the employees up to the reporting date. These accruals are included in other liabilities.

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

2.5.12 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of the Company at spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at the rate of exchange prevailing at the reporting date. Any gains or losses are recognized in the profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the spot exchange rate at the date on which the fair value is determined. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.13 Financial instruments

2.5.13. a. Recognition and initial measurement

A financial instrument is any contract that gives rise to both a financial asset for the Company and a financial liability or equity instrument for another party or vice versa.

Financial assets and financial liabilities are recognized 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 amortized 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 amortization 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.

2.5.13. b. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

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

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

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

Financial assets measured at amortised cost

The Company classifies and measures its financial assets that are debt instruments at amortized 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.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

Financial assets measured at amortised cost *(continued)*

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 amortized cost.

Amortized 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 amortized cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognized. Interest earned from these financial assets is recognized in the statement of profit or loss using the effective interest rate method.

Business model assessment
The Company makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

Financial assets measured at amortised cost *(continued)*

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Company holds a portfolio of long-term fixed rate loans for which the Company has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Company has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that is consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Financial guarantees, letters of credit and undrawn loan commitments

The Company issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements (within Provisions) at fair value, being the premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and under IFRS 9 an ECL provision.

The premium received is recognised in the income statement in Net fees and commission income on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Financial guarantee contracts are in the scope of the ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded on in the statement of financial position.

Financial liabilities
Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'amortised cost'. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gain and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gain and losses are recognized in profit or loss. Any gain or losses on derecognition is also recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

Financial assets measured at amortised cost *(continued)*

Derivatives

The Company has entered into short-term (less than 2 years) interest rate swap derivative instruments to convert floating rate funding into fixed rate funding. Due to the short-term nature of the transactions, hedge accounting is not applied. Instead, these derivative instruments are fair valued as at the end of the reporting date and the corresponding fair value changes are taken to the statement of comprehensive income.

2.5.14 Derecognition of financial assets and financial liabilities

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

Financial assets:

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

(a) the right to receive cash flows from the asset have expired; or

(b) the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement; and

(c) either (i) the Company has transferred substantially all the risks and rewards of ownership, or (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the assets but has transferred control over the asset or a proportion of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

2.5.15.1 Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.15.1 Impairment of financial assets *(continued)*

No ECL is recognised on equity investments. The Company measures loss allowances at an amount equal to lifetime ECL, except for other financial instruments on which credit risk has not increased significantly since their initial recognition which they are measured as 12-month ECL.

12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which 12-month ECL are recognised are referred to as 'Stage 1 financial instruments'. Financial instruments allocated to Stage 1 have not undergone a significant increase in credit risk since initial recognition and are not credit-impaired.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument or the maximum contractual period of exposure. Financial instruments for which lifetime ECL are recognised but that are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments allocated to Stage 2 are those that have experienced a significant increase in credit risk since initial recognition but are not credit-impaired.

Financial instruments for which lifetime ECL are recognised and that are credit-impaired are referred to as 'Stage 3 financial instruments'.

(i) Measurement of ECL

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

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

(ii) Overview of the ECL principles

The Company has been recording the allowance for expected credit losses for all loans and other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments. Equity instruments are not subject to ECL under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.15.1 Impairment of financial assets *(continued)*

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1

When financing are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 financing exposure also include facilities where the credit risk has improved and the financing exposure has been reclassified from Stage 2.

Stage 2

When a financing exposure has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. Stage 2 financing exposure also include facilities, where the credit risk has improved and the financing exposure has been reclassified from Stage 3.

Stage 3

Financing exposure considered credit-impaired. The Company records an allowance for the LTECLs.

At initial recognition of a financial asset, the Company recognises a loss allowance equal to 12-month expected credit losses. After initial recognition, the three stages under the proposals would be applied as follows:

Stage 1

Credit risk has not increased significantly since initial recognition – recognise 12-month expected credit losses.

Stage 2

Credit risk has increased significantly since initial recognition – recognise lifetime expected losses (this is recognising a provision earlier than under IAS 39 Financial assets: Recognition and Measurement) with revenue being calculated based on the gross amount of the asset

Stage 3

There is objective evidence of impairment as at the reporting date to recognise lifetime expected losses, with revenue being based on the net amount of the asset (that is, based on the impaired amount of the asset).

(iii) The calculation of ECLs

The Company calculates ECLs based on a three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

2. ACCOUNTING POLICIES (continued)

2.5.15.1 Impairment of financial assets (continued)

- EAD - The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

(iv) Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- where a financial instrument includes both a drawn and an undrawn component, and the Company cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Company presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

(v) Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Company only recognises the cumulative changes in LTECL since initial recognition in the loss allowance.

(vi) Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- Gross domestic product
- Oil prices and production

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(vii) Collateral valuation

To mitigate its credit risks on financial assets, the Company seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. The Company's collateral, unless repossessed, is not recorded on the Company's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is the policy of the Company to include collateral in ECL only if the fair value are validated by external valuer except for Cash/Bank Balance.

To the extent possible, the Company uses active market data for valuing financial assets held as collateral. Non-financial collateral, such as real estate, is valued by certified third party valuers.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.15.1 Impairment of financial assets *(continued)*

(viii) Write-offs

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

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset, or cash-generating unit, is estimated to be less than its carrying amount, the carrying amount of the asset, or cash-generating unit, is reduced to the recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the income is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

If the relevant asset is carried at a revalued amount, the reversal of the impairment loss is treated as a revaluation increase.

2.5.16 Renegotiated net investment in finance lease, working capital facilities and other advances

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

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

2.5.17 Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.5.18 Dividend on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders, subject to the approval of the Central Bank of Oman. Interim dividends are deducted from equity when they are paid.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.19 Fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Details are set out in note 26.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5.20 Earnings per share

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

2.5.21 Segment reporting

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

2.5.22 Financial guarantees

Financial guarantees are contracts that require the issuer to make specified payments to reimburse the beneficiary for a loss incurred because the debtor fails to make payments when due, in accordance with the terms of the debt. Such guarantees are given to banks, financial institutions or other entities on behalf of the customers.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was issued. Subsequent to initial recognition, the Company's liabilities under such guarantees are measured at the higher of initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on the straight-line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.22 Financial guarantees *(continued)*

obligation arising at the reporting date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income.

2.5.23 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.

2.5.24 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. 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 remeasurement 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. The 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.

b. 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 remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS
At 31 December 2021

2. ACCOUNTING POLICIES *(continued)*

2.5.24 Leases *(continued)*

c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

At inception or on modification of a contract that contains a lease component, the Company allocate the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Company acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the finance lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to the ownership of an underlying asset. Lease payments from operating leases are recognised as income on a straight line basis unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. Costs incurred in earning the lease income, including depreciation are recognised as an expense. Initial direct cost incurred in obtaining lease. are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as the lease income. Modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued leased payments relating to the original lease as part of the lease payments for the new lease. The respective leased assets are included in the statement of financial position based on their nature.

