UNITED FINANCE COMPANY SAOG

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2021

Registered Office

P.O. Box 3652
P.C. 112, Ruwi
Sultanate of Oman

Principal Place of Business

Building number 412
Rumailah Road
Wattayah
Sultanate of Oman

UNITED FINANCE COMPANY SAOG

UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

UNITED FINANCE COMPANY SAOG

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

30 SEP 2020 US$	30 SEP 2021 US$		Notes	30 SEP 2021 RO	30 SEP 2020 RO
14,429,608	13,413,748	Installment finance income		5,164,293	5,555,399
(5,068,034)	(3,948,556)	Interest expense		(1,520,194)	(1,951,193)
9,361,574	9,465,192	**Net installment finance income**		3,644,099	3,604,206
971,696	803,369	Other income	5	309,297	374,103
(5,823,964)	(5,601,535)	Operating expenses	6	(2,156,591)	(2,242,226)
(195,304)	(186,307)	Depreciation	7	(71,728)	(75,192)
4,314,002	4,480,719	**Profit before tax and provision for impairment**		1,725,077	1,660,891
(2,368,070)	(2,526,021)	Impairment on installment finance debtors - net	11	(972,518)	(911,707)
1,945,932	1,954,699	**Profit before tax**		752,559	749,184
(291,891)	(392,797)	Income tax expense	8	(151,227)	(112,378)
1,654,041	1,561,901	**Profit and total comprehensive income for the period**		601,332	636,806
0.006	0.006	**Basic and diluted earnings per share**	21	0.002	0.002

The accompanying notes form an integral part of these financial statements.

UNITED FINANCE COMPANY SAOG

UNAUDITED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2021

30 Sep 2020 US$	30 Sep 2021 US$		Notes	30 Sep 2021 RO	30 Sep 2020 RO
		ASSETS			
6,251,704	6,083,680	Property and equipment	7	2,342,217	2,406,906
36,098	43,956	Deferred tax asset	8	16,923	13,898
649,351	649,351	Deposit with the Central Bank of Oman	9	250,000	250,000
1,439,351	1,439,351	Investment securities	10	554,150	554,150
224,967,140	203,918,886	Installment finance debtors	11	78,508,771	86,612,349
289,956	642,252	Other receivables and prepaid expenses	12	247,267	111,633
7,294,055	1,368,472	Cash and cash balance	13	526,862	2,808,211
240,927,655	214,145,948	**Total assets**		82,446,190	92,757,147
		EQUITY AND IABILITIES			
		Equity			
90,686,860	90,686,860	Share capital	14	34,914,441	34,914,441
1,372,473	1,372,473	Share premium reserve	15	528,402	528,402
12,526,844	12,728,413	Legal reserve	16(a)	4,960,572	4,822,835
6,153,218	6,153,218	Special reserve	16(b)	2,368,989	2,368,989
764,971	764,971	Foreign currency reserve	16(c)	294,514	294,514
4,990,818	4,965,548	Impairment Reserve	16(d)	1,911,736	1,921,465
1,097,408	2,844,660	Retained earnings		1,035,061	422,502
117,592,592	119,516,143	**Total Equity**		46,013,715	45,273,148
		Liabilities			
98,205,823	71,870,561	Borrowings	18	27,670,166	37,809,242
15,584,416	10,389,610	Corporate deposits	19	4,000,000	6,000,000
9,392,258	12,089,364	Creditors and other payables	20	4,654,405	3,616,019
152,566	280,270	Taxation	8	107,904	58,738
123,335,063	94,629,805	**Total liabilities**		36,432,475	47,483,999
240,927,655	214,145,948	**Total equity and liabilities**		82,446,190	92,757,147
0.337	0.342	**Net assets per share**	22	0.132	0.130

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

The accompanying notes form an integral part of these financial statements.

UNITED FINANCE COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	Notes	Share capital	Share premium reserve	Legal reserve	Special reserve	Foreign currency reserve	Impairment reserve	Retained earnings	Total
		RO	RO	RO	RO	RO	RO	RO	RO
		14	15	16(a)	16(b)	16(c)	16(d)		
At 1 January 2021		34,914,441	528,402	4,900,439	2,368,989	294,514	1,911,736	493,862	45,412,383
Profit and total comprehensive income for the period		-	-	-	-	-	-	601,332	601,332
Transfer to legal reserve		-	-	60,133	-	-	-	(60,133)	--
Transfer to impairment reserve		-	-	-	-	-	-	-	--
Transfer to special reserve		-	-	-	-	-	-	-	--
Cash dividend		-	-	-	-	-	-	-	--
Stock dividend									
At 30 September 2021		34,914,441	528,402	4,960,572	2,368,989	294,514	1,911,736	1,035,061	46,013,715

The accompanying notes form an integral part of these financial statements.

UNITED FINANCE COMPANY SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Share capital	Share premium reserve	Legal reserve	Special reserve	Foreign currency reserve	Impairment reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Notes	13	14	15(a)	15(b)	15(c)	16(d)		
At 1 January 2020	**34,914,441**	**528,402**	**4,822,835**	**2,368,989**	**294,514**	**1,036,092**	**671,069**	**44,636,342**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**636,806**	**636,806**
Transfer to legal reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**--**
Transfer to impairment reserve	**-**	**-**	**-**	**-**	**-**	**885,373**	**(885,373)**	**--**
Transfer to special reserve	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**--**
Cash dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**--**
Stock dividend	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
At 30 September 2020	**34,914,441**	**528,402**	**4,822,835**	**2,368,989**	**294,514**	**1,921,465**	**422,502**	**45,273,148**

The accompanying notes form an integral part of these financial statements.

UNITED FINANCE COMPANY SAOG

UN-AUDITED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 SEPTEMBER 2021

	Notes	30 Sep 2021 RO	30 Sep 2020 RO
Profit before taxation		752,559	749,184
Adjustments for:			
Depreciation	8	71,728	75,192
(Profit) Loss on property and equipment written off/sold during the period			(15,248)
Provision for Impairment on installments of finance debtors - net		972,518	911,707
End of service benefits charge for the period	20 (a)	29,772	35,568
Operating profit before changes in operating assets and liabilities		1,826,577	1,756,403
Installment finance debtors (net)		5,834,698	10,939,216
Other receivables and prepayments		(107,704)	8,095
Creditors and other payables		1,437,277	(1,630,604)
End of service benefits paid		(129,656)	(52,722)
Income taxes paid	8	(12,619)	(566,061)
Net cash from operating activities		8,848,573	10,454,327
Investing activities			
Purchase of property and equipment	7	(24,423)	(61,825)
Proceeds from sale of property and equipment		-	15,250
Net cash used in investing activities		(24,423)	(46,575)
Financing activities			
Long-term loans received		4,950,000	18,900,000
Long-term loans repaid		(15,509,719)	(21,543,550)
Net change in short-term loans		2,000,000	(4,350,000)
Corporate deposits		(445,164)	(1,000,000)
Bank overdrafts		-	(207,463)
Net cash from financing activities		(9,004,883)	(8,201,013)
Net change in cash and cash equivalents		(180,733)	2,206,739
Cash and cash equivalents at beginning of the year		707,594	601,472
Cash and cash equivalents at end of the period	13	526,861	2,808,211

The accompanying notes form an integral part of these financial statements.

