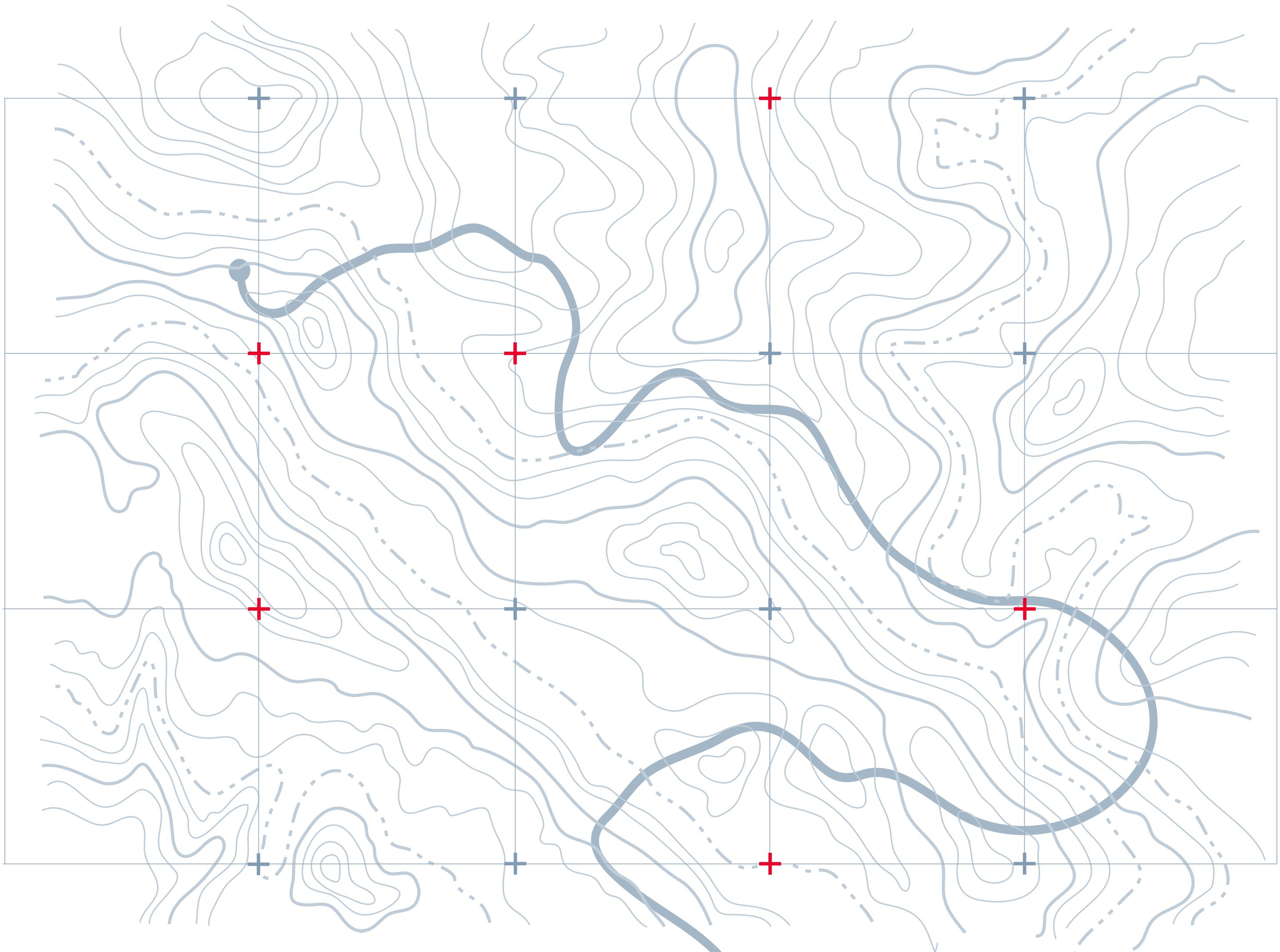
المتحدة للتمويل
United Finance

Annual Report 2023



Supporting ambition, wherever your journey takes you.

His Majesty Sultan Haitham bin Tarik

His Majesty Sultan Qaboos bin Said
"May Allah have mercy upon him"

***Our mission** is to make life easier for people who want to enjoy greater opportunities and achieve more, by offering responsive, friendly, and helpful financial advice with products and services tailored for individuals and businesses.*

***Our aim** is to be your preferred finance partner, inspiring you to achieve more, empowering you with the right tools to enhance your life or grow your business, and supporting you to enjoy greater opportunities.*

Do more.
Experience more.
Achieve more.

Board of Directors' Report

Mohamed Abdulla Al Khonji
Chairman

Driving

Our financial performance reflects the strength and resilience of our strategic approach, through substantial growth in our assets and a strong capital base.

Dear Shareholders, As we close another year of sustained financial growth and strategic achievements, I am privileged to present, on behalf of the Board of Directors, the financial results of United Finance Company SAOG for the year ended 31st December 2023.

The Omani economy has continued to exhibit a robust rebound post the challenges of the COVID-19 pandemic. The fiscal and monetary measures instituted by the Omani government and the Central Bank of Oman (CBO) have laid the groundwork for a swift recovery and long-term economic stability. The year 2023 marked a continuation of this upward trajectory, supported by a resurgence in global economic activity and an uptick in oil prices.

Our financial performance for 2023 reflects the strength and resilience of our strategic approach. We have experienced substantial growth in our assets, which have increased to OMR 103,778,553 as of December 2023, compared to OMR 93,012,220 in the previous year, marking an 11.6% increase.

Our total equity saw a modest rise, demonstrating our commitment to maintaining a strong capital base. The net installment finance debtors represent our focused growth in our core business areas, with a significant increase of 10.9% year-over-year. We have prudently managed expenses, which have resulted in an operating income of OMR 3,200,111, an increase of 23.3% over the previous year. After accounting for taxation and other considerations, our net profit after tax and provisions stands at OMR 1,790,350, reflecting an 11.7% increase from the prior year.

Looking to the future, our outlook for 2023 is optimistic. The government's initiatives towards economic diversification and the anticipated GDP growth bode well for our operations. We are poised to capitalize on these positive developments, driven by a strategic focus on our core financial services and a commitment to technological innovation.

Our strategic initiatives remain in alignment with the national vision, and we have continued to enhance our service offerings, aligning with our new brand promise. The implementation of our advanced core banking system is on track, and we expect this to significantly enhance our service capabilities and operational efficiency.

Our investment in human capital is reflected in our rigorous training programs and leadership development initiatives. These efforts underscore our commitment to nurturing a workforce that is equipped to meet the challenges of a dynamic financial landscape. In recognition of our financial health and in appreciation of our shareholders' continued support, the Board of Directors is pleased to recommend a cash dividend of 3% pending regulatory and shareholder approval.

Our heartfelt gratitude goes out to His Majesty Sultan Haitham bin Tariq Al Said for his visionary leadership. We also express our sincere thanks to the various regulatory authorities, our bankers, shareholders, and stakeholders for their unwavering support. A special note of appreciation is extended to our management and staff for their dedication and hard work.

In conclusion, the promising economic indicators and our solid financial performance place us in a strong position for continued growth. We look forward with confidence to the year ahead, with the unwavering support of our stakeholders and the grace of Allah.

Warm regards

Mohamed Abdulla Al Khonji
Chairman

Board of Directors and Committees

Mohamed Abdulla Al Khonji
Chairman

Hassan Ihsan Naseeb Al Nasib
Deputy Chairman

Hussam Hisham Omar Bostami
Board Member

Waseem Salah Qaraeen
Board Member

Salman Hussain Salman AL-Lawati
Board Member

Mohamed Mahmood Ahmed Al Raise
Board Member

Fariborz Vessali
Board Member

Nomination, Remuneration Executive Committee

Mohamed Abdulla Al Khonji
Committee Chairman

Hussam Hisham Omar Bostami
Member

Fariborz Vessali
Member

Mohamed Mahmood Ahmed Al Raise
Member

Audit, Risk, Compliance Management Committee

Waseem Salah Qaraeen
Committee Chairman

Salman Hussain Salman AL-Lawati
Member

Hassan Ihsan Naseeb Al Nasib
Member

Management discussion and analysis

Nasser Salim Al Rashdi
Chief Executive

Supporting

United Finance Company registered a net profit of OMR 1.79 million for the 2023 year, witnessing an 11.7% year-on-year growth.

Oman's economic recovery continues supported by favourable oil prices and sustained reform momentum. The economy grew by 4.3 percent in 2022, primarily driven by the hydrocarbon sector, before slowing down to 2 percent at the end of Q3 in 2023 on the back of OPEC+-related oil production cuts.

Non-hydrocarbon growth accelerated supported by recovering agricultural and construction activities and robust services sector. Inflation has receded from 2.9 percent in 2022 to 1.03 percent in 2023.

Prudent fiscal management and high oil prices helped turn fiscal and current account balances into a surplus by the end October 2023. Public sector debt was reduced markedly. Oman's sovereign credit rating has been upgraded to one notch below investment grade and sovereign spreads have become nearly at par with the average of Gulf Cooperation Council countries.

The economic outlook remains favourable. It is set to rebound starting in 2024, supported by higher hydrocarbon production and stronger non-hydrocarbon growth. Fiscal and current account balances are projected to remain in surplus over the medium term albeit trending down along with oil prices.

Our government remains committed to fiscal discipline while strengthening the social safety net. The non-hydrocarbon primary deficit is set to decline by 3.4 percent of non-hydrocarbon GDP in 2023 relative to 2022. The ongoing implementation of the new social protection law will strengthen the resilience of vulnerable groups and reinforce the sustainability of the unified pension fund.

Sustained efforts to implement Vision 2040 are progressing. The new labour law is set to improve working conditions and the flexibility of the labour market as well as enhance female labour force participation. Efforts to create a more enabling business environment are ongoing. The climate agenda is progressing through ample investments in renewable energy and hydrogen, guided by the authorities' National Strategy for an Orderly Transition to Net Zero.

Industry overview

Oman's financial services industry has shown remarkable growth and resilience, adapting to global challenges while maintaining its upward trajectory. Since 2022, the sector has witnessed significant developments, underpinned by strategic initiatives aimed at creating a more robust and inclusive financial system.

The Finance & Leasing sector in Oman is witnessing significant growth and transformation, with the Central Bank of Oman (CBO) playing a pivotal role in enhancing the sector's contribution to the economy. Recent regulatory changes have expanded the authorized activities of Finance and Leasing Companies (FLCs), allowing them to engage in a broader scope of operations. These changes include permitting FLCs to accept deposits from corporate entities, engage in real estate financing, extend personal loans without collateral, and invest in rated corporate bonds listed on the Muscat Stock Exchange. Such regulatory updates aim to promote growth within the sector and contribute positively to Oman's economy.

The landscape of finance companies in Oman is diverse, with several institutions playing key roles in providing financial services across different segments. These companies offer a wide range of services catering to retail, SME, and corporate clients, contributing to the social development and economic progress of Oman in alignment with Vision 2040.

Management discussion and analysis

During the year 2023, Industry's net loan portfolio grew at 11.62% surpassing OMR 1 Billion mark and recorded a growth of OMR 108 million compared to the preceding year. Total revenue grew 14.9% year on year and net profit after tax grew by 16.8% compared to the year 2022. Further the impairment provision on installment finance debtors decreased by 5.8% compared to preceding year showing an increase in credit quality in the industry.

These developments and recognitions underscore the dynamic and evolving nature of Oman's finance and leasing sector, reflecting the sector's integral role in supporting the country's economic diversification and growth strategy.

As Oman's financial industry navigates through 2024, it continues to encounter a mix of opportunities and threats that could significantly influence its trajectory. The ongoing efforts toward economic diversification, infrastructure enhancement, and digital transformation remain central to shaping the sector's future.

Opportunities

Oman's commitment to economic diversification and digital transformation presents vast opportunities for the financial industry. There's a growing demand for innovative financial technology (fin-tech) products and services as the government and consumers increasingly embrace digital banking. This shift not only opens avenues for traditional financial institutions to innovate but also for fin-tech startups to enter the market.

Significant investments in infrastructure development create opportunities for project financing and public-private partnerships. Financial institutions will continue to play a pivotal role in financing these projects, which span across various sectors such as transportation, tourism, and renewable energy.

The increasing awareness and demand for both life and non-life insurance products offer substantial growth potential for the insurance industry. This demand is further bolstered by regulatory reforms and government initiatives aimed at enhancing insurance penetration and coverage among the Omani population.

The implementation of Vision 2040 provides a strategic direction for the financial sector, emphasizing the need for innovation, sustainability, and inclusivity. Financial institutions are encouraged to align their products and services with the national goals of economic diversification, job creation, and sustainable development.

Threats

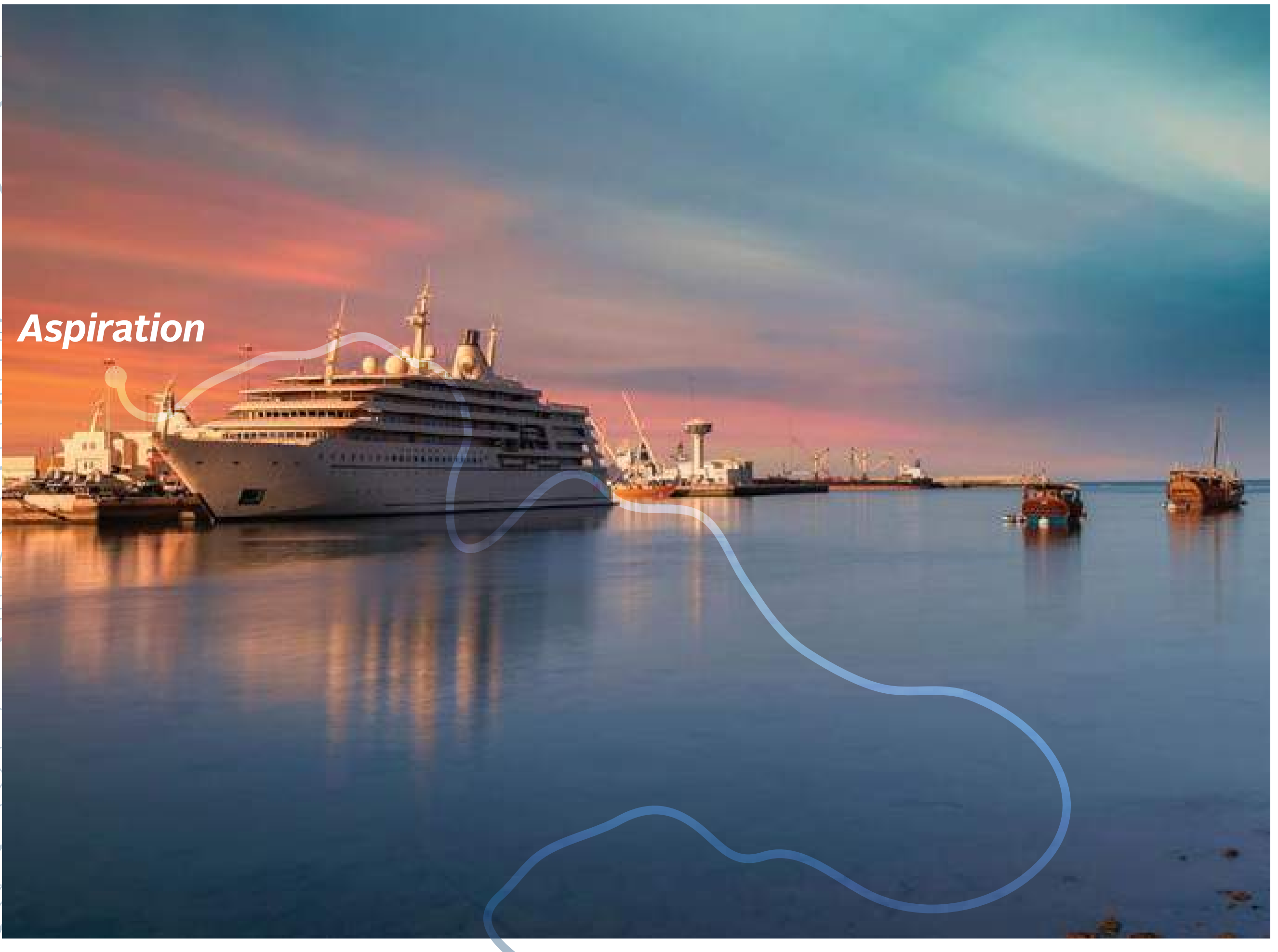
The ongoing global economic uncertainties pose a significant threat to Oman's financial industry, impacting financial sector. Volatile oil prices, geopolitical tensions, and the pace of global recovery from the pandemic could affect the sector's stability and growth.

