

Annual Report 2024



*Shaping tomorrow,
envisioning the
future*

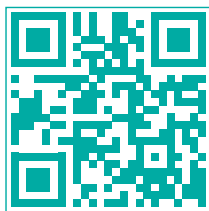


Al Omaniya Financial Services (SAOG)

Values stronger than money



Ayn Sahalnoot



www.aofsoman.com

African Paradise Flycatcher

The African Paradise Flycatcher, primarily native to sub-Saharan Africa, is a striking and elegant bird that appears in Oman during migration seasons. Known for its graceful movements, long elegant tail, and contrasting plumage, this species is a delight for birdwatchers and nature enthusiasts.

Its journey often takes it to the green oases and coastal areas of the Dhofar region, where it stops in wooded areas, lush gardens, or near water sources. It is mostly spotted in Dhofar's green woodlands and wadis, especially in Salalah, Wadi Darbat, Ayn Razat, Tawi Attair and Ayn Sahalnoot Oases and tree-lined areas in other parts of southern Oman.

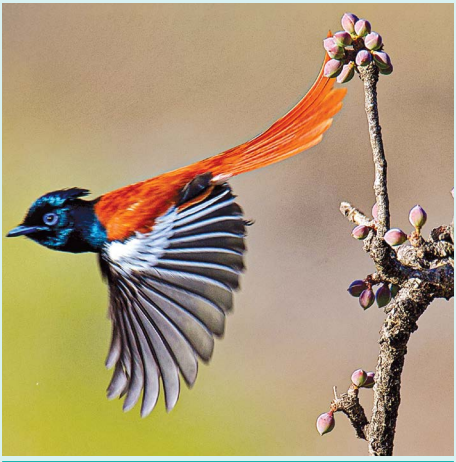
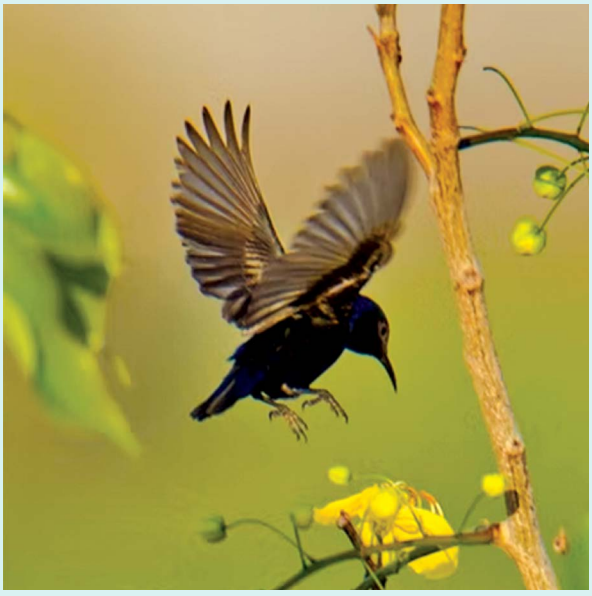
The bird's medium-sized passerine, measuring about 15–20 cm excluding its long tail feathers, has an iridescent coppery-orange or black tail. Its glossy black head with a blue sheen and bright blue eye-rings add to its beauty.

The bird feeds on insects, catching them mid-air with swift, acrobatic movements. Its flight is graceful, fluttery, and agile, with its tail often flicking as it moves.



**HIS MAJESTY
SULTAN HAITHAM BIN TARIK**

WINGED ENVOYS OF OMAN



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Purple Sunbird

Purple Sunbirds are commonly found in Oman, particularly in lush green spaces with abundant flowering plants. Prime locations to spot them include Qurum Natural Park, Al Ansab Wetland and the Sultan Qaboos Grand Mosque Garden in Muscat, Birkat Al Mouz near Nizwa, Sohar Park, and the Salalah Farms in Dhofar. They are mostly resident in Oman and are often seen hovering around flowers or perching while feeding.

These birds are usually found in pairs, primarily feeding on nectar but also consuming insects. As natural pollinators, Purple Sunbirds play a vital role in the ecosystem. Their adaptability to urban environments makes them one of the most frequently seen small birds in gardens across the country.

The male Purple Sunbird is more striking in appearance than the female. During the breeding season, the male displays a metallic blue and purple plumage with maroon feathers on the breast, while the female is olive above and yellow below.

These birds construct hanging, purse-like nests, which are typically suspended from branches or human-made structures, providing a safe space for their young.

OMAN’S AVIAN WONDERS

Oman is a paradise for bird lovers, offering an extraordinary diversity of avian species thanks to its varied landscapes—spanning deserts, mountains, coasts, and wetlands. The Sultanate’s unique topography creates the perfect sanctuary for both resident and migratory birds, making it an essential stopover for long-distance travellers from as far as Siberia and Europe seeking refuge in its warmer winter climate.

Just as Oman’s landscapes nurture a rich tapestry of bird life, Al Omaniya Financial Services SAOG (AOFS) has flourished across the nation for over two-and-a-half decades, delivering exceptional service to its clients. Like the migratory birds that return to Oman year after year, AOFS has built lasting relationships, offering financial solutions that evolve with the changing needs of individuals and businesses. Adaptability, stability, and resilience — qualities found in the birds that traverse Oman’s skies — are mirrored in AOFS’s approach to financial growth and security.

Reports indicate that Oman is home to as many as 528 bird species, including around 200 rare ones. These birds inhabit diverse terrains, from vast plains to stunning shores, towering mountains, and expansive deserts. Some of the most well-known locations where these winged visitors find sanctuary include Ansab Wetland, Ras Al Hadd, and Ras Al Jinz. While Ansab Wetland is renowned for its water-birds, Ras Al Hadd and Ras Al Jinz serve as crucial stopovers for migratory species. Likewise, the Daymaniyat Islands provide a safe haven for sea birds, Barr Al Hikman attracts waders and shorebirds, and Jebel Akhdar is home to fascinating mountain species.

Over the years, Oman has become a thriving destination for migratory birds, offering them shelter and sustenance. Similarly, AOFS has established itself as a trusted financial partner, ensuring stability and growth for its clients. Just as bird watchers and ornithologists from around the world are drawn to Oman’s rich biodiversity, investors and customers turn to AOFS for its reliability, expertise, and customer-centric approach.

Among the most captivating birds found in Oman are African Paradise Flycatcher, Purple Sunbird, Eurasian Oystercatcher, Greater Flamingo, Barn Swallow, Grey Heron, and White-spectacled Bulbul. Whether soaring through the skies, perched on rocky cliffs, or wading in tranquil waters, these winged wonders add to the enchanting beauty of Oman’s natural landscape.

Strong foundations

As a non-banking financial Institution (NBFI), AOFS stands tall with pride, grounded in its robust internal control systems and a cautious yet forward-thinking approach. Serving a wide array of sectors, it boasts an outstanding capital adequacy ratio, a formidable net worth, and leads the industry in non-performing loan coverage, marking its presence as a true pillar of financial strength.

The company has built a solid market presence, with over 100,000 satisfied customers and a reputation for delivering consistent, sustainable dividends. Its value-driven management, dedicated employees, and loyal clients form the perfect blend for enduring growth, reinforcing its strong foundation.

Rising like the diverse bird life of the Sultanate, Al Omaniya stands tall as Oman’s premier non-banking financial services provider. With a solid asset base, the company has not only cemented its leadership within the Sultanate but also emerged as a symbol of financial strength across the Gulf region. Its wide array of services reflects years of dedication to excellence, with a formidable market presence and streamlined operations.

We are grateful to H.E. Mr. Amit Narang, Ambassador of India to the Sultanate of Oman, for kindly permitting us to use the photos of the birds featured here from his collection, “Winged envoys of Oman”. These were photographed by him personally in various locations in Sultanate of Oman.

As we celebrate our 28th anniversary, we look ahead with excitement, embracing life in all its vibrant expressions and continuing our journey toward even greater achievements.



Projecting forward

Al Ansab Wetlands

Barn Swallow

As a familiar and widespread migratory bird seen in the Sultanate, Barn Swallows are particularly spotted during the autumn and spring migration seasons. Though they do not breed in Oman, these seasonal visitors arrive from their breeding grounds in Europe, Asia, and North Africa, making their way to wintering areas in Africa and the Middle East region. Their seasonal presence is a key indicator of migratory bird movements, adding to Oman’s rich and diverse birdlife. In the Sultanate, Barn Swallows favour open landscapes, wetlands, farmlands, and areas near water, where insect populations are abundant. They are commonly spotted in Al Ansab Wetland in Muscat, Salalah’s farms and coastal wetlands, the Al Hajar Mountain foothills, and open fields and farmlands across the country.

These small yet striking birds are known for their glossy blue-black upperparts, rufous forehead and throat, and creamy-white underparts. With their sleek bodies, deeply forked tails, and agile flight, they are a breathtaking sight as they soar effortlessly through the skies in search of food. Barn Swallows are aerial insectivores, darting through the air to catch flies, mosquitoes, and other flying insects. Their swift, acrobatic movements, combined with their ability to glide and dive gracefully while hunting, make them fascinating to watch.

Beyond their beauty, Barn Swallows play a crucial role in natural pest control, consuming vast numbers of insects and contributing to the ecological balance. They are also known to nest in human-made structures such as barns, bridges, and buildings, constructing their distinctive cup-shaped nests from mud and plant material.

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.



Ascending greatness

Qurum Wetlands

Grey Heron

As a large and elegant wading bird commonly seen in the Sultanate, the Grey Heron is particularly seen around wetlands, coastal areas, and inland water bodies. These birds are year-round residents, though they are more notable as winter visitors when migratory populations arrive from northern breeding grounds. Their elegant stature and widespread distribution make them a familiar and admired sight across the country.

The Grey Heron is commonly spotted in areas such as the Barr Al Hikman wetlands, Qurum Nature Reserve, and other coastal and inland water-rich locations. These birds primarily feed on fish, amphibians, and aquatic invertebrates, often hunting patiently in shallow water.

Its plumage consists of predominantly grey upperparts with white underparts, and its long, slender neck is often S-shaped in flight. Its head is white with a distinctive black streak that extends from the eye to the back of the head, forming a plume.



CHAIRMAN'S MESSAGE

Khalid Said Salim Al Wahaibi
Chairman



The Company is resilient and cautiously optimistic of posting satisfactory performance in 2025. 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
27th Annual Report, for the year ended 31st December 2024.

Economy:

The global economy has shown significant resilience despite multiple shocks, but the outlook remains volatile due to ongoing geopolitical conflicts, trade tension, climate risk and fiscal pressures. The global growth projected to 2.8 per cent in 2025, the same as in 2024, but lower than the pre- pandemic 10 years average of 3.2%. Most developing regions are expected to see an uptick in economic growth in 2025 and 2026.

Though global inflation has eased with headline inflation falling from 5.6 per cent in 2023 to an estimated 4.0 per cent in 2024 and is projected to decline further to 3.4 per cent in 2025 although this outcome will depend on how trade restrictions evolve. The upward risks to the inflation outlook remain significant as renewed supply shocks in global commodity markets and trade restrictions could drive up energy and food prices.

Many economies are experiencing currency depreciation, which could potentially become disruptive, especially for emerging market economies. New policies could lead to new trajectories for inflation, borrowing costs, production costs, currency values, trade & capital flows. Meanwhile, governments and central banks continue to navigate a balance between a desire to suppress inflation and a goal to boost growth.

The economies of Oman and the GCC are undergoing profound transformations as they deal with fluctuating oil revenues, climate change and shifting global economic dynamics working towards diversifying their economies and reduce dependence on hydrocarbons. Oman's economy continues to perform modestly supported by high oil prices, favorable gas production and fiscal consolidation under the Medium-Term Fiscal Plan and Vision 2040. Oman's 2025 budget is based on an assumed oil price of \$60 per barrel with GDP growth expected to reach 2.4% in 2025.

Financial Highlights

The company achieved Net Profit after tax of RO 3.569 million for the year 2024 compared to RO 3.201 million for the same period last year, showing an increase of 11.5%. The company's Net Installment Finance Receivables stood at RO 124 million as of 31 December 2024 as against RO 127 million last year. The non-performing assets coverage including the specific reserve for non-performing assets are more than 500%. The company has followed a conservative and pragmatic policy in writing new businesses with a focus on maintaining the asset quality besides scouting for quality assets. The Total ECL and reserve interest on Instalment Finance Receivables stands at RO 14.75 million as on 31st December 2024.