1 Legal status and principal activities

United Finance Company SAOG ("the Company") is an Omani Joint Stock Company, licensed by the Central Bank of Oman and registered under the Commercial Companies Law of the Sultanate of Oman. The Company is 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, Sohar, Salalah, Nizwa, Barka and Mawelah, all located within the Sultanate of Oman. The registered address of the Company is P O Box 3652, Postal Code 112, Ruwi, Sultanate of Oman. The Company has a primary listing on the Muscat Stock Exchange.

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 2020, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of a Business - Amendments to IFRS 3 Business Combinations The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
IFRS 7 Financial Instruments: Disclosures and IFRS 9 - Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform.	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of material The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.	1 January 2020
Amendment to IFRS 16 'Leases' To provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	1 January 2020

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)

The application of above revised standards has not had impact on the amount reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

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

The IASB has published a number of minor amendments to IFRSs that are effective from 1 January 2021. The Company expects they will have an insignificant effect, when adopted, on the financial statements of the Company.

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 periods presented.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable regulations of the Central Bank of Oman, applicable requirements of the Commercial Companies Law of 2019 and the Capital Market Authority of the Sultanate of Oman.

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.

Foreign currency transactions

Functional and presentation currency
The accounting records are maintained in Rial Omani which is the functional and presentation currency for these financial statements. The United States Dollar amounts shown in the statement of comprehensive income and the statement of financial position have been translated from Rial Omani at an exchange rate of RO 0.385 to each US Dollar, and are shown for the convenience of the reader only.

3. Significant accounting policies (continued)

Foreign currency transactions (continued)

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

Recognition of interest income and expenses

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

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

When calculating the effective interest rate for financial instruments other than 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.

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.

3. Significant accounting policies (continued)

Recognition of interest income and expenses (continued)

Calculation of interest income and expense (continued)
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 on debt instruments measured at FVOCI 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.

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.

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

3. Significant accounting policies (continued)

Property and equipment (continued)

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

Financial assets and financial liabilities

i) Recognition and initial measurement

The Company initially recognises all regular way purchase and sale of financial assets on the date at which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

The Company has applied IFRS 9 and classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost.

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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

ii) Classification (continued)

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

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

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Classification (continued)

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

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

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

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.

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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

iii) Derecognition

Derecognition of financial assets

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

- the right to receive cash flows from the asset have expired; or
- 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
- 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.

(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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(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 measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12 month 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.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

(v) Impairment (continued)

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.

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 making an assessment of 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.

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

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

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

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

Provisions

Provisions are recognized 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 Company's' 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 customer's account, which would form part of the main statement of financial position.

Dividend distribution

Dividend distribution to the Company's shareholders is recognized 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)

Financial assets and financial liabilities (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. Unquoted equity investments are held at cost.

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.

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.

Leases

The Company as lessee

The Company assesses whether contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Leases (continued)

The Company as lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revise discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. Significant accounting policies (continued)

Financial assets and financial liabilities (continued)

Leases (continued)

The Company as lessee (continued)

The Company did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Company applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the ‘Property, plant and equipment’ policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other expenses’ in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient.

The Company as lessor

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company’s net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate consideration under the contract to each component.

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 behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 27 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 groups 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 27 to the financial statements.

Impairment losses on Instalment finance debtors – 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)

Impairment losses on Instalment finance debtors – 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.

5 Other income

	30 Sep 2021 RO	30 Sep 2020 RO
Bad debts recovered	54,781	88,392
Penal charges	55,833	112,003
Documentation fees	84,581	51,246
Foreclosure charges	42,391	36,579
Profit on sale of assets	-	15,248
Insurance commission income	62,918	61,895
Others	8,793	8,740
	309,297	374,103

6 Operating expenses

	30 Sep 2021 RO	30 Sep 2020 RO
Staff costs (note 6.1)	1,536,897	1,534,838
Communication and traveling	109,818	133,953
Repairs and maintenance	133,833	155,565
Insurance	96,281	104,223
Fees and charges	41,473	39,736
Rent	36,004	45,765
Bank charges	30,512	42,094
Directors' sitting fees (note 24)	51,500	50,350
Statutory and legal expenses	55,155	57,117
Utilities	18,496	13,993
Advertising and business promotion expenses	14,008	6,798
Others	32,614	57,794
	2,156,591	2,242,226

6.1 Staff costs

	30 Sep 2021 RO	30 Sep 2020 RO
Wages and salaries	1,280,792	1,277,596
Other benefits	134,699	137,261
Contributions towards the PASI	91,634	84,413
End of service benefits (note 20 a)	29,772	35,568
	1,536,897	1,534,838

7 Property and equipment

	Land RO	Buildings RO	Motor vehicles RO	Furniture and office equipment RO	Total RO
Cost					
1 January 2021	**1,969,215**	**769,966**	**-**	**1,308,289**	**4,047,470**
Additions	**-**	**-**	**-**	**24,423**	**24,423**
Disposal/written off	**-**	**-**	**-**	**-**	**-**
30 September 2021	**1,969,215**	**769,966**	**-**	**1,332,712**	**4,071,893**
Depreciation					
1 January 2021	**-**	**522,246**	**-**	**1,135,701**	**1,657,947**
Charge for the period	**-**	**28,789**	**-**	**42,940**	**71,729**
Disposals/written off	**-**	**-**	**-**	**-**	**-**
30 September 2021	**-**	**551,035**	**-**	**1,178,641**	**1,729,676**
Net book value					
30 September 2021	**1,969,215**	**218,931**	**-**	**154,071**	**2,342,217**