Competition from other countries in the Gulf Cooperation Council (GCC) region, especially in attracting foreign investment and fin-tech innovation, will be a challenge. Oman must continue to enhance its value proposition to retain and attract investment in its financial sector.

The potential for a skills shortage in Oman's workforce, particularly in specialized areas such as fin-tech, digital banking, and insurance, could limit the industry's capacity to innovate and expand. Addressing this issue through education, training, and attracting foreign talent is critical for sustaining growth.

As the financial industry increasingly adopts digital technologies, the threat of cyber-attacks becomes more pronounced. Ensuring robust cybersecurity

Ongoing efforts toward economic diversification and digital transformation remain central to shaping the financial sector's future.



Sunset from the Muttrah Corniche, Muscat

Enabling

We have good support from local banks and have adequate lines of credit to meet our commitments for 2024 and beyond.

On the road to Salmah Plateau, Hajjar Mountains

Creating

Management discussion and analysis

measures and regulatory frameworks is essential to protect the integrity of the financial system and maintain consumer trust.

Strategic adjustments in portfolio management

In response to the economic developments and risk assessments up to December 2023, UFC has taken significant steps to refine its exposure to various sectors. Recognizing the inherent risks in volatile sectors, the company has consciously reduced its lending activities in high-risk areas, notably within the construction sector and focusing on hydrocarbon and other sectors in line with Vision 2040. This strategic pivot towards sectors deemed lower risk showcases UFC's commitment to safeguarding its loan portfolio's integrity and ensuring sustainable growth.

The evaluation process for the loan portfolio has been meticulously carried out by management, emphasizing the importance of scrutinizing repayment histories, income spreads, and delinquency rates. This comprehensive risk assessment framework enables UFC to tailor its lending norms effectively, ensuring a robust risk mitigation strategy.

Enhanced credit assessment and risk management

UFC has continued to refine its credit criteria, incorporating insights from market feedback and risk review reports. This ongoing revision process is crucial in maintaining the company's adaptability to market dynamics and ensuring that lending practices are aligned with the current risk landscape. By proactively adjusting credit policies, UFC significantly enhances its defence against potential delinquencies.

The security coverage framework for loans extended by UFC remains stringent, with almost all loans being secured by the financed assets. To further bolster its risk mitigation measures, UFC obtains additional security through various means, including the assignment of receivables, collateral assets, mortgages on property, and personal guarantees from borrowers and counterparties. This comprehensive approach to securing loans underscores UFC's dedication to minimizing its exposure to unforeseen developments.

Segment-specific lending strategies

The delineation between corporate and retail segments within UFC's loan portfolio is strategically defined. The corporate segment encompasses loans extended for assets intended for income generation, aligning with UFC's objective to support business growth and economic development. Conversely, the retail segment focuses on financing assets for personal use, catering to the individual needs of customers and contributing to their financial empowerment.

Interest rate risk

In 2023, interest rate risk remains a key concern for financial institutions. Interest rate risk arises due to mismatches in the re-pricing dates of assets and liabilities. To manage this risk, our company focuses on minimizing the gap in the re-pricing profile of assets and liabilities and exploring alternate risk management strategies.

Our loans have fixed interest rates with an interest variance clause and varying tenures, ranging from 180 days to over five years. However, any re-pricing of our liabilities by lenders to UFC due to economic and market-driven factors could result in interest rate risk. To mitigate this risk, we match the tenure of our assets and liabilities by availing long-term funds from lenders at fixed interest rates, to the extent possible.

Management discussion and analysis

In 2023, our average Net Interest Margin has marginally decreased compared to year 2022, mainly due to the increasing in interest rate environment experienced. This key financial metric will continue to be a focus for us in 2024 as we strive to maintain effective management of interest rate risk in a dynamic economic and market environment.

Liquidity risk

Liquidity risk remains a concern for financial institutions. Liquidity risk occurs when an entity is unable to meet its obligations at any given time. To mitigate this risk, our company has implemented conservative liability management policies, which ensure that we can meet our obligations even in adverse situations.

Our Asset Liability Committee (ALCO) members review the maturity profile of our assets and liabilities on a monthly basis, enabling us to identify potential liquidity risks and take proactive measures to mitigate them. We have increased our focus on corporate fixed deposits to effectively manage the liquidity and associated NIMs.

We have good support from local banks and have adequate lines of credit to meet our commitments for 2024 and beyond. We remain committed to maintaining a strong liquidity position, which will enable us to meet our obligations promptly and effectively in all market conditions.

The company has put in place extensive internal controls to mitigate risks. UFC recognizes the importance of having a robust internal audit team in place to ensure effective risk management and UFC has an independent internal audit function, staffed with professionals. The internal audit team conducts regular checks and also focuses on risk-based audits to identify potential areas of risk. The internal audit team evaluates the adequacy and effectiveness of controls and all audit findings are independently reported to the Audit, Risk and Compliance Management Committee which comprises members from the Board. The department reports directly to the Audit, Risk and compliance Management Committee.

Internal controls, systems & their adequacy

In addition to internal audit, UFC has also established a compliance function to ensure conformity with statutory and regulatory requirements. The Chief Compliance Officer, who reports directly to the Board, leads this function and is supported by Departmental Compliance Officers in each department and branch office. Specific staff members are identified, trained, and entrusted with the responsibility of ensuring compliance with prescribed norms. The company conducts periodic training sessions in compliance to foster a culture of compliance throughout the organization.

UFC recognizes the importance of regularly reviewing and updating policy and procedure manuals covering various areas of operation to keep up with the changing business environment. The Heads of Departments and Management conduct these reviews and updates, which are approved by the Board and circulated to the concerned departments for reference and compliance. With these measures in place, UFC is well-prepared to handle the level of operations and ensure effective risk management and compliance in 2024 and beyond.

Information Technology, Disaster Recovery and Business Continuity planning

At United Finance Company (UFC), we recognize the critical role that Information Technology (IT) plays in enabling and driving our business operations. Our IT team comprises highly skilled professionals dedicated to continuously assessing and enhancing our IT infrastructure. This ongoing process ensures our technology framework remains resilient, secure, and capable of supporting the dynamic needs of the financial sector.

Information Technology upgrades

In our commitment to maintaining a cutting-edge technological stance, UFC is in the process of implementing advanced software solutions that are in use by leading banks and financial institutions globally. This upgrade is not just about staying current; it's about leveraging technology to improve efficiency, enhance customer service, and secure our operations against evolving cyber threats. By adopting these state-of-the-art systems, we aim to set new benchmarks in operational excellence and customer satisfaction within the financial services industry.

Disaster Recovery infrastructure

Our Disaster Recovery (DR) infrastructure, located in Barka, is a cornerstone of our resilience strategy. It is meticulously designed and regularly tested to ensure it meets the highest standards of readiness and reliability. These periodic evaluations are essential to guarantee that, in the event of any disruption, whether from natural disasters or cyber incidents, UFC can swiftly restore operations, thereby minimizing impact on our services and customers.

Business Continuity planning

Recognizing the importance of uninterrupted service, UFC has developed and implemented a comprehensive Business Continuity Plan (BCP). This plan is tailored to meet the unique challenges faced by financial institutions and is aligned with international best practices. Our BCP encompasses a wide range of scenarios, tested and validated on an annual basis to ensure that UFC is well-prepared to respond effectively to incidents without compromising our service quality or operational integrity.

The allocation of necessary resources towards our DR and BCP initiatives underscores our proactive approach to risk management. By investing in robust disaster recovery and business continuity frameworks, UFC not only protects its operational capabilities but also reinforces its commitment to its customers and stakeholders

Human Resources function

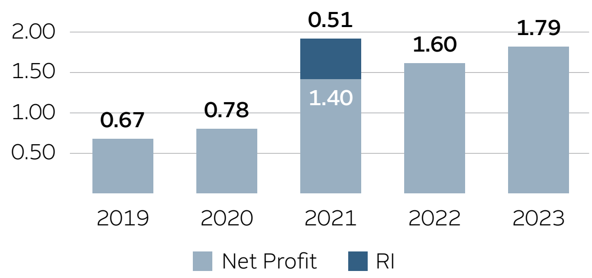
Human resources division has contributed very important aspects in perusing a strong people & performance culture with the vision of the top management. With the guidance of the Chief Executive Officer and the Board, the department has able to drive and deliver the strategic objective of achieving company values. With the effective organizational change and extensive training sessions has led to improved working force.

Above initiations and continuous programmes for talent segments has resulted in retaining talented workforce within the organization and achieved 90% Omanisation during the year 2023. The first program on talent management successfully completed in 2023.

Management discussion and analysis

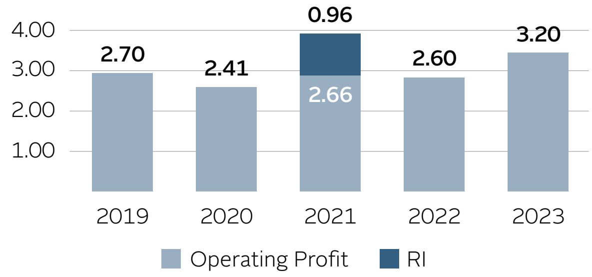
Financial highlights

The company registered a net profit of OMR 1.79 million for the year 2023 as against OMR 1.60 million in the previous year witnessing an 11.7% growth year on year. The Company has achieved a steady growth in profits continuously over the past years.



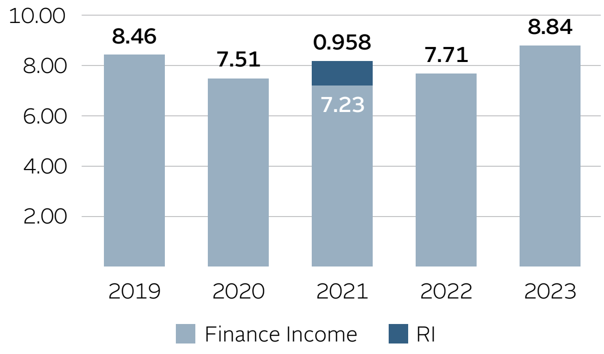
The Operating profit was OMR 3.2 million as compared to OMR 2.6 million in 2021, recording an increase of 23.3% in year 2023.

Finance Income grew at 14.7% over the last year to OMR 8.8 million in the year 2023.



In 2023 UFC continued its cautious approach to new loans given the uncertain market conditions post Covid-19 pandemic. The loan portfolio as of December 2023 grown by 10.9% to OMR 97.8 million against OMR 88.2 million at the end of the previous year.

Impaired loans as of December 2023 were lower at OMR 20.1 million as against OMR 21.6 million as of December 2022. The company provided OMR 1.09 million as impairment provision during the year in compliance with IFRS 9 requirements, which includes specific provisions for impairment and continued maintaining additional provisions due to significant increase in credit risks as well as other specific provisions to cater for post-deferment slippages if any. The Company is taking appropriate pre-preemptive steps to improve collections and bring down the level of impaired loans in the coming year.



The fund position of the company was comfortable during the year. The Company mobilized adequate credit limits facilities from banks and as well corporate deposits to meet its business requirements. The Corporate deposits showed a tremendous growth of 95.8 % in 2023 compared to previous year.

The Company has demonstrated continuous growth over the past years as below:

Particulars	2019	2020	2021	2022	2023
Total Assets	102,423	89,374	84,456	93,012	**103,778**
Share Capital	34,914	34,914	34,914	34,914	**35,612**
Total Equity	44,636	45,412	47,326	48,052	**48,872**
Finance Debtors	98,643	85,316	80,302	88,236	**97,851**
Total Borrowings	52,010	40,675	31,947	39,556	**49,967**
Gross Income	9,101	7,978	8,727	8,316	**10,077**
Net Finance Income	5,690	4,997	6,250	5,944	**6,053**
Net Profit	673	776	1,914	1,603	**1,790**

(OMR 000)

Looking forward

As we look towards the future, United Finance Company (UFC) is steadfast in its commitment to evolving into a forward-thinking Finance Powerhouse, with a strategic emphasis on harnessing technology to foster a dynamic value-exchange ecosystem. This ecosystem is designed to cater to the digitally-savvy individuals, corporates, and SMEs, reflecting the shifting paradigms of a technology-driven market. UFC's strategic direction is geared towards a holistic reinvention of its product offerings and delivery channels to better align with the modern financial landscape while continuing to provide a comprehensive suite of financial products and services.

In anticipation of future market trends and customer needs, UFC is proactively enhancing its operational and strategic frameworks. A pivotal area of focus is the optimization of collection processes, a move aimed at minimizing the risk of delinquencies and curtailing the volume of impaired loans. This initiative is not only about safeguarding the company's financial health but also about ensuring the sustainability of its growth trajectory. Moreover, UFC is dedicated to elevating the customer experience to new heights through innovation and personalization.

By leveraging cutting-edge technology and advanced data analytics, the company is poised to offer tailor-made financial products and services. This personalized approach is expected to meet the unique requirements of its diverse customer base, thereby fostering stronger customer relationships and enhancing customer satisfaction.

The integration of technology into UFC's operational fabric extends beyond product innovation and customer service enhancement. It also encompasses the company's internal processes, aiming to improve efficiency, reduce operational costs, and streamline service delivery.

The strategic use of digital platforms and tools is anticipated to enable UFC to respond more swiftly to market changes, adapt to consumer behaviour trends, and seize emerging opportunities in the financial sector.

Nasser Salim Al Rashdi
Chief Executive Officer

Nurturing ambition
promoting talent

Encouraging

Planned for 2024 is the launch of a 'brand ambassadors programme', investing in people who demonstrate a determination to succeed in their ambitions.