3. OTHER INCOME

	2021	2020
	RO	RO
Documentation and related charges	**207,756**	483,136
Group Credit Life Insurance Income	**156,091**	181,952
Profit / (Loss) on sale of property and equipment	**966**	(1,497)
	364,813	663,591

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

4. OPERATING EXPENSES

	2021 RO	2020 RO
Salaries and other benefits	**3,610,023**	3,150,339
Directors' sitting fees & remuneration (note 25)	**382,800**	86,800
Advertising	**32,666**	36,000
Rent expense	**18,865**	24,940
Telephone and postage	**28,242**	35,864
Miscellaneous expenses	**60,979**	376,362
Professional fees	**40,836**	50,386
Fuel and maintenance	**76,292**	79,253
Printing and stationery	**6,254**	7,706
Fees and other charges	**52,754**	52,148
Annual general meeting expenses	**2,000**	4,000
Insurance	**11,500**	12,000
Travelling	**3,675**	4,404
	4,326,886	3,920,202

Salaries and other benefits comprise:

	2021 RO	2020 RO
Salaries	**2,468,291**	2,516,148
Other benefits	**950,248**	425,766
Contribution to social insurance	**132,371**	141,259
Employee end of service benefits	**59,113**	67,166
	3,610,023	3,150,339

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

5. TAXATION

	2021 RO	2020 RO
Income statement:		
Current year	**452,398**	224,714
Prior years	**-**	(264,634)
	452,398	(39,920)
Current liability:		
Current year	**452,398**	224,714
Prior years	**249,523**	236,213
	701,921	460,927
Following is the tax reconciliation for the year:		
Accounting profit before tax	**3,015,987**	1,409,542
Tax at the applicable rate of 15% (2020: 15%)	**452,398**	211,431
Expenses that are not deductible in determining taxable profit:	**3,751**	11,581
Reversal of tax Provision of prior years	**(3,751)**	(262,932)
	452,398	(39,920)

The relationship between the tax expense and the accounting profit can be explained as follows:

	2021 RO	2020 RO
Accounting profit	**3,015,987**	1,409,542
Expenses that are not deductible in determining taxable profit	**24,809**	77,207
Depreciation	**6,499**	11,343
Taxable profit	**3,047,295**	1,498,092
Tax at the applicable rate of 15% (2020: 15%)	**452,398**	211,431
Effective rate of income tax	**14.85%**	15.00%

The above adjustments in accounting profit to arrive at taxable profit are based on the current understanding of the existing tax laws, regulations and practices. Income tax rate applicable for the year is 15% (2020: 15%).

The tax assessments for the years up to 2018 have been completed. The tax returns of the Company for the tax years 2019 to 2020 have not yet been assessed by the Tax Authority. Management is of the opinion that any further additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

6. CASH AND BANK BALANCES

	2021 RO	2020 RO
Term deposits	**85,000,000**	72,000,000
Current accounts	**4,943,086**	1,689,655
Cash in hand	**14,899**	17,974
Less: - expected credit loss allowance	**(372,600)**	(230,040)
	89,585,385	73,477,589
Provision for ECL of deposits with commercial banks:		
At 1 January	**230,040**	277,965
Provided during the year – deposits with commercial banks	**142,560**	-
Released during the year – deposits with commercial banks	**-**	(47,925)
At 31 December	**372,600**	230,040

Term deposits are placed with commercial banks in Oman and carry annual interest rates in the range of 0.5% to 4.80% (2020: 0.5% to 4.95%) and the Company has the right to pre-close these deposits with no significant outflow (due to related loans), provided an agreed number of working days' notice period is served.

7. DEPOSIT WITH THE CENTRAL BANK OF OMAN

The deposit represents a capital deposit with the Central Bank of Oman ("CBO") made in accordance with the Banking Law of 1974. The deposit is only repayable if the Company terminates its instalment finance business within the Sultanate of Oman and settles all outstanding obligations and claims arising from that business.

8. NET INVESTMENT IN FINANCE LEASES, WORKING CAPITAL FINANCE AND OTHER ADVANCES

	2021 RO	2020 RO
Gross investment in finance leases		
Corporate debtors:		
Instalment finance lease	**55,005,338**	48,118,531
Working capital and other advances	**38,808,550**	34,313,690
Total corporate debtors	**93,813,888**	82,432,221
Retail debtors	**34,288,213**	43,806,443
	128,102,101	126,238,664
Less: unearned finance income	**(11,065,995)**	(11,680,218)
	117,036,106	114,558,446
Less: Provision for ECL, including reserved finance interest	**(11,478,154)**	(8,860,626)
	105,557,952	105,697,820

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

	2021 Gross finance receivables RO	2021 Present value of finance receivables RO	2020 Gross finance receivables RO	2020 Present value of finance receivables RO
Not later than one year	**75,583,624**	**70,141,790**	69,986,424	63,748,495
Later than one year and not later than three years	**38,743,463**	**34,097,633**	41,867,208	37,527,711
Later than three years	**13,775,014**	**12,796,683**	14,385,032	13,282,240
	128,102,101	**117,036,106**	126,238,664	114,558,446

Gross finance receivable and present value of finance receivable includes instatement finance, working capital and other advances. Net investment in finance leases, working capital finance and other advances are stated net of accumulated provision for ECL and reserved finance interest. The movement in provision for ECL and reserved finance interest for the year is analysed as follows:

	2021 RO	2020 RO
Provision for ECL:		
At 1 January	**8,772,014**	6,439,236
Provided during the year	**5,216,272**	6,642,713
Released during the year	**(1,860,557)**	(1,888,872)
Amounts written off	**(859,425)**	(2,421,063)
At 31 December	**11,268,304**	8,772,014
Reserved finance interest		
At 1 January	**88,612**	207,628
Reserved during the year	**195,218**	227,162
Released during the year	**(30,588)**	(207,671)
Amounts written off	**(43,392)**	(138,507)
At 31 December	**209,850**	88,612
Total provision for ECL and reserved finance interest	**11,478,154**	8,860,626

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms:
31 December 2021

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO norms*	Net Amount as per IFRS 9	Interest recognised in P&L as per IFRS 9 in the quarter	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Standard	Stage 1	99,729	-	3,495	(3,495)	99,646	96,234	-	83
	Stage 2	12,900	-	4,484	(4,484)	12,891	8,416	-	9
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**112,629**	**-**	**7,979**	**(7,979)**	**112,537**	**104,650**	**-**	**92**
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	1,133	65	946	(881)	1,028	187	-	40
Subtotal		**1,133**	**65**	**946**	**(881)**	**1,028**	**187**	**-**	**40**
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,179	777	2,449	(1,672)	2,332	730	-	70
Subtotal		**3,179**	**777**	**2,449**	**(1,672)**	**2,332**	**730**	**-**	**70**
Doubtful	Stage 1	-	-		-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	95	87	103	(16)	-	(8)	-	8
Subtotal		**95**	**87**	**103**	**(16)**	**-**	**(8)**	**-**	**8**
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	373	(373)	-	(373)	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		**-**	**-**	**373**	**(373)**	**-**	**(373)**	**-**	**-**
Total	**Stage 1**	**99,729**	**-**	**3,868**	**(3,868)**	**99,646**	**95,861**	**-**	**83**
	Stage 2	**12,900**	**-**	**4,484**	**(4,484)**	**12,891**	**8,416**	**-**	**9**
	Stage 3	**4,407**	**929**	**3,498**	**(2,569)**	**3,360**	**909**	**-**	**118**
	Total	**117,036**	**929**	**11,850**	**(10,921)**	**115,897**	**105,186**	**-**	**210**