Proposed Dividend

It is the intention of the company to continue the sustainable dividend policy that it has been following since inception. The Board of directors have proposed a dividend of 14% of the paid-up capital for the year 2024, after considering the CBO guidelines, comprising 9% cash and 5% unsecured non-convertible redeemable bonus stock bonds. This will be paid from the company's retained earnings, thus maintaining its track record of paying consistent dividends without interruption since inception. This will be submitted for the formal approval of the shareholders at the AGM of the Company to be held in March 2025. This takes the cumulative dividend paid to shareholders to 505.83% since inception.

Capital Enhancement

The company's equity capital stands at RO 31,541,700/- which is well above the regulatory requirement. The company is well capitalized and the capital adequacy stands at a healthy 32.94%. The company has issued compulsorily convertible bonus stock bonds in the earlier years which are listed. One of the existing convertible bonus stock bonds (listed in 2019) got converted to Equity Shares in 2024 leading to further Capital enhancement.

Concerns

Oman is working to reduce its dependence on oil by implementing robust fiscal reforms, prioritizing diversification and investing in renewable energy to build a sustainable future. Given the country's dependence on imports for meeting a large part of day-to-day requirements, the global inflation condition continues to impact prices in Oman. Expected delinquencies due to reduced cash flow at the borrower's level may reduce the net margins and result in dilution of the NPA coverage. The challenging geopolitical situations are an added cause of concern.

Corporate Social Responsibility

The Company continues to contribute to social causes as part of its Corporate Social Responsibilities in line with the corporate objectives during the current year.

Prognosis

We continue to foresee a challenging year ahead tempered with optimism. The company is resilient, proactive and fundamentally strong with solid net worth, clean loan book, the lowest Non-Performing Loans, high NPA coverage and a robust liquidity buffer in the form of liquid deposits with commercial banks which is being leveraged for effective treasury management.

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. The company has the ability and acumen to continue as a going concern and the company is cautiously optimistic about posting 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 and the Financial Services Authority of the Sultanate of Oman.

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 for continuing to lead the Sultanate on the path of development and prosperity.

We are also grateful to the Central Bank of Oman, Financial Services 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 least, we acknowledge the dedication and commitment of the management and staff of the company.



Khalid Said Salim Al Wahaibi
Chairman



Collective wisdom

Salalah and Masirah

Greater Flamingo

Greater Flamingos are one of the most elegant and iconic waterbirds found in the country. With its tall, slender frame, graceful movements, and striking pinkish-white plumage, it is a breathtaking sight in the country’s coastal lagoons. As the largest of all flamingo species, its pale pinkish-white feathers, accented with deeper pink highlights on the wings and black flight feathers, make it easily recognizable. Its long, downward-curving bill, pale pink with a black tip, is specially adapted for filter-feeding on algae, small crustaceans, and plankton, giving the bird its distinctive coloration. Despite their size, Greater Flamingos are strong fliers, often seen taking off in long formations, with their necks stretched forward and legs trailing behind.

While some flamingos reside in Oman year-round, many are winter visitors, migrating from breeding colonies in Iran, Central Asia, and East Africa. They are commonly spotted in Al Ansab Wetland and Qurum Nature Reserve in Muscat, Barr Al Hikman in Al Wusta, Masirah Island, and the Dhofar wetlands.

Beyond their beauty, Greater Flamingos are a symbol of Oman’s rich wetland biodiversity and play a vital role in maintaining the ecological balance of coastal habitats. Their presence highlights the importance of preserving wetlands and lagoons as essential feeding and resting grounds for migratory birds, making them a key species in the region’s delicate ecosystem.

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



**Mr. Nabil Hamed
Zahran Al Mahrouqi**
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



**Sheikh Awadh Salim
Mustahil Al Maashani**
Director

AGREED-UPON PROCEDURES REPORT ON FACTUAL FINDINGS TO THE SHAREHOLDERS OF AL OMANIYA FINANCIAL SERVICES SAOG IN RESPECT OF CORPORATE GOVERNANCE REPORT

Scope and purpose

We have performed the procedures agreed with you pursuant to the Financial Services Authority's (FSA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report (the "Report") of Al Omaniya Financial Services SAOG (the "Company") as at and for the year ended 31 December 2024 and its application of the corporate governance practices in accordance with amendments to FSA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code").

Restricted use

This agreed-upon procedures report ("AUP Report") is intended 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 accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2024 and does not extend to any financial statements of Al Omaniya Financial Services SAOG, taken as a whole.

Responsibilities of the Board of Directors

The Board of Directors have acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement and are responsible for identifying and ensuring that the contents of the Report comply with the Code on which the agreed-upon procedures are performed. The sufficiency of these procedures is solely the responsibility of the Company and its Board of Directors.

Responsibilities of the Practitioner

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness, or the sufficiency of the agreed-upon procedures described below either for the purpose for which this AUP Report has been requested or for any other purpose.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Our independence and quality control

In performing the Agreed-Upon Procedures engagement, we complied with the ethical requirements in the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and the independence requirements in accordance with the relevant independence requirements. We are the independent auditor of the Company and therefore we also complied with the independence requirements of the IESBA Code that apply in the context of the financial statement audit.

AGREED-UPON PROCEDURES REPORT ON FACTUAL FINDINGS TO THE SHAREHOLDERS OF AL OMANIYA FINANCIAL SERVICES SAOG IN RESPECT OF CORPORATE GOVERNANCE REPORT
(continued)

Our independence and quality control (continued)

EY applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

We have performed the procedures described below, which were agreed upon with you on the compliance of the Report with the Code for the year ended 31 December 2024.

Our procedures and findings included:

No.	Procedures	Findings
(a)	We obtained the Corporate Governance Report issued by the Board of Directors and compared its contents to the minimum requirements of the FSA as set out in Annexure 3 of the Code.	No exceptions noted.
(b)	We obtained from the Company details of the areas of non-compliance with the Code identified by the Company, as set out in its Board minutes and in its non-compliance checklist and compared these with those included in the Report in the section "Details of non-compliance and penalties", together with the reasons for such non-compliance for the year ended 31 December 2024.	No exceptions noted.

Ernst & Young
5 March 2025
Muscat



REPORT ON CORPORATE GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2024

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 27 March 2024, for a term of 3 years ending March 2027. The Board members are qualified, 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 Salim 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 experience of more than 29 years in several senior management positions in a large conglomerate business group. He is also on the board of National Gas Company SAOG, Oman Investment & Finance Co 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 the director in Dhofar Foods & Investment SAOG and also on the board of joint stock companies including the Chairman of Bank Muscat SAOG and Dhofar International Development & Investment Co. SAOG.

Sheikh Awadh Salim Mustahil Al Maashani, Director has a Bachelor's degree in Accounts and Finance. He is the Managing Director in Al Tamman Group. He has experience in Finance, Senior Management and is a director in several companies.

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 27 years in various senior positions in a large business conglomerate.

Mr. Zaki Hassan Ihsaan Al Naseeb, Director is a graduate of business administration from the United Kingdom. He has 31 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. He is the Chairman of Audit committee in Fincorp Al Amal Fund.

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

Mr. Imad Salim Nasser Al Salmi, Director, holds a Bachelor's degree in Economics from Sultan Qaboos University and is a Chartered Alternative Investment Analyst (CAIA). He has extensive years of experience in Alternative Investments, where he oversees a diversified multi-asset private equity portfolio. His expertise spans various sectors, allowing him to identify high-potential investments and contribute to strategic decision-making. Throughout his career, he has been actively involved in evaluating investment opportunities, managing risk, and optimizing portfolio performance to achieve sustainable growth.

In addition to his leadership role, he serves as a board member for Al Omaniya Financial Services SAOG and two major unlisted hospitality companies.

Mr. Nabil Hamed Zahran Al Mahrouqi, Director holds a master's degree in business administration from the University of Strathclyde in the UK and a bachelor's degree in science from the College of Commerce and Economics from Sultan Qaboos University, majoring in Finance and has more than 15 years of experience in investment in international financial markets, management and financial analysis and research. He has a brokerage license from the Muscat Securities Market, and he is a certified analyst in Financial Analysis and Financial Modeling (FMVA) from the Corporate Financial Institute (CFI). He is currently a member of the Board of Directors of Oman Chlorine Company since 2016, Muscat National Development and Investment Company (ASAAS), National Bank of Oman and Al Maha Petroleum Products Marketing company. He also served as a member of the Board of Directors of A'Sharqiya Investment Holding Co. (SAOG) between 2019 -2022.

BRIEF PROFILE OF TOP MANAGEMENT WITH EXECUTIVE POWERS

Mr. Aftab Patel, Chief Executive Officer, is a Commerce Graduate and a Chartered Accountant with decades of experience 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 35 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 28 years. She has worked in various capacities including Chief Accountant, Finance Manager and 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 28 years of experience in senior positions. 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 Salim Al Wahaibi, Chairman, Independent Member	Yes	7	-	4	3
Sheikh Khalid Mustahil Ahmed Al Mashani, Deputy Chairman, Independent Member	Yes	7	4	-	3
Mr. Ibrahim Said Al Wahaibi, Director Independent Member	Yes	6	4	-	-
Mr. Zaki Hassan Ihsaan Al Naseeb, Director Independent Member	Yes	7	-	4	3
Mr. K. K. Abdul Razak, Director Independent Member (Completion of Board Tenure)	No	2	-	1	-
Sheikh Tariq Salim Mustahil Al Mashani, Director, Independent Member	Yes	7	4	-	1
Mr. Imad Salim Nasser Al Salmi, Director Independent Member	Yes	7	-	4	-
Mr. Shikar Bipin Dharamsey Nensey, Director Independent Member	Yes	7	4	-	-
Mr. Ketan Dinkarra Vasa, Director Independent Member. (Completion of Board Tenure)	No	2	-	-	-
Sheikh Awadh Salim Mustahil Al Maashani, Director, Independent Member (Joined Directorship on 27 th March 2024)	Yes	5	-	3	3
Mr. Nabil Hamed Zahran Al Mahrouqi, Director, Independent Member (Joined Directorship on 27 th March 2024)	Yes	5	4	-	3

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 seven times. The meetings were held on 21st Jan, 24th January, 27th March, 27th April, 23rd July, 27th October and 17th November 2024

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 Ahmed Al Mashani and other members are Mr. Ibrahim Said Salim Al Wahaibi, Sheikh Tariq Salim Mustahil Al Mashani, Mr. Shikhar Bipin Dharamsey Nensey and Mr. Nabil Hamed Zahran Al Mahrouqi.

The Committee met four times during the year 2024 on 27th April, 23rd July, 27th October and 17th November 2024.

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

AUDIT COMMITTEE

The Audit Committee consists of four non-executive directors and the 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 purpose of the committee is:

- To review the effectiveness of the process of assessing significant risks / exposures and the steps taken by the Management to monitor and control such risks of the company.
- Review of the annual and quarterly financial statements and related reports prior to submission to the Board for approval.

- Consideration and recommendations for appointment of Internal and External Auditors and review of audit plan and reports, review of risk management policies.
- Review of all related party transactions
- Providing appropriate recommendations to the Board, serving as a communication channel between the Board, External Auditors and Internal Auditor.
- Review of accounting principles with focus on any changes in accounting policies and principles that have taken place and their impact on the financial position of the Company. Reviewing compliance with the Code of Corporate Governance issued by the CMA.
- Meeting with the Internal and External Auditors, Compliance Officer independently of the management of the Company.

The Committee Chairman was Mr. Zaki Hassan Ihsaan Al Naseeb and other members are Mr. Khalid Said Salim Al Wahaibi, Shk. Awadh Salim Mustahil Al Maashani 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 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 4 times during the year 2024 on 21st January, 27th April, 23rd July and 27th October 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. External Quality Assessment of the Internal Audit activity done in 2023 by Moore Stephens completed their and have graded the IA activity as ‘Generally Conforms’ and per the IPPF standards.

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 23 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 letters. 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 Company complies with all the circulars and instructions issued by the CMA regarding the nomination and election of the members of the Board and its committees. The Board along with the Nomination and Remuneration committee reviews the required skills of directors to ensure they meet the “fit and proper” criteria prescribed by the CMA and the

CBO. The Directors approved by the general meeting must meet the CBO’s requirements before they are confirmed as members of the Board. The Shareholders retain the power to elect any candidate to the Board irrespective of whether the candidate is recommended by the Board or not.

REMUNERATION MATTERS

During the year 2024, 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	10,000
Sheikh Khalid Mustahil Ahmed Al Mashani	10,000
Sheikh Tariq Salim Mustahil Al Mashani	10,000
Sheikh Awadh Salim Mustahil Al Maashani (Joined Directorship on 27 th March 2024)	8,400
Mr. Ibrahim Said Salim Al Wahaibi	10,000
Mr. K.K. Abdul Razak (completion of Board Tenure)	3,200
Mr. Zaki Hassan Ihsaan Al Naseeb	10,000
Mr. Shikar Bipin Dharamsey Nensey	10,000
Mr. Ketan Dinkarra Vasa (completion of Board Tenure)	2,400
Mr. Imad Salim Nasser Al Salmi	10,000
Mr. Nabil Hamed Zahran Al Mahrouqi (Joined Directorship on 27 th March 2024)	9,200
Total	93,200

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 2024 was RO 1,820,956/-.