The re-branding that culminated in our launch event in October 2022 has far deeper implications than just presenting a new logo. The event represented a strategic crossroad in our 25-year journey, establishing a purposeful direction for the next few decades. We changed our language from that of a financial institution to embrace communications of absolute customer focus.

As a finance company, we offer retail services such as vehicle or small business loans to a wide range of people, so it is entirely natural for us to speak in a helpful and supportive manner – focusing on advising people and helping them to 'achieve more' in both their personal lives and business endeavours.

New communication strategies have been designed to connect with people and to listen to needs, turning the organization into a fully people-centric financial provider.

As a lender, our focus is on creating fast and easy financial solutions to meet people's needs. We promise that "Whatever your ambition we'll help you achieve" and our slogan is 'Achieve more'. To help deliver our key messages we developed three communication threads - our logo; our slogan and a sub-brand; 'United for Oman'. This last one is extremely important:

'United for Oman' offers a strong promise of commitment, both to our country and to its people. It allows us to position ourselves as supporting a very wide range of national initiatives covering economic development, environmental matters, social responsibility and much more besides.

Being 'united for our country' also means giving back, supporting extraordinary people, and helping them to achieve their ambitions – support that is not just related to lending.

Set to commence in 2024, this is an ongoing programme that seeks to invest in 'Brand Ambassadors'; people who demonstrate a determination to succeed in their ambitions – *but who have not yet succeeded.*

Instead of conventional, passive sponsorship - such as to simply display our logo on a race-car, we will be seeking to support selected people who have a compelling personal ambition, but lack the ability, money, or resources to fulfill their goal. These personal ambitions may be diverse - covering travel, adventure, sports, learning, personal growth, community, and much more.

We will be helping them on their individual journeys, supporting them financially but also actively promoting them on social media and across other media. In doing so, their journeys become ours and, by promoting them rather than us, they become 'Brand Ambassadors' for United Finance Company.

Additional people-centric CSR measures are also set to be introduced. These include an upgraded programme which will allow UFC and its staff to connect through charities to people who certainly have ambition, who strive to succeed - but who are held back by circumstance.

Our Brand Values
In touch with you

Focus

Because financial products will always be need-based, we constantly focus on developing the right solutions to satisfy the demands of both our current and future customers. We operate on strict principles of best practice, researching and evaluating new ideas and increasing our skills, to provide the most relevant products and services and the highest levels of customer care.

Action

We don't like having to wait for answers any more than our customers do, so we go about our business every day with an ongoing sense of urgency, always aiming to ensure that our actions and responses meet or exceed expectations.

Support

We are a friendly and responsive team that cares for its customers and looks after their needs. Our goal is to support and empower people to live more, experience more, grow more and do more.

Trust

As a financial services lender we consider it our duty to offer the best advice, to form strong relationships with our customers and work on enhancing these ties every day. Our customers trust in our help, and so it is our duty to live up to that expectation through our business approach and everyday actions, because trust has to be earned.

Head Office

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E-mail: ufc@ufcoman.com
Website: www.ufcoman.com
Tel: 2457 7300, Fax: 2456 1557

Branches

	Tel.	Fax.
Barka	2688 3996	2688 3931
Firq	2541 0052	2541 0595
Ibra	2557 0234	2557 0235
Ibri	2569 2402	2568 8668
Mawaleh	2452 0611	2452 0613
Salalah	2328 9668	2328 9446
Sohar	2684 3603	2684 3650

متحـــدون لعمــــان
United for Oman

We are committed to our country, providing fast, friendly financial assistance - helping people explore and grow.

Our aim is to inspire and support you to experience more, do more and achieve more.

انجــز المزيــد
Achieve more

Agreed-upon procedures report of factual finding to the Shareholders of United Finance Company SAOG in respect of Corporate Governance Report

EY
Building a better working world

Scope and purpose

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' Corporate Governance Report (the "Report") of United Finance company SAOG (the "Company") as at and for the year ended 31 December 2023 and its application of the corporate governance practices in accordance with amendments to CMA'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 2023 and does not extend to any financial statements of United Finance Company 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 of factual finding to the Shareholders of United Finance Company 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 Engagement, 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 2023.

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 CMA 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 compred 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 2023.	No exceptions noted.

Ernst & Young

14 March 2024
Muscat

Report on Corporate Governance for 2023

1. Company's philosophy

United Finance Company SAOG (the Company) has adopted the Corporate Governance framework introduced vide CBO circular no. BM/932 dated 04.02.2002, CMA regulations vide CMA circular no. 11/2002 duly amended by circular No 1/2003 and CMA Administrative Decision No.5/2007 as part of its Disclosure Policy, Code of Corporate Governance vide CMA circular No. E/4/2015, Executive regulation of Capital Market Law. The Company always believed in good governance practices, and it was with pleasure that the Board and Management noted that the Company was in full compliance with CBO/CMA guidelines in this respect. Further separate paragraphs on Corporate Social Responsibility and Information Technology, Disaster Recovery and Business Continuity Plan are being included in the Annual Report.

Salient features of the governance regulations followed by the company are as under:

1.1 Role and responsibilities of the Board:

The regulations lay down the principles of demarcation between the role, responsibility, and accountability of the Board of Directors and that of the Management in the conduct of the affairs of the company. The broad areas of Board's responsibilities are as under:

a. Policies formulation.
b. Supervision of major initiatives.
c. Overseeing policy implementation and periodic review.
d. Ensuring compliance with laws and regulations.
e. Nurturing proper and ethical behaviour.
f. Transparency and integrity in stakeholder reporting.
g. Approving and implementing disclosure policy and monitoring its compliance with regulatory requirements.
h. Reviewing material transactions with the related parties, which are not in the ordinary course of business.
i. Nominating the members of the sub committees of the Board of Directors, specifying their roles, responsibilities, and powers.
j. Selecting Chief Executive Officer and other key executives from AGM level and upwards, specifying their roles, responsibilities, powers, and remuneration.
k. Evaluating the function of sub committees, Chief Executive Officer, and key employees.
l. Approving interim and annual financial statements.
m. Reporting to the shareholders in annual report about the going concern status of the company.
n. Approval of a proper delegation of power to executives covering entire range of functions like administrative powers, financial powers, and personnel powers...etc.
o. Prevent dealing in the shares of the company on the basis of undeclared or unrevealed information, by those who are, by virtue of their position, aware of such information.

Report on Corporate Governance for 2023 (continued)

1. Company's philosophy (continued)

1.2 Role and Responsibilities of the Management:

a. Rendering assistance in policy formulation and periodic review to the Board.
b. Responsibility for implementation: Management is responsible for implementation of banking laws, regulations and circulars issued by Central Bank of Oman and other regulatory authorities within the Sultanate of Oman.
c. Management is also responsible for implementation of Board approved policies by putting in place procedures, internal controls, risks and performance measurement methodologies, management information systems and reports to the Board.
d. Responsibility for transmitting correct and timely signals.
e. Acting professionally and expertise manifest.
f. Nurturing proper and ethical behaviour.
g. Responsibility for complete and authentic reporting to the Board.
h. Responsibility for corporate image

The company shall adhere to the best practices in respect of appointment of directors, disclosure of company's affairs, induction of new directors, appointment of key executives and fixing their remuneration, ensuring proper written delegation of authorities and operational procedures for the conduct of affairs of the company based on the principles detailed in Annexure 1 of the CMA code of Corporate Governance and regulations.

1.3 Internal Control Systems and their adequacy:

The company has implemented various internal control systems in its financial operation and business operations. The Board of Directors has set up an Audit & Risk Management Committee of the Board having three of its Directors as its Members. This committee supervises the functions of the Internal Audit Department of the company and the Internal Audit Department reports directly to the Audit, Risk Compliance Management Committee of the Board maintaining its independence. There are well-defined policies and procedures for all financial and business transactions of the company. Internal Audit Department checks the financial transactions, business transactions, and regulatory compliances such as CBO and CMA systems and procedural audit and policy compliance. Further, it is ensured that no transaction in the company is completed by a single person and always a minimum of two persons are involved. Similarly, there is sufficient control exercised on computer systems, such as differentiating the development server from live server and access control of data. The Company has well documented procedures for its operations to be managed with acceptable controls and the Board of Directors has found these controls to be effective.

Report on Corporate Governance for 2023 (continued)

2. Board of Directors

The company's Board of Directors consists of the following:

Executive Directors	NIL
Independent, Non-Executive Directors	1. Mr. Waseem Salah Qaraeen 2. Mr. Salman Hussain Salman AL-Lawati 3. Mr. Mohamed Mahmood Ahmed AL-Raise
Non-independent, Non-Executive Directors	1. Mr. Mohamed Abdulla Al Khonji (Chairman) 2. Mr. Hassan Ihsan Naseeb Al Nasib (Deputy Chairman) 3. Mr. Hussam Hisham Omar Bostami 4. Mr. Fariborz Vessali

2.1 Directors' profile

- **Mr. Mohamed Abdulla Al Khonji** is a bachelor's in economics and graduated in 1994 from the University of Northern Colorado, USA. He is a major investor in several companies and real estate in Oman. Besides being the Chairman of the Board and Chairman of the Nomination Remuneration Executive Committee in United Finance Company SAOG, he is Deputy Chairman and member of the Executive Committee, at Takaful Oman Insurance SAOG he is the Deputy Chairman and a member of the Executive Committee at Oman Fiber Optic Company SAOC he is a Board Member and member of Audit Committee, Chairman of the Board and Chairman of Executive Committee in Oman Hotels & Tourism Company SAOC and Director at Salam Air SAOC. Apart from this he is also the Deputy Chairman of the Board & Chairman of Executive Committee at Al Khonji Group & Chairman of Al Khonji Invest LLC. and Chairman of Al Khonji Real Estate & Development LLC.

- **Mr. Hassan Ihsan Naseeb Al Nasib** has done a master's in military science. He has over 37 years of experience at the Ministry of Defense. He has contributed to the establishment of many of closed and limited liability companies. Currently, he is the Chairman of the Board in Global Financial Investment Holding Co. SAOG, member of Audit Committee of United Finance Company SAOG

- **Mr. Hussam Hisham Omar Bostami** holds a Diploma in International Finance Standard (ACCA) and Bachelor of Administrative Sciences Degree from the Yarmouk University, Jordan, majoring in accounting. He also holds a master's degree in Banking and Financial Studies from the Arab Academy for Banking and Financial Sciences, Jordan. He is also a Certified Compliance Officer from the American Academy of Financial Management. He has worked as Internal Auditor in both Amman Bank for Investment (Jordan) and the Oman Development Bank (Oman) and as Credit & Investment Officer in the Islamic International Arab Bank (Jordan). He currently holds the position of General Manager – Finance & Administration / Acting CEO with Global Financial Investment Holdings Co. SAOG, Oman. Besides being a board member and a member of the Nomination Remuneration Executive Committee in United Finance Company SAOG, he is also on the board of Construction Material Industries SAOG, Gulf Stone Co. SAOG, Al Madina Logistic Services Co. SAOC and Al Sharqiyah University SAOC.

Report on Corporate Governance for 2023 (continued)

2. Board of Directors (continued)

2.1 Directors' profile

- **Mr. Waseem Salah Qaraeen** holds a Degree in Bachelor of Economics, Administration, Sciences (Accounting) from, Amman – Jordan. He also holds a master's certificate (MBA) from the Bedfordshire University in UK. With over 22 years of experience in the field of investment, and Internal and External Audit. and has experience in the local and overseas financial markets and has experience in the company's administration as well. He is member of several SAOG Companies.

- **Mr. Fariborz Vessali** holds a bachelor's degree in mechanical engineering, a master's degree in engineering science from the University of New South Wales, Sydney and a master's degree of Business Administration from the University of Technology, Sydney. He is a proven leader with over 26 years of leadership and Executive Management experiences in various multinational companies. At present, he is the Chief Executive Officer of Oman Hotels and Tourism Company SAOC (OHTC) and a Board Member and Member of Nomination Remuneration Executive Committee of United Finance Company SAOG (UFC) and National Hospitality Institute (NHI).

- **Mr. Salman Hussain Salman AL -Lawati,** Independent members holding bachelor's Manufacturing Engineering and MBA. With more than 13 years of professional Experience in the Iman Cable Industry and Investment Management in the International Financial market. He is Board member of Salam Air, SAOC, and Oman Fiber Optic Company. Currently he is working as partner at Bin Salman Investment.

- **Mr. Mohamed Mahmood Ahmed AL- Raise** holding Master of Science in Finance and Banking with more than 26 years Professional Experience in the National Bank of Oman of Qatar.

2.2 Details of attendance of Board Members for Board Meetings during 2023

		Board Meeting Dates					
	Board Member	**30.1.2023**	**13.3.2023**	**18.4.2023**	**24.7.2023**	**25.10.2023**	**20.12.2023**
1	Mr. Mohamed Abdulla Al Khonji	Yes	Yes	Yes	Yes	Yes	Yes
2	HE Hassan Ihsan Naseeb Al Nasib	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr. Hussam Hisham Omar Bostami	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr. Waseem Salah Qaraeen	Yes	Yes	Yes	Yes	Yes	Yes
5	Mr. Fairborz Vassali	Yes	Yes	Yes	Yes	Yes	Yes
6	Mr. Salman Husain Salman Al-Lawati	Yes	No	Yes	Yes	Yes	Yes
7	Mr. Mohamed Mahmood Ahmed Al-Raise	Yes	Yes	Yes	Yes	Yes	Yes

Report on Corporate Governance for 2023 (continued)

2. Board of Directors (continued)

2.3 Details of attendance of Board Members for AGM during 2023

	Board Member	AGM 31/03/2023
1	Mr. Mohamed Abdulla Al Khonji, Chairman	Yes
2	HE. Hassan Ihsan Naseeb Al Nasib, Deputy Chairman	Yes
3	Mr. Hussam Hisham Omar Bostami	Yes
4	Mr. Waseem Salah Qaraeen	Yes
5	Mr. Fariborz Vessali	No
6	Mr. Salman Husain Salman Al-Lawati	Yes
7	Mr. Mohamed Mahmood Ahmed Al-Raise	Yes

2.4 Details of Membership of Other Boards:

	Board Member	No. of other Chairmanships, Directorships, and memberships of other committees (excluding UFC)	
		Chairmanship in SAOG Co.	Directorship in SAOG Co.
1	Mr. Mohamed Abdulla Al Khonji, Chairman	1	3
2	HE. Hassan Ihsan Naseeb Al Nasib, Deputy Chairman	2	1
3	Mr. Hussam Hisham Omar Bostami	-	2
4	Mr. Waseem Salah Qaraeen	-	2
5	Mr. Fariborz Vessali	-	1
6	Mr. Salman Husain Salman AL-Lawati	-	-
7	Mr. Mohamed Mahmood Ahmed AL-Raise	-	-

Report on Corporate Governance for 2023 (continued)

3. Brief description of Terms of Reference

3.1 Audit, Risk & Compliance Management Committee

- Considering the names of the statutory auditors in the context of their independence (particularly with reference to any other non-audit services), fee and terms of engagement and recommending its name to the board for putting before AGM for appointment.
- Reviewing audit plan and results of the audit and ensuring that auditors have full access to all relevant documents information.
- Checking financial fraud particularly fictitious and fraudulent portions of the financial statement if any. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
- Supervision of the internal audit function in general and with reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing, and reviewing as to whether internal auditors have full access to all relevant documents.
- Overseeing the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arises.
- Overseeing the financial statements in general and with reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. Change in accounting policies, principles, and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Accounting Standards (IAS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- Serving as a channel of communication between external auditors and the board and internal auditors and the board.
- Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
- Reviewing proposed specific transactions with related parties for making suitable recommendations to the board and setting rules for entering small value transactions with related parties without obtaining prior approval of audit committee and the board.
- Review and recommend suitable course of action to the Board or Management as deemed fit on reports submitted by Internal Auditor or an external / statutory authority on suspected frauds, if any, committed by staff members and / or borrowers.
- Review and ensure that ethical practices are followed.
- Review and ensure that the company complies with all legal requirements.
- Determine that internal systems and controls are adequate and effective.
- Ensure that institutional credit policies and procedures are followed.
- Recommend the selection of the external auditor in consultation with the Management.
- Review that the published financial statements are not misleading.
- Assess issues relating to conflicts of interest and related party transactions and to ensure compliance with regulatory norms.

