MUSCAT FINANCE SAOG

Report and financial statements for the year ended 31 March 2020

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for the year ended 31 March 2020

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Statement of financial position
at 31 March 2020

	Notes	**2020 RO'000**	2019 RO'000
ASSETS			
Cash and bank balances	**5**	**1,807**	1,689
Net investment in finance debtors	**6**	**138,388**	151,913
Other receivables and prepayments		**462**	495
Derivative financial instruments	**18**	**143**	35
Deferred tax asset	**7**	**11**	9
Vehicles and equipment	**8**	**156**	210
Capital work in progress	**8**	**106**	48
Statutory deposit	**9**	**250**	250
Total assets		**141,323**	154,649
Equity			
Share capital	**10**	**30,715**	30,715
Legal reserve	**11**	**6,960**	6,916
Special reserve	**12a**	**801**	801
Impairment reserve	**12b**	**6,145**	977
Cumulative changes in fair value	**18**	**143**	35
(Accumulated losses) / retained earnings		**(5,848)**	683
Total equity		**38,916**	40,127
LIABILITIES			
Short-term bank borrowings	**14**	**53,197**	60,606
Other liabilities	**15**	**9,832**	11,195
Provision for taxation	**16**	**27**	217
Corporate deposits	**17**	**17,577**	20,247
Long-term loans	**14**	**21,774**	17,257
Non-convertible bonds	**17**	**-**	5,000
Total liabilities		**102,407**	114,522
Total equity and liabilities		**141,323**	154,649
Net assets per share	**24**	**RO 0.127**	RO 0.131

Faisal M. Al Yousef	**Pramod Kumar Hiran**	**Maneesh Srivastava**
Chairman	**Deputy Chairman**	**Chief Executive Officer**

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

Statement of profit or loss and other comprehensive income for the period ended 31 March 2020

	Notes	2020 RO'000	2019 RO'000
Interest income	19	2,874	3,291
Interest expense	20	(1,209)	(1,198)
Net interest income		1,665	2,093
Other operating income	21	143	151
		1,808	2,244
Expenses			
Selling, general and administrative expenses	22	(839)	(844)
Depreciation	8	(14)	(14)
Realized loss on forward exchange contracts	18	-	-
		(853)	(858)
Profit before allowance for impairment and tax		955	1,386
Allowance for impairment – net	5&6	(439)	(951)
Profit/(Loss) before income tax & Expense on loss of litigation		516	435
Expenses on loss of Litigation (includes provision)	6&31	(2,021)	-
Profit before income tax		(1,505)	435
Tax expense	16	125	(65)
Profit for the year		(1,380)	370
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Net movement in fair value of cash flow hedges	18	-	-
Total comprehensive income for the year		(1,380)	370
Basic and diluted earnings per share	23	RO (0.018)	RO 0.005

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

Statement of changes in equity
for the period ended 31March 2020

	Share capital RO'000	Legal reserve RO'000	Special Reserve RO'000	Impairment reserve RO'000	Cumulative changes in fair value RO'000	(Accumulated losses) / retained earnings RO'000	Total RO'000
At 1 January 2019	29,966	6,916	801	806	43	3,106	41,638
Other comprehensive income:							
Profit for the period	-	-	-	-	-	370	370
Cumulative changes in fair value							
Other comprehensive income	-	-	-	-	(8)	-	(8)
Total comprehensive income	-	-	-	-	(8)	370	362
Transfer to impairment reserve	-	-	-	171	-	(171)	-
Transfer to legal reserve	-	-	-	-	-	-	-
Dividend paid in cash - 2018 (Note 13)						(1,873)	(1,873)
Stock dividend (Note 13)	749	-	-	-	-	(749)	-
At 31 March 2019	30,715	6,916	801	977	35	683	40,127
At 1 January 2020	**30,715**	**6,960**	**801**	**4,792**	**52**	**(3,115)**	**40,205**
Other comprehensive income:							
Profit for the period	**-**	**-**	**-**	**-**	**-**	**(1,380)**	**(1,380)**
Cumulative changes in fair value	**-**	**-**	**-**	**-**	**91**	**-**	**91**
Total comprehensive income	**-**	**-**	**-**	**-**	**91**	**(1,380)**	**(1,289)**
Transfer to impairment reserve	**-**	**-**	**-**	**1,353**	**-**	**(1,353)**	**-**
Transfer to legal reserve	-	-	-	-	-	-	-
Dividend paid in cash - 2019 (Note 13)	-	-	-	-	-	-	-
Stock dividend (Note 13)	-	-	-	-	-	-	-
At 31 March 2020	**30,715**	**6,960**	**801**	**6,145**	**143**	**(5,848)**	**38,916**

