UNITED FINANCE COMPANY SAOG

Financial Statements
For the period ended 31 March 2023

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Statement of profit or loss and other comprehensive income
For the period ended 31 March 2023

	Notes	**2023** **RO**	2022 RO
Interest income on instalment finance income	*5*	**2,043,279**	1,876,742
Interest expense	*6*	**(571,375)**	(409,509)
Net instalment finance income		**1,471,904**	1,467,233
Fee commission and other income	*7*	**310,580**	78,909
Net operating income		**1,782,484**	1,546,142
Operating expenses	*8*	**(1,012,371)**	(1,017,685)
Depreciation	*15*	**(24,476)**	(22,470)
Allowance for expected credit losses	*13*	**(443,247)**	(204,587)
Profit before tax		**302,390**	301,400
Income tax expense	*9*	**(45,358)**	(47,210)
PROFIT FOR THE YEAR		**257,032**	254,190
Basic and diluted earnings per share	*23*	**0.003**	0.003

The attached notes 1 to 32 form part of these financial statements.

Statement of financial position
As at 31 March 2023

	Notes	2023 RO	2022 RO
ASSETS			
Cash and cash equivalents	*10*	**137,769**	1,999,247
Deposit with the Central Bank of Oman	*11*	**250,000**	250,000
Other receivables and prepaid expenses	*12*	**591,785**	166,832
Instalment finance debtors - net	*13*	**95,307,390**	79,502,584
Investment securities	*14*	**724,150**	554,150
Deferred tax asset	*9*	**16,923**	16,923
Property and equipment	*15*	**2,819,571**	2,322,747
TOTAL ASSETS		**99,847,588**	84,812,483
EQUITY			
Share capital	*16*	**35,612,730**	34,914,441
Share premium reserve	*17*	**-**	528,402
Legal reserve	*18(a)*	**5,277,839**	5,117,232
Special reserve	*18(b)*	**2,368,989**	2,368,989
Impairment reserve	*18(c)*	**1,911,736**	1,911,736
Investment revaluation reserve	*14*	**170,000**	-
Retained earnings		**2,007,508**	2,739,514
Total equity		**47,348,803**	47,580,314
Liabilities			
Creditors and other payables	*19*	**5,409,228**	4,386,787
Borrowings	*20*	**43,358,891**	28,436,111
Taxation	*9*	**340,666**	409,271
Corporate deposits	*21*	**3,390,000**	4,000,000
Total liabilities		**52,498,785**	37,232,169
TOTAL EQUITY AND LIABILITIES		**99,847,588**	84,812,483
NET ASSETS PER SHARE	*24*	**0.133**	0.136

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

UNITED FINANCE COMPANY SAOG

Statement of changes in equity
For the period ended 31 March 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 and other comprehensive						**-**		
income for the period	**-**	**-**	**-**	**-**	**-**		**1,603,228**	**1,603,228**
Dividend paid during the year					**-**	**-**	**(1047,433)**	**(1047,433)**
Other comprehensive income						**170,000**		**170,000**
Transfer to legal reserve	**-**	**-**	**160323**	**-**	**-**	**-**	**(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**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**257,032**	**257,032**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividend paid during the year-								
cash (note 22)						**-**		
Dividend paid during the year-	**-**	**-**	**-**	**-**	**-**	**-**	**(960,147)**	**(960,147)**
stock	**698,289**	**(528,402)**	**-**	**-**	**-**	**-**	**(169,887)**	**-**
Transfer to legal reserve	**-**	**-**	**25703**	**-**	**-**	**-**	**(25,703)**	**-**
Transfer to Impairment reserve					**-**		**-**	
At 31 March 2023	**35,612,730**	**-**	**5,277,839**	**2,368,989**	**1,911,736**	**170,000**	**2,007,508**	**47,348,803**

The attached notes 1 to 32 form part of these financial statements.

Statement of cash flows
For the year ended 31 March 2023

	Notes	**2023** **RO**	2022 RO
Profit before tax		**302,390**	301,400
Adjustments for:			
Depreciation	*15*	**24,476**	22,470
Allowance for expected credit losses	*13*	**443,247**	204,587
Provision for end of service benefits	*19.1*	**12,795**	10,820
Operating profit before working capital changes		**782,908**	539,277
Instalment finance debtors:			
Disbursements		**(15,193,304)**	(7,942,596)
Principal repayments received		**7,679,469**	8,537,143
Other receivables and prepayments		**(127,346)**	(59,855)
Creditors and other payables		**(673,151)**	(444,967)
Net working capital changes		**(7,531,426)**	629,002
End of service benefits paid	*19.1*		-
Income taxes paid	*9*	**-**	-
Net cash flows (used in) / generated from operating activities		**(7,531,425)**	629,002
Investing activities			
Purchase of property and equipment	*15*	**(531,305)**	(14,933)
Net cash flows used in investing activities		**(531,305)**	(14,933)
Financing activities			
Net movement in long-term loans	*20*	**4,158,335**	1,438,884
Net movement in short-term loans	*20*	**2,995,000**	(950,000)
Net movement in corporate deposits	*21*	**40,000**	-
Dividends paid	*22*	**-**	-
Net cash flows generated from / (used in) financing activities		**7,193,335**	(488,884)
Net change in cash and cash equivalents		**(869,395)**	1,102,952
Cash and cash equivalents at the beginning of the period		**1,007,164**	896,295
Cash and cash equivalents at the end of the period	*10*	**137,769**	1,999,247

The attached notes 1 to 32 form part of these financial statements.