Report on Corporate Governance for 2023 (continued)

3. Brief description of Terms of Reference (continued)

3.1 Audit, Risk & Compliance Management Committee (continued)

- Evaluate in general the adequacy and reliability of information available for Management decisions.
- Review with the Company's counsels any legal matters that could have a material impact on the Company's financial statements, the Company's compliance with applicable laws and regulations and enquiries received from regulators or governmental agencies.
- The audit committee shall hear the views of internal and external auditors separately, at least once every year, without the presence of the Management.
- The audit committee shall hear the views of the external auditors before forwarding the annual accounts to the board for approval.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Approve all audit and non-audit services.

3.2 Nomination Remuneration and Executive Committee

- Decide on all proposals exceeding management authority as per the Authorities Manual.
- Review Credit Policy and new Products and make recommendations to Board.
- Review management analysis for reasons, review follow up adequacy, discuss measures for avoidance of similar cases in future in relation to non-performing accounts. It is expected that NPAs will be reviewed by this committee as specified under Authorities Manual.
- Review periodically, at least once in six months, the adequacy of provisions based on management reports.
- Submit to the Board an annual plan of action.
- Review the nominations for board membership received by the company and make suitable recommendations to the Board for further appropriate action, as per the local regulations / laws.
- Identify and nominate, for the approval of the Board and ultimately the shareholders, candidates to fill Board vacancies as and when they arise as well as putting in place plans for succession, with respect to the Chairman of the Board and the Chief Executive Officer.
- Prepare the detailed job description of the roles and responsibilities for the directors including the Chairman.
- Regularly review the Board structure, size, composition, competencies and make recommendations to the Board for adjustments that are deemed necessary, in order to ensure an adequate size and a well-balanced composition of the Board and to ensure that the required number of the Board members are independent, which will ensure formation of its committees as per regulation.
- Consider succession and emergency planning, considering the challenges and opportunities facing the Company and the skills and expertise therefore needed on the Board, reporting on these matters to the Board regularly.
- Review the leadership needs of the organization, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.
- Devise a procedure for periodic performance evaluation of the Board of Directors.

Report on Corporate Governance for 2023 (continued)

3. Brief description of Terms of Reference (continued)

3.2 Nomination Remuneration and Executive Committee (continued)

- Evaluate the balance of skills, knowledge, and experience on the Board, and in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment, before a director's appointment is made by the Board,
- Ensure the development of guidelines for selecting candidates for election / re-election to the Board, or to fill temporary vacancies on the Board; and
- Review terms of reference periodically for its effectiveness and recommend any changes to the Board, if required.
- Formulate "Succession Plan" for key senior managerial positions to ensure continuity in the Management, considering the challenges and opportunities facing the Company.
- Prepare succession policy or plan for the Board or at least for the Chairperson.
- Determine board remuneration, sitting fees etc., based on performance of the Board in compliance with statutory limits.
- Review and recommend the strategy and annual budgets to the Board.
- Review, recommend new products, opening of new branches, strategic alliances etc., to the Board.
- Consider future expansion and recommend construction of new building, including acquiring property to accommodate future needs.
- Formulate and recommend company's CSR strategy and plan and recommend it to the Board, in compliance with AOA and Code of Corporate Governance. Also, evaluate the effects of CSR initiatives.
- Review Disaster Recovery and Business Continuity Plan of the company and apprise the changes, if any, to the Board. In case of disaster, provide guidance to the Management for smooth recovery and restoration of normalcy in operations.
- As per Board's direction, to obtain legal counsel, in matters of legal proceedings by / against the company for any matter, pursue the matters, and apprise the Board on proceedings.
- Provide feedback, concerns, and directions to the Management for performance, without actively participating in the operations.
- Encourage Management in promoting ethical behaviour in the company. Approve Code of Ethics to be followed by board members and staff.
- Ensure that compliance culture is encouraged at all levels in the Management.

Report on Corporate Governance for 2023 (continued)

4. Details of Audit & Risk Committee (ARCMC) and Nomination, Remuneration, Executive Committee (NREC) activities during the year

4.1 Details of attendance of Board Members for Audit, Risk & Compliance Committee Meetings during 2023.

	Name of the Member and their representation in the Committee		
Date	Chairman of the Committee	Member of the Committee	Member of the Committee
	Mr. Waseem Sala Qaraeen	HE. Hassan Ihsan Naseeb Al Nasib	Mr. Salman Husain Salman Al-Lawati
29.1.2023	Yes	Yes	Yes
20.2.2023	Yes	Yes	Yes
6.2.2023	Yes	Yes	Yes
17.4.2023	Yes	Yes	Yes
10.5.2023	Yes	Yes	Yes
13.7.2023	Yes	Yes	Yes
15.10.2023	Yes	Yes	Yes
20.12.2023	Yes	Yes	Yes

4.2 Details of attendance of Board Members for Nomination, Remuneration, Executive Committee Meetings (NREC) during 2023

	Name of the Member and their representation in the Committee			
Date	Chairman of the Committee	Member of the Committee	Member of the Committee	Member of the Committee
	Mr. Mohamed Abdulla Al Khonji	Mr. Hussam Hisham Omar Bostami	Mr. Fairborz Vassali	Mr. Mohamed AL- Raise
16.1.2023	Yes	Yes	Yes	Yes
5.2.2023	Yes	Yes	Yes	Yes
23.5.2023	Yes	Yes	Yes	Yes
23.7.2023	Yes	Yes	Yes	Yes
19.10.2023	Yes	Yes	Yes	Yes
4.12.2023	Yes	Yes	Yes	Yes
6.12.2023	Yes	Yes	Yes	Yes
19.12.2023	Yes	Yes	Yes	Yes

Report on Corporate Governance for 2023 (continued)

5. Process of Nomination of the Directors

The company follows the provisions of the Commercial Companies Law, CMA guidelines and circulars that are relevant to the nomination of the Directors and Annual General Meetings and the guidelines from the Central Bank of Oman in respect of nomination of the members of the Board of Directors. Within these guidelines the company makes an effort to ensure that the composition of the Board provides people with competencies and skills to motivate high performing talent, strategic insight, expertise in finance, good understanding of management, ability for crisis management and industry specific experience.

6. Appraisal of the performance of the Board of Directors

During 2023 the Board of Directors and Shareholders Don't request Appraisal of the performance of the Board of Directors

7. Remuneration of directors and 5 top officials of the company

7.1 The Board of Directors has been paid an amount of RO 69,000 as sitting fees and remuneration respectively.

	Board Member	**Sitting Fees Paid RO**
1	Mr. Mohamed Abdulla Al Khonji, Chairman	10,000
2	HE Hassan Ihsan Naseeb Al Nasib	10,000
3	Mr. Hussam Hisham Omar Bostami	10,000
4	Mr. Waseem Salah Qaraeen	10,000
6	Mr. Fairborz Vassali	10,000
7	Mr. Mohamed Al- Raisi	10,000
8	Mr. Salman Husain Salman Al-Lawati	9,000
	Total	**69,000**

7.2 During the year the company incurred an annual cost, including variable component of RO 476,483/- in respect of its 6 top officials. (2022: RO 467,266/-)

The employment contracts of Management members are renewable every two years and severance notice period is three months. End of service benefits is payable as per Omani Labour Law.

The employment contracts of two officials are renewable every two years and severance notice period is one month. End of service benefits is payable as per Omani Labour Law.

Report on Corporate Governance for 2023 (continued)

7. Remuneration of directors and 5 top officials of the company (continued)

7.2 Evaluation of Internal Auditors: Based on CMA circular No.10/2018. The last Evaluation was in the year 2022.

7.3 Because there was no new Board members or election, therefore we didn't conduct any courses for Board members

8. Details of non-compliance by the company:

The company had no occasion to attract penalties or strictures from Muscat Securities Market and Capital Market Authority during the last 3 years. In 2023, the Company paid RO 10,000/- as a penalty to Central Bank of Oman for not complying with some of the provisions of the law on Combating Money Laundering & Terrorism Financing issued through Royal Decree No.30/2016, FM 38 and National Committee of Combating Terrorism's Decision 1/21. After the final review of the management responses and submissions made at the Exit Meeting, it has been decided to impose a regulatory penalty on the Company in terms of the Central Banks Circular BM 1134 dated March 12, 2015.

9. Measuring Board Performance

Board evaluation was done in the year 2022, in 2023 there was no nomination of new Board members, accordingly, there was no measuring Board performance evaluation performed for the year 2023.

10. Board of Directors Training

During 2023 there was no training courses for the board because there was no election or new board members.

11. Means of communication with the shareholders and investors:

- Quarterly results of the company are published in two leading newspapers in Arabic and English. Quarterly results in electronic format are also provided to Muscat Stock Exchange and are uploaded on its website and the same are available on the company's website www.ufcoman.com.
- Management Discussion and Analysis report forms part of the Annual Report.

Report on Corporate Governance for 2023 (continued)

12. Market price data

2023 / Month	High	Low	Close	No. of days traded	No. of Shares traded	Financial Sector MSX Index (Monthly Average)
January	0.064	0.061	0.061	891	38,360,183	7550.171
February	0.060	0.060	0.060	312	8,680,081	7671.763
March	0.063	0.063	0.063	231	5,027,890	7778.184
April	0.061	0.06	0.060	272	7,214,798	7601.300
May	0.058	0.058	0.058	172	3,603,239	7558.744
June	0.061	0.061	0.060	204	3,832,012	7830.133
July	0.061	0.061	0.061	167	3,178,577	7827.348
August	0.060	0.060	0.060	96	2,000,124	7831.429
September	0.057	0.057	0.057	82	1,320,677	7650.211
October	0.054	0.054	0.054	72	960,971	7411.369
November	0.058	0.057	0.057	37	562,115	7583.917
December	0.058	0.056	0.056	71	1,930,078	7392.673

Shares are quoted based on RO 0.100 as par value.

12.1 Distribution of shareholding

SHAREHOLDERS (5% and ABOVE) AS ON 31.12.2023

Sl.No.	Name	Nationality	Class of Equity	No. of Shares	%
1	Oman Hotels &Tourism Company SAOC	Omani	Ordinary	119,579,488	33.58%
2	Global Financial Investment Holding SAOG	Omani	Ordinary	89,031,772	25%
3	Al Saud Company Ltd - Ubar Financial Investment	Emirati	Ordinary	26,858,145	7.54%
4	Oman Holdings International Company SAOC	Omani	Ordinary	20,126,338	5.65%
	Total			**255,595,742**	**71.77%**
	Others			**100,531,556**	**28.23%**
	Grand Total			**356,127,298**	**100%**

Report on Corporate Governance for 2023 (continued)

13. Related Party Transactions

The company adopts the highest degree of transparency and clarity for related party transactions. All such transactions are subject to review of the audit committee and approval of the board of directors and where required, by shareholders in Annual General Meeting.

The details of such transactions, where required, will be sent to every shareholder along with the notice to general meeting covering the related party transaction detail. These transactions will also be disclosed in detail in the company's annual report.

14. Professional profile of EY: Statutory Auditor

Profile of Statutory Auditors

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.

14.1 Details of audit & other fees for the year 2023

Audit fees	RO.27,000
Non- Audit Fees	RO 2,500

15. Corporate Social Responsibility

We are committed to responsible business. This means, running United Finance Company SAOG in a way that our employees can be proud of, ensuring financial strength and transparency for our shareholders, putting our customers first, and delivering long-term value to our environment and society.

Our vision is to be a responsible business working with its customers and stakeholders to help meet society challenges.

Our CSR strategy is underpinned by three core ambitions

Report on Corporate Governance for 2023 (continued)

15. Corporate Social Responsibility (continued)

1- Safe, secure world
We believe we can play a powerful and practical role in helping our customers to avoid risks, using insight, data and our product development expertise to help keep them safer in their homes, on the roads and in their businesses.

2- Thriving communities
Our business will not be successful unless the communities we operate in also flourish and thrive. We're supporting our employees to contribute to the economic and social development of their local areas, by sharing skills, offering time, and fundraising local causes.

3- Responsible business
Being a responsible business means being open and transparent with our customers, employees and suppliers about how we manage our operations and deliver our products. This helps us to build dialogue and trust, and to understand where and how we can improve.