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms -
31 December 2020

(Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Amount as per CBO *norms	Net Amount as per IFRS 9	Interest recognized in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(5)-(4) = (6)	(10)-(4)-(3)=(7)	(5)-(3) = (8)	(9)	(10)
Standard	Stage 1	96,730	-	2,049	(2,049)	96,730	94,681	-	-
	Stage 2	13,060	-	3,256	(3,256)	13,060	9,804	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		109,790	-	5,305	(5,305)	109,790	104,485	-	-
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,403	131	1,884	(1,753)	2,214	519	-	58
Subtotal		2,403	131	1,884	(1,753)	2,214	519	-	58
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,741	680	1,489	(809)	2,039	1,252	-	22
Subtotal		2,741	680	1,489	(809)	2,039	1,252	-	22
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	26	13	27	(14)	12	(1)	-	1
Subtotal		26	13	27	(14)	12	(1)	-	1
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	148	139	156	(17)	1	(8)	-	8
Subtotal		148	139	156	(17)	1	(8)	-	8
Other items not covered under CBO circular BM 977 and related instructions	Stage 1	-	-	230	(230)	-	(230)	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	230	(230)	-	(230)	-	-
Total	Stage 1	96,730	-	2,279	(2,279)	96,730	94,451	-	-
	Stage 2	13,060	-	3,256	(3,256)	13,060	9,804	-	-
	Stage 3	5,318	963	3,556	(2,593)	4,266	1,762	-	89
	Total	115,108	963	9,091	(8,128)	114,056	106,017	-	89

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

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

Restructured loans-2021 (Amounts in RO'000)

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognized in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1								
	Stage 2								
	Stage 3								
Subtotal									
Classified as non-performing	Stage 1								
	Stage 2								
	Stage 3	3,155	762	2,399	(1,637)	2,325	756	-	68
Sub total		3,155	762	2,399	(1,637)	2,325	756	-	68
Total	Stage 1								
	Stage 2								
	Stage 3	3,155	762	2,399	(1,637)	2,325	756	-	68
	Total	3,155	762	2,399	(1,637)	2,325	756	-	68

Restructured loans-2020

Asset Classification as per CBO Norms	Asset Classification as per IFRS 9	Gross Carrying Amount	Provision required as per CBO Norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net Carrying Amount as per CBO norms*	Net Carrying Amount as per IFRS 9	Interest recognized in P&L as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1			-	-	-	-		
	Stage 2				-	-	-		
	Stage 3				-	-	-		-
Subtotal		-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1				-	-	-		
	Stage 2	-	-		-	-	-		
	Stage 3	2,871	699	1,585	(886)	2,150	1,286		22
Sub total		2,871	699	1,585	(886)	2,150	1,286		22
Total	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,871	699	1,585	(886)	2,150	1,286		22
	Total	2,871	699	1,585	(886)	2,150	1,286		22

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

Gross carrying amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021	**96,730,223**	**13,059,536**	**5,318,275**	**115,108,034**
New	**35,661,528**	**1,385,602**	**502,590**	**37,549,720**
Repayment	**(31,388,990)**	**(2,032,121)**	**(1,297,720)**	**(34,718,831)**
Net transfer between stages	**(1,273,666)**	**486,734**	**786,932**	**-**
Written off	**-**	**-**	**(902,817)**	**(902,817)**
As at 31 December 2021	**99,729,095**	**12,899,751**	**4,407,260**	**117,036,106**

Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	140,188,139	14,576,690	6,347,946	161,112,775
New	12,260,234	1,268,033	317,616	13,845,883
Repayment	(52,034,720)	(3,985,494)	(1,270,839)	(57,291,053)
Net transfer between stages	(3,683,430)	1,200,307	2,483,123	-
Written off	-	-	(2,559,571)	(2,559,571)
As at 31 December 2020	96,730,223	13,059,536	5,318,275	115,108,034

ECL amount	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
As at 1 January 2021	**2,049,536**	**3,256,341**	**3,466,137**	**8,772,014**
Provided during the year	**2,738,165**	**1,186,998**	**1,291,109**	**5,216,272**
Released during the year	**(611,677)**	**(215,142)**	**(1,033,738)**	**(1,860,557)**
Net transfer between stages	**(763,563)**	**247,212**	**516,351**	**-**
Written off	**-**	**-**	**(859,425)**	**(859,425)**
As at 31 December 2021	**3,412,461**	**4,475,409**	**3,380,434**	**11,268,304**

ECL amount	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,673,438	595,735	4,170,063	6,439,236
Provided during the year	2,356,266	2,718,739	1,567,708	6,642,713
Released during the year	(457,730)	(210,166)	(1,220,976)	(1,888,872)
Net transfer between stages	(1,522,438)	152,033	1,370,405	-
Written off	-	-	(2,421,063)	(2,421,063)
As at 31 December 2020	2,049,536	3,256,341	3,466,137	8,772,014

Net investment in finance leases, working capital facilities and other advances include amounts advanced to clients, interest on the amounts advanced and related charges. In the event of default in the settlement of debts, the Company has recourse to the client.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

8. Net Investment In Finance Leases, Working Capital Finance and other advances *(continued)*

Finance interest is reserved by the Company to comply with the rules, regulations and guidelines issued by the Central Bank of Oman against impaired lease finance receivables, working capital facilities and other advances.

The net investment in finance leases, working capital facilities and other advances are denominated in Rial Omani and are charged at an effective annual interest rate of 9.89% (2020: 8.65%). The effective annual interest rate bands of lease finance receivables, working capital facilities and other advances are as follows:

	2021	2020
	RO	RO
Less than 10%	**101,155,401**	100,208,839
More than 10%	**15,880,705**	14,349,607
	117,036,106	114,558,446

9. OTHER ASSETS AND PREPAYMENTS

	2021	2020
	RO	RO
Prepaid expenses	**241,418**	208,738
Other receivables	**960,525**	802,973
	1,201,943	1,011,711

10. PROPERTY AND EQUIPMENT

	Land and building	**Furniture and office equipment**	**Vehicles**	**Right of use**	**Capital/ construction work in progress**	**Total**
	RO	**RO**	**RO**	**RO**	**RO**	**RO**
Cost						
1 January 2021	1,262,267	1,351,351	188,419	80,507	33,113	2,915,657
Additions	-	52,871	4,095	-	-	56,966
Disposals	-	(4,317)	(4,640)	-	-	(8,957)
31 December 2021	**1,262,267**	**1,399,905**	**187,874**	**80,507**	**33,113**	**2,963,666**
Depreciation						
1 January 2021	465,674	1,262,905	140,100	30,190	-	1,898,869
Charge for the year	40,949	40,080	25,868	15,095	-	121,992
Disposals	-	(4,317)	(4,640)	-	-	(8,957)
31 December 2021	**506,623**	**1,298,668**	**161,328**	**45,285**	**-**	**2,011,904**
Net book value						
31 December 2021	**755,644**	**101,237**	**26,546**	**35,222**	**33,113**	**951,762**

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

10. PROPERTY AND EQUIPMENT *(continued)*

	Land and building	Furniture and office equipment	Vehicles	Right of use	Capital/ construction work in progress	Total
	RO	RO	RO	RO	RO	RO
Cost						
1 January 2020	1,262,267	1,328,468	189,214	81,261	33,113	2,894,323
Additions	-	36,944	6,200	-	-	43,144
Disposals	-	(14,061)	(6,995)	-	-	(21,056)
Reduction due to reduction in lease charges	-	-	-	(754)	-	(754)
31 December 2020	1,262,267	1,351,351	188,419	80,507	33,113	2,915,657
Depreciation						
1 January 2020	424,725	1,233,855	116,524	15,237	-	1,790,341
Charge for the year	40,949	43,111	27,074	14,953	-	126,087
Disposals	-	(14,061)	(3,498)	-	-	(17,559)
31 December 2020	465,674	1,262,905	140,100	30,190	-	1,898,869
Net book value						
31 December 2020	796,593	88,446	48,319	50,317	33,113	1,016,788

11. SHORT TERM LOANS

	2021	2020
	RO	RO
Short term loans	**18,000,000**	33,500,000

Short term loans obtained from local commercial banks are denominated in Rial Omani and are secured by a registered mortgage over the Company's assets. Short term loans carry interest at average interest rate of 3.92% (2020: 3.97%) per annum.