	Land RO	Buildings RO	Motor vehicles RO	Furniture and office equipment RO	Total RO
Cost					
1 January 2020	1,969,215	769,966	44,500	1,238,802	4,022,483
Additions	-	-	-	61,825	61,825
Disposal/written off	-	-	(44,500)	-	(44,500)
30 September 2020	1,969,215	769,966	-	1,300,627	4,039,808
Depreciation					
1 January 2020	-	483,756	44,498	1,073,954	1,602,208
Charge for the period	-	28,816	-	46,376	75,192
Disposals/written off	-	-	(44,498)	-	(44,498)
30 September 2020	-	512,571	-	1,120,330	1,632,902
Net book value					
30 September 2020	1,969,215	257,395	-	180,297	2,406,906

8 Taxation

(a) Charge in the statement of comprehensive income is as follows:

Statement of comprehensive income:	**30 Sep 2021 RO**	30 Sep 2020 RO
Current tax:		
Current period	112,884	112,378
Prior year	38,343	-
	151,227	112,378

8 Taxation (continued)

(b) Breakup of tax liability and deferred tax asset are as follows:

	30 Sep 2021 RO	30 Sep 2020 RO
Current liability:		
Current year	112,884	112,378
Prior years	(4,980)	(53,640)
	107,904	58,738
Deferred tax asset:		
At 1 January	16,923	13,898
Movement during the period	-	-
At 30 Sep	16,923	13,898
The deferred asset comprises the following temporary differences:		
Depreciation of property and equipment	16,923	13,898

(c) The reconciliation of the tax on accounting profit at the applicable rate of 15% (2020 - 15%) and the taxation charge in the financial statements is as follows:

	30 Sep 2021	30 Sep 2020 RO
Profit before taxation	752,559	749,184
Taxation at the applicable tax rate	112,884	112,378
Taxation expense	112,884	112,378

(d) The movement in the taxation liability is as follows:

	30 Sep 2021 RO	30 Sep 2020 RO
At 1 January	86,333	512,421
Charge/(reversal) for the period	151,227	112,378
Paid during the period	(129,656)	(566,061)
At 30 Sep	107,904	58,738

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 2016.

9 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% (2020 : 1.5%) per annum.

10 Investment securities

	2021 RO	2020 RO
Al-Soor International Holding Company (Kuwait)	**554,149**	**554,149**
National Bureau of Commercial Information	**1**	**1**
	554,150	**554,150**

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) was performed as of 31 December 2020 by Global Financial Investment Holding SAOG (the majority shareholder of the Company). The valuer has appropriate qualifications and recent experience in the fair value assessment of similar securities. The fair value of unquoted security was determined based on the discounted cash flow method and income approach method (Level 3 fair value hierarchy).

11 Installment 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 under note 27.

(a) Installment finance debtors arising from financing activities

	30 Sep 2021 RO	30 Sep 2020 RO
Gross installment finance debtors	**109,215,252**	**117,313,826**
Unearned finance income	**(12,360,884)**	**(12,854,558)**
Net installment finance debtors	**96,854,368**	**104,459,268**
Debt factoring activity debtors	**687,985**	**1,015,093**
	97,542,353	**105,474,361**
Provision for expected credit loss as per IFRS9	**(15,014,991)**	**(14,993,628)**
Unrecognised contractual income	**(4,018,591)**	**(3,868,384)**
	78,508,771	**86,612,349**

Debt factoring activity debtors includes 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.

(b) The table below represents analysis of gross installment finance debtors and present value of installment finance debtors for each of the following periods:

	Upto 1 year RO	1 to 5 year RO	Above 5 years RO	Total RO
At 30 Sep 2021				
Gross installment finance debtors finance and debt factoring activities debtors	**55,176,933**	**52,732,098**	**1,991,206**	**109,903,237**
Installment finance and debt factoring activities debtors net of unearned interest	**49,893,285**	**45,809,820**	**1,839,249**	**97,542,353**
At 30 Sep 2020				
Gross installment finance debtors and debt factoring activities debtors	**58,472,256**	**57,587,484**	**2,269,179**	**118,328,919**
Installment finance and debt factoring activities debtors net of unearned interest	**52,843,368**	**50,495,478**	**2,135,515**	**105,474,361**

11 Installment finance debtors (continued)

(c) Movement in provision for loan impairment

The movement in the provision for impairment of finance debtors and reserved interest for the period was as follows:

2021	**Provision**		**Total**
	Principal	**Interest**	
	RO	**RO**	**RO**
At 1 January	**14,042,473**	**3,800,320**	**17,842,793**
Charged during the period	**2,279,207**	**447,727**	**2,726,934**
Written back / released during the period	**(1,306,689)**	**(229,455)**	**(1,536,144)**
Transfer during the year	**-**	**-**	**-**
At 30 Sep	**15,014,991**	**4,018,592**	**19,033,583**

As at 30 Sep 2021 total impairment provision as per CBO requirement is RO 21.43 million (30 September 2020 RO 21.12 million) as against RO 19.03 million (30 September 2020 RO 18.86 million) as per IFRS 9.

As at 30 Sep 2021 the company maintains a general provision of RO 0.617 million (December 2020 RO 0.265 million) on account of deferred loans.

2020	Provision		Total
	Principal	Interest	
	RO	RO	RO
At 1 January	14,081,921	3,319,184	17,401,105
Charged during the period	2,097,068	694,240	3,068,818
Written back / released during the period	(1,462,871)	(145,040)	(1,607,911)
Transfer during the year	-	-	-
At 30 Sep 2020	14,993,628	3,868,384	18,862,012

Contractual interest is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by Regulators against instalment finance contract receivables from the month in which the receivables are impaired i.e. overdue by more than 89 days. As at 30 Sep 2021, the total balance of finance debtors on which interest has not been recognised amounted to RO 27.10 million (30 September 2020 RO 30.23 million).

12 Other receivables and prepaid expenses

	30 Sep 2021	**30 Sep 2020**
	RO	RO
Prepaid expenses	**56,632**	**47,941**
Advances	**74,948**	**35,001**
Other debtors	**115,687**	**28,691**
	247,267	**111,633**

13 Cash and cash equivalents

	30 Sep 2021	**30 Sep 2020**
	RO	RO
Bank and cash balances	**526,725**	**2,808,060**
Call deposits	**136**	**151**
	526,861	**2,808,211**

Call deposits are placed with a commercial bank in the Sultanate of Oman with annual interest rate of 0.25% (Sep 2020 - 0.25%) per annum.