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 2022, 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 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has the contract) exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Company applied the amendments to the contracts for which it had not fulfilled all of its obligations at the beginning of the reporting period. Prior to the application of the amendments, the Company had not identified any contracts as being onerous as the unavoidable costs under the contracts, which were the costs of fulfilling them, comprised only incremental costs directly related to the contracts. As a result of the amendments, certain other directly related costs have been included by the Company in determining the costs of fulfilling the contracts. In accordance with the transitional provisions, the Company applies the amendments to contracts for which it has not yet fulfilled all of its obligations, at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application) and has not restated its comparative information.

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

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

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

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

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements of the Company as it is not a first-time adopter.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the year.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

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.

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 (continued)

- IFRS 17 – Insurance contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

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. Significant accounting policies

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

3. Significant 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.

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.

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

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

Day 1 profit or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred. The deferred amounts are recognised in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Bank has assessed that amortising the deferred amount on a straight–line basis is appropriate. Any outstanding amount is immediately recognised in profit or loss when the instrument is derecognised or when the input(s) becomes observable.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

ii) Classification

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

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

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)

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

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

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

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

- equity investment securities designated as at FVOCI.

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

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

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

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

Derecognition of financial assets

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.

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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(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

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 derecognized and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(v) Impairment (continued)

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

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

- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write-off

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

Cash and cash equivalents

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

Borrowings and corporate deposits

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

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

3. Significant accounting policies (continued)

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 Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised 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.

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.

3. Significant accounting policies (continued)

Earnings per share

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

Fair value estimation

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

Directors' remuneration

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

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

Taxation

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

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

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

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

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the Company intends to either settle on a net basis, or to realise 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 significant accounting policies in note 3 to the financial statements.

Measurement of the expected credit loss allowance
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 30 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 30 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.

4. Critical accounting estimates and judgements (continued)

Allowance for expected credit losses– Stage 3 loans (continued)
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.

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

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

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

5. Interest income on instalment finance income

	2023	2022
	RO	RO
Interest income on instalment finance debtors	**2,043,279**	1,876,742

6. Interest expense

	2023	2022
	RO	RO
Interest expense on borrowed funds	**571,375**	409,509

7. Fee commission and other income

	2023 RO	2022 RO
Documentation fees	**56,128**	8,196
Bad debts recovered	**198,315**	12,981
Insurance commission income	**17,735**	19,748
Penalties charged	**10,152**	18,798
Foreclosure charges	**25,251**	18,326
Dividend income	**-**	-
Others	**2,999**	860
	310,580	78,909

8. Operating expenses

	2023 RO	2022 RO
Staff costs (note 8.1)	**581,155**	638,837
Repairs and maintenance	**35,159**	39,635
Insurance	**48,599**	41,965
Fees and charges	**49,992**	40,390
Communication and traveling	**34,901**	35,726
Statutory and legal expenses	**32,256**	30,198
Advertising and business promotion expenses	**18,221**	29,177
Directors' remuneration	**80,000**	80,000
Directors' sitting fees (note 26)	**22,900**	14,206
Bank charges	**32,570**	12,056
Rent	**14,690**	11,838
Utilities	**5,223**	7,338
Others	**56,705**	36,319
	1,012,371	1,017,685

8.1 Staff costs

	2023 RO	2022 RO
Wages and salaries	**497,928**	550,216
Other benefits	**32,454**	46,632
Contributions towards the Public Authority for Social Insurance	**37,978**	31,169
End of service benefits (note 19.1)	**12,795**	10,820
	581,155	638,837

9. Taxation

Charge in the statement of comprehensive income is as follows:

	2023 RO	2022 RO
Statement of comprehensive income:		
Tax charge:		
Current tax	**45,358**	45,210
Adjustment in respect of current income tax of prior years	**-**	2,000
Deferred tax	**-**	-
	45,358	47,210

	2023 RO	2022 RO
Breakup of tax liability and deferred tax asset are as follows:		
Current liability		
Current year	**45,358**	47,210
Adjustment in respect of current income tax of prior years	**295,308**	362,061
	340,666	409,271
Deferred tax asset		
At 1 January	**16,923**	16,923
Movement during the year	**-**	-
At 31 March	**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	**302,390**	301,400
Taxation at the applicable tax rate	**45,358**	45,210
Add / (less) tax effect of:		
Adjustment in respect of current income tax of prior years	**-**	2,000
Tax expense	**45,358**	47,210

9. Taxation (continued)

The movement in the current tax liability is as follows:

	2023	2022
	RO	RO
At 1 January	**295,308**	362,061
Charge for the year	**45,358**	47,210
Paid during the year	**-**	
At 31 March	**340,666**	409,271

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	2022
	RO	RO
Bank and cash balances	**137,769**	1,999,111
Call deposits	**-**	136
Bank and cash balances	**137,769**	1,999,247

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

11. 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. During the year, the deposit earned interest at the rate of 1.5 % (2022: 1.5%) per annum. This balance is subject to credit risk and are subject to expected credit loss measurement. Please refer note 30.