16. Acknowledgement by Board of Directors

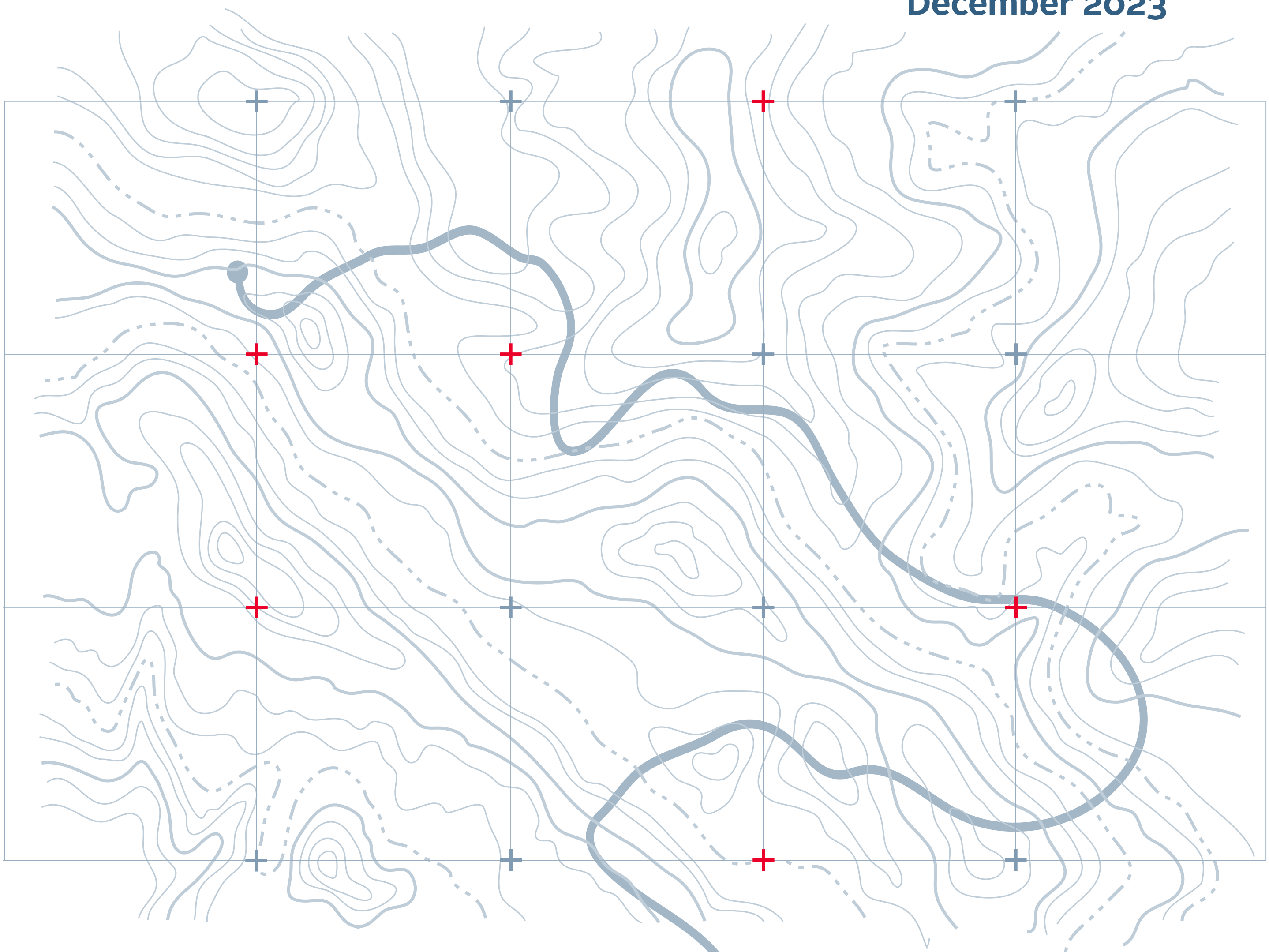
The Board acknowledges that:

- The financial statements have been prepared consistently in accordance with the International Financial Reporting Standards (IFRS) as applicable to the Company to fairly reflect the financial position of the Company and its performance during the relevant financial period.
- Financial statements have been prepared on the going concern basis as the Directors have a reasonable expectation, that the Company has adequate resources to continue in operational existence for the foreseeable future.
- It has reviewed the Company's systems of internal controls and risk management for the adequacy and integrity of those systems. It should be noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives. In addition, it should be noted that any system can provide only reasonable, and not absolute, assurance against material misstatement or loss.

Mohamed Abdulla Al Khonji
Chairman

المتحدة للتمويل
United Finance

Financials
For the year ended 31 December 2023



Supporting ambition, wherever your journey takes you.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG

Building a better working world

Report on the audit of the financial statements

Opinion

We have audited the financial statements of United Finance Company SAOG (the "Company") which comprise the statement of financial position as at 31 December 2023, 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 a 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 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 United Finance Company SAOG (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Determination of impairment on instalment finance debtors

Key audit matters	How our audit addressed the key audit matters
At 31 December 2023, the Company reported instalment finance debtors amounting to RO 109.81 million, RO 10 million of impairment on instalment finance debtors and RO 1.88 million of unrecognised contractual income on instalment finance debtors. The key areas of judgement include: • 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. Due to the inherently judgemental nature of the computation of ECL on instalment finance debtor, we have considered impairment provision on instalment finance debtor for customers as a key audit matter. The accounting policies relating to estimating impairment on instalment finance debtors, critical accounting estimates and judgements, the disclosures relating to the impairment on instalment finance debtors associated with credit risk are set out in notes 3, 4, 14 and 31 to the financial statements.	Our audit procedures in this area included the following: • 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: - 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 debtors (including off balance sheet items) in the impairment calculation as of 31 December 2023. We understood the methodology and tested the mathematical integrity of the models;

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Building a better working world

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Determination of impairment on instalment finance debtors (continued)

Key audit matters	How our audit addressed the key audit matters
	• 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 instalment finance debtors and other financial assets subject to credit risk as required under IFRS 9.

Other information included in the Company's 2023 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2023 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2023 Annual Report after the date of our auditor's report:

- Board of Directors 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.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Building a better working world

Report on the audit of the financial statements (continued)

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance 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, those charged with governance are 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 those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for 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.

Independent Auditor's Report to the Shareholders of United Finance Company SAOG (continued)

Report on the audit of the financial statements (continued)

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

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young LLC

Imtiaz Ibrahim
Muscat
XX March 2024

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2023

	Notes	2023 RO	2022 RO
Interest income on instalment finance income	5	**8,843,139**	7,711,497
Interest expense	6	**(2,789,639)**	(1,767,572)
Net instalment finance income		**6,053,500**	5,943,925
Fee commission and other income	7	**1,234,148**	604,429
Net operating income		**7,287,648**	6,548,354
Operating expenses	8	**(3,974,846)**	(3,858,037)
Depreciation	16	**(112,691)**	(95,306)
Allowance for expected credit losses	14	**(1,093,817)**	(708,860)
Profit before tax		**2,106,294**	1,886,151
Income tax expense	9	**(315,944)**	(282,924)
PROFIT FOR THE YEAR		**1,790,350**	1,603,227
Other comprehensive income			
Other comprehensive income that will not be reclassified to the income statement			
Revaluation (loss) / gains on equity instruments at fair value through other comprehensive income	15	**(9,359)**	170,000
TOTAL PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,780,991**	1,773,727
Basic and diluted earnings per share	24	**0.005**	0.005

The attached notes 1 to 33 form part of these financial statements.

Statement of financial position

at 31 December 2023

	Notes	2023 RO	2022 RO
ASSETS			
Cash and cash equivalents	10	**1,552,357**	1,007,164
Deposit with the Central Bank of Oman	12	**250,000**	250,000
Other assets	13	**515,715**	464,439
Instalment finance debtors - net	14	**97,851,019**	88,236,802
Investment securities	15	**714,791**	724,150
Deferred tax asset	9	**16,923**	16,923
Property and equipment	16	**2,333,093**	2,312,742
Assets held for sale	11	**544,655**	-
TOTAL ASSETS		**103,778,553**	93,012,220
EQUITY			
Share capital	17	**35,612,729**	34,914,441
Share premium reserve	18	**-**	528,402
Legal reserve	19(a)	**5,431,171**	5,252,136
Special reserve	19(b)	**2,368,989**	2,368,989
Impairment reserve	19(c)	**2,267,058**	1,911,736
Investment revaluation reserve	15	**160,641**	170,000
Retained earnings		**3,032,173**	2,906,214
Total equity		**48,872,761**	48,051,918
Liabilities			
Creditors and other payables	20	**4,609,072**	5,109,438
Borrowings	21	**43,407,898**	36,205,556
Taxation	9	**328,822**	295,308
Corporate deposits	22	**6,560,000**	3,350,000
Total liabilities		**54,905,792**	44,960,302
TOTAL EQUITY AND LIABILITIES		**103,778,553**	93,012,220
NET ASSETS PER SHARE	25	**0.137**	0.138

The financial statements were approved and authorized for issue by the Board of Directors on 30 January 2024 and were signed on their behalf by:

Chairman

Director

Chief Executive Officer

The attached notes 1 to 33 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2023

	Share capital RO	Share premium reserve RO	Legal reserve RO	Special reserve RO	Impairment reserve RO	Investment revaluation reserve RO	Retained earnings RO	Total RO
At 1 January 2022	34,914,441	528,402	5,091,813	2,368,989	1,911,736	-	2,510,743	47,326,124
Profit for the year and other comprehensive income	-	-	-	-	-	170,000	1,603,227	1,773,227
Dividend paid during the year (note 23)	-	-	-	-	-	-	(1,047,433)	(1,047,433)
Transfer to legal reserve	-	-	160,323	-	-	-	(160,323)	-
At 31 December 2022	34,914,441	528,402	5,252,136	2,368,989	1,911,736	170,000	2,906,214	48,051,918
(Loss) / profit for the year	**-**	**-**	**-**	**-**	**-**	**(9,359)**	**1,790,350**	**1,780,991**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Cash dividend paid during the year (note 23)	**-**	**-**	**-**	**-**	**-**	**-**	**(960,148)**	**(960,148)**
Stock dividend paid during the year (note 23)	**698,288**	**(528,402)**	**-**	**-**	**-**	**-**	**(169,886)**	**-**
Transfer to legal reserve	**-**	**-**	**179,035**	**-**	**-**	**-**	**(179,035)**	**-**
Transfer to other reserves	**-**	**-**	**-**		**355,322**	**-**	**(355,322)**	**-**
At 31 December 2023	**35,612,729**	**-**	**5,431,171**	**2,368,989**	**2,267,058**	**160,641**	**3,032,173**	**48,872,761**

The attached notes 1 to 33 form part of these financial statements.

Statement of cash flows

For the year ended 31 December 2023

	Notes	**2023 RO**	2022 RO
Profit before tax		2,106,294	1,886,151
Adjustments for:			
Depreciation	16	112,691	95,306
Gain on disposal of property and equipment		(375)	-
Allowance for expected credit losses	14	1,093,817	708,860
Provision for end of service benefits	20	30,706	36,411
Operating profit before working capital changes		3,343,133	2,726,728
Instalment finance debtors:			
Disbursements		(46,193,984)	(43,912,932)
Principal repayments received		35,485,950	35,268,987
Other receivables and prepayments		(51,276)	(357,463)
Creditors and other payables		(447,240)	277,404
Net working capital changes		**(7,863,417)**	(8,724,004)
End of service benefits paid	20	(83,832)	(25,309)
Income taxes paid	9	(282,430)	(349,677)
Net cash flows used in operating activities		**(8,229,679)**	(6,372,262)
Investing activities			
Purchase of property and equipment	16	(133,271)	(77,764)
Assets held for sale	11	(544,655)	-
Proceeds from sale of assets		605	-
Net cash flows used in investing activities		**(677,321)**	(77,764)
Financing activities			
Long-term loans received	21	16,444,000	20,500,000
Long-term loans repaid	21	(13,466,659)	(14,591,671)
Net movement in short-term loans	21	4,225,000	2,350,000
Net movement in corporate deposits	22	3,210,000	(650,000)
Dividends paid	23	(960,148)	(1,047,433)
Net cash flows generated from financing activities		**9,452,193**	6,560,896
Net change in cash and cash equivalents		**545,193**	110,870
Cash and cash equivalents at the beginning of the year		1,007,164	896,294
Cash and cash equivalents at the end of the year	10	1,552,357	1,007,164

The attached notes 1 to 33 form part of these financial statements.

Notes to the financial statements
For the year ended 31 December 2023

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

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

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financing Reporting Interpretation Committee (IFRIC) of the IASB, relevant requirements of the Commercial Companies Law, as amended, Capital Market Authority and the applicable regulations of the Central Bank of Oman (CBO) of the Sultanate of Oman.

2. Adoption of new and revised international financial reporting standards (IFRS)

2.1 New and amended IFRS applied with no material effect on the financial statements
The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in these financial statements.

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2023

2. Adoption of new and revised international financial reporting standards (IFRS) (continued)

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

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

Amendment to IAS 1 – Classification of liabilities as current or non-current

The amendments, as issued in 2020 and 2022, aim to clarify the requirements on determining whether a liability is current or non-current, and require new disclosures for non-current liabilities that are subject to future covenants. The amendments apply for annual reporting periods beginning on or after 1 January 2024.

The Company is in the process of assessing the potential impact of the amendment on the classification of these liabilities and the related disclosures.

Other accounting standards

- Amendment to IFRS 16 – Lease liability in a sale and lease back
- Supplier finance agreements – Amendments to IAS 7 and IFRS 7
- Lack of exchangeability – Amendments to IAS 21

The Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

3. Material accounting policies

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

In addition, the Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS practice Statement 2) from 01 January 2023. The amendments require the disclosure of 'material' rather than 'significant', accounting policies. These policies have been consistently applied to all the years presented, unless otherwise stated

Basis of preparation

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

3. Material accounting policies (continued)

Foreign currency transactions

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

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

Recognition of interest income and expenses

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

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

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)

Recognition of interest income and expenses (continued)

Calculation of interest income and expense

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

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

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

Presentation

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

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

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

Fee commission and other income

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)

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

	Years
Motor vehicles	3
Furniture and office equipment	3 - 6
Buildings	2 - 20

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

Financial assets and financial liabilities

i) Recognition and initial measurement

Date of Recognition
Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Company becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

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

Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Company accounts for the Day 1 profit or loss, as described below.

Notes to the financial statements (continued)

For the year ended 31 December 2023

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

i) Recognition and initial measurement (continued)

Day 1 profit or loss

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

ii) Classification

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

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

ii) Classification (continued)

Business model assessment

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

ii) Classification (continued)

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

Investment securities

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

- equity investment securities designated as at FVOCI.

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

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

Reclassifications

Financial assets

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

Financial liabilities

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

Trade and settlement date accounting

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

iii) Derecognition

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)
Financial assets and financial liabilities (continued)
iii) Derecognition (continued)

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

(iv) Modifications of financial assets and financial liabilities

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

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

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

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

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

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

No impairment loss is recognised on equity investments.

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(v) Impairment (continued)

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

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

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

Measurement of ECL

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

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

Restructured financial assets

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)
Financial assets and financial liabilities (continued)
(v) Impairment (continued)

Credit-impaired financial assets
At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

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

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

3. Significant accounting policies (continued)

Write-off

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

Cash and cash equivalents

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

Borrowings and corporate deposits

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

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

End of service benefits and leave entitlements

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

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

Creditors and other payables

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

Provisions

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

Financial guarantees

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

3. Significant accounting policies (continued)

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

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

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

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

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

4. Critical accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The estimates and associated assumptions are based on historical experience and various other factors that are believed by the Company to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are discussed below.

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

4. Critical accounting estimates and judgements (continued)

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 behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 31 to the financial statements, which also sets out key sensitivities of the ECL to changes in these elements.

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

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

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

Allowance for expected credit losses– Stage 3 loans
The Company reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required.

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

Impact of climate risk
Where appropriate, the Company considers climate-related matters in its estimates and assumptions, which may increase their inherent level of uncertainty. This assessment includes a wide range of possible impacts on the Company due to both physical and transition risks. The Company and its customers are exposed to the physical risks from climate change and risks of transitioning to a net-zero economy. These risks may involve refinancing and liquidity risks for certain customers in high-risk sectors where financial institutions may seek to reduce their exposures in the future. However, the nature and location of the Company›s counterparties and the underlying collateral limit the impact of this exposure. Even though climate-related risks might not currently have a significant impact on measurement, the Company is closely monitoring relevant changes and developments.