14 Share capital

Share capital comprises 349,144,411 (30 Sep 2020 - 349,144,411) fully paid shares of RO 0.100 each. The Company's authorised share capital is RO 50,000,000 (30 Sep 2020 - 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	
	30 Sep 2021	**30 Sep 2020**	**30 Sep 2021**	**30 Sep 2020**
Oman Hotels and Tourism Company	**117,234,793**	**117,234,793**	**33.58**	**33.58**
Global Financial Investment Holding Company	**44,747,501**	**44,747,501**	**12.82**	**12.82**
Al Saud Company Ltd – Ubar Financial Investment	**26,331,515**	**26,331,515**	**7.54**	**7.54**
Oman Holding International Company SAOC	**19,731,704**	**19,731,704**	**5.65**	**5.65**

15 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.

16 Reserves

Legal reserve

In accordance with Article 132 of the Commercial Companies Law of 2019, 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.

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 2021, the Company has not made any transfer to special reserve (2020: nil).

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

Foreign currency reserve

The Company maintained an optional "Foreign Currency Reserve" to mitigate risk of un-favourable foreign exchange losses.

Impairment reserve

As per Circular 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. Accordingly, the Company has created an impairment reserve of RO 1.91 million as at 31st December 2020 (2019 RO.1.036 million). As per circular BSD/CB & FLCs/2021/002 dated 18th March 2021 no addition was made to Impairment reserve for the period ended 30 September 2021.

17 Dividends proposed and paid

The Board of Directors have not recommended dividend for the year 2020.

18 Borrowings

	30 Sep'2021 RO	30 Sep'2020 RO
Short-term loans	16,500,000	15,500,000
Current portion of long-term loans	9,980,564	18,475,900
Bank overdrafts	161,824	-
Short-term borrowings	26,642,388	33,975,900
Long-term portion of term loans	1,027,778	3,833,342
	27,670,166	37,809,242

The Company's bankers hold a pari passu charge over substantial portion of assets of the Company for the credit facilities granted. In addition, the Company is required to maintain certain performance and coverage ratios.

The Company borrows from commercial banks and others at market interest rates. The interest rates on overdrafts and short-term loans are subject to change at the discretion of the banks, upon renewal of the facilities.

The fair value of the long-term loans approximate their carrying value as it carries interest rates which approximates market interest rates.

The related interest rate risk and maturity profile are shown under note 27.

19 Corporate deposits

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines. The interest rates and maturity profile are given under note 27.

20 Creditors and other payables

	30 Sep 2021 RO	30 Sep 2020 RO
Trade creditors	3,181,578	2,036,496
End of service benefits (note 20 (a))	355,858	345,578
Interest payable	189,777	357,358
Accrued expenses	239,824	183,299
Advances received from customers	363,535	333,707
Others	323,833	359,581
	4,654,405	3,616,019

20 (a) End of service benefits

	30 Sep 2021 RO	30 Sep 2020 RO
At 1 January	338,705	362,732
Charge for the period	29,772	35,568
Payment made during the period	(12,619)	(52,722)
At 30 Sep	355,858	345,578

21 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.

	30 Sep 2021 RO	30 Sep 2020 RO
Profit for the period (RO)	601,332	636,806
Weighted average number of shares	349,144,441	349,144,441
Basic earnings per share for the period (RO)	0.002	0.002

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

22 Net assets per share

The calculation of net assets per share is as below:

	30 Sep 2021 RO	30 Sep 2020 RO
Net asset value (RO)	46,013,715	45,273,148
Number of ordinary shares outstanding	349,144,411	349,144,411
Net asset per share (RO)	0.132	0.130

23 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 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 30 Sep 2021 is as follows:

Reportable segments

	Corporate RO	Retail RO	Others (Insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Installment finance income	3,181,872	1,950,180	32,241	-	5,164,293
Interest expense	(942,520)	(577,674)	-	-	(1,520,194)
Net installment finance income	2,239,352	1,372,506	32,241	-	3,644,099
Other income	-	-	64,218	245,079	309,297
Segmental expenses					
Other expenses	(1,337,086)	(819,505)	-	-	(2,156,591)
Depreciation	-	-	-	(71,728)	(71,728)
Profit before tax and provision for impairment	902,265	553,001	96,460	173,351	1,725,077
Provision for impairment-net	(602,961)	(369,557)	-	-	(972,518)
Segmental profit for the period before tax	299,304	183,444	96,460	173,351	752,559
Income tax expense	-	-	-	(151,227)	(151,227)
Segmental profit for the period	299,304	183,444	96,460	22,124	601,332
Total assets	48,675,438	29,833,333	-	3,937,419	82,446,190
Total liabilities				36,432,475	36,432,475

23 Segmental information (continued)

The segment information provided to the Management committee for the reportable segments for the period ended 30 Sep 2020 is as follows:

Reportable segments	Corporate RO	Retail RO	Others (Insurance and debt factoring) RO	Unallocated items RO	Total RO
Segmental revenues					
Installment finance income	3,395,243	2,080,956	79,200	-	5,555,399
Interest expense	(1,209,740)	(741,453)	-	-	(1,951,193)
Net installment finance income	2,185,503	1,339,503	79,200	-	3,604,206
Other income	-	-	63,753	310,350	374,103
Segmental expenses					
Other expenses	(1,390,180)	(852,046)	-	-	(2,242,226)
Depreciation	-	-	-	(75,192)	(75,192)
Profit before tax and provision for impairment	795,323	487,457	142,953	235,158	1,660,891
Provision for impairment-net	(565,258)	(346,449)	-	-	(911,707)
Segmental profit for the period before tax	230,065	141,008	142,953	235,158	749,184
Income tax expense	-	-	-	(112,378)	(112,378)
Segmental profit for the period	230,065	141,008	-	122,780	636,806
Total assets	52,833,533	33,778,816	-	6,144,798	92,757,147
Total liabilities				47,483,999	47,483,999

24 Related parties

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

Transactions included in statement of income are as follows:

	30 Sep 2021 RO	**30 Sep 2020** RO
Directors' sitting fees (note 6)	**51,500**	**50,350**
Other related parties :		
Installment finance income	**124,840**	**102,213**
Legal Expenses	**-**	**-**

Transactions relating to installment finance debtors during the period nine month ended are as follows:

	30 Sep 2021 RO	**30 SEP 2020** RO
Disbursements:		
Other related parties	**548,106**	**227,433**
Collections:		
Other related parties	**564,965**	**360,950**

24 Related parties (continued)

Amounts due from related parties:

	30 Sep 2021 RO	30 Sep 2020 RO
Installment finance debtors due	**2,112,514**	1,758,697

No provision is required in respect of loans given to the related parties during the period nine months ended 2021.