The accompanying notes form an integral part of these financial statements

MUSCAT FINANCE SAOG

Statement of cash flows
for the period ended 31 March 2020

	2020 RO'000	2019 RO'000
Operating activities		
Profit before tax	**(1,505)**	435
Adjustments for:		
Depreciation	**14**	14
Interest expense	**1,209**	1,198
End of service benefits	**11**	13
Unrealised loss on forward exchange contracts	**-**	-
Impairment of finance debtors	**(5,250)**	1,122
Operating profit before working capital changes	**(5,521)**	2,782
Changes in working capital		
Investments in finance leases	**2,342**	8,094
Other receivables and prepayments	**(52)**	(18)
Other liabilities	**2,224**	(284)
Cash generated from / (used in) operations	**(1,007)**	10,574
Interest paid	**(1,013)**	(1,290)
Income tax paid	**(84)**	(286)
End of service benefits paid	**-**	(9)
Net cash from / (used in) operating activities	**(2,104)**	8,989
Investing activities		
Purchase of vehicles and equipment	**(5)**	(8)
Additions to capital work in progress		
Net cash used in investing activities	**(5)**	(8)
Financing activities		
Long-term loans received	**7,479**	4,000
Long-term loans repaid	**(5,762)**	(5,193)
Corporate deposits received	**1,300**	1,000
Corporate deposits repaid	**(360)**	(2,856)
Net change in short-term loans	**(800)**	(6,150)
Repayment of bonds on maturity	**-**	-
Lease liabilities paid	**2**	(30)
Dividends paid	**-**	(1,873)
Net cash (used in) / from financing activities	**1,859**	(11,102)
Net change in cash and cash equivalents	**(250)**	(2,121)
Cash and bank balances	**2,378**	4,033
Bank overdraft	**(449)**	(1,265)
Cash and cash equivalents at beginning of the year	**1,929**	2,768
Cash and bank balances	**1,807**	1,689
Bank overdraft	**(128)**	(1,042)
Cash and cash equivalents at end of the year (note 5)	**1,679**	647

The accompanying notes form an integral part of these financial statements

1. General

Muscat Finance SAOG (the Company) is an Omani Joint Stock Company established on 11 October 1987 and registered in the Sultanate of Oman. The registered office of the Company is P.O. Box: 108, Ruwi, Postal Code: 112, Muscat, Oman. The Company is involved in the activity of instalment financing and leasing of vehicles and other assets, debt factoring, working capital and receivable financing activities. The Company derives all of its income from leasing, factoring and working capital funding within the Sultanate of Oman. The Company's shares are listed in the Muscat Securities Market.

2. Adoption of new and revised International Financial Reporting Standards (IFRS)

2.1 New and revised IFRSs applied with no material effect on the financial statements

IFRS 16 Leases ("IFRS 16")

The Company has adopted IFRS 16 'Leases' from 1 January 2019. The standard has an effective date for annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases were accounted for under IAS 17 'Leases'. Lessees will now recognise a right of use ('ROU') asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease, and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as under IAS 17. As at 1 January 2019, the Company has adopted the standard using a modified retrospective approach where the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance of retained earnings and comparatives are not restated.