12. Other receivables and prepaid expenses

	2023	2022
	RO	RO
Prepaid expenses	**191,476**	79,463
Advances	**385,554**	91,336
Other receivables	**14,755**	(3,967)
	591,785	166,832

13. 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 30 to these financial statements.

Instalment finance debtors arising from financing activities

	2023	2022
	RO	RO
Gross Instalment finance debtors	**123,023,301**	111,409,295
Unearned finance income	**(17,223,065)**	(13,558,877)
Net Instalment finance debtors	**105,800,236**	97,850,418
Debt factoring activity debtors	**886,449**	89,434
	106,686,685	97,939,852
Less: Allowance for expected credit losses	**(9,433,116)**	(15,549,789)
Less: Unrecognized contractual income	**(1,946,179)**	(2,887,479)
	95,307,390	79,502,884

Debt factoring activity debtors include amounts advanced to clients in respect of debts factored, interest on the amounts advanced and related charges. In the event of default in settlement of debts factored by customers of the client, the Company has recourse to the client.

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

At 31 March 2023	**Up to 1 year RO**	**1 to 5 years RO**	**Above 5 years RO**	**Total RO**
Gross Instalment finance debtors finance and debt factoring activities debtors	**54,025,450**	**66,122,540**	**3,761,760**	**123,909,750**
Instalment finance and debt factoring activities debtors net of unearned interest	**47,153,207**	**56,156,712**	**3,376,766**	**106,686,685**
At 31 March 2022				
Gross Instalment finance debtors finance and debt factoring activities debtors	54,013,991	54,737,558	2,747,180	111,498,729
Instalment finance and debt factoring activities debtors net of unearned interest	49,183,744	46,321,080	2,435,027	97,939,852

Notes to the financial statements
For the period ended 31 March 2023

13. Instalment finance debtors (continued)

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 period	**823,034**	**119,775**	**942,809**
Released during the period	**(379,787)**	**(100,463)**	**(480,250)**
Written Off during the period	**-**	**-**	**-**
At 31 March 2023	**9,433,116**	**1,946,179**	**11,379,295**
At 1 January 2022	15,345,202	2,885,871	18,231,073
Charged during the period	1,492,448	141,768	1,634,216
Released during the period	(1,287,861)	(140,160)	(1,428,021)
At 31 March 2022	15,549,789	2,887,479	18,437,268

14. Investment securities

	2023 RO	2022 RO
Al-Soor International Holding Company (Kuwait) (note 14.1)	**724,149**	554,149
National Bureau of Commercial Information	**1**	1
	724,150	554,150

14.1 These represent unquoted investments classified as fair value through other comprehensive income. The fair value of investment in the unquoted security (Al Soor International Holding Company LLC) was performed as of 31 December 2022. The fair value of unquoted security was determined based on market value method (Level 3 fair value hierarchy).

In 2022 the increase in fair value of investment is recorded by RO 170,000 which is recorded as unrealised gain 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%). During 2023, the company continued maintaining same valuation as 31 December 2022.

15. 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	510,960	-	**20,345**	**531,305**
31 March 2023	**2,480,175**	**769,966**	**1,442,162**	**4,692,303**
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	**-**	**9,491**	**14,985**	**24,476**
31 March 2023	**-**	**608,719**	**1,264,014**	**1,872,732**
Carrying value				
31 March 2023	**2,480,175**	**161,247**	**178,148**	**2,819,571**
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.

In March 2023, one of the credit impaired customer M/s Abu Harb's asset was acquired by UFC through court auction which is capitalized as on 31st March 2023 for RO 510,960 (including transfer expenses).

16. Share capital

Share capital comprises 356,127,290 (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	**117,234,793**	**117,234,793**	**33.58**	**33.58**
Global Financial Investments Holding SAOG	**87,286,051**	**87,286,051**	**25.00**	**25.00**
Al Saud Company Ltd – Ubar Financial Investment	**26,331,515**	**26,331,515**	**7.54**	**7.54**
Oman Holdings International Company SAOC	**19,731,704**	**19,731,704**	**5.65**	**5.65**

17. 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 2023 company has issued stock dividend of RO.698,289 (2% of issued share capital of RO. 34,914,441 as on 31st Dec 2022) by fully utilisation of available share premium and the balance of RO. 169,887 from retained earnings.

18. 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.

(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.

(c) Impairment reserve

As per Circular BM 1149 of the guidelines issued by the Central Bank of Oman, 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. During the year company has calculated an additional impairment reserve of RO. 905,890 require as per CBO circular for the financial year 2023 and the company is on discussion with CBO on extension of suspension of two track approach. Therefore, the Company is continue holding the same impairment reserve of RO. 1.91 million (net of taxes) as on reporting date (2022: RO 1.91 million).

19. Creditors and other payables

	2023	2022
	RO	RO
Trade creditors	**2,684,538**	2,754,249
Other Payables	**382,010**	599,705
Advances received from customers	**625,021**	221,117
End of service benefits (note 19.1)	**337,699**	324,622
Accrued expenses	**270,133**	235,648
Interest payable	**149,680**	251,446
Proposed dividend	**960,147**	-
	5,409,228	4,386,787

19.1 End of service benefits

	2023	2022
	RO	RO
At 1 January	**324,904**	313,802
Charge for the period	**12,795**	10,820
Payments made during the period	**-**	-
At 31 March	**337,699**	324,622

20. Borrowings

	2023	2022
	RO	RO
Short-term loans	**23,345,000**	17,050,000
Current portion of long-term loans	**11,749,991**	9,386,111
Bank overdrafts (note 10)	**-**	-
Short-term borrowings	**35,094,991**	26,436,111
Non - current portion of term loans	**8,263,900**	2,000,000
	43,358,891	28,436,111

The Company borrows from reputable commercial banks in the Sultanate of Oman. These loans are secured through a pari passu charge over substantial portion of assets of the Company. In addition, the Company is required to maintain certain performance and coverage ratios.