Amounts due to Other related parties:

	30 Sep 2021 RO	30 Sep 2020 RO
Business done	384,619	346,748
Amount due	37,898	23,968

Compensation of the key management personnel is as follows:

	30 Sep 2021 RO	30 Sep 2020 RO
Salaries and allowances	**136,120**	**99,380**
End of service benefits	**6,313**	**4,241**
	142433	**103,621**

25 Contingent liabilities

At 30 September 2021, there were contingent liabilities of RO 278,302 (September 2020 – RO 440,175) in respect of financial guarantees given to banks 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. Primary labour court has issued its verdict ordering to pay the end of service benefit to one of the ex-employee of the company, which has already been accrued in our books of accounts and in an addition court also ordered to pay RO 25,550. The company has filed an appeal before court.

26 Fair value information

It is the Company's intention to hold loans and advances to customers to maturity. As a result the fair value of performing loans is arrived at using the discounted cash flow analysis based on a discount rate equal to the prevailing market rates of interest for loans having similar terms and conditions. The Company considers that the fair value of financial instruments at 30 Sep 2021 and of 2020 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
30 Sep 2021				
Financial Instruments measured FVTOCI	**554,150**	**-**	**554,150**	
30 SEP 2020				
Financial Instruments measured FVTOCI	**554,150**	-	**554,150**	

During the reporting periods ended 30 September 2021 and 30 September 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

27 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 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 groups of customers in a particular region / location. In addition, to mitigate the risk of unforeseen eventualities, adequate security cover is maintained over the assets of the borrowers. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses. It is the Company's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Company does not occupy repossessed properties for business use.

27 Financial risk management (continued)

Credit risk (continued)

Maximum exposure to credit risk

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

	Gross maximum exposure	
	2021	2020
	RO	RO
Instalment finance debtors	**97,542,353**	**105,474,361**
Other receivables	**190,635**	**63,692**
Bank balances and deposits (including deposit with CBO)	**717,539**	**3,007,929**
Total credit risk exposure	**98,450,527**	**108,545,981**

Collateral held and other credit enhancement

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

Expected credit loss measurement

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

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.

- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer below notes for a description of how the Company determines when a significant increase in credit risk has occurred.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer below for description of how the Company defines credit-impaired and default.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer below for description of inputs, assumptions and estimation techniques used in measuring the ECL.

- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information. Please refer below for estimating impairment for explanation of how the Company has incorporated this in its ECL models.

27 Financial risk management (continued)

Credit risk (continued)

- **Credit risk allocation**

- 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.

- At 30 Sep 2021 the ageing of financial receivables that were not impaired was as follows

	2021	2020
	RO	RO
Neither past due nor impaired	**64,798,724**	**66,815,419**
Past due 1-30 days	**4,155,094**	**6,766,105**
Past due 31-60 days	**1,206,911**	**1,406,355**
Past due 61-89 days	**286,406**	**255,837**

- The total impaired asset as at 30 September 2021 amounts to RO 27.10 million (30 September 2020 RO 30.23 million).
- As at 30 September 2021, the Company has included loans amounting to RO 0.641 Mil, as per CBO circular BM 977 for which DPD is less than 90 days, in total impaired assets of RO 27.10 million.

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

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

Generating the term structure of PD

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

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

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

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.

27 Financial risk management (continued)

Credit risk (continued)

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-group transfer of funds without underlying transactions.
- Deferment / delay in the date for commencement of commercial operations by more than one year.
- Modification of terms resulting in concessions granted to the borrower including extension of moratorium, deferment of payment, waiver of covenants, etc. In applying this requirement, 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 90 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).

27 Financial risk management (continued)

Credit risk (continued)

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

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

Measuring ECL – explanation of inputs, assumptions and estimation techniques (continued)

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

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

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

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

Forward-looking information incorporated in the ECL models

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

27 Financial risk management (continued)

Credit risk (continued)

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

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

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

The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The economic scenarios used as at 30 Sep 2021 included the following ranges of key indicators for Sultanate of Oman for the years ending 31 December 2021 to 2025.

	2021	**2022**	**2023**	**2024**	**2025**
GDP growth	**-0.50%**	**11%**	**3.5%**	**3.5%**	**3.1%**

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

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.

27 Financial risk management (continued)
Credit risk (continued)
Credit quality analysis

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

	2021				2020
	ECL Staging				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total	Total
	RO	RO	RO	RO	RO
Instalment finance debtors:					
Standard	**66,508,136**	**3,938,999**	**-**	**70,447,135**	75,243,715
Special mentioned / watch list	**-**	**-**	**2,696,157**	**2,696,157**	3,246,334
Substandard	**-**	**-**	**1,135,733**	**1,135,733**	2,167,794
Doubtful	**-**	**-**	**723,946**	**723,946**	2,777,403
Loss	**-**	**-**	**22,539,382**	**22,539,382**	22,039,114
	66,508,136	**3,938,999**	**27,095,219**	**97,542,353**	105,474,361
Loss allowance	**(1,059,449)**	**(402,334)**	**(17,564,683)**	**(19,026,467)**	(18,861,174)
Carrying amount	**65,448,687**	**3,536,664**	**9,530,535**	**78,515,886**	86,613,186
Undrawn Commitments	**814,514**	**59,208**	**-**	**873,722**	1,453,370
Loss allowance	**(2,567)**	**(4,548)**	**-**	**(7,115)**	(838)
Carrying amount	**65,446,119**	**3,532,116**	**9,530,535**	**78,508,771**	86,612,349

Amounts arising from ECL

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

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

- **Write-off policy**

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

- The Company may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 30 September 2021 was amounted to RO Nil (2020: Nil).

27 Financial risk management (continued)

Credit risk (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms 30 September 2021

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 IFRS 9	Interest recognized as per IFRS 9 norms	Reserve interest as per CBO norms
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)	(9)	(10)
Standard	Stage 1	66,508	700	1,062	(362)	65,808	65,446	3,833	22
	Stage 2	3,939	11	407	(396)	3,928	3,532	319	-
	Stage 3	-	-	-	-	-	-	-	-
		70,447	711	1,469	(758)	69,714	68,978	4,152	22
Special mention	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	2,696	288	292	(4)	2,408	2,404	120	158
		2,696	288	292	(4)	2,408	2,404	120	158
Substandard	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	1,136	349	379	(30)	787	757	30	86
		1,136	349	379	(30)	787	757	30	86
Doubtful	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	724	396	432	(36)	328	292	1	102
		724	396	432	(36)	328	292	1	102
Loss	Stage 1	-	-	-	-	-	-	-	-
	Stage 2	-	-	-	-	-	-	-	-
	Stage 3	22,539	19,684	16,462	3,222	2,855	6,077	3	3,651
		22,539	19,684	16,462	3,222	2,855	6,077	3	3,651
	Stage 1	66,508	700	1,062	(362)	65,808	65,446	3,833	22
	Stage 2	3,939	11	407	(396)	3,928	3,532	319	-
Total	Stage 3	27,095	20,717	17,565	3,152	6,378	9,530	154	3,997
	Total	97,542	21,428	19,034	2,394	76,114	78,508	4,306	4,019