The implementation increased the assets (ROU assets) as at 1 Mar 2020 by RO 0.137 million and increased the financial liabilities by RO 0.138 million with no effect on the net assets or the retained earnings.

On adoption of IFRS 16, Company recognised lease liabilities in relation to leases that had previously been classified as 'operating leases' in accordance with IAS 17 'Leases'. These liabilities were recognised in 'other liabilities' and measured at the present value of the remaining lease payments, discounted at the lessee's incremental borrowing rate at 1 January 2019. The associated right of use ('ROU') assets were recognised in 'Vehicle, equipments and other assets' and measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments or provisions for onerous leases recognised on the statement of financial position at 31 March 2020.

In addition, the following practical expedients permitted by the standard were applied:

- reliance was placed on previous assessments on whether leases were onerous;
- operating leases with a remaining lease term of less than 12 months at 1 January 2019 were treated as short-term leases; and
- initial direct costs were not included in the measurement of ROU assets for leases previously accounted for as operating leases.

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 New and revised IFRSs applied with no material effect on the financial statements

The differences between IAS 17 and IFRS 16 are summarised in the table below:

IAS 17	IFRS 16
Leases were classified as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.	Leases are recognised as an ROU asset and a corresponding liability at the date at which the leased asset is made available for use. Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant period rate of interest on the remaining balance of the liability. The ROU asset is depreciated over the shorter of the ROU asset's useful economic life and the lease term on a straight-line basis. In determining the lease term, we consider all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option over the planning horizon of five years. In general, it is not expected that the discount rate implicit in the lease is available so the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment with similar terms and conditions. The rates are determined for each economic environment in which we operate and for each term by adjusting swap rates with funding spreads (own credit spread) and cross-currency basis where appropriate.

The application of following interpretation and amendments has had no impact on the Company's financial statement for the current and the prior years but may affect the accounting for the future transactions or arrangements:

- Annual Improvements to IFRSs 2015 – 2017 Cycle amending IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing costs.
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial Instruments relating to prepayment features with Negative compensation
- Amendments to IAS 28 Investments in Associates and Joint Ventures relating to long term Interests in Associates and Joint Venture
- Amendments to IAS 19 Employee Benefits relating to plan amendments, curtailment or settlement

2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
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
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.	1 January 2022
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of 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 year presented, unless otherwise stated.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB and the Commercial Companies Law of the Sultanate of Oman.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and except for derivative instruments which are stated at fair value. The statement of financial position is presented in descending order of liquidity, as this presentation is more appropriate for the Company's operations.

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

Vehicles and equipment

Items of vehicles and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of vehicles and equipment. All other expenditure is recognised in profit or loss as an expense as incurred. Depreciation assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives as follows:

	Years
Motor vehicles	4
Furniture, fixtures and office equipment	4 -5
Information technology assets	3

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains

and losses on disposal of vehicles and equipment are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

3. Summary of significant accounting policies (continued)

Vehicles and equipment (continued)

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to appropriate vehicles and equipment category and depreciated in accordance with the Company's policies.

Financial assets

On initial recognition, a financial asset is classified as measured: at Amortised cost, Fair Value Through Other Comprehensive Income (FVTOCI) or Fair Value Through Profit and Loss (FVTPL). A financial asset is measured at amortised cost if it meets both 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 FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

In both the current period and prior period, financial liabilities are classified as other financial liabilities and subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: the classification is applied to derivatives and other financial liabilities designated as such at initial recognition. Gains and losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in fair value of the financial liability that is attributable to the changes in credit risk of that liability, which is determined as the amount that is not attributable to changes in market conditions

that give rise to market risk) and partially in profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create,

3. Summary of significant accounting policies (continued)

Financial assets (continued)

or enlarge, an accounting mismatch, in which case the gains or losses attributable to changes in the credit risk of the liability are also presented in the profit or loss;

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition or when the continuing involvement approach applies. When the transfer of financial assets did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer; and
- Financial guarantee contracts and loan commitments.