Notes to the financial statements (continued)
For the year ended 31 December 2023

4. Critical accounting estimates and judgements (continued)
Impact of climate risk (continued)

The items and considerations that are most directly impacted by climate-related matters are:

- Expected credit losses (ECL): Customers and portfolios with exposure to climate risk may have a resultant deterioration in creditworthiness and a consequential impact on ECL. For example, the measurement of ECL may be affected by physical climate-related risks such as floods or outbreaks of fire which may negatively affect a borrower's ability to repay the loan, or result in a deterioration in the value of underlying collateral pledged. Transition risks may result from government or institutional policy changes, with consequential credit quality deterioration in sectors or countries affected.

  An analysis was performed of the exposure of counterparties to these climate risks, which determined that, on the whole, counterparties are not expected to be materially impacted by physical or transition risks associated with climate change. For example, the majority of the counterparties are not employed, or do not operate, in high-risk sectors, nor are they located in high-risk geographical areas. Furthermore, the underlying collaterals for the assets are not expected to be impacted by climate risk as the assets are not in high-risk geographical areas Aa result of the factors outlined here, it was assessed that the magnitude of any impact of climate risk would not be material in the current reporting period.

- Classification of ESG-linked (or sustainability-linked) loans and bonds: For loans and bonds with sustainability-linked features, the Company determines whether the instrument passes the solely payments of principal and interest test by considering whether they provide commensurate compensation for basic lending risks, such as credit risk, or whether they do not introduce compensation for risks that are inconsistent with basic lending arrangements.

- Fair value measurement: The Company has assumed that any climate change variables incorporated in fair value measurement are those that market participants would consider when pricing the asset or liability, in line with IFRS 13 Fair Value Measurement.

  Consequently, the Company concluded that climate risk has been adequately reflected within the fair value of its assets and liabilities. Where prices are observable, it is assumed that the fair value already incorporates market's participants view of climate risk variables.

- a proxy valuation approach has been used for unobservable prices, the selection of the proxy includes consideration of climate risk factors where appropriate.

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

4. Critical accounting estimates and judgements (continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using certain valuation techniques, derived from observable market data where possible. Where observable market data are not available, judgment is used to establish fair values.

Going concern

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

5. Interest income on instalment finance income

	2023 RO	2022 RO
Interest income on instalment finance debtors	**8,843,139**	7,711,497

6. Interest expense

	2023 RO	2022 RO
Interest expense on borrowed funds	**2,789,639**	1,767,572

7. Fee commission and other income

	2023 RO	2022 RO
Documentation fees	**175,279**	205,034
Bad debts recovered	**784,082**	105,457
Insurance commission income	**90,684**	99,896
Penalties charged	**67,908**	86,734
Foreclosure charges	**69,984**	63,431
Dividend income	**39,894**	39,938
Others	**6,317**	3,939
	1,234,148	604,429

Notes to the financial statements (continued)

For the year ended 31 December 2023

8. Operating expenses

	2023 RO	2022 RO
Staff costs (note 8.1)	**2,343,444**	2,406,389
Repairs and maintenance	**153,012**	198,140
Insurance	**212,921**	187,914
Fees and charges	**197,744**	186,879
Communication and traveling	**142,580**	158,719
Statutory and legal expenses	**114,446**	116,121
Advertising and business promotion expenses	**74,007**	110,618
Directors' remuneration (note 27)	**180,000**	80,000
Directors' sitting fees (note 27)	**69,000**	70,500
Bank charges	**128,472**	62,154
Rent	**61,080**	61,228
Utilities	**32,419**	35,920
Others	**265,721**	183,455
	3,974,846	3,858,037

8.1 Staff costs

	2023 RO	2022 RO
Wages and salaries	**1,987,764**	2,047,900
Other benefits	**169,234**	184,638
Contributions towards the Public Authority for Social Insurance	**155,740**	137,440
End of service benefits (note 20.1)	**30,706**	36,411
	2,343,444	2,406,389

Notes to the financial statements (continued)

For the year ended 31 December 2023

9. Taxation

Charge in the statement of comprehensive income is as follows:

	2023 RO	2022 RO
Statement of comprehensive income:		
Tax charge:		
Current tax	**315,944**	282,924
	315,944	282,924

	2023 RO	2022 RO
Breakup of tax liability and deferred tax asset are as follows:		
Current liability		
Current year	**315,944**	282,924
Adjustment in respect of current income tax of prior years	**12,878**	12,384
	328,822	295,308
Deferred tax asset		
At 1 January	**16,923**	16,923
Movement during the year	**-**	
At 31 December	**16,923**	16,923
The deferred tax asset comprises of the following temporary differences		
Depreciation on property and equipment	**16,923**	16,923

The reconciliation of the tax on accounting profit at the applicable rate of 15% (2022: 15%) and the taxation charge in the financial statements is as follows:

	2023 RO	2022 RO
Profit before taxation	**2,106,294**	1,886,151
Taxation at the applicable tax rate	**315,944**	282,924
Add / (less) tax effect of:		
Adjustment in respect of current income tax of prior years	**-**	-
Tax expense	**315,944**	282,924

Notes to the financial statements (continued)

For the year ended 31 December 2023

9. Taxation (continued)

The movement in the current tax liability is as follows:

	2023 RO	2022 RO
At 1 January	**295,308**	362,061
Charge for the year	**315,944**	282,924
Paid during the year	**(282,430)**	(349,677)
At 31 December	**328,822**	295,308

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

10. Cash and cash equivalents

	2023 RO	2022 RO
Bank and cash balances	**1,552,357**	1,007,164
	1,552,357	1,007,164

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

11. Assets held for sale

	2023 RO	2022 RO
Assets held for sale	**544,655**	-
	544,655	-

11.1 During the year, the Company partially settled a loan from a defaulted customer through acquisition of property auctioned by the Court. This asset, valued at RO 511,210 (inclusive of transfer expenses), was recorded in the Company's book and categorised as Assets Held for Sale.

Additionally, the Company also acquired another property as part of settlement of another defaulted customer. This asset, inclusive of transfer expenses is recorded at RO 33,445.

Notes to the financial statements (continued)

For the year ended 31 December 2023

12. Deposits with the Central Bank of Oman

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

13. Other assets

	2023 RO	2022 RO
Prepaid expenses	**121,236**	152,951
Advances	**390,669**	292,478
Other receivables	**3,810**	19,010
	515,715	464,439

14. Instalment finance debtors

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

Instalment finance debtors arising from financing activities

	2023 RO	2022 RO
Gross Instalment finance debtors	**126,037,048**	114,506,912
Unearned finance income	**(17,129,901)**	(16,036,952)
Net Instalment finance debtors	**108,907,147**	98,469,960
Bills discounting	**904,931**	683,578
	109,812,078	99,153,538
Less: Allowance for expected credit losses	**(10,083,686)**	(8,989,869)
Less: Unrecognised contractual income	**(1,877,373)**	(1,926,867)
	97,851,019	88,236,802

Notes to the financial statements (continued)
For the year ended 31 December 2023

14. Instalment finance debtors (continued)

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

	Up to 1 year RO	1 to 5 years RO	Above 5 years RO	Total RO
At 31 December 2023				
Gross Instalment finance debtors finance and bills discounting	**58,191,314**	**64,745,502**	**4,005,163**	**126,941,979**
Instalment finance and bills discounting net of unearned interest	**51,333,935**	**54,886,062**	**3,592,081**	**109,812,078**
At 31 December 2022				
Gross Instalment finance debtors finance and bills discounting	47,268,132	64,290,319	3,632,039	115,190,490
Instalment finance and bills discounting debtors net of unearned interest	40,895,344	54,998,116	3,260,078	99,153,538

Movement in allowance for expected credit losses

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

	ECL RO	Reserve Interest RO	Total RO
At 1 January 2023	**8,989,869**	**1,926,867**	**10,916,736**
Charged during the year	**2,065,642**	**276,316**	**2,341,958**
Released during the year	**(971,825)**	**(325,810)**	**(1,297,635)**
At 31 December 2023	**10,083,686**	**1,877,373**	**11,961,059**
At 1 January 2022	15,345,202	2,885,871	18,231,073
Charged during the year	4,090,620	505,525	4,596,145
Released during the year	(3,381,760)	(374,205)	(3,755,965)
Written Off during the year	(7,064,193)	(1,090,324)	(8,154,517)
At 31 December 2022	8,989,869	1,926,867	10,916,736

Notes to the financial statements (continued)

For the year ended 31 December 2023

14. Instalment finance debtors (continued)

Movement in unearned finance income:

	2023 RO	2022 RO
Opening balance	**16,036,952**	13,192,767
Addition during the year	**12,043,281**	12,005,591
Interest accrued – net of reversals	**(10,950,332)**	(9,161,406)
Closing balance	**17,129,901**	16,036,952

Movement in Instalment finance debtors and expected credit losses

The table below gives the movement in Instalment finance debtors and expected credit losses for the year ended 31 December 2023:

Installment finance debtors	**Stage 1 RO**	**Stage 2 RO**	**Stage 3 RO**	**Total RO**
As at 01 January 2023	**74,136,059**	**3,341,128**	**21,676,351**	**99,153,538**
Additions	**46,193,984**	**-**	**-**	**46,193,984**
Repayment	**(32,479,782)**	**(878,180)**	**(2,177,482)**	**(35,535,444)**
Transfer between stages				
Stage 1	**(3,232,091)**	**2,205,438**	**1,026,653**	**-**
Stage 2	**631,226**	**(1,212,611)**	**581,385**	**-**
Stage 3	**827,181**	**160,826**	**(988,007)**	**-**
As at 31 December 2023	**86,076,577**	**3,616,601**	**20,118,900**	**109,812,078**

Installment finance debtors	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
As at 01 January 2022	69,567,644	2,676,274	26,288,873	98,532,791
Additions	43,912,932			43,912,932
Repayment	(32,518,477)	(73,371)	(2,545,820)	(35,137,668)
Written Off	-	-	(8,154,517)	(8,154,517)
Transfer between stages				
Stage 1	(9,195,295)	2,993,947	6,201,348	-
Stage 2	1,696,982	(2,318,934)	621,952	-
Stage 3	672,273	63,212	(735,485)	-
As at 31 December 2022	74,136,059	3,341,128	21,676,351	99,153,538

Notes to the financial statements (continued)

For the year ended 31 December 2023

14. Instalment finance debtors (continued)

Movement in Instalment finance debtors and expected credit losses (continued)

Expected credit losses	**Stage 1 RO**	**Stage 2 RO**	**Stage 3 RO**	**Total RO**
As at 01 January 2023	**591,317**	**493,281**	**9,832,138**	**10,916,736**
Net charge/ (release) in ECL	**(10,004)**	**40,080**	**1,014,247**	**1,044,323**
Transfer between stages				
Stage 1	**(152,966)**	**145,545**	**7,421**	**-**
Stage 2	**74,716**	**(178,685)**	**103,969**	**-**
Stage 3	**125,460**	**26,127**	**(151,587)**	**-**
As at 31 December 2023	**628,523**	**526,348**	**10,806,188**	**11,961,059**

Expected credit losses	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
As at 01 January 2022	1,775,073	575,468	15,880,532	18,231,073
Net charge/ (release) in ECL	(1,306,779)	166,554	1,980,405	840,180
Written off	-	-	(8,154,517)	(8,154,517)
Transfer between stages				
Stage 1	(301,590)	209,205	92,385	-
Stage 2	319,812	(477,369)	157,557	-
Stage 3	104,801	19,423	(124,224)	-
As at 31 December 2022	591,317	493,281	9,832,138	10,916,736

15. Investment securities

	2023 RO	2022 RO
Al-Soor International Holding Company (Kuwait) (note 15.1)	**714,790**	724,149
National Bureau of Commercial Information	**1**	1
	714,791	724,150

15.1 These represent unquoted investments (Al Soor International Holding Company LLC) classified as fair value through other comprehensive income. The fair value of unquoted security was determined based on market value method and the Company has considered Price/Book Value («P/BV») multiple, to estimate the fair value as at 31 December 2023. (Level 3 fair value hierarchy).

Decrease in fair value of investment is recorded as unrealised loss of RO 9,359 (2022: unrealised gain RO 170,000) in investment securities in the other comprehensive income.

The percentage of holding by the Company in Al Soor International Holding Company LLC is 0.8% (2022: 0.8%).

Notes to the financial statements (continued)

For the year ended 31 December 2023

16. Property and equipment

	Land RO	Buildings RO	Furniture and office equipment RO	Total RO
Cost				
1 January 2022	1,969,215	769,966	1,344,054	4,083,235
Additions	-	-	77,764	77,764
1 January 2023	**1,969,215**	**769,966**	**1,421,818**	**4,160,999**
Additions	**-**	**-**	**133,271**	**133,271**
Disposals	**-**	**-**	**(6,880)**	**(6,880)**
31 December 2023	**1,969,215**	**769,966**	**1,548,209**	**4,287,390**
Depreciation				
1 January 2022	-	560,737	1,192,214	1,752,951
Charge for the year	-	38,491	56,815	95,306
1 January 2023	**-**	**599,228**	**1,249,029**	**1,848,257**
Charge for the year	**-**	**38,491**	**74,200**	**112,691**
Disposal	**-**	**-**	**(6,651)**	**(6,651)**
31 December 2023	**-**	**637,719**	**1,316,578**	**1,954,297**
Carrying value				
31 December 2023	**1,969,215**	**132,247**	**231,631**	**2,333,093**
31 December 2022	1,969,215	170,738	172,789	2,312,742

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

17. Share capital

Share capital comprises 356,127,298 (2022: 349,144,411) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (2022: RO 50,000,000).

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

	Number of shares		Percentage of holding (%)	
	2023	2022	**2023**	2022
Oman Hotels and Tourism Company SAOC	**119,579,488**	117,234,793	**33.58**	33.58
Global Financial Investments Holding SAOG	**89,031,772**	87,286,051	**25.00**	25.00
Al Saud Company Ltd – Ubar Financial Investment	**26,858,145**	26,331,515	**7.54**	7.54
Oman Holdings International Company SAOC	**20,126,338**	19,731,704	**5.65**	5.65

18. Share premium reserve

The share premium account represents the balance of share premium collected by the Company at the time of rights issue and conversion of optional convertible bonds during 2008.

During the year, the Company declared a stock dividend amounting to RO 698,288. This constitutes 2% of the issued share capital of RO. 34,914,441 as recorded on 31 December 2022. This was achieved through total utilization of the existing share premium, with the remaining balance of RO 169,886 drawn from retained earnings.

19. Reserves

(a) Legal reserve

In accordance with Article 132 of the Commercial Companies Law, as amended, the Company sets aside ten percent of the net profits, after deduction of taxes, for establishing a legal reserve until such legal reserve amounts to at least one third of the Company's share capital. Such legal reserve may be used for covering the Company's losses and the increase of its share capital by way of issuing shares and it shall not be distributed to the shareholders as dividends except where the Company reduces its share capital, provided that the legal reserve shall not be less than one third of the share capital after the reduction. During 2023, the Company has transferred to legal reserve of RO 179,035 (2022: 160,323).

(b) Special reserve

As per policy, the Company creates a special reserve to the extent of 1% of loans disbursed each year till it reaches 2% of the net Instalment finance debtors. The special reserve is being maintained to cover any delinquencies arising from unforeseen contingencies. During 2023, the Company has not made any transfer to special reserve (2022: Nil).