The fair value of the loans approximates their carrying value as these loans carries interest rates which approximates market interest rates. The related maturity profile and interest rate risk are shown in note 30 to the financial statements.

21. Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 6 months. The interest rate and maturity profile are given in note 30 to the financial statements. As on reporting date the company hold corporate deposit of RO 3.390 million (2022: RO 4 million).

22. Dividends proposed and paid

The Board of Directors have proposed a cash dividend of 2.75% and stock dividend of 2% for the year 2022 (2021: 3% cash dividend) and the same has also been approved by the shareholders at the Annual General Meeting held on 31 March 2023. Provisions for the dividend payable for 2023 is created in books as on 31st March 2023 and will be paid in April 2023.

23. 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	**257,032**	254,190
Weighted average number of shares	**356,127,290**	349,144,411
Basic annualized earnings per share for the period	**0.003**	0.003

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

24. Net assets per share

The calculation of net assets per share is as below:

	2023	2022
	RO	RO
Net asset value	**47,348,803**	47,580,314
Number of ordinary shares outstanding	**356,127,290**	349,144,411
Net asset per share	**0.133**	0.136

25. Segmental information

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

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

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

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

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

25. Segmental information (continued)

31 March 2023	Corporate	Retail	Others (insurance and debt factoring)	Unallocated items	Total
Segmental revenues	**RO**	**RO**	**RO**	**RO**	**RO**
Interest income on instalment finance income	**684,819**	**1,337,539**	**20,921**	-	**2,043,279**
Interest expense	**(197,351)**	**(374,024)**	**-**	-	**(571,375)**
Net instalment finance income	**487,468**	**963,515**	**20,921**	**-**	**1,471,904**
Fee commission and other income	**-**	**-**	**17,735**	**292,845**	**310,580**
Segmental expenses					
Operating expenses	**(349,669)**	**(662,702)**	**-**	**-**	**(1,012,371)**
Depreciation	**-**	**-**	**-**	**(24,476)**	**(24,476)**
Profit before tax and allowance for ECL	**137,799**	**300,813**	**38,656**	**268,369**	**745,637**
Allowance for expected credit losses	**(283,564)**	**(159,683)**	-	-	**(443,247)**
Segmental profit for the year before tax	**(145,765)**	**141,130**	**38,656**	**268,369**	**302,390**
Income tax expense	-	-	-	**(45,358)**	**(45,358)**
Segmental profit for the year	**(145,765)**	**141,130**	**38,656**	**223,011**	**257,032**
Total assets	**39,372,683**	**55,934,707**	**-**	**4,540,198**	**99,847,588**
Total liabilities	-	-	-	**52,498,785**	**52,498,785**

25. Segmental information (continued)

31 March 2022	Corporate RO	Retail RO	Others (insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Interest income on instalment finance income	**793,116**	**1,077,387**	**6,239**	**-**	**1,876,742**
Interest expense	**(174,421)**	**(235,088)**	**-**	**-**	**(409,509)**
Net instalment finance income	**618,695**	**842,299**	**6,239**	**-**	**1,467,233**
Fee commission and other income	**-**	**-**	**19,898**	**59,011**	**78,909**
Segmental expenses					
Operating expenses	**(433,459)**	**(584,226)**	**-**	**-**	**(1,017,685)**
Depreciation	**-**	**-**	**-**	**(22,470)**	**(22,470)**
Profit before tax and allowance for ECL	**185,236**	**258,073**	**26,137**	**36,541**	**505,987**
Allowance for expected credit losses	**(141,159)**	**(63,428)**	**-**	**-**	**(204,587)**
Segmental profit for the year before tax	**44,077**	**194,645**	**26,137**	**36,541**	**301,400**
Income tax expense	**-**	**-**	**-**	**(47,210)**	**(47,210)**
Segmental profit for the year	**44,077**	**194,645**	**26,137**	**(10,669)**	**254,190**
Total assets	**32,489,923**	**47,012,660**	**-**	**5,309,899**	**84,812,483**
Total liabilities	**-**	**-**	**-**	**37,232,169**	**37,232,169**

26. 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)	**22,900**	14,206
Directors' remuneration (note 8)	**80,000**	80,000
Other related parties:		
Interest income on instalment finance income	**42,503**	71,960

26. Related parties (continued)

Compensation of the key management personnel is as follows :

	2023 RO	2022 RO
Salaries and allowances	**142,212**	83,486
End of service benefits	**4,567**	2,723
	146,779	86,209

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

Other related parties:	2023 RO	2022 RO
Disbursements:	**-**	-
Other related parties:		
Collections:	**138,651**	407,767
Amounts due from related parties:		
Instalment finance debtors due	**1,694,109**	2,961,297

The provision pertaining to the above balances have been covered as part of the expected credit loss measurement. Please refer note 30.