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

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;
- the frequency, volume and timing of financing in prior periods, the reasons for such financing and its expectations about future financing activity. However, information about financing 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.

3. Summary of significant accounting policies (continued)

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

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

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

In making the assessment, the Company considers:

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

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company’s financial assets. During the current period and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Derecognition

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVTOCI is not recognised in profit or loss account on derecognition of such securities.

3. Summary of significant accounting policies (continued)

Measurement of financial assets and financial liabilities

Investment securities

The investment securities are measured at:
- Quoted debt instruments measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- Equity investment securities measured at FVTPL or designated as at FVTPL; these are at fair value with changes recognised immediately in profit or loss; and
- Equity securities designated as at FVTOCI.

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.

Financial liabilities

All financial liabilities are measured at amortised cost unless designated at FVTPL.

Impairment

Measurement of ECL

The Company recognises loss allowances for expected credit losses (ECLs) on the following financial instruments that are not measured at FVTPL:
- Deposits and balances and due from banks;
- Debt investment securities carried at amortised cost;
- Net investment in finance debtors to customers;
- Customer acceptances and other financial assets;
- Loan commitments; and
- Financial guarantees and contracts

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets, ECLs are required to be measured through a loss allowance at an amount equal to:
- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

3. Summary of significant accounting policies (continued)

Impairment (continued)

Measurement of ECL (continued)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

- for undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Company if the holder of the commitment draws down the loan and the cash flows that the Company expects to receive if the loan is drawn down; and
- for financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Company expects to receive from the holder, the debtor or any other party.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Expected life

For instruments in Stage 2 or Stage 3, loss allowances reflect expected credit losses over the expected remaining lifetime of the instrument. For most instruments, the expected life is limited to the remaining contractual life. An exemption is provided for certain instruments with the following characteristics: (a) the instrument includes both a loan and undrawn commitment component;(b) the contractual ability to demand repayment and cancel the undrawn commitment is present; and (c) the exposure to credit losses is not limited to the contractual notice period. For products in scope of this exemption, the expected life may exceed the remaining contractual life and is the period over which our exposure to credit losses is not mitigated by our normal credit risk management actions. This period varies by product and risk category and is estimated based on our historical experience with similar exposures and consideration of credit risk management actions taken as part of our regular credit review cycle. Determining the instruments in scope for this exemption and estimating the appropriate remaining life based on our historical experience and credit risk mitigation practices requires significant judgment.

3. Summary of significant accounting policies (continued)

Impairment (continued)

Credit impaired financial assets

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. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event-instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as timing of coupon payments, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. However, the cases where the impairment is not recognised for assets beyond 90 days overdue are supported by reasonable information.

Significant increase in credit risk

The Company monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime ECL rather than 12-month ECL. The Company's accounting policy is not to use the practical expedient that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result the Company monitors all financial assets, issued financial commitments and financial guarantee contracts that are subject to impairment for significant increase in credit risk.

3. Summary of significant accounting policies (continued)

Impairment (continued)

Significant increase in credit risk (continued)

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. It is the weighting of these different scenarios that forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

Forward-looking information includes the future prospects of the macroeconomic indicators obtained from regulatory guidelines, economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various internal and external sources of actual and forecast economic information. For retail, financing forward looking information includes the same economic forecasts as corporate financing with additional forecasts of local economic indicators.

The Company allocates its counterparties to a relevant internal credit risk grade depending on their credit quality. The Company considers the credit risk upon initial recognition of asset and whether there has been a significant increase in it on an ongoing basis throughout each reporting period. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- frequent dishonor of cheques;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations;
- actual or expected significant changes in the operating results of the customer;
- significant changes in the expected performance and behavior of the customer, including changes in the payment status of customers in the Company and changes in the operating results of the customer; and
- Macroeconomic information: in its models, the Company relies on a broad range of forward looking information as economic inputs along with various transformations of the same. The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

3. Summary of significant accounting policies (continued)

Impairment (continued)

Significant increase in credit risk (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis.