The Company has a Board approved performance appraisal mechanism which is 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

During the year 2024 the Company paid a penalty of RO 4,000/- levied by Central Bank of Oman for the examination period ending December 2023. The company has also paid RO 1,000/- to Ministry of Labour during the year 2024.

MEANS OF COMMUNICATIONS WITH THE SHAREHOLDERS

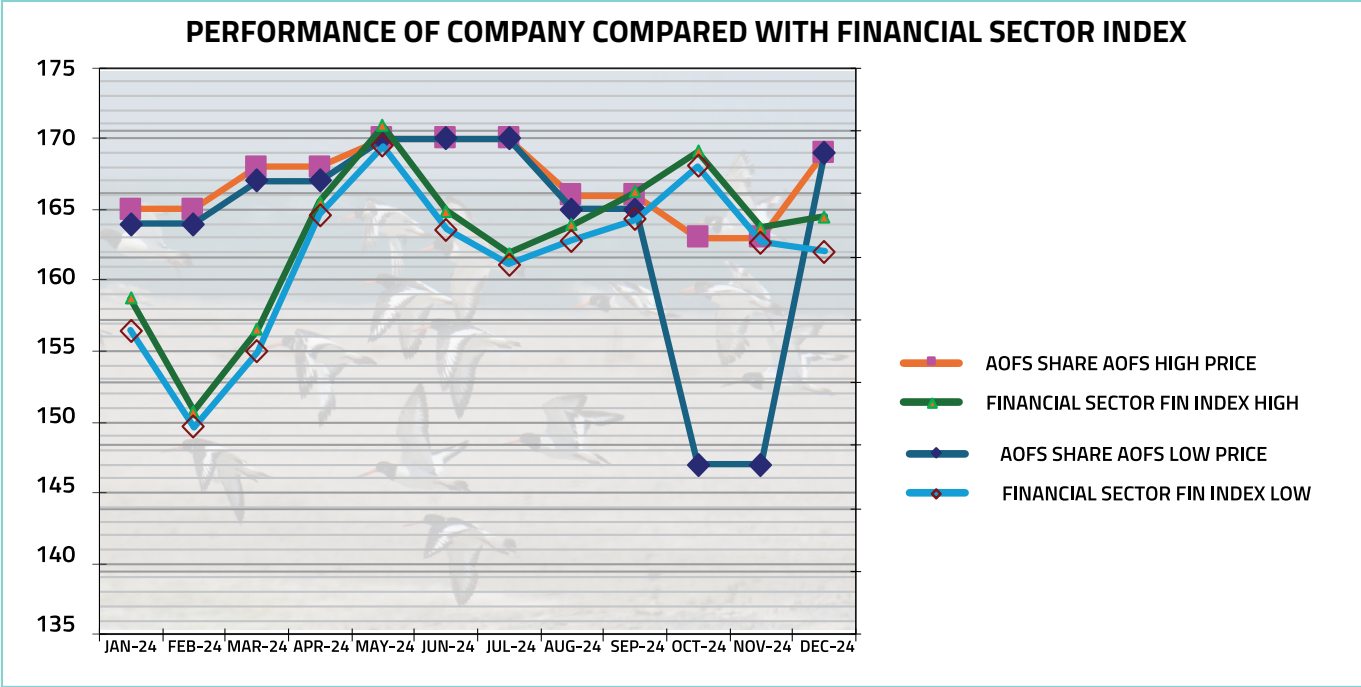
Al Omaniya Financial Services SAOG has 402 shareholders; most of the major shareholders are institutional investors. The main channel of communication is through the annual report, which is mailed to them well before the AGM. The quarterly and annual results of the Company are published in both the Arabic and English newspapers. Quarterly results are mailed to the shareholders based on their request.

The AGM is the principal 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 MSX website.

Management Discussion and Analysis is given as part of the annual report, it provides shareholders with insights into financial performance, operational details, strategic direction, risks, and compliance in a concise and transparent manner.

MARKET DATA

a) The monthly high/low price of Company’s share during the year 2024 and performance in comparison to MSX financial sector index is given in the graph below:



b) The distribution of Shareholding as of 31 December 2024 is as under:

S. No.	SHARHOLDER NAME	NO. OF SHARES	%
1	MUSCAT OVERSEAS	57,122,979	18.11
2	SOCIAL PROECTION FUND	55,150,566	17.48
3	HINA BIPIN DHARAMSEY	31,252,939	9.91
4	SH. SALIM MUSTAHIL AL MASHANI	28,461,973	9.02
5	ASSARAIN ENTEPRISE LLC	23,458,569	7.44
6	HASSAN IHSAN NASEEB	13,281,442	4.21
7	BANK MUSCAT	12,638,524	4.01
08-402	OTHER SHAREHOLDERS	94,050,011	29.82
TOTAL SHARES		315,417,003	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

EY is a global leader in assurance, tax, strategy & transactions, and consulting services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923. For over 100 years, we have grown to over 8,500 people united across 26 offices and 15 countries, sharing the same values and an unwavering commitment to quality. EY MENA forms part of EY’s EMEIA practice. Globally, EY operates in more than 150 countries and employs 400,000 professionals in 700 offices. Please visit ey.com for more information about EY.

During the year 2024, Ernst & Young LLC (EY) billed an amount of RO 24,900/- towards audit and fee for verification of XBRL reports and certification of FM14, FM15 and Code of Corporate Governance 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 Financial Services 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 SALIM AL WAHAIBI
Chairman


AFTAB PATEL
Chief Executive Officer



Powerhouse of knowledge

Masirah

Eurasian Oystercatcher

The Eurasian Oystercatcher is a striking black-and-white wading bird commonly seen along Oman’s coastline. With its bold contrast of black upperparts and white underparts, along with its long, bright orange-red bill, it is easily recognizable. This powerful bill is specially adapted for prying open mollusks, crabs, and other small marine creatures, making the Oystercatcher a key player in maintaining the balance of shellfish populations in Oman’s coastal ecosystem.

These birds are frequently spotted in prime coastal locations such as Barr Al Hikman, Masirah Island, Al Sawadi Beach, and the Khawr wetlands in Dhofar, where they thrive in the rich intertidal habitats. While some Eurasian Oystercatchers are resident in Oman, many are winter migrants arriving from breeding grounds in northern Europe and Asia. Their presence is often an indicator of healthy coastal environments, highlighting the importance of preserving these vital ecosystems.

When it comes to nesting, these birds keep it simple—creating small scrapes on gravelly beaches or sandy shores, where they blend into their surroundings. Whether seen foraging along the shoreline or heard calling with their distinctive high-pitched ‘kleep’ sound, the Eurasian Oystercatcher is a fascinating and essential part of Oman’s coastal biodiversity.

MANAGEMENT TEAM

<div>AFTAB PATEL</div> <div>Chief Executive Officer</div>	
<div>Salim Abdullah Al Awadi</div> <div>Deputy Chief Executive Officer</div>	
<div>Braik Musallam Al Amri</div> <div>GM - Products & Services</div>	<div>Latha Ramakrishnan</div> <div>GM - Risk Management</div>
<div>S. Chandrasekar</div> <div>Chief Manager - Finance</div>	<div>Viju Varghese</div> <div>Chief Manager - Corporate Credit</div>
<div>M.V.V. Ram Kumar</div> <div>Chief Manager - Retail Credit</div>	<div>Prema Shivakumar</div> <div>Chief Manager - Lifestyle Loans</div>
<div>Samia Al Hassani</div> <div>Manager - HR</div>	<div>Manish Bhasker</div> <div>Chief Manager - IT</div>



Aftab Patel
CEO, Al Omaniya Financial Services



Inspirational leadership

White-spectacled Bulbul

Like few other birds, the White-spectacled Bulbul plays a crucial role in seed dispersal and pollination, contributing significantly to the health of Oman's ecosystems. Its remarkable adaptability to urban environments makes it one of the most frequently observed birds in the Sultanate, bringing life to gardens and green spaces with its energetic presence and cheerful calls. This species inhabits a wide range of habitats, including urban and suburban areas, cultivated lands, and natural ecosystems, and begins breeding in the Sultanate from late April.

White-spectacled Bulbuls thrive in various locations across the country, including Qurum Natural Park, Al Ansab Wetland in Muscat and Salalah, residential gardens and farms, the Al Hajar mountain range, as well as oases and wadis where fruiting trees are abundant. With its distinctive white eye-ring, black head, olive-brown body, and bright yellow undertail coverts, this medium-sized bird is a familiar and striking sight in these areas.

Management Discussion and Analysis Report

Overview

Al Omaniya Financial Services (AOFS) has completed 28 years of successful operations as a Non-Banking Financial Institution, offering a comprehensive range of financial products. Over its tenure of more than two and half decades, the company has established a strong market presence with robust 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

The year 2025 marks the end of the first quarter of the twenty-first century and the last 25 years have been transformative for emerging economies whose ascendance was powered by swift global trade and financial integration. These economies now account for about 45% of global GDP, up from 25% in 2000, a trend driven by robust collective growth in the three largest EMDEs—China, India, and Brazil. Domestic reforms and a benign global environment have allowed many low-income countries to graduate to middle income status in the first decade of the twenty first century.

Global growth is rebounding as inflation returns closer to targets and monetary easing supports activity in both advanced economies and emerging market and developing economies and the World Bank has projected the growth rate to hold steady at 2.7 percent in 2025-26.

As the first quarter of the twenty-first century concludes, the primary challenge facing policy makers is to sustainably raise growth rates and put a wide range of development objectives on a better trajectory amidst significant challenges like geopolitical tensions and high public debt ratios. Enhanced international cooperation is needed to address growing trade fragmentation and limit its damage and to tackle climate change and biodiversity loss, mounting food insecurity, and conflict.

Domestic Economy

Oman’s economy has experienced notable growth, underpinned by ongoing efforts to diversify sources of income, enhance non-oil revenues, and stimulate private sector participation. These reforms have translated into significant improvements in the country’s economic performance, with the government working steadfastly to reduce the fiscal deficit, promote sustainable financial stability, and boost overall productivity. The government launched a medium-term financial plan (2020-2024), which focused on rationalising spending, broadening government revenue sources, and strengthening social protection mechanisms. The success of these initiatives has laid strong foundations for achieving long-term fiscal sustainability.

Several significant strategic projects have been initiated to boost the country’s economic development. These projects have not only attracted domestic and foreign investments but have also strengthened Oman’s position as a global investment destination. There has been commendable decline in public debt because of rigorous fiscal measures, including enhanced efficiency in public spending and increase in non-oil revenues, compounded by higher oil prices and gas production.

The banking sector remains sound with ample capital coupled with the continued efforts of the Central Bank of Oman in strengthening regulatory and supervisory frameworks. The country’s credit ratings have improved notably over the past few years, reflecting positive economic developments, underscoring investor confidence in Oman’s economic management and growth trajectory.

Opportunities and Threats

Oman’s journey toward 2025 is guided by its ambitious Vision 2040, a comprehensive blueprint for economic transformation. This transition is supported by bold reforms and strategic initiatives that are reshaping the country’s economic landscape. Oman’s ‘In-Country Value’ program seeks to enhance the nation’s economy by promoting local sourcing, developing the skills of the Omani workforce, and stimulating productivity. This presents opportunities for businesses to participate in local supply chains, invest in training and development, and contribute to Oman’s economic

growth. Oman’s focus on economic diversification opens doors for investments in non-oil sectors such as tourism, logistics, manufacturing, renewable energy, and fisheries. The Duqm SEZ (Special Economic Zone) exemplifies this strategy by fostering manufacturing, logistics, and tourism.

Oman is investing heavily in renewable energy to diversify its energy mix and foster sustainable development. Key projects include large-scale solar farms in Ibri and wind energy installations in Dhofar.

However, beneath this optimistic surface lie complex challenges that demand careful navigation. Trade dynamics are evolving rapidly, influenced by shifting U.S. policies and their ripple effects across global supply chains. The geopolitical landscape, particularly in the Middle East, continues to shape energy markets and economic stability and given the fact that Oman remains heavily reliant on oil revenue it has direct bearing on the economy. While inflation shows signs of easing, concerns persist about price trajectories in essential sectors. While the world grapples with persistent challenges of climate change, Oman is not an exception. While the economy appears to have entered a recovery mode, policymakers continue to face daunting challenges in debt management, liquidity management, budget policies, central banking and structural reforms.