Amounts due to related parties:

	2023 RO	2022 RO
Lease financing	**157,207**	138,519
Amount due	**61,304**	27,490

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.

27. Contingent liabilities

At 31 March 2023, there were contingent liabilities of RO 142,153 (2022: RO 278,500) 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.

28. Commitments

The Company has approved commitments to customers as on 31 March 2023 amounting to RO 218,958 (31 March 2022: RO 977,578), which is contingent upon fulfilment of the terms and conditions attached thereto. The company has approved commitments to vendors as on 31 March 2023 amounting to RO 269,500 (31 March 2022: nil) towards major capital expenditure.

29. 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 31 March 2022 and 2022 are not significantly different to their carrying value at each of those dates.

Fair value hierarchy

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

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

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

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

	Total RO	**Level 1 RO**	**Level 2 RO**	**Level 3 RO**
31 March 2023				
Financial Instruments measured at FVOCI	**724,150**	**-**	**-**	**724,150**
31 March 2022				
Financial Instruments measured at FVOCI	554,150	-	-	554,150

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

30. Financial risk management

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

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

Credit risk

The measurement of ECL 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 significant 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.

30. Financial risk management (continued)

Credit risk (continued)

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

Maximum exposure to credit risk

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

	2023 **RO**	2022 RO
Instalment finance debtors	**106,686,685**	97,939,852
Bank balances and deposits (including deposit with CBO)	**374,830**	2,211,598
Other receivables	**14,755**	(3,968)
Total credit risk exposure	**107,076,270**	100,147,482

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.

30. Financial risk management (continued)

Credit risk (continued)

Expected credit loss measurement (continued)

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

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

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

	2023 **RO**	2022 RO
Neither past due nor impaired	**79,731,741**	66,807,367
Past due 1-30 days	**3,571,850**	2,864,985
Past due 31-60 days	**942,119**	1,423,037
Past due 61-89 days	**965,102**	435,526
	85,210,812	71,530,915

The total impaired assets as at 31 March 2023 amounts to RO 21.47 million (2022: RO 26.41 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.

30. Financial risk management (continued)

Credit risk (continued)

Generating the term structure of PD (continued)

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

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

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

Significant increase in credit risk (SICR)

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

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

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

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

- Inadequate or unreliable financial and other information such as unavailability of audited financial statements.
- Non-cooperation by the borrower in matters pertaining to documentation.
- Borrower is the subject of litigation by third parties that may have a significant impact on his financial position.
- Frequent changes in senior management.
- Intra-Company transfer of funds without underlying transactions.
- Deferment / delay in the date for commencement of commercial operations by more than one year.

30. Financial risk management (continued)

Credit risk (continued)

Significant increase in credit risk (SICR) (continued)

- Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants, etc. In applying this requirement, FLCs may be guided by the extant instructions of CBO in regard to treating an account as restructured.
- A fall of 25 percent or more in the turnover or in the earnings before interest and taxes (EBIT) as compared to the previous year.
- Erosion in net worth by more than 20 percent as compared to the previous year end coupled with an increase in leverage.
- A fall in the debt service coverage ratio to below 1.

Definition of default and credit-impaired assets

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

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

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

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

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

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

Measuring ECL - explanation of inputs, assumptions and estimation techniques

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

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

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

30. Financial risk management (continued)

Credit risk (continued)

Measuring ECL - explanation of inputs, assumptions and estimation techniques

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

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

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

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

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

30. Financial risk management (continued)

Credit risk (continued)

Forward-looking information incorporated in the ECL models

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

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

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

The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The economic scenarios used as at 31 March 2023 included the following ranges of key indicators for Sultanate of Oman for the years ending 31 March 2023 to 2027.

	2023	**2024**	**2025**	**2026**	**2027**
GDP growth	4.1%	1.9%	2.3%	2.5%	2.7%

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.

30. 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 significant accounting policies in Note 3.

	2023				2022
	ECL Staging				
	Stage 1 12-month ECL RO	**Stage 2 Lifetime ECL not credit-impaired RO**	**Stage 3 Lifetime ECL credit-impaired RO**	**Total RO**	Total RO
Instalment finance debtors:					
Standard	**80,926,227**	**4,284,585**	**-**	**85,210,812**	**71,530,915**
Special mention			**2,072,461**	**2,072,461**	**2,859,130**
Substandard			**4,962,065**	**4,962,065**	**968,370**
Doubtful			**387,830**	**387,830**	**817,151**
Loss			**14,053,517**	**14,053,517**	**21,764,286**
	80,926,227	**4,284,585**	**21,475,873**	**106,686,685**	**97,939,852**
Allowance for ECL	**519,506**	**703,374**	**10,155,574**	**11,378,454**	**(18,433,473)**
Carrying amount	**80,406,721**	**3,581,211**	**11,320,299**	**95,308,231**	**79,506,379**
Undrawn Commitments	**361,111**			**361,111**	**977,578**
Allowance for ECL	**841**			**841**	**(3,795)**
Carrying amount in statement of financial position	**80,405,880**	**3,581,211**	**11,320,299**	**95,307,390**	**79,502,584**

30. 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.