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

19. Reserves (continued)

(c) Impairment reserve

As per Circular BM 1149 of the guidelines issued by the Central Bank of Oman ("CBO"), the Company is required to create an impairment reserve in equity for an amount equal to excess of the provision for non-performing loans computed under CBO guidelines compared to provisions for expected credit losses computed under IFRS 9 on Instalment finance debtors. However, as per circular BSD/CB & FLCs/2022/001 dated 12 January 2022 CBO had temporarily suspended two track approach/ parallel run for the computation of additional provisions as per CBO norms for the financial year 2021 and 2022. CBO has withdrawn the suspension of two track approach in current year by the circular SD/2023/BKUP/OAB/385 dated 18 September 2023. Therefore, the Company has continued two track approach and the required amount of RO 355,322 has been transferred to impairment reserve in current year from retained earnings. As at 31 December 2023 Company is holding an impairment reserve of RO 2.27 million (2022: RO 1.91 million).

20. Creditors and other payables

	2023 **RO**	2022 RO
Trade creditors	**2,652,387**	3,483,430
Other Payables	**668,345**	514,930
Advances received from customers	**720,261**	408,938
End of service benefits (note 20.1)	**271,778**	324,904
Accrued expenses	**188,884**	290,450
Interest payable	**107,417**	86,786
	4,609,072	5,109,438

20.1 End of service benefits

	2023 **RO**	2022 RO
At 1 January	**324,904**	313,802
Charge for the year	**30,706**	36,411
Payments made during the year	**(83,832)**	(25,309)
At 31 December	**271,778**	324,904

Notes to the financial statements (continued)
For the year ended 31 December 2023

21. Borrowings

	2023 RO	2022 RO
Short-term borrowings (note 21.1)	**24,575,000**	20,350,000
Current portion of long-term loans (note 21.2)	**9,097,120**	9,411,111
Short-term borrowings	**33,672,120**	29,761,111
Non - current portion of term loans (note 21.2)	**9,735,778**	6,444,445
	43,407,898	36,205,556

21.1 Short-term borrowings

The Company availed short-term borrowing facilities from various commercial banks. The contractual limits of these borrowings are approximately RO 30 million (2022: RO 30 million), which are entirely secured against pari-passu charges over net investment in finance leases, working capital finance and factoring receivables. Maturities of the short-term loans are disclosed in note 31 to these financial statements.

During the year, interest was charged on the above borrowings at rates ranging between 4.5% and 6.85% per annum (31 December 2022: 4% and 6% per annum).

21.2 Long term loans

The Company has entered into long term loan facility agreements with commercial banks. The aggregate contractual limit of long-term loans is RO 20 million (2022: RO 20 million). These loans are secured by a pari-passu charge over the total assets of the Company. The maturity dates of the aforementioned facilities range from January 2023 to December 2027.

During the year, interest was charged on the above borrowings at rates ranging between 5.75 % and 7.25 % per annum (31 December 2022- 4.5 % and 5.75 % per annum).

The tenure of the long-term loans range between 2 years and 4 years (31 December 2022: 2 years and 4 years). At 31 December 2023, the company had undrawn bank facilities amounting RO 5.23 million (2022: RO 15.84 million).

The Company is subject to certain covenants primarily relating to its borrowings. The Company was in compliance with covenants at 31 December 2023.

22. Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 3 months. The interest rate and maturity profile are given in note 31 to the financial statements. As on reporting date the company hold corporate deposit of RO 6.560 million (2022: RO 3.350 million).

Notes to the financial statements (continued)

For the year ended 31 December 2023

23. Dividends proposed and paid

The Board of Directors have proposed a cash dividend of 3% for the year 2023 (2022: 2.75 % cash dividend and stock dividend 2%) subject to approval of the Central Bank of Oman and the shareholders at the Annual General Meeting.

The Company has paid cash and stock dividends during the year amounted to RO 960,148 and RO 698,288 respectively. (2022: cash dividend of RO 1,047,433).

24. Basic and diluted earnings per share

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

	2023 RO	2022 RO
Profit for the year	**1,790,350**	1,603,227

	Number of Shares	
	2023	2022 (Restated)
Weighted average number of shares	**356,127,298**	356,127,298

	Baizas	
	2023	2022
Basic earnings per share for the year	**0.005**	0.005

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

25. Net assets per share

The calculation of net assets per share is as below:

	2023 RO	2022 RO
Net asset value	**48,882,120**	48,051,918
Number of ordinary shares outstanding	**356,127,298**	349,144,411
Net asset per share	**0.137**	0.138

26. Segmental information

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

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

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

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

Notes to the financial statements (continued)

For the year ended 31 December 2023

26. Segmental information (continued)

The segment information provided to the Management Committee for the reportable segments for the year ended 31 December 2023 is as follows:

31 December 2023	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Interest income on instalment finance income	**3,000,848**	**5,753,809**	**88,482**	**-**	**8,843,139**
Interest expense	**(974,555)**	**(1,815,084)**	**-**	**-**	**(2,789,639)**
Net instalment finance income	**2,026,293**	**3,938,725**	**88,482**	**6,053,500**	
Fee commission and other income	**90,684**	**1,143,464**	**1,234,148**		
Segmental expenses					
Operating expenses	**(1,388,603)**	**(2,586,243)**	**-**	**-**	**(3,974,846)**
Depreciation	**-**	**-**	**-**	**(112,691)**	**(112,691)**
Profit before tax and allowance for ECL	**637,690**	**1,352,482**	**179,166**	**1,030,773**	**3,200,111**
Allowance for expected credit losses	**(605,397)**	**(488,420)**	**-**	**-**	**(1,093,817**
Segmental profit for the year before tax	**32,293**	**864,062**	**179,166**	**1,030,773**	**2,106,294**
Income tax expense	**-**	**-**	**-**	**(315,944)**	**(315,944)**
Segmental profit for the year	**32,293**	**864,062**	**179,166**	**714,829**	**1,790,350**
Total assets	**36,931,895**	**60,919,124**	**-**	**5,936,893**	**103,787,912**
Total liabilities	**-**	**-**	**-**	**54,905,792**	**54,905,792**

Notes to the financial statements (continued)

For the year ended 31 December 2023

26. Segmental information (continued)

31 December 2022	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Interest income on instalment finance income	2,811,659	4,857,111	42,727	-	7,711,497
Interest expense	(654,261)	(1,113,311)	-	-	(1,767,572)
Net instalment finance income	2,157,398	3,743,800	42,727	-	5,943,925
Fee commission and other income	-	-	105,671	498,758	604,429
Segmental expenses					
Operating expenses	(1,428,040)	(2,429,997)	-	-	(3,858,037)
Depreciation	-	-	-	(95,306)	(95,306)
Profit before tax and allowance for ECL	729,358	1,313,803	148,398	403,452	2,595,011
Allowance for expected credit losses	(1,819,481)	1,110,621	-	-	(708,860)
Segmental profit for the year before tax	(1,090,123)	2,424,424	148,398	403,452	1,886,151
Income tax expense	-	-	-	(282,924)	(282,924)
Segmental profit for the year	(1,090,123)	2,424,424	148,398	120,529	1,603,227
Total assets	34,629,090	53,607,712	-	4,775,418	93,012,220
Total liabilities	-	-	-	44,960,302	44,960,302

Notes to the financial statements (continued)

For the year ended 31 December 2023

27. Related parties

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

	2023 RO	2022 RO
Directors' sitting fees (note 8)	**69,000**	70,500
Directors' remuneration (note 8)	**180,000**	80,000
Other related parties:		
Interest income on instalment finance income	**164,878**	190,268

Compensation of the key management personnel is as follows:

	2023 RO	2022 RO
Salaries and allowances	**459,534**	448,682
End of service benefits	**16,949**	18,584
	476,483	467,266

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

	2023 RO	2022 RO
Other related parties:		
Disbursements:	**184,338**	**78,200**
Other related parties:		
Collections:	**597,968**	**510,963**
Amounts due from related parties:		
Instalment finance debtors due	**1,541,507**	**1,790,257**

Notes to the financial statements (continued)

For the year ended 31 December 2023

27. Related parties (continued)

The provision pertaining to the above balances have been covered as part of the expected credit loss measurement. Please refer note 31.

	2023 RO	2022 RO
Amounts due to related parties:		
Lease financing	**816,382**	546,803
Amount due	**131,143**	140,570
Interest paid on corporate deposit during the period	**5,500**	-
Interest accrued on corporate deposit and not paid	**2,275**	-

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and terms of these transactions are as similar to normal course of business at arm's length price and all transactions approved by the Company's Board of Directors.

The Company maintains balances with these related parties which arise in the normal course of business. The Company has entered into transactions in the ordinary course of business with other related parties in which certain directors have a significant influence and with senior management. The terms and conditions of these transactions are at arm's length pricing and mutually agreed.

28. Contingent liabilities

At 31 December 2023, there were contingent liabilities of RO 386,622 (2022: RO 10,000) in respect of financial guarantees given to banks/Customers in the normal course of business on behalf of customers from which it is anticipated that no material liabilities will arise. Such guarantees are covered by counter guarantees from the customers in addition to other securities.

29. Commitments

The Company has approved commitments to customers as on 31 December 2023 amounting to RO 655,702 (31 December 2022: RO 420,198), which is contingent upon fulfilment of the terms and conditions attached thereto. The company has approved commitments to vendors as on 31 December 2023 amounting to RO 269,500 (31 December 2022: RO 269,500) towards major capital expenditure.

30. Fair value information

It is the Company's intention to hold loans and advances to customers to maturity. As a result, the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company considers that the fair value of financial instruments at 31 December 2023 and 2022 are not significantly different to their carrying value at each of those dates.

Notes to the financial statements (continued)

For the year ended 31 December 2023

30. Fair value information (continued)

Fair value hierarchy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

	Total RO	Level 1 RO	Level 2 RO	Level 3 RO
31 December 2023				
Financial Instruments measured at FVOCI	**714,791**	**-**	**-**	**714,791**
31 December 2022				
Financial Instruments measured at FVOCI	724,150	-	-	724,150

During the year ended 31 December 2023 and 31 December 2022, there were no transfers between Level 1, Level 2 and Level 3 measurements.

31. Financial risk management

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)

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

	2023 RO	2022 RO
Instalment finance debtors	**109,812,078**	99,153,538
Bank balances and deposits (including deposit with CBO)	**1,788,868**	1,200,933
Other receivables	**3,810**	19,010
Total credit risk exposure	**111,604,756**	100,373,481

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

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer below notes for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer below for description of how the Company defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer below for description of inputs, assumptions and estimation techniques used in measuring the ECL.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please refer below for estimating impairment for explanation of how the Company has incorporated this in its ECL models.

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Expected credit loss measurement (continued)

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

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

	2023 RO	2022 RO
Neither past due nor impaired	**86,455,875**	72,719,388
Past due 1-30 days	**2,250,118**	3,832,982
Past due 31-60 days	**865,759**	945,697
Past due 61-89 days	**121,426**	123,532
	89,693,178	77,621,599

The total impaired assets as at 31 December 2023 amounts to RO 20.12 million (2022: RO 21.53 million).

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Generating the term structure of PD (continued)

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

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)

Definition of default and credit-impaired assets
The Company considers a financial asset to be in default and credit impaired when:

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

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

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

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

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

Measuring ECL - explanation of inputs, assumptions and estimation techniques
The key inputs into the measurement of ECL are the term structure of the following variables:

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Measuring ECL - explanation of inputs, assumptions and estimation techniques (continued)

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

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

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

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Forward-looking information incorporated in the ECL models (continued)

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

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

The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The economic scenarios used as at 31 December 2023 included the following ranges of key indicators for Sultanate of Oman for the years ending 31 December 2024 to 2028.

	2024	2025	2026	2027	2028
GDP growth	2.7%	3.0%	3.4%	3.1%	3.1%

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

For computation of ECL, the Company considers three scenario viz. base case, best case and worst case with weightage of 60%, 20% and 20% (2022: 70%, 10% and 20%) respectively.

Sensitivity analysis
Set out below are the changes to the ECL as at 31 December 2023 that would result from reasonably possible changes in parameters from the actual assumptions used in the Company's economic variable assumptions.

Retail / corporate portfolios

	[+1%] RO	No change RO	[-1%] RO
GDP growth	11,870,906	11,961,059	12,069,040

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Credit risk (continued)

Forward-looking information incorporated in the ECL models (continued)

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

Credit quality analysis

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

	2023				2022
	ECL Staging				
	Stage 1	Stage 2	Stage 3		
	12-month ECL RO	Lifetime ECL not credit-impaired RO	Lifetime ECL credit-impaired RO	Total RO	Total RO
Installment finance debtors:					
Standard	86,076,577	3,616,601	-	89,693,178	77,621,599
Special mention	-	-	890,252	890,252	6,199,360
Substandard	-	-	1,022,942	1,022,942	756,711
Doubtful	-	-	362,317	362,317	548,731
Loss	-	-	17,843,389	17,843,389	14,027,137
	86,076,577	3,616,601	20,118,900	109,812,078	99,153,538
Allowance for ECL	626,462	526,348	10,806,188	11,958,998	10,915,747
Carrying amount	85,450,115	3,090,253	9,312,712	97,853,080	88,237,791
Undrawn Commitments	655,702	-	-	655,702	420,198
Allowance for ECL	2,061	-	-	2,061	989
Carrying amount in statement of financial position	85,448,054	3,090,253	9,312,712	97,851,019	88,236,802

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Credit quality analysis (continued)

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

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

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

The Company may write-off financial assets that are still subject to enforcement activity or there is no reasonable expectation of recovery. The outstanding contractual amounts of such assets written off during the year ended 31 December 2023 was Nil (2022: 8,154,517) excluding overdue interest.

Climate risk considerations
The effect of climate risk on credit risk was assessed, and the impact in the current year was determined to not be material at 31-December-2023. Refer to note 4 for further details on judgements made as part of this assessment.