However, the Company still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate financing there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated.

For retail financing, when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Purchased or originated credit-impaired (POCI) financial assets

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Company recognises all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in profit or loss. A favourable change for such assets creates an impairment gain.

Restructured or modified 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. The cash shortfalls are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Write-offs

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where loans or receivables

3. Summary of significant accounting policies (continued)

Impairment (continued)

have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a Company entity are initially measured at their fair values and, if not designated as at FVTPL and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the Company's revenue recognition policies.

Financial guarantee contracts not designated at FVTPL are presented as provisions in the statement of financial position and the remeasurement is presented in other revenue.

The Company has not designated any financial guarantee contracts as at FVTPL.

Renegotiated installment finance debtors

The Company may restructure loans at the request of customers. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.
The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the

3. Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting (continued)

resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates its interest rate swaps derivative as cash flow hedge to hedge the variable interest rate fluctuation on long-term borrowings, if the hedging criteria's are met.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are routed through profit or loss in the period when the hedged item affects profit or loss. The gain or loss relating the effective portion of hedging instruments is recognised in profit or loss within interest expense. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time, is immediately recognised in profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivative instruments are recognised immediately in the profit or loss within 'other operating income'.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Borrowings

Borrowings which include corporate deposits and non-convertible bonds are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as non-current liability. Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law of 1991 are recognised as an expense in the profit or loss as incurred.

Other liabilities

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

3. Summary of significant accounting policies (continued)

Provisions

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's shareholders.

Revenue recognition

Assets owned by the Company and subject to finance leases are included in the financial statements as "Net investment in finance debtors" at an amount equivalent to the present value of the future minimum lease payments plus initial direct costs, discounted using the interest rate implicit in the lease, and the difference between the aggregate lease contract receivable and the cost of the leased assets plus initial direct costs is recorded as unearned lease finance income. Initial direct costs include amounts that are incremental and directly attributable to negotiating and arranging a lease. They exclude general overheads such as those incurred by sales and marketing teams.

Income from finance leases represents gross earnings on finance leases allocated to the period of the lease using the net investment method, which reflects a constant periodic rate of return. The lease finance income is recognised in the profit or loss using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts and payments through the expected life of the financial asset or liability to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset or liability and is not revised subsequently.

Interest on factoring and working capital finance receivables is recognised using the effective interest rate method over the tenure of agreement.

Interest on past due and impaired loans is not recognised in income and is transferred to reserve account. This is reversed from reserve account and is taken to income account when actually received in cash.

Penal charges, lease processing charges, insurance and other operating fees are recognised when realised.

Dividend income is accounted for when the right to receive dividend is established.

3. Summary of significant accounting policies (continued)

Leases - upon adoption of IFRS 16 – applicable from 1 January 2019

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use of asset and a corresponding lease liability with respect to all lease arrangements in which it is the lease, except for short term leases (defined as leases with a lease term of 12months or less) and leases of low value assets. For these leases, the Company 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.

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 under “Other liabilities” 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.

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

3. Summary of significant accounting policies (continued)

Leases - upon adoption of IFRS 16 – applicable from 1 January 2019 (continued)

Right-of-use of asset

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 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.

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.

Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the chief operating decision maker to make decisions about resources allocated to the segment and assess its performance, and for which discreet financial information is available. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company is engaged in leasing activities, all of which are carried out in the Sultanate of Oman. Although the Company has retail and corporate customers, the entire lease portfolio is managed internally as one business unit. All the Company's funding and costs are common and are not allocated between these two portfolios.