30. Financial risk management (continued)

Credit risk (continued)

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

31 March 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**	**80,926**	**185**	**490**	**(305)**	**80,711**	**80,406**	**1,883**	**30**
	Stage 2	**4,285**	**209**	**657**	**(448)**	**4,029**	**3,581**	**66**	**47**
	Stage 3	-	-	-	-	-	-		-
		85,211	**394**	**1,147**	**(753)**	**84,740**	**83,987**	**1,949**	**77**
Special mention	**Stage 1**	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**2,072**	**169**	**423**	**(254)**	**1,864**	**1,610**	**44**	**39**
		2,072	**169**	**423**	**(254)**	**1,864**	**1,610**	**44**	**39**
Substandard	**Stage 1**	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**4,962**	**1545**	**1,413**	**132**	**3,211**	**3,343**	**8**	**206**
		4,962	**1545**	**1,413**	**132**	**3,211**	**3,343**	**8**	**206**
Doubtful	**Stage 1**	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**388**	**176**	**43**	**133**	**190**	**323**	**5**	**22**
		388	**176**	**43**	**133**	**190**	**323**	**5**	**22**
Loss	**Stage 1**	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**14,054**	**10,464**	**6,407**	**4,057**	**1,988**	**6,045**	**37**	**1,602**
		14,054	**10,464**	**6,407**	**4,057**	**1,988**	**6,045**	**37**	**1,602**
Total	**Stage 1**	**80,926**	**185**	**490**	**(305)**	**80,711**	**80,406**	**1,883**	**30**
	Stage 2	**4,285**	**209**	**657**	**(448)**	**4,029**	**3,581**	**66**	**47**
	Stage 3	**21,476**	**12,354**	**8286**	**4,068**	**7,253**	**11,321**	**94**	**1,869**
		106,687	**12,748**	**9,433**	**3,315**	**91,993**	**95,308**	**2,043**	**1,946**

30. Financial risk management (continued)

Credit risk (continued)

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

31 March 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	**69,564**	**705**	**1315**	**(610)**	**68,859**	**68,249**	**1,541**	**30**
	Stage 2	**1,967**	**48**	**366**	**(318)**	**1,919**	**1,601**	**17**	**40**
	Stage 3	-	-	-	-	-	-	-	-
		71,531	**753**	**1,681**	**(928)**	**70,708**	**69,850**	**1,558**	**70**
Special mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**2,859**	**244**	**764**	**(520)**	**2,615**	**2,095**	**27**	**67**
		2,859	**244**	**764**	**(520)**	**2,615**	**2,095**	**27**	**67**
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**968**	**232**	**207**	**25**	**736**	**761**	**14**	**40**
		968	**232**	**207**	**25**	**736**	**761**	**14**	**40**
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**817**	**315**	**209**	**106**	**502**	**608**	**8**	**59**
		817	**315**	**209**	**106**	**502**	**608**	**8**	**59**
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	**21,765**	**16,596**	**12,689**	**3,907**	**5,169**	**9,076**	**74**	**2,651**
		21,765	**16,596**	**12,689**	**3,907**	**5,169**	**9,076**	**74**	**2,651**
Total	Stage 1	**69,564**	**705**	**1315**	**(610)**	**68,859**	**68,249**	**1,541**	**30**
	Stage 2	**1,967**	**48**	**366**	**(318)**	**1,919**	**1,601**	**17**	**40**
	Stage 3	**26,409**	**17,387**	**13,869**	**3,518**	**9,022**	**12,540**	**123**	**2,817**
		97,940	**18,140**	**15,550**	**2,590**	**79,800**	**82,390**	**1,681**	**2,887**

30. 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 favorable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off.

Renegotiated finance debtors as at 31 March 2023 was RO 3.98 million (2022: RO 2.83 million). Out of these finance debtors amounting to RO 3.41 million (2022: RO 2.83 million) were impaired at the time of renegotiation.

Restructured accounts

31 March 2023

Assets classification as per CBO Norms	Assets classification as per IFRS 9	Gross carrying amount	Provision required as per CBO Norms	Provisions held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount as per CBO	Net carrying amount as per IFRS9	Interest recognized as per IFRS 9	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)=(3)-(5)-(10)	(9)	10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Classified as performing	Stage 1	407	-	25	(25)	407	382	12	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
		407	-	25	(25)	407	382	12	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	3,578	1,216	1,208	8	2,114	2,122	43	248
		3,578	1,216	1,208	8	2,114	2,122	43	248
Total	Stage 1	407	-	25	(25)	407	382	12	-
	Stage 2	-	-		-	-	-	-	-
	Stage 3	3,578	1,216	1,208	8	2,114	2,122	43	248
		3,985	1,216	1,233	(17)	2 ,521	2,504	55	248

30. 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 March 2022

Assets classification as per CBO Norms (1)	Assets classification as per IFRS 9 (2)	Gross carrying amount (3)	Provision required as per CBO Norms (4)	Provisions held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6)=(4)-(5)	Net carrying amount as per CBO (7)=(3)-(4)-(10)	Net carrying amount as per IFRS9 (8)=(3)-(5)-(10)	Interest recognized as per IFRS 9 (9)	Reserve interest as per CBO norms 10
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Classified as performing	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Classified as non-performing	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,837**	**1,137**	**1,042**	**95**	**1,700**	**1,795**	**24**	**244**
		2,837	**1,137**	**1,042**	**95**	**1,700**	**1,795**	**24**	**244**
Total	Stage 1	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,837**	**1,137**	**1,042**	**95**	**1,700**	**1,795**	**24**	**244**
		2,837	**1,137**	**1,042**	**95**	**1,700**	**1,795**	**24**	**244**