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Credit risk (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms

31 December 2023

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Standard	**Stage 1**	**86,076**	**129**	**606**	**(477)**	**85,925**	**85,448**	**8,107**	**22**
	Stage 2	**3,617**	**-**	**505**	**(505)**	**3,595**	**3,090**	**360**	**22**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		89,693	**129**	**1,111**	**(982)**	**89,520**	**88,538**	**8,467**	**44**
Special mention	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**890**	**54**	**151**	**(97)**	**813**	**716**	**84**	**23**
		890	**54**	**151**	**(97)**	**813**	**716**	**84**	**23**
Substandard	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**1,023**	**314**	**203**	**111**	**670**	**781**	**56**	**39**
		1,023	**314**	**203**	**111**	**670**	**781**	**56**	**39**
Doubtful	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**362**	**158**	**54**	**104**	**182**	**286**	**16**	**22**
		362	**158**	**54**	**104**	**182**	**286**	**16**	**22**
Loss	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**17,844**	**12,096**	**8,565**	**3,531**	**3,999**	**7,530**	**220**	**1,749**
		17,844	**12,096**	**8,565**	**3,531**	**3,999**	**7,530**	**220**	**1,749**
Total	**Stage 1**	**86,076**	**129**	**606**	**(477)**	**85,925**	**85,448**	**8,107**	**22**
	Stage 2	**3,617**	**-**	**505**	**(505)**	**3,595**	**3,090**	**360**	**22**
	Stage 3	**20,119**	**12,622**	**8,973**	**3,649**	**5,664**	**9,313**	**376**	**1,833**
		109,812	**12,751**	**10,084**	**2,667**	**95,184**	**97,851**	**8,843**	**1,877**

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Credit risk (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

31 December 2022

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Standard	Stage 1	74,136	259	549	(290)	73,835	73,545	6,410	42
	Stage 2	3,341	126	473	(347)	3,195	2,849	283	20
	Stage 3	145	-	69	(69)	142	73	1	3
		77,622	385	1,091	(706)	77,172	76,466	6,694	65
Special mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	6,199	709	1,599	(890)	5,279	4,389	128	211
		6,199	709	1,599	(890)	5,279	4,389	128	211
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	757	182	65	117	541	658	52	34
		757	182	65	117	541	658	52	34
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	549	191	102	89	325	414	13	33
		549	191	102	89	325	414	13	33
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	14,027	10,340	6,133	4,207	2,103	6,310	224	1,584
		14,027	10340	6,133	4,207	2,103	6,310	224	1,584
Total	Stage 1	74,136	259	549	(290)	73,835	73,545	6,410	42
	Stage 2	3,341	126	473	(347)	3,195	2,848	283	20
	Stage 3	21,677	11,422	7,968	3,454	8,390	11,844	418	1,865
		99,154	11,807	8,990	2,817	85,420	88,237	7,111	1,927

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)

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

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

Renegotiated finance debtors as at 31 December 2023 was RO 3.63 million (2022: RO 4.04 million). Out of these finance debtors amounting to RO 3.410 million (2022: RO 3.63 million) were impaired at the time of renegotiation.

Restructured accounts

31 December 2023

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Classified as performing	**Stage 1**	**394**	**-**	**19**	**(19)**	**394**	**375**	**47**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		394	**-**	**19**	**(19)**	**394**	**375**	**47**	**-**
Classified as non-performing	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**3,233**	**1,451**	**1,244**	**207**	**1,509**	**1,716**	**73**	**273**
		3,233	**1,451**	**1,244**	**207**	**1,509**	**1,716**	**73**	**273**
Total	**Stage 1**	**394**	**-**	**19**	**(19)**	**394**	**375**	**47**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	
	Stage 3	**3,233**	**1,451**	**1,244**	**207**	**1,509**	**1,716**	**73**	**273**
		3,627	**1,451**	**1,263**	**188**	**1,903**	**2,091**	**120**	**273**

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)
Comparison of provision held as per IFRS 9 and required as per CBO norms (continued)
Restructured accounts (continued)

31 December 2022

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount RO'000	Provision required as per CBO Norms RO'000	Provisions held as per IFRS 9 RO'000	Difference between CBO provision required, and provision held RO'000	Net carrying amount as per CBO RO'000	Net carrying amount as per IFRS 9 RO'000	Interest recognized as per IFRS 9 norms RO'000	Reserve interest as per CBO norms RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	(10)
Classified as performing	Stage 1	427	-	48	(48)	427	379	46	-
	Stage 2	17	-	2	(2)	17	15	1	-
	Stage 3	-	-	-	-	-	-	-	-
		444	-	50	(50)	444	394	47	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	3,594	1,148	1,129	19	2,189	2,208	97	257
		3,594	1,148	1,129	19	2,189	2,208	97	257
Total	Stage 1	427	-	48	(48)	427	379	46	-
	Stage 2	17	-	2	(2)	17	15	1	-
	Stage 3	3,594	1,148	1,129	19	2,189	2,208	97	257
		4,038	1,148	1,179	(31)	2 ,633	2,602	144	257

Impairment allowance and loss as at 31 December 2023 and 2022

	As per CBO Norms		As per IFRS 9		Difference	
	2023	2022	**2023**	2022	**2023**	2022
Impairment loss charged to profit and loss account (RO)	**943**	671	**1,094**	709	**151**	38
Provisions required as per CBO norms / held as per IFRS 9 (RO)*	**14,628**	13,734	**11,961**	10,917	**(2,667)**	(2,817)
Gross NPL ratio	**18.32**	21.72%	**18.32**	21.72%	**-**	-
Net NPL ratio	**5.77**	9.13%	**8.34**	12.03%	**2.57**	2.90%

* Provisions required as per CBO norms and provisions held as per IFRS 9 disclosed above for the year ended 31 December 2023 and 31 December 2022 include reserve interest.

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)

Concentrations of credit risk
Concentration of risk is managed by client/counterparty and by industry sector exposures. There is no significant credit exposure relating to instalment finance debtors to any single counterparty as of 31 December 2023. An industry sector analysis of the Company's Instalment finance debtors (net) before considering collateral held is as follows:

	2023 RO	2022 RO
Personal / car loans	**34,023,530**	31,908,055
Corporate loan:		
- Services	**33,487,260**	28,388,291
- Construction contracts	**15,935,078**	15,422,178
- Construction equipment	**3,184,025**	3,760,086
- Manufacturing	**3,798,554**	4,667,675
- Trading	**3,727,998**	1,608,161
- Other	**3,694,574**	2,482,356
	97,851,019	88,236,802

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

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

	2023 RO	2022 RO
1 to 89 days	**3,237,303**	4,902,211

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Credit risk (continued)

Credit quality per class of financial assets (continued)

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

	2023 RO	2022 RO
90 to 364 days	**2,275,511**	7,504,803
365 days and above	**17,843,389**	14,027,136
	20,118,900	21,531,939

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

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

Market risk

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

Foreign exchange risk

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

Interest rate risk

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The Company manages this risk by matching the re-pricing of assets and liabilities and through risk management strategies. The loans extended by the Company are for periods varying from one to over five years are at fixed interest rates, albeit with interest variance clause. However, any re-pricing of the Company's liabilities by its lenders due to economic factors would result to some extent in interest rate risk. The Company mitigates this risk by matching the tenure of its assets and liabilities by availing long-term funds from its lenders at fixed interest rates.

The interest rates on borrowings with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short-term loans. The Company uses sensitivity analysis to analyse and measure interest rate on the variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that change in 100 basis points in the average funding cost would change net interest income.

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Interest rate risk (continued)

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

31 December 2023	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	714,791	714,791
Deposit with Central Bank of Oman**	-	-	-	-	-	250,000	250,000
Instalment finance debtors***	20,596,808	15,143,745	20,112,125	16,465,209	25,533,132	97,851,019	
Other receivables	-	-	-	-	-	515,715	515,715
Cash and cash equivalents	1,552,357	-	-	-	-	1,552,357	
TOTAL FINANCIAL ASSETS	**22,149,165**	**15,143,745**	**20,112,125**	**16,465,209**	**25,533,132**	**1,480,506**	**100,883,882**
Equity and liabilities							
Borrowings	30,567,995	3,104,125	7,763,778	986,000	986,000	-	43,407,898
Corporate deposits*	2,050,000	1,510,000	2,000,000	1,000,000	-	-	6,560,000
Creditors and other payables	4,207,590	129,704	-	-	-	271,778	4,609,072
TOTAL FINANCIAL LIABILITIES	**36,825,585**	**4,743,829**	**9,763,778**	**1,986,000**	**986,000**	**271,778**	**54,576,970**
Interest rate sensitivity gap	**(14,676,420)**	**10,399,916**	**10,348,347**	**14,479,209**	**24,547,132**	**1,208,728**	**46,306,912**
Cumulative gap	**(14,676,420)**	**(4,276,504)**	**6,071,843**	**20,551,052**	**45,098,184**	**46,306,912**	**-**

* Corporate deposits are at market rates with interest rates within the range of 5% to 7.1%.

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Interest rate risk (continued)

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Fixed rate or non interest sensitive RO	Total RO
Assets							
Investment securities	-	-	-	-	-	724,150	724,150
Deposit with Central Bank of Oman**	-	-	-	-	-	250,000	250,000
Instalment finance debtors***	11,776,212	13,479,339	21,313,884	14,396,862	27,270,505	-	88,236,802
Other receivables	-	-	-	-	-	464,439	464,439
Cash and cash equivalents	1,007,164	-	-	-	-	-	1,007,164
TOTAL FINANCIAL ASSETS	12,783,376	13,479,339	21,313,884	14,396,862	27,270,505	1,438,589	90,682,555
Equity and liabilities							
Borrowings	25,677,778	4,083,333	4,666,667	1,777,778	-	-	36,205,556
Corporate deposits*	-	3,000,000	350,000	-	-	-	3,350,000
Creditors and other payables	4,550,754	233,780	-	-	-	324,904	5,109,438
TOTAL FINANCIAL LIABILITIES	30,228,532	7,317,113	5,016,667	1,777,778	-	324,904	44,664,994
Interest rate sensitivity gap	(17,445,156)	6,162,226	16,297,217	12,619,084	27,270,505	1,113,685	46,017,561
Cumulative gap	(17,445,156)	(11,282,930)	5,014,287	17,633,371	44,903,876	46,017,561	-

* Corporate deposits are at market rates with interest rates within the range of 5% to 6.85%.
** Effective interest rate is considered at 1.5% per annum.
*** Instalment finance debtors are at market rates with interest rates within the range of 3.6 % to 16.2%.

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Liquidity risk

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

The amounts disclosed in table below analyses the Company's financial instruments and other assets and liabilities into relevant maturity based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months approximate their carrying balances, as the impact of the discounting is not significant. The Company has unutilised credit facilities of RO 5.23 million (2022: RO 15.84 million).

31 December 2023	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	714,791	714,791
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Instalment finance debtors	20,596,808	15,143,745	20,112,125	16,465,209	25,533,132	-	97,851,019
Other receivables and prepaid expenses	515,715	-	-	-	-	-	515,715
Cash and cash equivalents	1,552,357	-	-	-	-	-	1,552,357
TOTAL	22,664,880	15,143,745	20,112,125	16,465,209	25,533,132	964,791	100,883,882
Equity and liabilities							
Borrowings	30,567,995	3,104,125	7,763,778	986,000	986,000	-	43,407,898
Corporate deposits	2,050,000	1,510,000	2,000,000	1,000,000	-	-	6,560,000
Creditors and other payables	4,207,590	129,704	-	-	-	271,778	4,609,072
Equity	-	-	-	-	-	48,882,120	48,882,120
Taxation	-	-	-	-	-	328,822	328,822
TOTAL EQUITY AND LIABILITIES	36,825,585	4,743,829	9,763,778	1,986,000	986,000	49,482,720	103,787,912

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Liquidity risk (continued)

31 December 2023 (continued)	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Gap in maturity (excluding off balance sheet items)	(14,160,705)	10,399,916	10,348,347	14,479,209	24,547,132	(48,517,929)	(2,904,030)
Cumulative gap in maturity	(14,160,705)	(3,760,789)	6,587,558	21,066,767	45,613,899	(2,904,030)	-
Unearned finance income	3,600,678	3,256,701	4,816,947	2,919,164	2,536,411	-	17,129,901
Total assets (including off balance sheet items)	26,265,558	18,400,446	24,929,072	19,384,373	28,069,543	964,791	118,013,783
Liabilities off balance sheet							
Interest payable on loans	792,313	419,566	433,367	95,755	12,730	-	1,753,731
Contingent liabilities	386,622	-	-	-	-	-	386,622
Total equity and liabilities (including off balance sheet items)	38,004,520	5,163,395	10,197,145	2,081,755	998,730	49,482,720	105,928,265
Gap in maturity	(11,738,962)	13,237,051	14,731,927	17,302,618	27,070,813	(48,517,929)	12,085,518
Cumulative gap in maturity	(11,738,962)	1,498,089	16,230,016	33,532,634	60,603,447	12,085,518	-

Notes to the financial statements (continued)

For the year ended 31 December 2023

31. Financial risk management (continued)

Liquidity risk (continued)

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	724,150	724,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Instalment finance debtors	11,776,212	13,479,339	21,313,884	14,396,862	27,270,505	-	88,236,802
Other receivables and prepaid expenses	464,439	-	-	-	-	-	464,439
Cash and cash equivalents	1,007,164	-	-	-	-	-	1,007,164
TOTAL ASSETS	13,247,815	13,479,339	21,313,884	14,396,862	27,270,505	974,150	90,682,555
Equity and liabilities							
Borrowings	25,677,778	4,083,333	4,666,667	1,777,778	-	-	36,205,556
Corporate deposits	3,000,000	350,000	-	-	-	3,350,000	
Creditors and other payables	4,550,754	233,780	-	-	-	324,904	5,109,438
Equity	-	-	-	-	-	48,051,918	48,051,918
Taxation	-	-	-	-	-	282,924	282,924
TOTAL EQUITY AND LIABILITIES	30,228,532	7,317,113	5,016,667	1,777,778	-	48,672,130	93,012,220
Gap in maturity (excluding off balance sheet items)	(16,980,717)	6,162,226	16,297,217	12,619,084	27,270,505	(47,697,980)	(2,329,665)
Cumulative gap in maturity	(16,980,717)	(10,818,491)	5,478,726	18,097,810	45,368,315	(2,329,665)	-
Unearned finance income	3,311,581	3,061,207	4,471,432	2,747,836	2,444,896	-	16,036,952
Total assets (including off balance sheet items)	16,559,396	16,540,546	25,785,316	17,144,698	29,715,401	974,150	106,719,507

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Liquidity risk (continued)

31 December 2022	0 - 6 Months RO	6 - 12 months RO	1 - 2 years RO	2 - 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Liabilities off balance sheet							
Interest payable on loans	498,255	277,226	219,680	58,067	-	-	1,053,228
Contingent liabilities	10,000	-	-	-	-	-	10,000
Total equity and liabilities (including off balance sheet items)	30,736,787	7,594,339	5,236,347	1,835,845	-	48,672,130	94,075,448
Gap in maturity	(14,177,391)	8,946,207	20,548,969	15,308,853	29,715,401	(47,697,980)	12,644,060
Cumulative gap in maturity	(14,177,391)	(5,231,184)	15,317,785	30,626,638	60,342,039	12,644,060	-

Capital management

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

The Company manages its capital structure and makes adjustments to it in the light of changes in business conditions. No changes were made in the objectives, policies or processes during the year. Capital comprises share capital, legal reserve, special reserve and retained earnings, and is measured at RO 48.88 million as at 31 December 2023 (2022: RO 48.05million).

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

31. Financial risk management (continued)
Capital management (continued)

During 2023 and 2022, the Company's strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 31 December 2023 and 2022 were as follows:

	2023 RO	2022 RO
Total borrowings	**49,968**	39,556
Total other liabilities	**54,577**	44,665
Total equity	**48,882**	48,052
Net worth (defined above)	**40,014**	39,384
Gearing ratio (times)	**1.02**	0.82
Leverage ratio (times)	**1.36**	1.13

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

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

Notes to the financial statements (continued)
For the year ended 31 December 2023

32. 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.

33. General

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