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 upgraded its security aspects, upgraded its hardware infrastructure and database and is in the final stage of diversifying its distribution channel through Mobile APP.

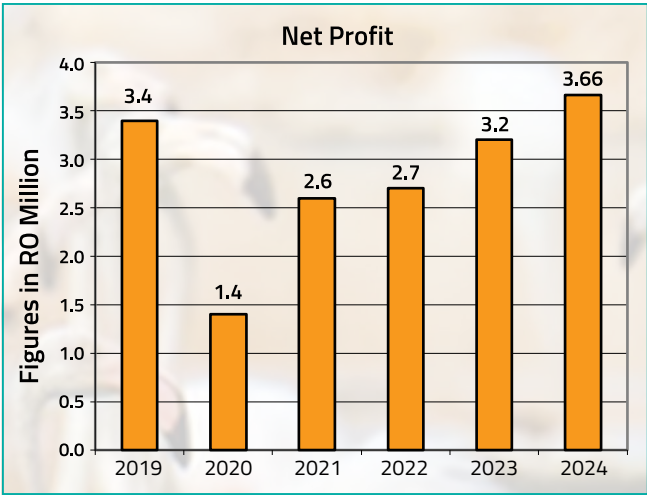
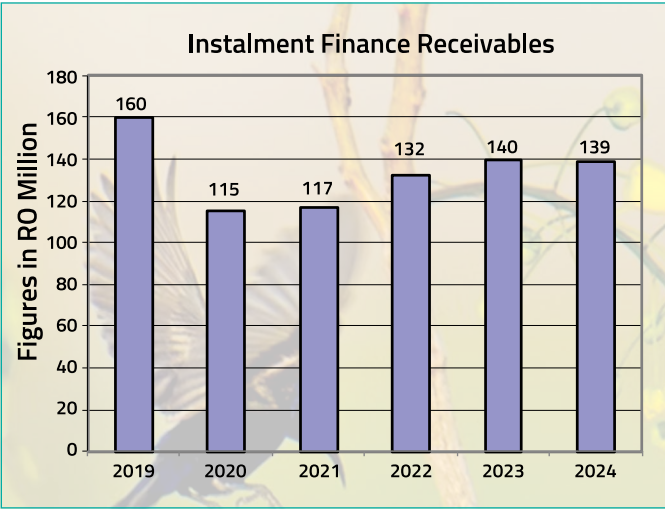
The company follows a prudent provisioning policy. The NPA coverage is more than 500% (including the specific reserve for non-performing assets) which will help the company to tide over any unforeseen losses. The company shall continue to maintain its provisioning stance subject to behaviour of the debt.

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

Product Wise Performance

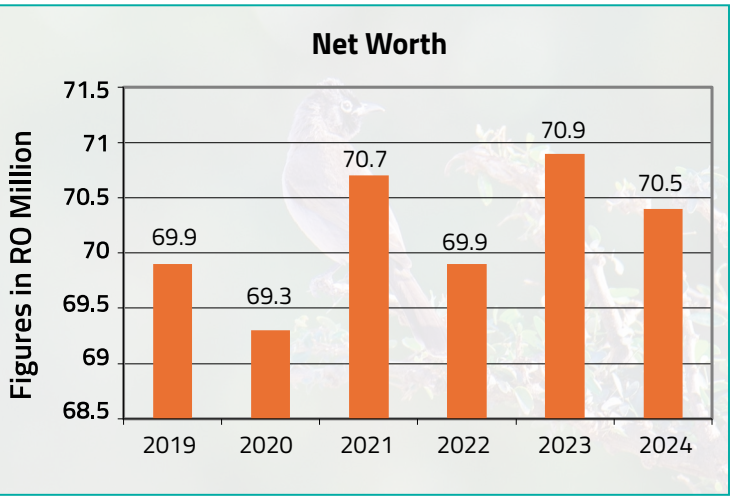
The company with its existing product lines of Project funding, Working capital funding, Asset financing, Bills discounting and Debt factoring, including its ‘Lifeline’ and ‘Lifestyle’ segments has managed to maintain its assets modestly.

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 well 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 05th December 2024.

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.

Cyber Security

In line with CBO guidelines and directives from the Board, the company has successfully implemented the Cyber Security & Resilience Framework and obtained a Certificate of Compliance following an independent security audit, achieving a satisfactory Cyber Security Maturity Model score.

Robust cybersecurity controls have been established to mitigate emerging threats and vulnerabilities, with key indicators in place to monitor, evaluate, and drive continuous improvements in cybersecurity resilience.

Financial Consumer Protection Regulatory Framework (FCPRF)

The Company has adopted the FCPRF and has made necessary changes in the policy manuals and processes. For financial education & awareness, for the rights and responsibilities of consumers and for lodging of queries/complaints, the Company’s website can be referred to. The broad status of Financial Consumer Protection Regulatory Framework (FCPRF) regarding customer complaints and redressal are as below:

Disclosure on customer complaints and redressal:

	Complaints received by FLC from its Customers	31 st Dec 2024	31 st Dec 2023
1.	Number of complaints pending at the beginning of the year	NIL	NIL
2.	Number of complaints received during the year	30	17
3.	Number of complaints closed during the year	30	17
3.1	Of which, number of complaints rejected by the FLC	11	9
4.	Number of complaints pending at the end of the year	NIL	NIL
4.1	Of which, number of complaints pending beyond 30 days	NIL	NIL

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 low NPA levels and highest NPA Coverage in the industry.

Liquidity Risk

Liquidity risk is the risk that the company will be unable to meet its liabilities as and 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, resorts to diversified sources of funds, avoids undue concentration on a single lender, periodically reviews cash flows and manages its collection in a systematic manner. The company has taken appropriate treasury management actions to effectively optimise the cost of funds for 2024. The company has built up deposits over past several years and the deposits are placed with local commercial banks which provide ample liquidity buffer for effective treasury management. Apart from the asset side, on the liability side, in 2024 the company has mobilised fresh Corporate Deposits and a 4 year USD Term Loan of USD with semi-annual repayment starting from the 30th month from the drawdown.

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. The company has recently mobilised a 4-year Term Loan of USD with Interest rate swap (IRS) to hedge any interest rate risk.

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 instil effective Internal Control and processes.

The company has Board committees and Management committees, which are involved in strategic decision making, ensuring efficient and effective operations of the company and incorporating good corporate governance policies in line with the regulatory requirements.

The company has a well-defined organization structure, clearly defined authority levels well documented policies and guidelines approved by the Board and robust 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 2024

Operational Performance

The year 2024 was a year of steady modest growth for the world economy. The company managed to maintain its asset size and asset quality. Looking back, we take pride in the achievements of the company as a leading player in the industry in maintaining quality assets and lowest NPA. Today’s position 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 ample liquidity buffer.

The non-performing loans of the company are under control and the company’s existing estimated credit loss level of RO 14.748 million (excluding ECL on deposits) is more than adequate. The non-performing assets coverage including the specific reserve for non-performing assets is more than 500%. The Loan Book stands at stands at RO 124 million at the year end. The company was able to register a net profit of RO 3.6 million for the year 2024 against RO 3.2 million for 2023. For all the regulatory purposes, the company’s net worth stands at RO 70.494 million. The Book Value / Net Asset Value of the company’s share stands at RO 0.215. The company has proposed a dividend of 14% for the year 2024. This would take the total pay-out since inception to 505.83%

Performance review	(in RO ‘000)					
	Years					
Details	2019	2020	2021	2022	2023	2024
Total income	17,640	16,222	15,671	14,754	17,327	16,860
Interest expenses	(6,028)	(6,061)	(4,684)	(4,452)	(6,234)	(6,702)
Net Income	11,612	10,161	10,987	10,302	11,093	10,158
Operating expenses	(4,401)	(4,046)	(4,449)	(4,816)	(5,177)	(5,404)
(Loss) Gain on Derivative	-	-	(24)	55	(31)	-
Estimated Credit Loss	(3,176)	(4,706)	(3,498)	(2,305)	(2,130)	(558)
Profit before taxation	4,035	1,409	3,016	3,236	3,755	4,196
Income Tax (Expense) / Credit	(605)	40	(452)	(486)	(554)	(627)
Net profit	3,430	1,449	2,564	2,750	3,201	3,569
Other Comprehensive Income (Net of Tax)						
Net movement in fair value of cash flow hedge	-	-	-	-	-	94
Net Profit and total comprehensive income	3,430	1,449	2,564	2,750	3,201	3,663
Gross HP assets	160,363	114,558	117,036	132,483	140,352	138,651
Net HP assets	153,716	105,698	105,558	119,061	127,001	123,904
Estimated Credit Loss Provision	6,925	9,091	11,851	13,795	13,724	15,121
Total Assets	243,767	181,454	197,547	206,589	220,634	214,016
Net bank borrowings	71,227	28,667	21,915	33,160	41,467	36,866
Net worth	69,871	69,263	70,658	69,905	70,908	70,494
Earnings per share (stated in 100 Baisas per Share for comparative purpose)	0.012	0.005	0.009	0.009	0.010	0.0114
Debt Equity ratio (net bank borrowing)	1.02	0.41	0.31	0.47	0.58	0.52
ECL on Instalment finance receivable as a percentage of assets	4.14%	7.73%	9.81%	10.13%	9.51%	10.64%
Dividend %	11.05%	4.0%	12.0%	12.25%	13.25%	*14.00%
*Dividend for 2024 (9% cash and 5% unsecured non-convertible redeemable bonus stock bonds).						

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 has increased 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 31.542 million which is well above the regulatory requirement of RO 25 million. One of our existing convertible bonus stock bonds (listed in 2019) got converted to Equity Shares in 2024 leading to further Capital enhancement.

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 cautious lending and 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.
- Manage liquidity and costs judiciously ensuring 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.
- Our Mobile App named “Omaniya Finance” which is expected to be launched by the 2nd Quarter of year 2025 will act as a virtual branch where the customer can enquire for loan, get it approved, upload basic documents and place service requests.

From inception till date the company has been delivering on its commitment of increasing shareholders’ wealth in its relentless pursuit of excellence. 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. The management continues to closely monitor economic conditions and indicators including interest rates, delinquency and capital markets. The sound guidance and encouragement from our Board of Directors has played a significant role in maintaining the asset quality and profitability. Our aim is to build on our heritage of success and 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



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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

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 2024, and the related statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

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

Basis for opinion

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Determination of impairment on investment in finance lease, working capital finance and other advances

Key audit matters	How our audit addressed the key audit matters
<p>At 31 December 2024, the Company reported gross finance lease, working capital finance and other advances amounting to RO 153.5 million, RO 13.08 million of impairment on finance lease, working capital finance and other advances and RO 1.67 million of unrecognized finance income on instalment finance leases.</p> <p>The key areas of judgement include:</p> <ul style="list-style-type: none">• The assumptions regarding the economic outlook, which remain uncertain.• The identification of exposure with a significant deterioration in credit quality.• Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows etc.• The need to apply additional overlays to reflect current or future external factors that might not be captured by the ECL model. <p>Due to the inherently judgmental nature of the computation of ECL on finance lease, working capital finance and other advances, we have considered impairment provision on finance leases, working capital finance and other advances as a key audit matter.</p> <p>The accounting policies working capital finance and other advances, critical accounting estimates and judgements, the disclosures relating to the impairment on instalment finance leases associated with credit risk are set out in notes 2, 3, 9 and 32 to the financial statements.</p>	<p>Our audit procedures in this area included the following:</p> <ul style="list-style-type: none">• Evaluated the appropriateness of the Company's IFRS 9 based allowance for impairment policy and compared it with the requirements of IFRS 9;• Obtained an understanding of the design and tested the operating effectiveness of relevant controls over impairment model, including model build and approval, ongoing monitoring / validation, model governance and mathematical accuracy. We have also checked completeness and accuracy of the data used and management assumptions;• Evaluated the Company's key judgments and estimates made in the impairment computation and involved specialists to assist in evaluating the judgments and estimates relating to probability of default, macro-economic variables and recovery rates;• For a sample of exposures, we performed procedures to evaluate:<ul style="list-style-type: none">- Appropriateness of exposure at default, probability of default and loss given default in the calculation of impairment;- Timely identification of exposures with a significant increase in credit risk and appropriateness of the Company's staging; and- Overlays considered by the management in view of the uncertain economic outlook; and- Impairment calculation• Checked the completeness of the investment in finance lease, working capital finance and other advances (including off balance sheet items) in the impairment calculation as of 31 December 2024. We understood the methodology and tested the mathematical integrity of the models;• Checked the consistency of various inputs and assumptions used by the Company's management to determine the impairment; and• Considered the adequacy of the disclosures in the financial statements in relation to impairment on finance lease, working capital finance and other advances and other financial assets subject to credit risk as required under IFRS 9.