Impairment allowance and loss as at 31 March 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)	**941**	**2**	**443**	**205**	**(498)**	**203**
Provisions required as per CBO norms / held as per IFRS 9 (RO)*	**14,694**	**21,027**	**11,379**	**18,437**	**(3,315)**	**(2,590)**
Gross NPL ratio	**20.13%**	**26.96%**	**20.13%**	**26.96%**	**-**	**-**
Net NPL ratio	**7.37%**	**7.00%**	**10.59%**	**10.03%**	**(3.22%)**	**(3.03%)**

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

30. 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 March 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	32,541,418	28,092,748
Corporate loan:		
- Services	32,642,696	24,803,035
- Construction contracts	15,544,393	12,222,398
- Construction equipment	3,540,763	4,699,674
- Manufacturing	4,543,016	6,640,641
- Trading	2,812,540	1,882,812
- Other	3,682,564	1,161,276
	95,307,390	79,502,584

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	**5,479,071**	4,723,549

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	**7,422,356**	**4,644,651**
365 days and above	**14,053,517**	**21,764,286**
	21,475,873	**26,408,937**

All loans extended by the Company are against security of assets financed and in certain cases, if required, against additional security. Majority of 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.

30. Financial risk management (continued)

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.

30. 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 March 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	-	-	-	-	-	724,150	724,150
Deposit with Central Bank of Oman						250,000	250,000
Instalment finance debtors	13,524,107	17,828,012	19,843,482	15,529,062	28,582,727		95,307,390
Other receivables	-	-	-	-	-	591,785	591,785
Cash and cash equivalents	137,769	-	-	-	-	-	137,769
Property and equipment and other assets	-	-	-	-	-	2,836,494	2,836,494
TOTAL ASSETS	13,661,876	17,828,012	19,843,482	15,529,062	28,582,727	4, 402,429	99,847,588
Equity and liabilities							
Borrowings	29,567,218	5,527,772	7,152,789	1,111,111	-	-	43,358,891
Corporate deposits*	2,000,000	1,040,000	350,000	-	-	-	3,390,000
Creditors and other payables	4,797,337	274,194	-	-	-	337,698	5,409,228
Equity	-	-	-	-	-	47,348,803	47,348,803
Taxation	-	-	-	-	-	340,666	340,666
TOTAL EQUITY AND LIABILITIES	36,364,555	6,841,966	7,502,789	1,111,111	-	48,027,167	99,847,588
Interest rate sensitivity gap	(22,702,679)	10,986,046	12,340,693	14,417,951	28,582,727	(43,624,738)	-
Cumulative gap	(22,702,679)	(11,716,633)	624,060	15,042,011	43,624,738	-	-

* Corporate deposits are at market rates.

30. Financial risk management (continued)

Interest rate risk (continued)

31 March 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	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Instalment finance debtors	15,127,505	12,516,095	17,496,790	13,070,497	21,291,697	-	79,502,584
Other receivables	-	-	-	-	-	87,369	87,369
Cash and cash equivalents	-	-	-	-	-	1,999,247	1,999,247
Property and equipment and other assets	-	-	-	-	-	2,419,133	2,419,133
TOTAL ASSETS	15,127,505	12,516,095	17,496,790	13,070,497	21,291,697	5,309,899	84,812,483
Equity and liabilities							
Borrowings	23,880,556	2,555,556	1,000,000	1,000,000	-	-	28,436,111
Corporate deposits	3,000,000	1,000,000	-	-	-	-	4,000,000
Creditors and other payables	-	-	-	-	-	4,386,787	4,386,787
Equity	-	-	-	-	-	47,580,314	47,580,314
Taxation	-	-	-	-	-	409,271	409,271
TOTAL EQUITY AND LIABILITIES	26,880,556	3,555,556	1,000,000	1,000,000	-	52,376,372	84,812,483
Interest rate sensitivity gap	(11,753,051)	8,960,539	16,496,790	12,070,497	21,291,697	(47,066,473)	-
Cumulative gap	(11,753,051)	(2,792,512)	13,704,278	25,774,775	47,066,473	-	-

* Corporate deposits are at market rates.

30. 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 unutilized credit facilities of RO 5.75 million (2022: RO 14.29 million).

30. Financial risk management (continued)

Liquidity risk

31 March 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						724,150	724,150
Deposit with Central Bank of Oman						250,000	250,000
Instalment finance debtors	13,524,107	17,828,012	19,843,482	15,529,062	28,582,727		95,307,390
Other receivables and prepaid expenses	591,785						591,785
Cash and cash equivalents	137,769						137,769
Property and equipment and other assets	-					2,836,494	2,836,494
TOTAL ASSETS	14,253,661	17,828,012	19,843,482	15,529,062	28,582,727	3,810,644	99,847,588
Equity and liabilities							
Borrowings	29,567,218	5,527,772	7,152,789	1,111,112	-	-	43,358,891
Corporate deposits	2,000,000	1,040,000	350,000	-	-	-	3,390,000
Creditors and other payables	4,797,336	274,194	-	-	-	337,698	5,409,228
Equity	-	-	-	-	-	47,348,803	47,348,803
Taxation	-	-	-	-	-	340,666	340,666
TOTAL EQUITY AND LIABILITIES	36,364,554	6,841,966	7,502,789	1,111,112	-	48,027,167	99,847,588
Gap in maturity (excluding off balance sheet items)	(22,110,893)	10,986,046	12,340,693	14,417,950	28,582,727	(44,216,523)	
Cumulative gap in maturity	(22,110,893)	(11,124,847)	1,215,846	15,633,796	44,216,523		
Unearned finance income	3,607,259	3,264,984	4,749,688	2,964,790	2,636,344		17,223,065
Total assets (including off balance sheet items)	17,860,920	21,092,996	24,593,170	18,493,852	31,219,071	3,810,644	117,070,653