12. DEPOSITS

No deposits are outstanding from related parties as at 31 December 2021 (2020: nil). Deposits carry interest of 3.25% to 4% (2020: 3.25%). The deposits are due to mature within 24 months from the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

13. TERM LOANS

	Annual interest rate	2021 RO	2020 RO
Long term loans – RO	4.80%	**30,000,000**	59,250,000
Long term loans – US $	2.83% to 3.85%	**63,873,250**	9,624,370
		93,873,250	68,874,370

The Company has entered into long term loan facility agreements with local commercial banks and foreign banks. The lenders hold a pari passu charge over all the assets of the Company for the credit facilities granted. In addition, the Company is required to comply with certain financial covenants.

The related maturity profile and interest rate risk are given in notes 27 and 28 respectively.

14. OTHER LIABILITIES

	2021 RO	2020 RO
Accounts payable	**8,436,797**	4,454,265
Accrued expenses and other payables	**2,232,296**	2,621,798
Directors' remuneration (notes 4 and 25)	**300,000**	-
Employees' end of service benefits (i)	**289,874**	234,233
Lease liability (ii)	**30,850**	45,749
Derivative liability	**23,640**	-
	11,313,457	7,356,045

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

	2021 RO	2020 RO
At 1 January	**234,233**	477,466
Provided during the year (note 4)	**59,113**	67,166
Paid during the year	**(3,472)**	(310,399)
At 31 December	**289,874**	234,233

During the current year, the Company made partial payment of end of service benefits of certain employees based on the policy of the company.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

14. OTHER LIABILITIES *(continued)*

ii) The movement in the lease liability	2021 RO	2020 RO
At 1 January	**45,749**	60,816
Accretion of interest	**1,541**	2,128
Paid during the year	**(16,440)**	(17,195)
At 31 December	**30,850**	45,749

Contingent liabilities

At 31 December 2021, there were contingent liabilities of RO Nil (2020: RO 549,589) in respect of guarantees issued in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise.

15. SHARE CAPITAL

	2021 RO	2020 RO
Authorised - shares of RO 0.100 each	**35,000,000**	35,000,000
Issued and fully paid - shares of RO 0.100 each	**29,193,517**	29,193,517

The share capital as of 31 December 2021 is as per the regulatory capital requirement.

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

	2021 % of holding	2021 Number of shares	2020 % of holding	2020 Number of shares
Muscat Overseas Company LLC	**18.11%**	**52,871,825**	18.11%	52,871,825
Civil Service Employees Pension Fund	**11.24%**	**32,820,949**	10.94%	31,934,859

16. SHARE PREMIUM

During the year 2021 RO Nil but in the year 2020, shareholders at the Annual General Meeting approved an issuance of compulsorily convertible unsecured bonus stock bonds totalling to 11,677,407 bonds of RO 0.100 each amounting to RO 1,167,741 as part of dividend for the year 2019 by utilising the share premium account (note 19).

17. LEGAL RESERVE

Article 106 of the Commercial Companies Law 2019 requires that 10% of the profit for the year be transferred to the legal reserve until the amounts held in the legal reserve reach one-third of the Company's capital. The Company has discontinued such annual appropriations as the reserve has reached the statutory minimum of one-third of the capital. The reserve is not available for distribution.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

18. EXCHANGE RESERVE

The exchange reserve has been created in accordance with the directives of the Central Bank of Oman via circular FM 11 ("the Circular") dated 31 March 2003 in respect of un-hedged long-term foreign currency loans. In accordance with the requirements of the Circular, 20% exchange reserve shall be created against any foreign currency borrowings which exceeds 40% of the net worth as per the previous financial year audited financial statements. 10% of this exchange reserve shall be created at the end of the year of the borrowing and 2.5% in each subsequent years. This reserve is not available for distribution. As the foreign currency loan is higher than 40%, the Company has transferred RO 3,616,822 from retained earnings to exchange reserve. (2020: 523,316 transferred to retained earnings from exchange reserve)

19. DIVIDENDS PAID AND PROPOSED

Dividend is not accounted for until it has been approved at the Annual General Meeting. At the meeting on 27th January 2022, the Board of Directors proposed a dividend of 12% of the paid up capital of the Company comprising a cash dividend of 7% (RO.0.007 per ordinary share) amounting to RO.2,043,546.197 and 5% unsecured non-convertible bonus stock bonds redeemable after 60 months totalling to 14,596,759 bonds of RO 0.100 each amounting to RO 1,459,676. This will be submitted for the formal approval at the Annual General Meeting of the Company to be held in March 2022. These bonus stock bonds will carry an annual coupon rate of 4%, payable annually. The interest will be calculated on the basis of 365 days per year on the nominal value of the bonus stock bond. These bonus stock bonds will be unsecured and listed on the Muscat Securities Market (MSM).

A cash dividend of 4% amounting to RO 1,167,741 was approved at the Annual General Meeting held in March 2021 and was paid subsequently.

20. COMPULSORILY CONVERTIBLE BONDS

		2021 RO	2020 RO
Compulsorily convertible bonus bonds – 2016	(i)	**2,142,908**	2,142,908
Compulsorily convertible bonus bonds – 2017	(ii)	**830,372**	830,372
Compulsorily convertible bonus bonds – 2018	(iii)	**1,428,122**	1,428,122
Compulsorily convertible bonus bonds – 2019	(iv)	**1,167,741**	1,167,741
		5,569,143	5,569,143

i) In March 2017, the shareholders at the AGM approved 8% compulsorily convertible unsecured bonus stock bonds totaling to 21,429,083 bonds of RO 0.100 each amounting to RO 2,142,908. These bonus stock bonds will carry an annual coupon rate of 4%, payable semi-annually. The bonus stock bonds will be compulsorily converted into specific number of equity shares at the end of 60 months in a manner explained in note (v).

ii) In March 2018, the shareholders at the AGM approved 3% compulsorily convertible unsecured bonus stock bonds totaling to 8,303,720 bonds of RO 0.100 each amounting to RO 830,372. These bonus stock bonds will carry an annual coupon rate of 4%, payable semi-annually. The bonus stock bonds will be compulsorily converted into specific number of equity shares at the end of 60 months in a manner explained in note (v).

iii) In March 2019, the shareholders at the AGM approved 5% compulsorily convertible unsecured bonus stock bonds totalling to 14,281,224 bonds of RO 0.100 each amounting to RO 1,428,122. These bonus stock bonds will carry an annual coupon rate of 4%, payable annually. The bonus stock bonds will be compulsorily converted into specific number of equity shares at the end of 60 months in a manner explained in note (v).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

20. COMPULSORILY CONVERTIBLE BONDS *(continued)*

iv) In March 2020, the shareholders at the AGM approved 4% compulsorily convertible unsecured bonus stock bonds totalling to 11,677,407 bonds of RO 0.100 each amounting to RO 1,167,741. These bonus stock bonds will carry an annual coupon rate of 4%, payable annually. The bonus stock bonds will be compulsorily converted into specific number of equity shares at the end of 84 months in a manner explained in note (v).

v) The interest is calculated on the basis of 365 days per year on the nominal value of the bond. These bonds are unsecured and listed on the MSM. The bonds will be converted into specific number of shares from the date of listing at 80% of the weighted average closing price of the Company's traded equity shares on the MSM over the preceding three months prior to the record date of such conversion, subject to a minimum 85% of the book value as per the audited accounts of the Company for the immediately preceding financial year of the Company.

vi) As approved by the regulatory authority, the unsecured fully compulsorily convertible bonds amounting to RO 5,569,143 (2020: RO 5,569,143) are treated as part of the Company's net worth for computing all regulatory limits. Accordingly, the net worth of the Company as of 31 December 2021 for all regulatory purposes is RO 70,658,414 (2020: RO 69,262,566).

21. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2021	2020
Profit for the year (RO)	**2,563,589**	1,449,462
Weighted average number of shares outstanding during the year (Nos)	**291,935,171**	291,935,171
Basic earnings per share (RO)	**0.009**	0.005

22. DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company (after adjusting interest on the convertible bonds, net of tax) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	2021	2020
Profit after tax	**2,563,589**	1,449,462
Add: Interest on bonds (net)	**189,351**	180,080
Profit attributable to ordinary shareholders (diluted) (RO)	**2,752,940**	1,629,542
Weighted average number of ordinary shares (diluted) (Nos)	**321,989,909**	321,184,872
Diluted earnings per share (RO)	**0.009**	0.005

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

23. SPECIAL RESERVE FOR NON-PERFORMING ASSETS

This special reserve is created specifically for non-performing assets to meet out any contingencies. This reserve is non distributable and transfers out of this reserve require approval of Board of Directors.

24. SEGMENT INFORMATION

The Company operates in the finance industry and its operations are confined to the Sultanate of Oman. Detail regarding the Company's corporate and retail loans are included in note 8. None of the Company's single customer contributed more than 10% of its instalment finance income.

The Chief Operating Decision Maker considers the business of the Company as one operating segment and monitors only revenue and provision for expected credit loss for the corporate and retail segment.

25. RELATED PARTY TRANSACTIONS

The Company has entered into transactions in the ordinary course of business with major shareholders and other related parties in which certain directors have a significant influence. Pricing policies and the terms of the transactions are approved by the Company's board of directors and are considered by mutually agreed terms and are consistent with the standard terms applied by the Company.

Transactions with related parties or holders of 10% or more of the Company's shares or their family members, included in the statement of comprehensive income are as follows:

	2021	2020
	RO	RO
Interest income on finance lease, working capital facilities and other advances (major shareholder)	**145,015**	119,505
Directors' sitting fees and remuneration	**382,800**	86,800
Employee's related cost of senior management	**1,622,559**	1,271,003

Details of Directors' remuneration and sitting fee are disclosed in notes 4 and 14.

Outstanding balances at the year-end arise in the normal course of business. Amounts due from related parties are not impaired and are estimated to be collectible based on the past experience.

The following balances were outstanding of related parties or holders of 10% or more of the Company's shares:

	Receivables	**Payables**	Receivables	Payables
	RO	**RO**	RO	RO
Members of the Board of Directors	**1,954,166**	**300,000**	2,073,199	-
	1,954,166	**300,000**	2,073,199	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

It is the Company's intention to hold investment in finance lease, working capital facilities and other advances till maturity. As a result, the fair value of performing finance receivables is arrived at by using the discounted cash flow method based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company's short term loans are at variable rates of interests and long term loans are repriced on annual basis. The Company considers that the fair value of financial instruments at 31 December 2021 and 2020 are not significantly different to their carrying value at each of those dates.

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

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the year, the company entered into an interest rate swap derivative instrument with a local commercial bank, which is subsequently measured at fair value using Level 2 techniques.

As at 31 December 2021 and 2020, the Company had no other financial instruments, which were recorded at fair values.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

27. MATURITY PROFILE OF THE ASSETS AND LIABILITIES

The table below analyses the Company's assets, liabilities and equity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The maturity profile as of 31 December 2021 was as follows:

	Up to 1 month RO	2 to 3 months RO	4 to 6 months RO	6 months to 1 year RO	1 to 3 Years RO	Over 3 years RO	Non-fixed maturity RO	Total RO
Assets								
Cash and bank balances	4,957,984	-	-	5,000,000	79,627,400	-	-	89,585,385
Deposits with CBO	-	-	-	-	-	-	250,000	250,000
Net investment in finance lease, working capital finance and other advances	21,800,018	19,945,698	10,633,062	16,623,813	23,758,678	12,796,683	-	105,557,952
Other assets and prepayments	236,540	616,322	314,244	34,837	-	-	-	1,201,943
Property and equipment	-	-	-	-	-	-	951,762	951,762
Total assets	26,994,542	20,562,020	10,947,306	21,658,650	103,386,078	12,796,683	1,201,762	197,547,042
Liabilities and equity								
Short term loans	14,000,000	4,000,000	-	-	-	-	-	18,000,000
Deposits	-	-	2,000,000	-	1,000,000	-	-	3,000,000
Term loans	-	7,218,281	9,624,500	22,030,469	55,000,000	-	-	93,873,250
Compulsorily convertible bonds	-	-	-	-	-	-	5,569,143	5,569,143
Other liabilities	3,133,601	3,309,433	871,430	673,394	3,063,697	261,902	-	11,313,457
Income tax payable	-	-	-	-	-	-	701,921	701,921
Equity	-	-	-	-	-	-	65,089,271	65,089,271
Total liabilities and equity	17,133,601	14,527,714	12,495,930	22,703,863	59,063,697	261,902	71,360,335	197,547,042
Gap in maturity	9,860,941	6,034,307	(1,548,624)	(1,045,213)	44,322,381	12,534,781	(70,158,573)	
Cumulative gap in maturity	9,860,941	15,895,248	14,346,624	13,301,411	57,623,792	70,158,573		

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

27. MATURITY PROFILE OF THE ASSETS AND LIABILITIES *(continued)*

The table below analyses the Company's assets, liabilities and equity into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The maturity profile as of 31 December 2020 was as follows:

	Up to 1 month RO	2 to 3 months RO	4 to 6 months RO	6 months to 1 year RO	1 to 3 years RO	Over 3 years RO	Non-fixed maturity RO	Total RO
Assets								
Cash and bank balances	73,477,589	-	-	-	-	-	-	73,477,589
Deposits with CBO	-	-	-	-	-	-	250,000	250,000
Net investment in finance lease, working capital finance and other advances	8,396,338	18,319,160	10,281,699	17,890,674	37,527,710	13,282,239	-	105,697,820
Other assets and prepayments	416,210	507,576	57,150	30,775	-	-	-	1,011,711
Property and equipment	-	-	-	-	-	-	1,016,788	1,016,788
Total assets	82,290,137	18,826,736	10,338,849	17,921,449	37,527,710	13,282,239	1,266,788	181,453,908
Liabilities and equity								
Short term loans	33,500,000	-	-	-	-	-	-	33,500,000
Deposits	-	-	-	-	2,000,000	-	-	2,000,000
Term loans	33,000,000	11,250,000	-	15,000,000	9,624,370	-	-	68,874,370
Compulsorily convertible bonds	-	-	-	-	-	-	5,569,143	5,569,143
Other liabilities	1,426,793	1,237,682	589,622	691,890	2,501,293	908,765	-	7,356,045
Income tax payable	460,927	-	-	-	-	-	-	460,927
Equity	-	-	-	-	-	-	63,693,423	63,693,423
Total liabilities and equity	68,387,720	12,487,682	589,622	15,691,890	14,125,663	908,765	69,262,566	181,453,908
Gap in maturity	13,902,417	6,339,054	9,749,227	2,229,559	23,402,047	12,373,474	(67,995,778)	
Cumulative gap in maturity	13,902,417	20,241,471	29,990,698	32,220,257	55,622,304	67,995,778		

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

28. INTEREST RATE RISK

The interest rate charged and paid by the Company are similar to the prevailing market interest rates. The Company's interest rate sensitivity position, based on the contractual re-pricing at 31 December 2021 is set out below:

	Floating rate or within three months RO	4 to 6 months RO	6 months to one year RO	1 to 3 years RO	Over 3 years RO	Non interest sensitive RO	Total RO
Assets							
Cash and bank balances including deposit with central bank	4,943,086	-	5,000,000	79,627,400	250,000	14,899	89,835,385
Instalment finance receivable, working capital finance and other advances	55,394,983	6,288,648	11,403,460	20,537,866	11,932,995	-	105,557,952
Other assets and prepayments	-	-	-	-	-	1,201,943	1,201,943
Property and equipment	-	-	-	-	-	951,762	951,762
Total assets	60,338,069	6,288,648	16,403,460	100,165,266	12,182,995	2,168,604	197,547,042
Liabilities and equity							
Short term loans	18,000,000	-	-	-	-	-	18,000,000
Deposits	-	2,000,000	-	1,000,000	-	-	3,000,000
Term loans	17,218,281	9,624,500	22,030,469	45,000,000	-	-	93,873,250
Compulsorily convertible bonds	2,142,908	-	-	2,258,494	1,167,741	-	5,569,143
Other liabilities	-	-	-	-	-	11,313,457	11,313,457
Income tax payable	-	-	-	-	-	701,921	701,921
Equity	-	-	-	-	-	65,089,271	65,089,271
Total liabilities and equity	37,361,189	11,624,500	22,030,469	48,258,494	1,167,741	77,104,649	197,547,042
Net Balance Sheet Items	22,976,880	(5,335,852)	(5,672,009)	51,906,772	11,015,254	(74,936,045)	
Off-Balance Sheet Items	10,000,000	-	-	(10,000,000)	-	-	
Interest rate sensitivity gap	32,976,880	(5,335,852)	(5,627,009)	41,906,772	11,015,254	(74,936,045)	
Cumulative interest rate sensitivity gap	32,976,880	27,641,028	22,014,019	63,920,791	74,936,045		

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

28. INTEREST RATE RISK *(continued)*

The Company's interest sensitivity position based on contractual repricing arrangements at 31 December 2020 is as follows:

	Floating rate or within three months RO	4 to 6 months RO	6 months to one year RO	1 to 3 years RO	Over 3 years RO	Non interest sensitive RO	Total RO
Assets							
Cash and bank balances including deposit with central bank	73,459,616	-	-	-	250,000	17,973	73,727,589
Instalment finance receivable, working capital finance and other advances	39,570,686	7,751,477	13,587,467	32,493,380	12,294,810	-	105,697,820
Other assets and prepayments	-	-	-	-	-	1,011,711	1,011,711
Property and equipment	-	-	-	-	-	1,016,788	1,016,788
Total assets	113,030,302	7,751,477	13,587,467	32,493,380	12,544,810	2,046,472	181,453,908
Liabilities and equity							
Short term loans	33,500,000	-	-	-	-	-	33,500,000
Deposits	-	-	-	2,000,000	-	-	2,000,000
Term loans	44,250,000	-	15,000,000	9,624,370	-	-	68,874,370
Compulsorily convertible bonds	-	-	-	2,973,280	2,595,863	-	5,569,143
Other liabilities	-	-	-	-	-	7,356,045	7,356,045
Income tax payable	-	-	-	-	-	460,927	460,927
Equity	-	-	-	-	-	63,693,423	63,693,423
Total liabilities and equity	77,750,000	-	15,000,000	14,597,650	2,595,863	71,510,395	181,453,908
Interest rate sensitivity gap	35,280,302	7,751,477	(1,412,533)	17,895,730	9,948,947	(69,463,923)	
Cumulative interest rate sensitivity gap	35,280,302	43,031,779	41,619,246	59,514,976	69,463,923		

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT

The primary objective of the risk management system is to safeguard the Company's capital, its financial resources and from various risks. The Company has exposure to the following risk from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the policies and procedures and internal checks and balances to keep the risk at an acceptable level.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company manages credit risk by setting limits for individual borrowers, monitoring credit exposures, limiting transactions with specific counter parties and assessing continually the creditworthiness of counter parties. In addition, the Company obtains security where appropriate, enters into collateral arrangements with counter parties, and limits the duration of the exposures.

Exposure to credit before collateral held or other credit enhancements

The credit exposure of the Company at 31 December is as follows:

	2021	2020
	RO	RO
Bank balances	**4,943,086**	1,689,655
Deposit with CBO and commercial banks – net	**84,877,400**	72,019,960
Net investment in finance lease, working capital facilities and other advances – net	**105,557,952**	105,697,820
Credit risk exposure relating to off balance sheet items		
Approved lease commitment at 31 December	**37,798**	122,397
Total exposure	**195,416,236**	179,529,832
Classification of net investment in finance lease, working capital facilities and other advances – net as per CBO norms		
Past due 1 - 89 days but not impaired	**2,682,759**	4,775,083
Impaired		
Past due 90 – 179 days	**1,132,776**	2,402,955
Past due 180 –269 days	**3,179,578**	2,741,664
Past due 270 –364 days	**-**	25,777
Past due > 364 days	**94,906**	147,878
	4,407,260	5,318,274
Neither past due nor impaired	**109,946,087**	104,465,089
Total	**117,036,106**	114,558,446

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Classification of investment in finance lease, working capital facilities and other advances – net as CBO norms (continued)

	2021 RO	2020 RO
Less: provision for ECL:		
Specific as per IFRS 9 including reserved finance interest	**(11,478,154)**	(8,860,626)
Total allowance for expected credit loss	**(11,478,154)**	(8,860,626)
Net investment in finance lease, working capital facilities and other advances	**105,557,952**	105,697,820

Rescheduled loans as of 31 December 2021 amounted to RO 3,154,724 (2020: RO 2,870,819).

Classification of investment in finance lease, working capital facilities and other advances as per IFRS 9 including guarantees

	2021 RO	2020 RO
Stage -1	**99,729,095**	96,730,223
Stage -2	**12,899,751**	13,059,536
Stage -3	**4,407,260**	5,318,275
	117,036,106	115,108,034
Less: provision for expected credit loss, including reserved interest:	**(11,478,154)**	(8,860,626)
Net investment in finance lease, working capital facilities and other advances as per IFRS 9 including guarantees	**105,557,952**	106,247,408

Risk concentrations of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location. There is no significant industry concentration. Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to instalment finance receivable to any single counterparty as at 31 December 2021 and 2020. An industry sector analysis of the Company's instalment finance receivable – net before taking into account collateral held is as follows:

	Maximum exposure 2021	Maximum exposure 2020
Personal loans	**28,645,946**	36,728,193
Business loans - Services and other sectors	**43,191,147**	31,015,265
- Construction	**1,555,970**	3,820,518
- Trading	**28,123,702**	27,859,973
- Manufacturing	**15,519,341**	15,134,497
	117,036,106	114,558,446

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Delinquency risk

Delinquency risk refers to investment in finance lease and other credit exposures that have become non-performing during the period of the credit term. An instalment finance receivables is considered impaired when, in the management's opinion, it can no longer be reasonably assured that it will be able to collect the full amount of principal and interest when due.

The Company treats an instalment finance receivables as non-performing as per the established norms of the Central Bank of Oman and creates specific ECL allowances individually based on the regulatory guidelines. The Company as per International Financial Reporting Standard establishes specific allowances for all impaired instalment finance receivables when the estimated value of the instalment finance receivables is less than its recorded value, based on discounting of expected future cash flows. In addition collective provision is also created. The Company writes off an instalment finance receivables, when it determines that the instalment finance receivables is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the customer's financial position such that the borrower can no longer pay the obligation, or proceeds from the sale of the asset or collateral security will not be sufficient to pay back the entire exposure. Upon approval from the Board of Directors, the amount is written off.