27 Financial risk management (continued)
Credit risk (continued)

Comparison of provision held as per IFRS 9 and required as per CBO norms 30 September 2020

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 IFRS 9	Interest recognized as per IFRS 9 norms	Reserve interest as per CBO norms
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
(1)	(2)	(3)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(4)-(10)	(8)	(9)	(10)
Standard	**Stage 1**	**70,553**	**-**	**139**	**(139)**	**70,553**	**70,414**	**4,392**	**-**
	Stage 2	**4,691**	**139**	**321**	**(182)**	**4,552**	**4,370**	**330**	**-**
	Stage 3	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
		75,244	**139**	**460**	**(321)**	**75,105**	**74,784**	**4,722**	**-**
Special mention	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**3,246**	**350**	**390**	**(40)**	**2,896**	**2,856**	**131**	**182**
		3,246	**350**	**390**	**(40)**	**2,896**	**2,856**	**131**	**182**
Substandard	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**2,168**	**643**	**711**	**(68)**	**1,525**	**1,457**	**53**	**134**
		2,168	**643**	**711**	**(68)**	**1,525**	**1,457**	**53**	**134**
Doubtful	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**2,777**	**1,194**	**1,181**	**13**	**1,583**	**1,596**	**11**	**280**
		2,777	**1,194**	**1,181**	**13**	**1,583**	**1,596**	**11**	**280**
Loss	**Stage 1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 2	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	Stage 3	**22,039**	**18,797**	**16,120**	**2,677**	**3,242**	**5,919**	**-**	**3,272**
		22,039	**18,797**	**16,120**	**2,677**	**3,242**	**5,919**	**-**	**3,272**
	Stage 1	**70,553**	**-**	**139**	**(139)**	**70,553**	**70,414**	**4,392**	**-**
	Stage 2	**4,691**	**139**	**321**	**(182)**	**4,552**	**4,370**	**330**	**-**
	Stage 3	**30,230**	**20,984**	**18,402**	**2,582**	**9,246**	**11,828**	**195**	**3,868**
	Total	**105,474**	**21,123**	**18,862**	**2,261**	**84,351**	**86,612**	**4,917**	**3,868**

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

27 Financial risk management (continued)

Credit risk (continued)

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 30 September 2021 was RO 2.68 million (30 September 2020 RO 2.63 million). Out of these finance debtors amounting to RO 1.95 million (30 September 2020 RO 1.85 million) were impaired at the time of renegotiation.

Restructured accounts

30 Sep 2021

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 IFRS 9	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)	(9)	10
Classified as performing	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	-	-	-	-	-	-	-	
Sub total		-	-	-	-	-	-	-	
Classified as non-performing	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,676**	**1,715**	**1,737**	**(22)**	**961**	**939**	**3**	**520**
		2,676	**1,715**	**1,737**	**(22)**	**961**	**939**	**3**	**520**
Total	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,676**	**1,715**	**1,737**	**(22)**	**961**	**939**	**3**	**520**
	Total	**2,676**	**1,715**	**1,737**	**(22)**	**961**	**939**	**3**	**520**

27 Financial risk management (continued)
Credit risk (continued)
Restructured accounts

30 Sep 2020

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)	(9)	10
Classified as performing	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	-	-	-	-	-	-	-	
Sub total		-	-	-	-	-	-	-	
Classified as non-performing	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,639**	**1,513**	**1,577**	**(64)**	**1,126**	**1,062**	**1**	**484**
		2,639	**1,513**	**1,577**	**(64)**	**1,126**	**1,062**	**1**	**484**
Total	**Stage 1**	-	-	-	-	-	-	-	
	Stage 2	-	-	-	-	-	-	-	
	Stage 3	**2,639**	**1,513**	**1,577**	**(64)**	**1,126**	**1,062**	**1**	**484**
	Total	**2,639**	**1,513**	**1,577**	**(64)**	**1,126**	**1,062**	**1**	**484**

Impairment allowance and loss

	As per CBO Norms		**As per IFRS 9**		**Difference**	
	Sep 2021	Sep 2020	**Sep 2021**	Sep 2020	**Sep 2021**	Sep 2020
Impairment loss charged to profit and loss account	**1,118**	**1,954**	**973**	**912**	**145**	**(1,042)**
Provisions required as per CBO norms / held as per IFRS 9	**21,428**	**21,123**	**19,034**	**18,862**	**(2,394)**	**(2,261)**
Gross NPL ratio	**27.78%**	**29%**	**27.78%**	**29%**	**-**	**-**
Net NPL ratio	**7.45%**	**11%**	**10.27%**	**13%**	**(2.82%)**	**2%**

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 30 September 2021. An industry sector analysis of the Company's instalment finance debtors before taking into account collateral held is as follows:

		30 Sep 2021	**30 Sep 2020**
		RO	RO
Personal/car loans		**25,549,337**	**28,843,878**
Business loan	- Services	**23,761,170**	**26,119,397**
	- Trading	**1,898,270**	**1,777,510**
	- Manufacturing	**6,734,745**	**4,931,166**
	- Construction contracts	**14,685,590**	**17,150,052**
	- Construction equipment	**5,508,106**	**5,542,586**
	- Other	**371,553**	**2,247,760**
		78,508,771	**86,612,349**

27 Financial risk management (continued)

Credit risk (continued)

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 installment finance debtors after deduction of unearned finance income is set out as below:

	30 Sep 2021 RO	30 Sep 2020 RO
1 to 89 days	5,648,411	8428297

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

	30 Sep 2021 RO	30 Sep 2020 RO
90 to 364 days	4,555,837	8,191,531
365 days and above	22,539,382	22,039,114
	27,095,219	30,230,645

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

The Company limits its credit risk with regard to maintaining call deposits and bank balances with reputed banks.

Outbreak of Coronavirus (COVID-19)

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

Government measures

Governments and regulatory authorities across the globe have implemented several measures to contain the impact of the spread of the virus. In line with this, the Central Bank of Oman (CBO), also instituted a host of measures to protect the stability of country's economy. These measures include deferral of loan instalments for the affected borrowers (particularly the corporates and SMEs), deferment and waiver of interest/profit for affected Omani nationals employed in private and Govt. sector, waiver of point of sale (POS) charges, lowering of regulatory capital ratios and increasing the lending ratio etc (refer CBO circular no. BSD/CBs/CB/FLCs/2021/3296 and other linked circulars for details). These measures have been extended until 31st December 2021.