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

Report on the audit of the financial statements (continued)

Other matter

The financial statements of the Company as at and for the year ended 31 December 2023 were audited by another auditor, whose audit report dated 12 March 2024, expressed an unmodified audit opinion on those financial statements.

Other information included in the Company's 2024 Annual Report

Other information consists of the information included in the Company's 2024 Annual Report other than the financial statements and our auditor's report thereon. Management is responsible for the other information. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2024 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the 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 audit committee for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the relevant requirements of the Commercial Companies Law of 2019 and the Financial Services Authority (the "FSA") 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. Audit Committee is responsible for overseeing the Company's financial reporting process.

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.

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

Report on the audit of the financial statements (continued)

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

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 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.

We communicate with the audit committee 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 the audit committee 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, actions taken to eliminate threats or safeguards so applied.

From the matters communicated with the audit committee, 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.

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

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

We report that, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 2019, and FSA of the Sultanate of Oman.

Ernst & Young

Imtiaz Ibrahim
Muscat
10 March 2025



STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Note	2024 RO	2023 RO
Interest income on finance lease, working capital finance and other advances		10,749,250	11,514,273
Finance income		4,378,887	4,103,001
Total Instalment finance and finance income		15,128,137	15,617,274
Interest expense		(6,701,994)	(6,233,579)
Net instalment finance and finance income		8,426,143	9,383,695
Other income	4	1,732,458	1,710,307
Operating expenses	5	(5,240,384)	(5,038,282)
Provision for expected credit loss, net	7, 9	(557,620)	(2,130,119)
(Loss)/gain on derivative		-	(31,748)
Depreciation	10	(164,502)	(138,918)
Profit before tax		4,196,095	3,754,935
Income tax	6	(627,137)	(553,623)
Profit for the year		3,568,958	3,201,312
Other comprehensive income			
Items to be reclassified to profit or loss in subsequent period:			
Net movement in fair value of cash flow hedge	22	110,256	-
Tax effect	6	(16,538)	-
Other comprehensive income for the year		93,718	-
Profit and total comprehensive income for the year		3,662,676	3,201,312
Basic earnings per share	23	0.0114	0.010
Diluted earnings per share	24	0.0112	0.010

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

STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Note	2024 RO	2023 RO
Assets			
Cash and bank balances	7	87,433,609	91,160,119
Deposit with the Central Bank of Oman	8	250,000	250,000
Net investment in finance lease, working capital finance and other advances	9	123,903,829	127,001,178
Other assets and prepayments	10	1,406,438	1,228,553
Property, equipment, and right-of-use assets	11	1,021,687	994,390
Total assets		214,015,563	220,634,240
Liabilities and equity			
Liabilities			
Short term loans	12	103,500,000	98,000,000
Deposits		3,021,104	4,500,000
Term loans	13	21,171,700	35,000,000
Compulsorily convertible bonds	20	2,683,809	4,111,931
Non-convertible redeemable Bonds	21	2,998,048	1,459,676
Other liabilities	14	12,048,823	10,074,530
Current tax payable	6	765,345	692,019
Deferred tax liability	6	16,538	-
Total liabilities		146,205,367	153,838,156
Equity			
Share capital	16	31,541,700	30,767,440
Share premium	17	1,382,763	986,988
Legal reserve	18	10,513,901	10,255,814
Special reserve for non-performing assets	25	4,997,937	4,997,937
Cash flow hedge reserve	22	93,718	-
Retained earnings		19,280,177	19,787,905
Total equity		67,810,196	66,796,084
Total liabilities and equity		214,015,563	220,634,240
Net assets per share	28	0.215	0.217

The financial statements were approved by the Board of Directors on 27th January 2025 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 2024

	Note	Share Capital RO	Share Premium RO	Legal reserve RO	Exchange Reserve RO	Special reserve for non performing assets RO	Cash flow hedge reserve RO	Retained earnings RO	Total RO
At 1 January 2024		30,767,440	986,988	10,255,814	-	4,997,937	-	19,787,905	66,796,084
Profit for the year		-	-	-	-	-	-	3,568,958	3,568,958
Other comprehensive income		-	-	-	-	-	93,718	-	93,718
Total comprehensive income		-	-	-	-	-	93,718	3,568,958	3,662,676
Issue of Non convertible Redeemable bonus stock bonds - 2023	21	-	-	-	-	-	-	(1,538,372)	(1,538,372)
Conversion of compulsorily convertible bonus stock bonds-2018	20	774,260	653,862	-	-	-	-	-	1,428,122
Dividend paid	19	-	-	-	-	-	-	(2,538,314)	(2,538,314)
Transfer to legal reserve		-	(258,087)	258,087	-	-	-	-	-
At 31 December 2024		31,541,700	1,382,763	10,513,901	-	4,997,937	93,718	19,280,177	67,810,196

	Note	Share Capital RO	Share Premium RO	Legal reserve RO	Exchange Reserve RO	Special reserve for non performing assets RO	Retained earnings RO	Total RO
Cost								
At 1 January 2023		30,321,363	751,385	10,107,122	636,114	4,997,937	19,664,846	66,478,767
Profit for the year		-	-	-	-	-	3,201,312	3,201,312
Total comprehensive income for the year		-	-	-	-	-	3,201,312	3,201,312
Transactions with owners, recognised directly in equity		-	-	-	-	-	-	-
Issue of Compulsorily convertible bonus stock bonds	20	-	-	-	-	-	(1,516,068)	(1,516,068)
Conversion of compulsorily convertible bonus stock bonds-2017	20	446,077	384,295	-	-	-	-	830,372
Dividend paid	19	-	-	-	-	-	(2,198,299)	(2,198,299)
Transfer to legal reserve		-	(148,692)	148,692	-	-	-	-
Reversal of exchange reserve		-	-	-	(636,114)	-	636,114	-
At 31 December 2023		30,767,440	986,988	10,255,814	-	4,997,937	19,787,905	66,796,084

As approved by the regulatory authority and explained in note 20, the unsecured fully compulsorily convertible bonds amounting to RO.2,683,809/- (2023: RO 4,111,931) are treated as part of the Company's net worth for computing all regulatory limits. Accordingly, the net worth as of 31 December 2024 for all regulatory purposes is RO.70,494,005/- (2023: RO 70,908,015).

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 2024

	Note	2024 RO	2023 RO
Operating activities			
Profit before tax		4,196,095	3,754,935
Adjustments for:			
Depreciation	11	164,502	138,918
Profit on disposal of property and equipment	4	(200)	(12,384)
Provision for expected credit loss	7, 9	557,620	2,130,119
Loss/(gain) on derivatives		-	31,748
Operating profit before working capital changes:		4,918,017	6,043,336
Instalment finance receivable, working capital finance and other advances		2,539,728	(10,070,443)
Other assets and prepayments		(48,255)	(216,021)
Other liabilities		1,955,422	(1,055,619)
Income tax paid		(554,314)	(531,713)
Net cash from / (used) in operating activities		8,810,598	(5,830,460)
Investing activities			
Purchase of property and equipment	11	(192,311)	(291,847)
Proceeds from disposal of property and equipment		713	12,384
Net cash used in investing activities		(191,598)	(279,463)
Financing activities			
Proceeds from short term loans		198,350,000	162,200,000
Repayment of short term loans		(192,850,000)	(103,500,000)
Proceeds from deposits		2,000,000	-
Repayment of deposits		(3,478,896)	-
Proceeds from term loans		21,171,700	-
Repayment of term loans		(35,000,000)	(44,624,500)
Dividends paid	19	(2,538,314)	(2,198,299)
Net cash (used in) / from financing activities		(12,345,510)	11,877,201
Net change in cash and cash equivalents		(3,726,510)	5,767,278
Cash and cash equivalents at the beginning of year		91,532,719	85,765,441
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	7	87,806,209	91,532,719

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2023

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 151 employees as of 31 December 2024 (2023: 155). The Company’s shares and compulsory convertible bonds are listed on Muscat Stock Exchange.

2. ACCOUNTING POLICIES

2.1. Basis of preparations

The financial statements of the Company have been prepared in accordance with IFRSs accounting standards as issued by the IASB, applicable regulations of the Central Bank of Oman, Commercial Companies Law, and the Financial Services 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.

2.2. New standards, amendments and interpretations to existing IFRS Accounting Standards effective 01 January 2024

The following new standards, amendment to existing standards or interpretations to published standards are mandatory for the first-time and have been adopted in the preparation of the financial statements for the year ended 31 December 2024:

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

2.3. Standards, amendments and interpretations to existing IFRS Accounting Standards that are not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company’s financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 Summary of Accounting Policies

2.4.1 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 comprehensive income 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 the statement of comprehensive income 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 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 and is recognised over the tenure of agreement.

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.

2.4.2 Directors’ remuneration

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4.3 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 statement of comprehensive income 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.

2.4.4 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.

2.4.5 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 receivables 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.

2.4.6 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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

amount, it is written down immediately to its recoverable amount. Gains and losses on disposals of property and equipment are determined by reference to their carrying amounts and are recognised in the statement of comprehensive income. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

2.4.7 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.

2.4.8 Non-convertible bonds

Non-convertible Bonds are recorded as financial liabilities and are carried in the statement of financial position at their principal cost and they are redeemable after 60 months from the listing date. Interest is charged as it accrues, with unpaid amount included in other liabilities.

2.4.9 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.

2.4.10 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.

2.4.11 Other liabilities

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

2.4.12 Employees’ end of service benefits

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the statement of comprehensive income as incurred.

Provision for non-Omani employee terminal benefits, which is an unfunded defined benefit retirement plan, is made in accordance with Oman Labour Law and is based on the liability that would arise if the employment of all employees were terminated at the end of the reporting period.

2.4.13 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currency of the Company at spot exchange rates prevailing 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 statement of comprehensive income.

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 prevailing 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 prevailing at the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4.14 Financial instruments

2.4.14.1 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 comprehensive income, 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 (FVTPL) are expensed in the statement of comprehensive income. 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.

2.4.14.2 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 the statement of other comprehensive income. 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 working capital finance, statutory deposit and other financial receivables.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 Summary of Accounting Policies (continued)

2.4.14 Financial instruments (continued)

2.4.14.2 Classification and subsequent measurement (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.

Contractual cash flows

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 comprehensive income 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 2024

2. ACCOUNTING POLICIES (continued)

2.4 Summary of Accounting Policies (continued)

2.4.14 Financial instruments (continued)

2.4.14.2 Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (The 'SPPI' test) (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 guarantee contracts are in the scope of the ECL requirements.

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 higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and an ECL provision under IFRS 9.

The premium received is recognised in the statement of comprehensive income 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.14 Financial instruments *(continued)*

2.4.14.2 Classification and subsequent measurement *(continued)*

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 statement of comprehensive income. Other financial liabilities are subsequently measured at amortised cost using effective interest method. Interest expense and foreign exchange gain and losses are recognized in the statement of comprehensive income. Any gain or losses on derecognition is also recognized in the statement of comprehensive income.

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

- there is formal designation and documentation of the hedging relationship at the inception of hedge;
- there is an economic relationship between the hedged item and hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:

- the cumulative gain or loss on the hedging instrument from inception of the hedge; and
- the cumulative change in fair value of the hedged item from inception of the hedge

Effectiveness testing, rebalancing and discontinuation

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.14 Financial instruments *(continued)*

2.4.14.2 Classification and subsequent measurement *(continued)*

flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

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 of 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.

2.4.15 Derecognition of financial assets and financial liabilities

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 Summary of Accounting Policies (continued)

2.4.16 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.

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 (LTECL) 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 records 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).

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

2.4 Summary of Accounting Policies (continued)

2.4.16 Impairment of financial assets (continued)

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.

(ii) Overview of the ECL principles

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.

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 purchased or originated credit impaired financial assets POCl, 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.

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

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 with revenue being calculated based on the gross amount of the asset

Stage 3

When the financing exposure is considered credit-impaired, the Company records an allowance for the LTECLs 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.16 Impairment of financial assets *continued*

- 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) Valuation of the collateral

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.17 Impairment of non-financial assets

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 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.

2.4.18 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.

2.4.19 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.

2.4.20 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.

2.4.21 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 28.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.21 Fair values *(continued)*

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.

2.4.22 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 compulsory convertible bonds.

2.4.23 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.

2.4.24 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 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES *(continued)*

2.4 Summary of Accounting Policies *(continued)*

2.4.25 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.