30. Financial risk management (continued)

Liquidity risk (continued)

31 March 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
Liabilities off balance sheet							
Interest payable on loans	688,841	337,677	294,457	32,371	-	-	1,353,346
Contingent liabilities	142,153	-	-	-	-	-	142,153
Total equity and liabilities (including off balance sheet items)	37,195,548	7,179,643	7,797,246	1,143,483	-	48,027,167	101,343,087
Gap in maturity	(19,334,628)	13,913,353	16,795,924	17,350,369	31,219,071	(44,216,523)	15,727,566
Cumulative gap in maturity	(19,334,628)	(5,421,275)	11,374,649	28,725,018	59,944,089	15,727,566	-

30. Financial risk management (continued)

Liquidity risk (continued)

31 March 2022	0 – 6 Months	6 – 12 months	1 - 2 years	2 - 3 years	More than 3 years	Non-fixed maturity	Total
	RO	RO	RO	RO	RO	RO	RO
Assets		-					
Investment securities	-	-	-	-	-	554,150	**554,150**
Deposit with Central Bank of Oman	-	**12,516,095**	-	-	-	250,000	**250,000**
Instalment finance debtors	15,127,505	**-**	**17,496,790**	**13,070,497**	**21,291,697**	-	**79,502,584**
Other receivables and prepaid expenses	166,832	-	-	-	-	-	**166,832**
Cash and cash equivalents	1,999,247	-	-	-	-	-	**1,999,247**
Property and equipment and other assets	-		-	-	-	2,339,670	2,339,670
TOTAL ASSETS	17,293,584	**12,516,095**	**17,496,790**	**13,070,497**	**21,291,697**	3,143,820	84,812,483
Equity and liabilities							
Borrowings	**23,880,556**	**2,555,556**	**1,000,000**	**1,000,000**	-	-	**28,436,111**
Corporate deposits	3,000,000	**1,000,000**	-	-	-	-	**4,000,000**
Creditors and other payables	3,691,143	**371,022**	-	-	-	324,622	**4,386,787**
Equity	-	**-**	-	-	-	47,580,314	**47,580,314**
Taxation	-	-	-	-	-	409,271	**409,271**
TOTAL EQUITY AND LIABILITIES	30,571,699	**3,926,577**	**1,000,000**	**1,000,000**	-	48,314,207	84,812,483
Gap in maturity (excluding off balance sheet items)	(13,278,115)	**8,589,518**	**16,496,790**	**12,070,497**	21,291,697	(45,170,387)	-
Cumulative gap in maturity	(13,278,115)	**(4,688,597)**	**11,808,193**	**23,878,690**	45,170,387	-	-
Unearned finance income	2,051,436	**2,778,811**	**4,082,395**	**2,473,194**	2,173,042	-	13,558,877
Total assets (including off balance sheet items)	19,345,019	**15,294,906**	**21,579,185**	**15,543,691**	23,464,739	3,143,820	98,371,360

30. Financial risk management (continued)

Liquidity risk (continued)

31 March 2022 (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
Total assets (including off balance sheet items)	19,379,389	15,613,116	21,305,766	15,547,516	**23,464,739**	**3,143,820**	**98,371,360**
Liabilities off balance sheet							
Interest payable on loans	**360,752**	**198,310**	**347,260**	**179,589**	**-**	**-**	**906,322**
Contingent liabilities	**278,500**	**-**	**-**	**-**	**-**	**-**	**278,500**
Total equity and liabilities (including off balance sheet items)	**31,210,951**	**4,124,887**	**1,347,260**	**1,179,589**	**-**	**48,314,207**	**85,997,305**
Gap in maturity	**(11,865,931)**	**11,170,019**	**20,231,925**	**14,364,102**	**23,464,739**	**(45,170,387)**	**12,374,055**
Cumulative gap in maturity	**(11,865,931)**	**(695,912)**	**19,536,013**	**33,900,115**	**57,364,853**	**12,374,055**	

30. Financial risk management (continued)

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 47.35 million as at 31 March 2023 (2022: RO 47.58million).

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).

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 March 2023 and 2022 were as follows:

	2023 **RO'000**	2022 RO'000
Total borrowings	**46,749**	**32,436**
Total outside liabilities	**52,158**	**36,823**
Total equity	**47,349**	**47,580**
Net worth (defined above)	**38,723**	**40,094**
Gearing ratio (times)	**0.99**	**0.68**
Leverage ratio (times)	**1.35**	**0.92**

31. 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 making progress on embedding climate risk in its risk framework.

32. General

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