Impact of COVID-19 on the Company

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

27 Financial risk management (continued)

Credit risk (continued)

Outbreak of Coronavirus (COVID-19) (continued)

Additional IFRS 9 guidelines issued by the CBO stipulates:

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

The deferment of repayment by borrowers may indicate short term liquidity or cash flow problems and hence the deferment of loan repayment may not be a sole deciding factor for SICR or impairment until and unless banks and FLC's might have experienced other supportable evidence on having deterioration in the credit quality of the obligor.

Similarly, any covenant breach having particular relevance to Covid-19 e.g. delay in submission of audited financial accounts or any other breach, may be considered differently than normal breaches related to consistent borrower specific risk factors leading to borrowers' default. This sort of breach may not necessarily and automatically trigger SICR resulting in moving accounts to Stage-2.

Banks and FLCs must develop estimates based on the best available supportable information about past events, current conditions and forecasts of economic conditions. In assessing forecast conditions consideration should be given both to the effects of Covid-19 coupled with oil prices & significant CBO policy measures being undertaken.

Nevertheless, any changes made to ECL estimate the impact of Covid-19 distress will be subject to very high levels of uncertainty as reasonable and supportable forward-looking information may not be currently available to substantiate those changes. As such, the macro-economic forecasts applied by the banks and FLCs in their IFRS 9/ECL models couldn't be recalibrated upfront with pre-mature effects of Covid-19 and CBO support measures, besides the individual and collective LGD's may get impacted due to Covid-19 effect on market prices of collateral and guarantees. However, Banks and FLCs are expected to use post model adjustments and management overlays by applying multiple macroeconomic scenarios with careful application of probability weights to each of such scenarios while computing ECL on portfolio basis as prudence.

Measurement of Impact of COVID-19

The Company's IFRS 9 Committee is primarily responsible for overseeing the Company's adequacy on ECL. It closely monitors the impact of COVID-19 by an ongoing review of the portfolio including a review of all individually significant exposures in the directly impacted industries and sectors. SME customers are evaluated based on the stability of the business owner and business and any short term cash flow mismatches are supported by the Company.

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

27 Financial risk management (continued)

Credit risk (continued)

Outbreak of Coronavirus (COVID-19) (continued)

Impact on SICR

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

Impact on ECL

The Company's models have been constructed and calibrated using historical trends and correlations as well as forward looking economic scenarios. The severity of the current macro-economic projections and the added complexity caused by the various support schemes and regulatory guidance across the main regions in which the Company operates could not be reliably modelled for the time being. As a consequence, the existing models may generate results that are either overly conservative or overly optimistic depending on the specific portfolio / segment. As a result, post-model adjustments are needed. Given model changes take a significant amount of time to develop and test and the data limitation issues noted above, the Company expects that post-model adjustments will be applied for the foreseeable future.

Post-model adjustments and management overlays made in estimating the reported ECL as at 30 Sep 2021 are set out as follows:

As on the reporting date, the collective provision held by the Company through management overlays amounts to RO 617K of total impairment based on latest available PD term structure and macro-economic forecasts. This is in addition to the existing ECL provision considered on a conservative practice to mitigate any unforeseen impacts in the portfolio. The Company will continue to reassess and appropriately adjust such overlays on a regular basis throughout the affected period.

PMAs and management overlays

Given the ever evolving nature of the current health and economic crisis, the Company's management is of the view that the forward looking macro-economic data and the PD term structures published by the economists and rating agencies during 2020 is yet to reasonably reflect the impact of the economic disruption caused by Covid-19 and also to fully factor in the financial intervention by the relevant state authorities.

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

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

In determining the above, the management has considered the estimated GDP Growth Rate as per IMF published data.

Following are the scenario weightage considered by the Company:

- Scenario weightings for stage 1 & 2 of 70%, 20%, 10% for Base, Downside and Upside scenarios (31 December 2020: 70%, 20%, 10%);

27 Financial risk management (continued)

Credit risk (continued)

Outbreak of Coronavirus (COVID-19) (continued)

PMAs and management overlays (continued)

Stage-wise analysis of customers availing deferment as on 30 September 2021.

The following table contains an analysis of the deferred amount of principal outstanding and accrued interest / profit pertinent to loans and advances of the customers who have been availing such benefits, and the related ECL:

Loans and advances and acceptances

	Stage 1 RO	Stage 2 RO	Stage 3 RO	Total RO
Total exposure to customers benefiting from payment deferrals	**11,959,970**	**306,380**	**334,943**	**12,601,293**
Total ECL on exposure to customers benefiting from payment deferrals	**729,241**	**66,259**	**52,332**	**847,831**

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. Additionally, management maintains a “foreign currency reserve” to mitigate foreign exchange risk.

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 by RO 165,000 (September 2020 - RO 155,000). The Company’s exposure to interest rate risk is analysed in the following tables.

27 Financial risk management (continued)

Market risk (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 as on 30 September 2021:

	Effective interest rate in %	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 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	1.50	-	-	-	-	-	250,000	250,000
Installment finance debtors	8.40%-9.74%	15,028,968	12,582,045	17,177,034	13,165,214	20,555,510	-	78,508,771
Other receivables		-	-	-	-	-	190,635	190,635
Cash and cash equivalents	0.25	136	-	-	-	-	526,726	526,862
Property and equipment and other assets		-	-	-	-	-	2,415,772	2,415,772
Total assets		15,029,104	12,582,045	17,177,034	13,165,214	20,555,510	3,937,283	82,446,190
Equity and Liabilities								
Borrowings*		22,103,500	4,538,888	888,889	138,889	-	-	27,670,166
Corporate deposits*		-	3,000,000	1,000,000	-	-	-	4,000,000
Creditors and other payables		-	-	-	-	-	4,654,405	4,654,405
Equity and taxation		-	-	-	-	-	46,121,619	46,121,619
Total equity and liabilities		22,103,500	7,538,888	1,888,889	138,889	-	50,776,024	82,446,190
Interest rate sensitivity gap		(7,074,396)	5,043,157	15,288,145	13,026,325	20,555,510	(46,838,741)	
Cumulative gap		(7,074,396)	(2,031,239)	13,256,906	26,283,231	46,838,741		

*Borrowings and corporate deposits are at market rates.