2.4.26 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. as 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

2. ACCOUNTING POLICIES (continued)

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. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements 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:

Business models and SPPI assessment

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

Measurement of the expected credit loss allowance

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing Company of similar financial assets for the purposes of measuring ECL.

Inputs, assumptions and techniques used for ECL calculation

The measurement of ECL 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 model 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.

Taxes

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

Going concern

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

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 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

4. OTHER INCOME

	2024 RO	2023 RO
Collections of Instalments from accounts fully netted off against provision	1,561,860	1,499,715
Documentation and related charges	87,889	111,776
Group Credit Life Insurance Income	82,509	86,432
Profit on disposal of property and equipment	200	12,384
	<u>1,732,458</u>	<u>1,710,307</u>

5. OPERATING EXPENSES

	2024 RO	2023 RO
Salaries and other benefits	4,285,597	4,224,957
Directors’ sitting fees & remuneration (note 27)	393,200	371,482
Fuel and maintenance	85,787	82,721
Professional fees	52,992	70,114
Fees and other charges	59,930	52,940
Miscellaneous expenses	197,292	100,110
Telephone and postage	44,136	38,858
Advertising	52,300	44,800
Utilities and rental expense	27,017	25,147
Insurance	33,500	12,000
Printing and stationery	7,693	12,755
Travelling	940	2,398
	<u>5,240,384</u>	<u>5,038,282</u>
Salaries and other benefits comprise:		
Salaries	2,611,173	2,527,828
Other benefits	1,441,394	1,435,727
Contribution to social insurance	178,434	150,700
Employee end of service benefits (note 15.1)	54,596	110,702
	<u>4,285,597</u>	<u>4,224,957</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

6. TAXATION

	2024 RO	2023 RO
Income statement:		
Current year tax		
- Current tax	627,137	555,200
- Other comprehensive income	16,538	-
Prior year tax refund	-	(1,577)
	<u>643,675</u>	<u>553,623</u>
Statement of financial position:		
Current liability:		
Current year	627,137	555,200
Prior years	138,208	136,819
	<u>765,345</u>	<u>692,019</u>
Deferred tax liability	16,538	-
Following is the tax reconciliation for the current year tax		
A Accounting profit before tax	4,196,095	3,754,935
Tax at the applicable rate of 15% (2023: 15%)	629,414	563,240
Expenses that are not deductible in determining taxable profit:	(2,277)	(8,040)
	<u>627,137</u>	<u>555,200</u>

The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	2024 RO	2023 RO
Accounting profit	4,196,095	3,754,935
Expenses that are not deductible in determining taxable profit	3,127	1,725
Depreciation-net	(19,141)	(54,624)
Effect of leases under IFRS 16	833	(701)
Taxable profit	4,180,914	3,701,335
Tax at the applicable rate of 15% (2023: 15%)	627,137	555,200

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% (2023: 15%).

The tax assessments for the years up to 2020 have been completed. The tax returns of the Company for the tax years 2021 to 2023 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 2024.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

7. CASH AND BANK BALANCES

	2024 RO	2023 RO
Term deposits	85,000,000	85,000,000
Current accounts	2,798,262	6,522,786
Cash in hand	7,947	9,933
	<u>87,806,209</u>	<u>91,532,719</u>
Allowance for expected credit loss	<u>(372,600)</u>	<u>(372,600)</u>
	<u>87,433,609</u>	<u>91,160,119</u>
Provision for ECL of deposits with commercial banks:		
At 1 January	372,600	372,600
At 31 December	<u>372,600</u>	<u>372,600</u>

Term deposits and call accounts are placed with commercial banks in Oman and carry annual interest rates in the range of 0.5% to 5.30% (2023: 0.5% to 5.25%) and the Company has the right to pre-close these deposits with no significant outflow, provided an agreed number of working days’ notice period is served.

8. 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.

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES

	2024 RO	2023 RO
Gross investment in finance leases		
Corporate debtors:		
Finance lease	76,628,988	73,892,470
Working capital and other advances	<u>43,348,994</u>	<u>48,504,354</u>
Total corporate debtors	<u>119,977,982</u>	<u>122,396,824</u>
Retail debtors	<u>33,525,697</u>	<u>33,369,078</u>
	<u>153,503,679</u>	<u>155,765,902</u>
Unearned finance income	<u>(14,852,346)</u>	<u>(15,413,770)</u>
	<u>138,651,333</u>	<u>140,352,132</u>
Allowance for expected credit loss, including reserved finance interest	<u>(14,747,504)</u>	<u>(13,350,954)</u>
	<u>123,903,829</u>	<u>127,001,178</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES *(continued)*

	2024 Gross finance Receivables RO	Present value of finance receivables RO	2023 Gross finance Receivables RO	Present value of finance receivables RO
(i)				
Up to one year	77,580,291	70,122,673	70,566,588	63,057,511
More than one year but less than three years	55,541,861	49,375,074	60,920,035	54,406,035
More than three years	<u>20,381,527</u>	<u>19,153,586</u>	<u>24,279,279</u>	<u>22,888,586</u>
	<u>153,503,679</u>	<u>138,651,333</u>	<u>155,765,902</u>	<u>140,352,132</u>

(ii) Gross finance receivable and present value of finance receivable includes instalment 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:

	2024 RO	2023 RO
Provision for ECL:		
At 1 January	12,848,473	13,045,634
Provided during the year	2,124,623	5,334,504
Released during the year	<u>(1,567,003)</u>	<u>(3,204,385)</u>
Amounts written off	<u>(329,962)</u>	<u>(2,327,280)</u>
At 31 December	<u>13,076,131</u>	<u>12,848,473</u>
Reserved finance interest		
At 1 January	502,481	376,743
Reserved during the year	1,220,566	222,952
Released during the year	<u>(28,710)</u>	<u>(4,1952)</u>
Amounts written off	<u>(22,964)</u>	<u>(55,262)</u>
At 31 December	<u>1,671,373</u>	<u>502,481</u>
Allowance for ECL including reserved finance interest	<u>14,747,504</u>	<u>13,350,954</u>

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES (continued)

(iii) The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms 31 December 2024

(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	112,338	-	1,551	(1,551)	112,309	110,787	-	29
	Stage 2	22,600	-	10,358	(10,358)	21,468	12,242	-	1,132
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		134,938	-	11,909	(11,909)	133,777	123,029	-	1,161
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	320	16	245	(229)	293	75	-	11
Subtotal		320	16	245	(229)	293	75	-	11
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	4	1	4	(3)	3	-	-	-
Subtotal		4	1	4	(3)	3	-	-	-
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,389	2,090	2,589	(499)	800	800	-	499
Subtotal		3,389	2,090	2,589	(499)	800	800	-	499
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	112,338	-	1,924	(1,924)	112,309	110,414	-	29
	Stage 2	22,600	-	10,358	(10,358)	21,468	12,242	-	1,132
	Stage 3	3,713	2,107	2,838	(731)	1,096	875	-	510
	Total	138,651	2,107	15,120	(13,013)	134,873	123,531	-	1,671

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES (continued)

(iii) The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms 31 December 2023

(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	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	112,487	-	1,563	(1,563)	112,446	110,924	-	41
	Stage 2	24,143	-	8,503	(8,503)	24,139	15,640	-	4
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		136,630	-	10,066	(10,066)	136,585	126,564	-	45
Special Mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	390	19	311	(292)	356	79	-	15
Subtotal		390	19	311	(292)	356	79	-	15
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		-	-	-	-	-	-	-	-
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,332	2,090	2,974	(884)	800	358	-	442
Subtotal		3,332	2,090	2,974	(884)	800	358	-	442
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	112,487	-	1,936	(1,936)	112,446	110,551	-	41
	Stage 2	24,143	-	8,503	(8,503)	24,139	15,640	-	4
	Stage 3	3,722	2,109	3,285	(1,176)	1,156	437	-	457
	Total	140,352	2,109	13,724	(11,615)	137,741	126,628	-	502

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES (continued)

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

Restructured loans-2024 (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 recognised in P&L as per IFRS 9 for the quarter	Reserve interest as per CBO norms for the quarter
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	415	-	146	(146)	386	269	-	29
	Stage 2	13,692	-	8,518	(8,518)	12,564	5,174	-	1,128
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		14,107	-	8,664	(8,664)	12,950	5,443	-	1,157
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,402	2,090	2,600	(510)	812	802	-	500
Sub total		3,402	2,090	2,600	(510)	812	802	-	500
Total	Stage1	415	-	146	(146)	386	269	-	29
	Stage2	13,692	-	8,518	(8,518)	12,564	5,174	-	1,128
	Stage3	3,402	2,090	2,600	(510)	812	802	-	500
	Total	17,509	2,090	11,264	(9,174)	13,762	6,245	-	1,657

Restructured loans-2023 (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 recognised in P&L as per IFRS 9 for the quarter	Reserve interest as per CBO norms for the quarter
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7)=(3)-(4)-(10)	(8) = (3)-(5)	(9)	(10)
Classified as performing	Stage 1	434	-	127	(127)	434	307	-	-
	Stage 2	13,126	-	7,777	(7,777)	13,126	5,349	-	-
	Stage 3	-	-	-	-	-	-	-	-
Subtotal		13,560	-	7,904	(7,904)	13,560	5,656	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	3,369	2,090	3,006	(916)	836	363	-	443
Sub total		3,369	2,090	3,006	(916)	836	363	-	443
Total	Stage 1	434	-	127	(127)	434	307	-	-
	Stage 2	13,126	-	7,777	(7,777)	13,126	5,349	-	-
	Stage 3	3,369	2,090	3,006	(916)	836	363	-	443
	Total	16,929	2,090	10,910	(8,820)	14,396	6,019	-	443

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES (continued)

(v) Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
	RO	RO	RO	RO
As at 1 January 2024	112,486,434	24,143,230	3,722,468	140,352,132
Additions	25,029,954	2,679,461	132,559	27,841,974
Repayment	(23,991,310)	(5,059,334)	(139,203)	(29,189,847)
Net transfer between stages	(1,187,240)	836,323	350,917	-
Written off	-	-	(352,926)	(352,926)
As at 31 December 2024	112,337,838	22,599,680	3,713,815	138,651,333

	Stage 1	Stage 2	Stage 3	Total
	RO	RO	RO	RO
As at 1 January 2023	114,379,658	14,137,679	3,965,894	132,483,231
Additions	37,235,875	1,293,602	1,870,002	40,399,480
Repayment	(26,689,748)	(3,201,873)	(256,416)	(30,148,037)
Net transfer between stages	(12,439,352)	11,913,822	525,530	-
Written off	-	-	(2,382,542)	(2,382,542)
As at 31 December 2023	112,486,434	24,143,230	3,722,468	140,352,132

ECL amount	Stage 1	Stage 2	Stage 3	Total
	RO	RO	RO	RO
As at 1 January 2024	1,521,024	8,499,109	2,828,340	12,848,473
Provided during the year	963,180	1,075,884	85,559	2,124,623
Released during the year	(393,309)	(583,567)	(590,127)	(1,567,003)
Net transfer between stages	(568,834)	235,081	333,753	-
Written off	-	-	(329,962)	(329,962)
As at 31 December 2024	1,522,061	9,226,507	2,327,563	13,076,131

ECL amount	Stage 1	Stage 2	Stage 3	Total
	RO	RO	RO	RO
As at 1 January 2023	6,700,145	3,340,631	3,004,858	13,045,634
Provided during the year	2,663,175	468,275	2,203,054	5,334,504
Released during the year	(389,646)	(2,508,203)	(306,436)	(3,204,385)
Net transfer between stages	(7,452,650)	7,198,406	254,244	-
Written off	-	-	(2,327,280)	(2,327,280)
As at 31 December 2023	1,521,024	8,499,109	2,828,340	12,848,473

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

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

9. NET INVESTMENT IN FINANCE LEASE, WORKING CAPITAL FINANCE AND OTHER ADVANCES (continued)

(vi) The effective yield rate on the net investment in finance leases, working capital facilities and other advances excluding collection from accounts netted off against ECL provision is 7.86% (2023: 7.84%). The effective annual interest rate bands of lease finance receivables, working capital facilities and other advances are as follows:

	2024 RO	2023 RO
Less than 10%	114,526,325	120,710,164
More than 10%	24,125,008	19,641,968
	138,651,333	140,352,132

10. OTHER ASSETS AND PREPAYMENTS

	2024 RO	2023 RO
Prepaid expenses	174,844	240,605
Other receivables	1,101,964	987,948
Derivative financial instrument	129,630	-
	1,406,438	1,228,553

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Land and building RO	Furniture and Office equipment RO	Vehicles RO	Right-of-use assets RO	Total RO
Cost					
1 January 2024	1,262,267	1,557,010	231,232	85,196	3,135,705
Additions	-	122,136	5,775	64,401	192,312
Disposals/write-off	-	(750)	(6,895)	-	(7,645)
31 December 2024	1,262,267	1,678,396	230,112	149,596	3,320,372
Depreciation					
1 January 2024	588,521	1,379,031	99,679	74,084	2,141,315
Charge for the year	40,949	72,992	34,869	15,692	164,502
Disposals/write-off	-	(237)	(6,895)	-	(7,132)
31 December 2024	629,470	1,451,786	127,653	89,776	2,298,685
Net book value					
31 December 2024	632,797	226,610	102,459	59,820	1,021,687

The Company has entered into long term lease agreement for three office premises up to 01st May 2029. Accordingly, the management has recognised right-of-use asset and lease liability in accordance with IFRS 16. Lease liabilities have been disclosed in note 15 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

11. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)

	Land and building RO	Furniture and office equipment RO	Vehicles RO	Right-of-use assets RO	Total RO
Cost					
1 January 2023	1,262,267	1,422,236	187,874	85,196	2,957,573
Additions	-	134,774	157,073	-	291,847
Disposals/write-off	-	-	(113,715)	-	(113,715)
31 December 2023	1,262,267	1,557,010	231,232	85,196	3,135,705
Depreciation					
1 January 2023	547,572	1,330,127	179,146	59,267	2,116,112
Charge for the year	40,949	48,904	34,248	14,817	138,918
Disposals/write-off	-	-	(113,715)	-	(113,715)
31 December 2023	588,521	1,379,031	99,679	74,084	2,141,315
Net book value					
31 December 2023	673,746	177,979	131,553	11,112	994,390

12. SHORT TERM LOANS

	2024 RO	2023 RO
Short term loans	103,500,000	98,000,000

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 rate of 4.40% to 5.30% (2023: 3.60% to 6.20%) per annum.