Collateral securities

The Company holds collateral securities against the instalment finance debtor in the form of mortgage interests over property. Estimate of fair value are based on the value of the collateral assessed at the time of borrowing, except when an instalment finance receivable is individually assessed as impaired. The fair value of the collateral considered is restricted to a maximum amount of secured instalment finance receivable.

Settlement risk

The settlement risk is the risk of loss due to the failure of a Company to honour its obligations to deliver cash, securities or other assets as contractually agreed. To avoid settlement risks, the Company ensures that all control systems are in place to keep the errors to a minimum.

Impairment assessment

Definition of default

IFRS 9 does not define the term default. As per the CBO guidelines default happens when the financial asset is 90 days past due. For IFRS 9 purposes the loan is in default when a financial asset is 90 days past due. There is a rebuttable presumption that the credit risk of the loan has increased significantly when the contractual payments are more than 30 days due. Cross default has been applied in the IFRS 9 model. If a customer has multiple loans, default in one loan would automatically classify all the other loans of the customer in the same higher category.

Incorporation of forward-looking information

The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. Based on consideration of a variety of external actual and forecast information, the Company formulates a fundamental view of the future direction of relevant economic variables as well as a reasonable range of possible scenarios.

The Company's internal rating and PD estimation process

The company has internal risk rating modules which it applies to all corporate customers whose comprehensive credit limit facility is in excess of RO 250,000/-. The internal risk ratings model used by the company is quite comprehensive and gives

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Impairment assessment *(continued)*

appropriate weightage to qualitative, quantitative and security aspects. The model has been in use for almost 6 years and has proved effective so far. Due to the non availability of data for bench marking and due to diverse nature of the industry and client, the internal ratings are not mapped to the external ratings.

For other corporate clients, where detailed risk rating model is not deployed, risk grading has been done based on the same parameters subject to availability of data and on judgement. Accordingly risk classification and appropriate risk scores are assigned.

The internal risk ratings serves as a parameter for the development of base probability of default for the corporate segment where the customers have comprehensive credit limits.

Generating the term structure of Probability of Default (PD)

The TTC probability of default is derived based on the loan amount to default loans and also on the count of bad loans to the total loans. Based on the survival rate, the marginal PD is calculated for the months and weighted average of marginal PD is computed and the life time PD (LTPD) is derived. Then all the monthly weighted average PD and LTPD are averaged for the individual years and averaged collectively for the data period for each - group of retail portfolio.

The loans are categorized in stages as per the staging criteria and based on the balance tenure the respective point in time PD is applied with respect to the particular grouping the customer falls in. Further the PD may be escalated across different stages to adjust the probability of default for forward looking macro-economic conditions in the country.

The base PD is derived on the risk score of Internal credit rating model for corporate customers with exposure of RO 250 k and above and the PD is adjusted to current qualitative and quantitative parameters. available and the PD is further escalated and adjusted to forward looking PD by utilizing macroeconomic variables.

The base PD is derived on the risk score of an abridged internal credit rating model for corporate customers with exposure of RO 100 k and above up to RO 250 k and the PD is adjusted to current qualitative and quantitative parameters available and the PD is further escalated and adjusted to forward looking PD by utilizing macroeconomic variables.

Economic variable assumptions

Exposure at default

This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected draw downs on committed facilities. This is the principal loan amounts outstanding at any point in time.

Loss given default

Loss Given Default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

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At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Economic variable assumptions *(continued)*

Significant Increase in Credit Risk

i. 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 considers 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 and forward-looking information in addition to qualitative criteria as prescribed by Central Bank of Oman vide circular BM1149 dated 13th April 2017.

ii. There is a rebuttable presumption that there is a significant increase in credit risk when the contractual payments are more than 30 days due for all loans. The significant increase in risk is applied at the obligor level.

Outbreak of Coronavirus (COVID-19)

The World Health Organization officially declared COVID-19 as a global pandemic on 11 March 2020. From the latter half of Q1-2020, the economic environment and business landscape of the Company have witnessed rapid changes because of the unprecedented outbreak of Coronavirus pandemic coupled with the significant depression in the global crude oil prices. Tightening of market conditions, lockdowns, restrictions on trade and movement of people have caused significant disruptions to businesses and economic activities globally and across industries & sectors.

i) Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also instituted a host of measures to protect the stability of country's economy.

These significant measures include:

- Deferral of instalments for the effected customers particularly the corporates and SMEs
- Deferment of instalments and waiver of profit for effected Omani nationals employed in private sector
- Lowering of regulatory capital ratios.

These measures have been extended until 31 December 2021.

ii) Impact of COVID-19 on the Company

The assessment of Significant Increase in Credit risk (SICR) and the measurement of ECLs are based on reasonable and supportable information that is available without undue cost or effort. In assessing forecast conditions, consideration should be given both to the effects of COVID-19 and the significant government support measures being undertaken. Relief measures, such as payment holidays, will not automatically lead to loans being measured based on lifetime losses and considerable judgment will be needed to measure ECLs at this time. When it is not possible to reflect such information in the models, post-model overlays or adjustments should be considered. This is also broadly consistent with guidelines issued by other regulators including those issued by the CBO.

Additional IFRS 9 guidelines issued by the CBO stipulates:

- CBO's measures related to deferment of loan repayment by a borrower may not on its own trigger the counting of 30 DPD or more backstop used to determine SICR or the 90 days past due backstop used to determine default. However, banks / FLC's shall continue to assess the obligor's likelihood of payment of amount due after the deferment period, and in case of SICR or credit impairment and if the same is not of a temporary nature, accordingly, fairly recognize such risk.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Outbreak of Coronavirus (COVID-19) *(continued)*

- The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless banks and FLC's might have experienced other supportable evidence on having deterioration in the credit quality of the obligor.
- Similarly, any covenant breach having particular relevance to Covid-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.
- Banks and FLCs must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of Covid-19 coupled with oil prices & significant CBO policy measures being undertaken.
- Nevertheless, any changes made to ECL to estimate the impact of Covid-19 distress will be subject to very high levels of uncertainty, as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied by the banks and FLCs in their IFRS 9/ECL models could not be recalibrated upfront with pre-mature effects of Covid-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to Covid-19 effect on market prices of collateral and guarantees. However, Banks and FLCs are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.

The Company closely monitors the impact of COVID-19 by an ongoing review of the portfolio including detailed review of all individual significant exposures in the directly impacted industries and sectors. SME customers are evaluated based on the stability of the business owner and business.

The Company's retail portfolio largely comprises of nationals employed in government sector and hence this segment is expected to largely remain insulated from job cuts and salary reductions. Retail lending to private sector employees which forms a small proportion of the company's total retail portfolio is expected to witness some impact in the short to medium term due to the pandemic and hence could lead to potential credit issues. The company is fully committed to help its customers through this turbulent period as directed by the CBO. The Company continued to support its customers and partners through adopting health and safety measures announced by the Supreme Committee entrusted with finding mechanisms for dealing with developments resulting from the COVID-19 pandemic. The Company continually reviews its precautionary and administrative measures in response to changes on the ground.

iii) Impact of SICR

The exercise of the deferment option by a customer, in its own, is not considered by the Company as triggering SICR. However, as part of the Company's credit evaluation process especially given the current economic situation due to aftereffects of lock down, the Company obtained further information from the customer to understand their financial position and ability to repay the amount and in case where indicators of significant deterioration were noted, the customers' credit ratings and accordingly exposure staging were adjusted, where applicable.

iv) Impact of ECL

The Company's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios and application of reasonable judgement based on Management expertise in the segments

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Outbreak of Coronavirus (COVID-19) *(continued)*

iv) Impact of ECL *continued)*

where the Company do not have default history. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance, the Company has made post-model adjustments and management overlays to mitigate any unforeseen impacts in the portfolio in estimating the ECL for the year ending December 2021 and this will likely to continue in the foreseeable future also. The Company will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected period.