27 Financial risk management (continued)

Market risk (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 as on 30 September 2020:

	Effective interest rate in %	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 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	1.50	-	-	-	-	-	250,000	250,000
Installment finance debtors	8.80	15,339,214	14,432,443	19,204,971	13,633,968	24,001,753	-	86,612,349
Other receivables		-	-	-	-	-	63,692	63,692
Cash and cash equivalents	0.25	151	-	-	-	-	2,808,060	2,808,211
Property and equipment and other assets		-	-	-	-	-	2,468,745	2,468,745
Total assets		15,339,365	14,432,443	19,204,971	13,633,968	24,001,753	6,144,647	92,757,147
Equity and Liabilities								
Borrowings*		27,787,011	6,188,889	3,833,342	-	-	-	37,809,242
Corporate deposits*		5,000,000	-	1,000,000	-	-	-	6,000,000
Creditors and other payables		-	-	-	-	-	3,616,019	3,616,019
Equity and taxation		-	-	-	-	-	45,331,886	45,331,886
Total equity and liabilities		32,787,011	6,188,889	4,833,342	-	-	48,947,905	92,757,147
Interest rate sensitivity gap		(17,447,646)	8,243,554	14,371,629	13,633,629	24,001,753	(42,803,258)	
Cumulative gap		(17,447,646)	(9,204,092)	5,167,537	18,801,505	42,803,258		

*Borrowings and corporate deposits are at market rates.

27 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 groupings 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 equal their carrying balances, as the impact of the discounting is not significant. Unutilised credit facilities as on 30 September 2021 were RO 8.7 million (30 September 2020 - RO 6.63 million).

27 Financial risk management (continued)
Liquidity risk (continued)

30 September 2021	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	15,028,968	12,582,045	17,177,034	13,165,214	20,555,510	-	78,508,771
Other receivables and prepaid expenses	247,267					-	247,267
Cash and cash equivalents	526,862					-	526,862
Property and equipment and other assets	-	-	-	-	-	2,359,140	2,359,140
Total assets	15,803,097	12,582,045	17,177,034	13,165,214	20,555,510	3,163,290	82,446,190
Equity and Liabilities							
Borrowings	22,103,500	4,538,888	888,889	138,889	-	-	27,670,166
Corporate deposits	-	3,000,000	1,000,000	-	-	-	4,000,000
Creditors and other payables	3,985,876	312,670	-	-	-	355,859	4,654,405
Equity and taxation	-	-	-	-	-	46,121,619	46,121,619
Total equity and liabilities	26,089,376	7,851,558	1,888,889	138,889	-	46,477,478	82,446,190
Gap in maturity (excluding off balance sheet)	(10,286,279)	4,730,487	15,288,145	13,026,325	20,555,510	(43,314,188)	
Cumulative gap in maturity	(10,286,279)	(5,555,792)	9,732,353	22,758,678	43,314,188		
Assets off balance sheet							
Unearned finance income	2,823,250	2,463,398	3,516,319	2,032,254	1,525,663	-	12,360,884
Total assets (including off balance sheet)	18,626,347	15,045,443	20,693,353	15,197,468	22,081,173	3,163,290	94,807,074
Liabilities off balance sheet							
Interest payable on loans	458,175	182,760	36,581	2,018	-	-	679,534
Contingent liabilities	294,302	-	-	-	-	-	294,302
Total equity and liabilities (including off balance sheet)	26,841,853	8,034,318	1,925,470	140,907	-	46,477,478	83,420,026
Gap in maturity	(8,215,506)	7,011,125	18,767,883	15,056,561	22,081,173	(43,314,188)	11,387,048
Cumulative gap in maturity	(8,215,506)	(1,204,381)	17,563,502	32,620,063	54,701,236	11,387,048	

27 Financial risk management (continued)

Liquidity risk (continued)

30 September 2020	0-6 months RO	6 to 12 months RO	1 to 2 years RO	2 to 3 years RO	More than 3 years RO	Non-fixed maturity RO	Total RO
Assets							
Investment securities	-	-	-	-	-	554,150	554,150
Deposit with Central Bank of Oman	-	-	-	-	-	250,000	250,000
Installment finance debtors	15,339,214	14,432,443	19,204,971	13,633,968	24,001,753	-	86,612,349
Other receivables and prepaid expenses	111,633	-	-	-	-	-	111,633
Cash and cash equivalents	2,808,211					-	2,808,211
Property and equipment and other assets	-	-	-	-	-	2,420,804	2,420,804
Total assets	18,259,058	14,432,443	19,204,971	13,633,968	24,001,753	3,224,954	92,757,147
Equity and Liabilities							
Borrowings	27,787,011	6,188,889	3,833,342	-	-	-	37,809,242
Corporate deposits	5,000,000		1,000,000	-	-	-	6,000,000
Creditors and other payables	2,880,133	390,308	-	-	-	345,578	3,616,019
Equity and taxation	-	-	-	-	-	45,331,886	45,331,886
Total equity and liabilities	35,667,144	6,579,197	4,833,342	-	-	45,677,464	92,757,147
Gap in maturity (excluding off balance sheet)	(17,408,086)	7,853,246	14,371,629	13,633,968	24,001,753	(42,452,510)	
Cumulative gap in maturity	(17,408,086)	(9,554,840)	4,816,789	18,450,757	42,452,510		
Assets off balance sheet							
Unearned finance income	2,979,491	2,649,397	3,646,063	2,044,378	1,535,229	-	12,854,558
Total assets (including off balance sheet)	21,238,549	17,081,840	22,851,034	15,678,346	25,536,982	3,224,954	105,611,705
Liabilities off balance sheet							
Interest payable on loans	602,396	252,158	182,869	-	-	-	1,037,423
Contingent liabilities	292,500	147,675	-	-	-	-	440,175
Total equity and liabilities (including off balance sheet)	36,562,040	6,979,030	5,016,211	-	-	45,677,464	94,234,745
Gap in maturity	(15,323,491)	10,102,810	17,834,823	15,678,346	25,536,982	(42,452,510)	11,376,960
Cumulative gap in maturity	(15,323,491)	(5,220,681)	12,614,142	28,292,488	53,829,470	11,376,960	

27 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, foreign currency reserve and retained earnings, and is measured at RO 46.01 million as at 30 September 2021 (2020 - RO 45.27 million).

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 2021 and 2020, the Company's strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 30 September 2021 and 30 September 2020 were as follows:

	2021 **RO'000**	2020 RO'000
Total borrowings	**31,670**	**43,809**
Total outside liabilities	**36,324**	**47,425**
Total equity	**46,014**	**45,273**
Net worth (defined above)	**38,684**	**38,081**
Gearing ratio (times)	**0.69**	**0.97**
Leverage ratio (times)	**0.94**	**1.25**