13. TERM LOANS

	Annual interest rate	2024 RO	2023 RO
Long term loans – RO	4.85% to 5%	-	35,000,000
Long term loans – US \$	5.40%	21,171,700	-
		21,171,700	35,000,000

The Company has entered into long term loan facility agreements with local commercial banks. During the year the Company entered into an interest rate Swap with a commercial bank for the entire amount and tenor of the loan facility which the Company shall receive the floating rate of interest at outstanding cumulative compounded SOFR with 2 days lookback and zero payment delay and the Company shall pay to the commercial bank fixed interest payable on quarterly basis. In addition, the Company is required to comply with certain financial covenants.

The related maturity profile and interest rate risk are given in notes 29 and 30 respectively.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

14. OTHER LIABILITIES

	2024 RO	2023 RO
Accounts payable	8,640,663	7,126,175
Accrued expenses and other payables	3,021,499	2,611,512
Directors’ remuneration (note 27)	300,000	300,000
Employees’ end of service benefits (i)	31,150	31,074
Lease liability (ii)	55,511	5,769
	12,048,823	10,074,530

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

	2024 RO	2023 RO
At 1 January	31,074	301,648
Provided during the year (note 5)	54,596	110,702
Paid during the year	(54,520)	(381,276)
At 31 December	31,150	31,074

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

(ii) The movement in the lease liability during the year is as follows :

	2024 RO	2023 RO
At 1 January	5,769	21,287
Add : additions during the year	64,401	-
Interest charge for the year	761	502
Paid during the year	(15,420)	(16,020)
At 31 December	55,511	5,769

15. CONTIGENT LIABILITIES

At 31 December 2024, there were no contingent liabilities (2023: Nil) in respect of guarantees issued in the normal course of business.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

16. SHARE CAPITAL

	2024 RO	2023 RO
Authorised - shares of RO 0.100 each	35,000,000	35,000,000
Issued and fully paid - shares of RO 0.100 each	31,541,700	30,767,440

The share capital as of 31 December 2024 is as per the regulatory capital requirement.

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

	2024		2023	
	% of holding	Number of shares	% of holding	Number of shares
Muscat Overseas Company LLC	18.11%	57,122,979	18.11%	55,720,678
Civil Service Employees Pension Fund	-	-	13.88%	42,703,352
Social Protection Fund	17.48%	55,150,566	-	-

17. SHARE PREMIUM

During the year an amount of RO 653,862 (2023: RO 384,295) was transferred to share premium account upon conversion of the compulsorily convertible bonds on the due date. Further, during the year, an amount of RO 258,087 (2023: RO 148,692) has been transferred from share premium account to legal reserve account. (note 18).

18. LEGAL RESERVE

Article 132 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. During the year, the Company transferred RO 258,087 (2023: RO 148,692) to legal reserve account, that resulted in the legal reserve reaching one-third of the Company’s share capital.

19. DIVIDENDS PAID AND PROPOSED

The Board of Directors at their meeting held on 27th January 2025 proposed a dividend of 14% of the paid up capital of the Company comprising a cash dividend of 9% amounting to RO 2,838,753 and 5% as unsecured non-convertible redeemable bonus stock bonds totalling to 15,770,850 bonds of RO 0.100 each amounting to RO 1,577,085. This will be submitted for the formal approval at the Annual General Meeting of the Company to be held in March 2025. The bonus stock bonds will carry an annual coupon rate of 5%, payable annually and will be listed on the Muscat Stock Exchange. The Bonds will be redeemed after 60 months from the date of listing.

A cash dividend of 8.25% amounting to RO 2,538,314 and 5% non-convertible redeemable bonus stock bonds amounting to RO 1,538,372 were approved at the Annual General Meeting held in March 2024 and subsequently cash dividend was paid and non-convertible redeemable bonus stock bonds were issued to the shareholders

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

20. COMPULSORILY CONVERTIBLE BONDS

	Notes	2024 RO	2023 RO
Compulsorily convertible bonus bonds – 2018	(i)	-	1,428,122
Compulsorily convertible bonus bonds – 2019	(ii)	1,167,741	1,167,741
Compulsorily convertible bonus bonds – 2023	(iii)	1,516,068	1,516,068
		2,683,809	4,111,931

- (i) 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 carried an annual coupon rate of 4%, payable annually. During the year these bonus stock bonds were compulsorily converted into 7,742,599 shares in a manner explained in note (iv). Conversion price is at 85% of the book value 2023 RO. 0.18445.
- (ii) 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 (iv).
- (iii) In March 2023, the shareholders at the AGM approved 5% compulsorily convertible unsecured bonus stock bonds totaling to 15,160,682 bonds of RO 0.100 each amounting to RO 1,516,068. These bonus stock bonds 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 (iv).
- (iv) 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 MSX. 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 MSX 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.
- (v) As approved by the regulatory authority, the unsecured fully compulsorily convertible bonds amounting to RO 2,683,809 (2023: RO 4,111,931) 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 2024 for all regulatory purposes is RO 70,494,005 (2023: RO 70,908,015).

21. NON-CONVERTIBLE BONDS

In March 2021, the shareholders at the AGM approved 5% compulsorily non-convertible unsecured bonus stock bonds redeemable after 60 months totaling to 14,596,759 bonds of RO 0.100 each amounting to RO 1,459,676. These bonus stock bonds will carry an annual coupon rate of 4% payable annually.

In March 2024, the shareholders at the AGM approved 5% compulsorily non-convertible unsecured bonus stock bonds redeemable after 60 months totalling to 15,383,720 bonds of RO 0.100 each amounting to RO 1,538,372. These bonus stock bonds will carry an annual coupon rate of 5% payable annually.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

22. CASH FLOW HEDGING RESERVE

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss or included as a basis adjustment to the non-financial hedged item.

	2024 RO	2023 RO
Recognised during the year	110,256	-
Less: related deferred tax assets (note 6)	(16,538)	-
At 31 December	93,718	-

The Company has entered into interest rate swap arrangement with a local bank with a fixed interest rate of 3.8% per annum. The fair value of the interest rate swaps is based on valuation provided by the counter party bank on the reporting date. The interest rate swaps are designated as cash flow hedges and the fair value thereof has been dealt within other comprehensive income.

	Fair Value RO	Notional amount RO	Notional amount by term of maturity		
			1 to 12 Months RO	1 to 5 years RO	Over 5 years RO
As at 31 December 2024					
Interest swaps	129,630	21,171,700	-	21,171,700	-

Valuation techniques and significant unobservable inputs:

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the statement of financial position and there are no significant unobservable inputs used.

Type	Valuation techniques
Interest rate swaps	The fair value is based on the valuation provided by the counter party banks

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the loan (i.e., notional amount, maturity, payment and reset dates). The Company has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. The Company performs the critical terms match to test the hedge effectiveness as of the reporting date.

The hedge ineffectiveness can arise from:

- The counterparties’ credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

There is no hedge ineffectiveness in the interest rate swap arrangement.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

23. 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:

	2024 RO	2023 RO
Profit for the year (RO)	3,568,958	3,201,312
Weighted average number of shares outstanding during the year (Nos)	376,177,624	306,559,213
Basic earnings per share (RO)	0.0114	0.010

24. 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.

	2024 RO	2023 RO
Profit after tax	3,568,958	3,201,312
Add: Interest on bonds (net)	123,297	182,415
Profit attributable to ordinary shareholders (diluted) (RO)	3,692,256	3,383,727
Weighted average number of ordinary shares (diluted) (Nos)	329,967,338	329,763,747
Diluted earnings per share (RO)	0.0112	0.010

25. 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.

26. 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

27. 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:

	2024 RO	2023 RO
Interest income on finance lease, working capital facilities and other advances (major shareholder)	154,152	131,214
Directors’ sitting fees and remuneration	393,200	371,482
Employee’s related cost of senior management	1,820,956	1,765,786

Details of Directors’ remuneration and sitting fee are disclosed in notes 5 and 15.

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 in respect of related parties or holders of 10% or more of the Company’s shares.

	2024		2023	
	Receivables RO	Payables RO	Receivables RO	Payables RO
Members of the Board of Directors	1,888,397	300,000	1,946,871	300,000
	1,888,397	300,000	1,946,871	300,000

28. NET ASSET PER SHARE

Net assets per share is calculated by dividing the net assets at the end of the year by the number of shares outstanding at the year-end as follows:

	2024 RO	2023 RO
Net asset value	67,810,196	66,796,084
Number of ordinary shares at the year end	315,417,003	307,674,404
Net assets per share-RO	0.215	0.217

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

29. 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 2024 and 2023 are not significantly different to their carrying value at each of those date.

All financial assets and liabilities have been accounted at amortised cost, except for derivative assets which designated at fair value through profit or loss.

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

As at 31 December 2024 and 2023, the Company had no other financial instruments, which were recorded at fair values.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

30. 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 2024 was as follows:

	Up to 1 month	1 to 3 Months	3 to 6 months	6 months to 1 year	1 to 3 years	Over 3 years	Non-fixed maturity	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Assets								
Cash and bank balances	2,806,209	-	21,000,000	-	63,627,400	-	-	87,433,609
Deposits with CBO	-	-	-	-	-	-	250,000	250,000
Net investment in finance lease, working capital finance and other advances	21,930,805	12,016,997	11,141,230	21,255,604	38,405,608	19,153,585	-	123,903,829
Other assets and prepayments	407,201	775,589	58,820	35,198	129,630	-	-	1,406,438
Property, equipment and right-of-use assets	-	-	-	-	-	-	1,021,687	1,021,687
Total assets	25,144,215	12,792,586	32,200,050	21,290,802	102,162,638	19,153,585	1,271,687	214,015,563
Liabilities and equity								
Short term loans	2,100,000	36,000,000	19,200,000	-	46,200,000	-	-	103,500,000
Deposits	-	-	1,000,000	2,021,104	-	-	-	3,021,104
Term loans	-	-	-	-	10,585,850	10,585,850	-	21,171,700
Compulsorily convertible bonds	-	-	-	-	-	-	2,683,809	2,683,809
Non-convertible redeemable bonds	-	-	-	-	1,459,676	1,538,372	-	2,998,048
Other liabilities	4,055,842	3,958,637	884,908	627,029	1,347,086	1,175,321	-	12,048,823
Current tax payable	-	-	-	-	-	-	765,345	765,345
Deferred tax liability	-	-	-	-	-	-	16,538	16,538
Equity	-	-	-	-	-	-	67,810,196	67,810,196
Total liabilities and equity	6,155,842	39,958,637	21,084,908	2,648,133	59,592,612	13,299,543	71,275,888	214,015,563
Gap in maturity	18,988,373	(27,166,051)	11,115,141	18,642,669	42,570,026	5,854,042	(70,004,021)	-
Cumulative gap in maturity	18,988,373	(8,177,678)	2,937,464	21,580,133	64,150,159	70,004,021	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