Post-model adjustments and management overlays of RO 5.5 million (2020: RO 2.8 million) million have been made in estimating the reported ECL as at 31 December 2021.

As on the reporting date, the collective provision held by the Company including management overlays amounts to RO 11.268 million (2020: RO 8.772 million) based on latest available PD term structure and macro-economic forecasts, PMAs and management overlays.

Given the evolving nature of the current health and economic crisis, the Company's management is of the view that the forward looking macro-economic data and the PD term structures published by the economists and rating agencies during 2021 is yet to reasonably reflect the impact of the economic disruption caused by Covid-19 and also to fully factor in the financial intervention by the relevant authorities.

Hence, based on regulatory and IASB's guidance, as a measure of prudence, wherever necessary, the Company has applied post model adjustments and management judgment overlays, while computing its ECL with an intention to collectively cover the,

- Customer, industry, sector specific evolving credit risk and appetite,
- Impact of recent internal ratings and resultant change in the PD term structures,
- Impact of Covid-19 & depressed oil prices available in latest forward-looking information and
- mitigating impacts of government support measures to the extent possible

The following table shows a comparison of the company's allowances for credit losses on non-impaired financial assets (Stages 1 and 2) under IFRS 9 as at December 31, 2021 based on the probability weightings of three scenarios with allowances for credit losses resulting from simulations of each scenario weighted at 100%.

Sensitivity of impairment estimates	2021 RO **ECL in RO**	2020 RO ECL in RO
ECL on non-impaired loans under IFRS9	**7.887,870**	5,305,877
Simulations		
Upside case - 100% weighted	**7,370,841**	4,746,042
Base case - 100% weighted	**7,888,745**	5,308,271
Downside scenario - 100% weighted	**8,402,272**	5,858,532

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

Outbreak of Coronavirus (COVID-19) *(continued)*

v) Modification loss

In case of Corporate customers who ever has opted for deferment options, the company has restructured the principal outstanding for the deferred period either up to the existing balance tenor period or by extending the tenor to accommodate the cashflow position of the customers. However, on the deferment relating to individual Omani customers who have lost their jobs or whose salaries have been reduced, the company has deferred the installments to the end of the tenor without any additional interest in line with CBO relaxation measures. The segment of customers who have opted for deferment are majorly from the private sector. The impact of such modification may not be material as the total exposure to customer who continue to avail zero interest / deferment of installment as on 31 December 2021 was not material.

vi) Stage-wise analysis of customers benefitting from payment deferrals

The following table contains an analysis of the credit risk exposure of financing receivables and the related ECL of the customers benefiting from payment deferrals. The gross carrying amount including accrued interest / profit, and off-balance sheet exposures below represents the Group's maximum credit exposure to customers benefitting from payment deferrals:

	Investment in finance lease, working capital facilities and other advances			
	2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total exposure	**24,467,452**	**6,994,671**	**3,300,835**	**34,762,958**
Allowances for impairment (ECL)	**(2,242,319)**	**(3,916,610)**	**(2,487,064)**	**(8,645,993)**
Carrying amount	**22,225,133**	**3,078,061**	**813,771**	**26,116,965**
	2020			
	Stage 1	Stage 2	Stage 3	Total
Total exposure	24,975,730	6,023,556	3,318,674	34,317,960
Allowances for impairment (ECL)	(872,333)	(2,627,189)	(1,922,382)	(5,421,904)
Carrying amount	24,103,397	3,396,367	1,396,292	28,896,056

(b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. The business of lending has an inherent risk of liquidity arising from the mismatch of tenure of funds borrowed vis-à-vis lent, in addition to unforeseen adverse recovery patterns.

The Company is constantly on the vigil and judiciously manages the funds with a mix of borrowing instruments. Liabilities are contracted and structured based on the behavioral pattern of the assets in terms of maturity and re-pricing structure. To limit the liquidity risk, the management through its carefully drawn up strategies, has diversified sources of funds, avoids undue concentration on a single lender and manages its collection in a systematic manner.

During the year, the Company completed medium to long term funding arrangements that have effectively addressed and mitigated the apparent mismatch in the maturity of assets and liabilities. Cash flows are monitored continuously and appropriate steps are taken to set right mismatches if any, to address the liquidity risk.

The table in note 27 summarizes the maturity profile of the Company's assets and liabilities as at 31 December 2021 based on the residual contractual repayment arrangements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

(d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability of the fair values of financial instruments. The Company is exposed to interest rate risk as a result of mismatches of interest rate, repricing of assets and liabilities and unfunded instruments that mature or re-price in a given period. The Company manages this risk by matching the re-pricing of assets and liabilities through risk management strategies.

The table in note 28 summarizes the maturity profile of the Company's assets and liabilities as at 31 December 2021 based on the contractual re-pricing arrangements.

Revision in the interest rates by the existing lenders and changes in the interest rates consequent to economic forces is a risk faced by any financial institution. Though the Company's loan portfolio comprises predominantly of fixed interest rates, the Company manages its treasury in such a way that the targeted margin is maintained and the risk is kept within acceptable levels.

The following table shows the sensitivity to the Company's net interest income that would result out of a possible change in interest rates

Change in interest rate	Change in basis points	Sensitivity to net interest / income (RO '000) 2021	2020
Increase in interest rate	+100 bps	**155**	(384)
Increase in interest rate	+150 bps	**233**	(575)
Decrease in interest rate	- 25 bps	**(39)**	96

(e) Operational risk

The Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations and are faced by all business entities.

The Company has put in place the mechanism to minimise operational risk by way of effective internal control systems, systems review and an on-going internal audit programme. The internal auditors of the Company undertake comprehensive audits and report directly to the Audit Committee of the Board. The Audit Committee of the Board review the internal audit reports, the adequacy of the internal controls and report on the same to the Board.

(f) Capital management

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2021

29. FINANCIAL RISK MANAGEMENT *(continued)*

(f) Capital management *continued)*

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021 and 31 December 2020.

The Company's lead regulator Central Bank of Oman sets and monitors capital requirement as a whole. The current capital requirement as per the Central Bank of Oman is RO 25 million. The Company's current paid up capital is RO 29,193,517 at the current period ending. The Company has already achieved the capital requirement set out by CBO.

As approved by the regulatory authority and more fully explained in note 20, the unsecured fully compulsorily convertible bonds are treated as part of the net worth for computing all regulatory limits.

Accordingly, the net worth as of 31 December 2021 for all regulatory purposes is RO 70,658,414 (2020: RO 69,262,566).

(g) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company's assets are all denominated in Rial Omani and hence there is no currency risk.

Unless stated otherwise, the liabilities are also denominated in Rial Omani. As at 31 December 2021, the company has borrowed RO 63.873 million (2020: RO 9.624 million) in foreign currency loans denominated in US Dollar, with residual maturities ranging from 10 to 34 months. Since the US Dollar is effectively pegged to Rial Omani, Management considers the currency risk to be very low.

30. COMPARATIVE INFORMATION

Certain of the corresponding figures have been reclassified in order to conform with the presentation for the current year. Such reclassification does not affect previously reported net profit or equity.

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Al Omaniya Financial Services (SAOG)

Values stronger than money