30. 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 2023 was as follows:

	Up to 1 month RO	1 to 3 Months RO	3 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	11,522,719	-	15,000,000	-	64,627,400	-	-	91,410,119
Deposits with CBO	-	-	-	-	-	-	250,000	250,000
Net investment in finance lease, working capital finance and other advances	28,550,858	775,471	10,128,426	20,991,445	43,666,392	22,888,586	-	127,001,178
Other assets and prepayments	376,230	762,646	54,679	34,998	-	-	-	1,228,553
Property, equipment and right- of-use assets	-	-	-	-	-	-	994,390	994,390
Total assets	40,459,807	1,538,117	25,183,105	21,026,443	108,293,792	22,888,586	1,244,390	220,634,240
Liabilities and equity								
Short term loans	21,500,000	4,000,000	16,000,000	-	56,500,000	-	-	98,000,000
Deposits	1,000,000	-	-	-	3,500,000	-	-	4,500,000
Term loans	-	35,000,000	-	-	-	-	-	35,000,000
Compulsorily convertible bonds	-	-	-	-	-	-	4,111,931	4,111,931
Non-convertible redeemable bonds	-	-	-	-	-	1,459,676	-	1,459,676
Other liabilities	2,983,613	2,594,036	557,033	333,278	3,449,120	157,450	-	10,074,530
Income tax payable	-	-	-	-	-	-	692,019	692,019
Equity	-	-	-	-	-	-	66,796,084	66,796,084
Total liabilities and equity	25,483,613	41,594,036	16,557,033	333,278	63,449,120	1,617,126	71,600,034	220,634,240
Gap in maturity	14,976,194	(40,055,919)	8,626,072	20,693,165	44,844,672	21,271,460	(70,355,644)	-
Cumulative gap in maturity	14,976,194	(25,079,725)	(16,453,653)	4,239,512	49,084,184	70,355,644	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

31. 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 2024 is set out below:

	Floating rate or within three months RO	3 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	2,798,262	21,000,000	-	63,627,400	250,000	7,947	87,683,609
Instalment finance receivable, working capital finance and other advances	49,928,841	7,596,776	16,948,690	32,504,792	16,924,730	-	123,903,829
Other assets and prepayments	-	-	-	129,630	-	1,276,808	1,406,438
Property, equipment and right- of-use assets	-	-	-	-	-	1,021,687	1,021,687
Total assets	52,727,103	28,596,776	16,948,690	96,261,822	17,174,730	2,306,442	214,015,563
Liabilities and equity							
Short term loans	38,100,000	19,200,000	-	46,200,000	-	-	103,500,000
Deposits	-	1,000,000	2,021,104	-	-	-	3,021,104
Term loans	-	-	-	10,585,850	10,585,850	-	21,171,700
Compulsorily convertible bonds	-	-	-	1,167,741	1,516,068	-	2,683,809
Non-convertible redeemable bonds	-	-	-	1,459,676	1,538,372	-	2,998,048
Other liabilities	-	-	-	-	-	12,048,823	12,048,823
Income tax payable	-	-	-	-	-	765,345	765,345
Deferred tax liability	-	-	-	-	-	16,538	16,538
Equity	-	-	-	-	-	67,810,196	67,810,196
Total liabilities and equity	38,100,000	20,200,000	2,021,104	59,413,267	13,640,290	80,640,902	214,015,563
Interest rate sensitivity gap	14,627,103	8,396,776	14,927,586	36,848,555	3,534,440	(78,334,460)	-
Cumulative interest rate sensitivity gap	14,627,103	23,023,879	37,951,465	74,800,020	78,334,460	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

31. INTEREST RATE RISK (continued)

The Company’s interest sensitivity position based on contractual repricing arrangements at 31 December 2023 is as follows:

	Floating rate or within three months RO	3 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	11,522,786	15,000,000	-	64,627,400	250,000	9,933	91,410,119
Instalment finance receivable, working capital finance and other advances	46,066,406	7,645,348	16,226,730	35,032,121	22,030,573	-	127,001,178
Other assets and prepayments	-	-	-	-	-	1,228,553	1,228,553
Property, equipment and right- of-use assets	-	-	-	-	-	994,390	994,390
Total assets	57,589,192	22,645,348	16,226,730	99,659,521	22,280,573	2,232,876	220,634,240
Liabilities and equity							
Short term loans	25,500,000	16,000,000	-	56,500,000	-	-	98,000,000
Deposits	1,000,000	-	-	3,500,000	-	-	4,500,000
Term loans	35,000,000	-	-	-	-	-	35,000,000
Compulsorily convertible bonds	-	1,428,122	-	-	2,683,809	-	4,111,931
Non-convertible redeemable bonds	-	-	-	-	1,459,676	-	1,459,676
Other liabilities	-	-	-	-	-	10,074,530	10,074,530
Income tax payable	-	-	-	-	-	692,019	692,019
Equity	-	-	-	-	-	66,796,084	66,796,084
Total liabilities and equity	61,500,000	17,428,122	-	60,000,000	4,143,485	77,562,633	220,634,240
Interest rate sensitivity gap	(3,910,808)	5,217,226	16,226,730	39,659,521	18,137,088	(75,329,757)	-
Cumulative interest rate sensitivity gap	(3,910,808)	1,306,418	17,533,148	57,192,669	75,329,757	-	-

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. 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:

	2024 RO	2023 RO
Bank balances	2,798,262	6,522,786
Deposit with CBO and commercial banks – net	84,877,400	84,877,400
Net investment in finance lease, working capital facilities and other advances – net	123,903,829	127,001,178
Credit risk exposure relating to off balance sheet items		
Approved lease commitment at 31 December	92,765	65,308
Total exposure	211,672,256	218,466,672
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	14,168,072	12,158,623
Impaired		
Past due 90 – 179 days	320,200	390,314
Past due 180 –269 days	4,177	-
Past due 270 –364 days	-	-
Past due > 364 days	3,389,438	3,332,154
Neither past due nor impaired	3,713,815	3,722,468
Total	120,769,446	124,471,041
Less: provision for expected credit loss, including reserved interest:	138,651,333	140,352,132
	(14,747,504)	(13,350,954)
Total allowance for expected credit loss	(14,747,504)	(13,350,954)
Net investment in finance lease, working capital facilities and other advances	123,903,829	127,001,178

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Exposure to credit before collateral held or other credit enhancements (continued)

Rescheduled loans including loans deferred under COVID 19 as of 31 December 2024 amounted to RO. 17,508,240 (2023: RO 16,929,102). The Gross NPL is 2.68% (2023: 2.65%) and the NPL net of provision for expected credit loss and special reserve for non-performing assets is in negative and it is -3.33% (2023: -3.59%) of the present value of finance receivables.

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

	2024 RO	2023 RO
Stage -1	112,337,838	112,486,434
Stage -2	22,599,680	24,143,230
Stage -3	3,713,815	3,722,468
	138,651,333	140,352,132
Less:- provision for expected credit loss, including reserved interest:	(14,747,504)	(13,350,954)
Net investment in finance lease, working capital facilities and other advances as per IFRS 9 including guarantees	123,903,829	127,001,178

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 2024 and 2023. An industry sector analysis of the Company’s instalment finance receivable – net before taking into account collateral held is as follows:

	Maximum exposure 2024	Maximum exposure 2023
Personal loans	27,072,022	26,902,958
Business loans - Services and other sectors	62,210,078	60,035,680
- Construction	10,507,830	9,132,146
- Trading	24,278,143	31,040,379
- Manufacturing	14,583,260	13,240,969
	138,651,333	140,352,132

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Delinquency risk (continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Impairment assessment (continued)

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 250,000 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 100,000 and above up to RO 250,000 wand 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Impairment assessment (continued)

Impact of Coronavirus (COVID-19)

Although COVID- 19 is no longer playing a major part in the fortunes of borrowers, many borrowers are still trying to adjust their business models and their funding strategies to emerge from the stress they encountered and to cope with different patterns of customer demand in the post-COVID-19 global and local economies. Considering this ,the CBO allowed restructuring of loans till 31st march 2024 for limited customers where repayments could not simply recommence on pre-COVID-19 terms and the visibility of cash flows is still not clear. The Company closely monitors the ongoing impacts on the borrowers within its portfolios.

With the cessation of deferral payment holidays, days past due has again become a meaningful SICR to decide whether to compute 12 months or lifetime ECL.

Where possible, without incurring undue cost and effort, the Company's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios and overlayed by the application of reasonable management judgement in any segments where the Company does not have adequate default history, or for borrowers with known financial weaknesses.

Based on regulatory and IASB's guidance, as a measure of prudence, wherever necessary, the Company continues to apply post model adjustments and management judgment overlays, while computing its ECL with the intention to collectively cover the probable future economic conditions. The Company continues to reassess and appropriately adjust such management overlays on a regular basis as new facts come to light.

Post-model adjustments and management overlays of RO 8.03 million (2023: RO 7.03 million) have been made in estimating the reported ECL as at 31 December 2024.

The following table provides a comparison of the company's ECL allowances on non-impaired financial assets (Stages 1 and 2) based on the probability weightings of three scenarios, with the ECL that would be reported if each scenario was weighted at 100%.

	2024 RO ECL	2023 RO ECL
Sensitivity of impairment estimates		
ECL on non-impaired loans	11,909,502	10,020,133
Simulations		
Upside case - 100% weighted	11,190,550	9,179,709
Base case - 100% weighted	11,914,816	10,024,835
Downside scenario - 100% weighted	12,612,511	10,846,451

The following table contains an analysis of the credit risk exposure of financing receivables and the related ECL of the borrowers benefiting from payment deferrals and/or loan restructures: The gross exposure amount (including accrued interest and off-balance sheet exposures) represents the Company's maximum credit exposure to such affected borrowers:

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

Investment in finance lease, working capital facilities and other advances

2024	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Gross exposure	414,759	13,691,729	3,401,752	17,508,240
ECL	(145,560)	(8,517,763)	(2,600,256)	(11,263,579)
Net carrying amount	269,199	5,173,966	801,496	6,244,661

2023	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Gross exposure	434,497	13,126,023	3,368,582	16,929,102
ECL	(126,490)	(7,777,215)	(3,005,622)	(10,909,327)
Net carrying amount	308,007	5,348,808	362,960	6,019,775

Modification losses

In case of corporate borrowers who first opted for deferment options, followed subsequently by loan restructures, the unpaid principal and accrued interest during the deferred or grace period under the restructured terms, typically becomes repayable at the end of the loan to accommodate the cashflow position of the borrowers and hence modification losses do not arise. Conversely, in line with CBO instructions for deferring individual Omani borrowers who lost their jobs or whose salaries were reduced, the Company also deferred the installments to the end of the tenor but without accruing any additional interest, in which case a modification loss does arise. The modification losses for those cases have been included within the ECL management overlay.

(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 29 summarizes the maturity profile of the Company’s assets and liabilities as at 31 December 2024 based on the residual contractual repayment arrangements.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. 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.

(i) 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 30 summarizes the maturity profile of the Company’s assets and liabilities as at 31 December 2024 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 Company has entered into interest rate swaps to hedge its interest rate risk exposure on its term loans and short term borrowings. The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model.

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)	
		2024	2023
Increase in interest rate	+ 100 bps	115	800
Increase in interest rate	+ 150 bps	166	1,200
Decrease in interest rate	- 25 bps	(11)	(200)

(ii) 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.

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of change in foreign exchange rates. The Company is exposed to foreign currency risk arising from currency exposure primarily with respect to the US Dollar. The Rial Omani is effectively pegged to the US Dollar and since most of the foreign currency transactions are in US Dollar, the management believes that exchange rate fluctuations would have an insignificant impact on the Company’s statement of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

32. FINANCIAL RISK MANAGEMENT (continued)

(d) 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.

(e) 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.

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 2024 and 31 December 2023.

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 31,541,700 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 2024 for all regulatory purposes is RO.70,494,005 (2023: RO 70,908,015).

33. CLIMATE RELATED RISKS

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

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

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2024

33. CLIMATE RELATED RISKS (continued)

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

34. GENERAL

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

WINNER
**OMAN'S MOST
TRUSTED BRAND**
2024



For the Third Year in succession Al Omaniya Financial Services has been voted as Oman’s Most Trusted Non-Banking Financial Institution in an independent survey conducted by Apex Press and Publishing.

Our CEO, Aftab Patel receiving the Oman’s Most Trusted Brand Award from H H Sayyid Dr. Faris bin Turki Al Said, Member of the Technical Team for Oman’s Promotional Identity.

NOTES



Al Omaniya Financial Services (SAOG)

Values stronger than money