3. Summary of significant accounting policies (continued)

Foreign currency transactions

Functional and presentation currency
These financial statements are presented in Rial Omani, which is the Company's functional currency and also in US Dollars for the convenience of the readers only. The US Dollar amounts, which are presented in these financial statements, have been translated from the Omani Rial amounts at an exchange rate of RO 0.385 to each US Dollar and are shown for the convenience of the reader only. All financial information presented in Rial Omani and US Dollars has been rounded to the nearest thousands, unless otherwise stated.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dated of the transactions. Foreign exchange gains and losses resulting from the prevailing at the dates of the transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Interest expense

Interest expense is recognised on an accrual basis using effective interest method.

Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the Statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

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

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

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that is no longer probable that the related tax benefits will be realized.

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.

3. Summary of significant accounting policies (continued)

Financial guarantees

In the ordinary course of business, the Company issues financial guarantees to banks on behalf of customers that are stated as contingent liabilities in the Company's' financial statements till it is cancelled or expires. 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 receivable asset balance.

Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates. Lease commitments are stated at contracted values at year end.

4. Critical accounting estimates and judgments

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 judgments 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 period are discussed below:

IFRS 9 - *Business model assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

4. Critical accounting estimates and judgments (continued)

IFRS 9

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information. A significant increase in credit risk is presumed if a customer is more than 30 days past due in making a contractual payment.

Establishing group of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. product type of retail facilities). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that Company of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Establishing the number and relative weightings of forward-looking scenarios for each type of product / market and determining the forward looking information relevant to each scenario.

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Probability of default (PD)

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4. Critical accounting estimates and judgments (continued)

IFRS 9

Loss Given Default (LGD)

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Deferred taxation
Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5. Cash and bank balances

	2020	2019
	RO'000	RO'000
Balances with banks	**1,793**	1,642
Cash and cheques in hand	**15**	47
Less : expected credit loss allowance	**(1)**	-
	1,807	1,689

6. Net investment in finance debtors

	2020 RO'000	2019 RO'000
Gross investment in finance leases	**136,885**	148,089
Unearned lease income	**(17,155)**	(18,267)
Net installment finance debtors	**119,730**	129,822
Debt factoring activity debtors	**37,620**	42,120
	157,300	171,942
Less: allowance for impairment of finance debtors	**(15,540)**	(17,157)
Unrecognised contractual income	**(3,422)**	(2,872)
	138,388	151,913

Contractual income is not recognised by the Company so as to comply with the rules, regulations and guidelines issued by CBO / IFRS against lease contract receivables and debt factoring which are impaired i.e. overdue by more than 89 days. As at 31 March 2020, finance debtors which are past due and impaired on which contractual income is not being accrued or has not been recognised amounted to RO 31.65 million which includes qualitative classification of RO Nil million (2019- RO 29.43 million and qualitative classification of RO 3.84 million)

The movement of unearned lease income during the year was as follows:

	2020 RO'000	2019 RO'000
At 1 January	**17,358**	18,451
Addition during the year	**2,158**	2,259
Recognised during the year	**(2,361)**	(2,443)
At 31 March	**17,155**	18,267

The movement in allowance for impairment of finance debtors during the year was as follows:

	2020 RO'000	2019 RO'000
At 1 January	**20,252**	16,223
Additions during the year	**440**	951
Released during the year	**-**	-
Net provided during the year	**440**	951
Write off due to litigation loss	**363**	-
Written off during the year	**(5,515)**	(17)
At 31 March	**15,540**	17,157

6. Net investment in finance debtors (continued)

At 31 March 2020, in total allowance for impairment, RO 0.02 million is included on account of ECL on bank balances, commitments and contingencies (2019: Nil). Investment in finance debtors include receivable from related parties amounting to RO 4.6 million (2019 - RO 3.04 million). Refer to note 25.

The movement in unrecognised contractual income during the year was as follows:

	2020 **RO'000**	2019 RO'000
At 1 January	**3,960**	2,684
Additions during the year	**332**	188
Written back during the year		-
Net reserved/(released) during the year	**(870)**	
At 31 March	**3,422**	2,872

7. Deferred tax asset

Deferred income taxes are calculated on all material temporary differences under the liability method using a principal tax rate of 15 % (2019 - 15%). Deferred tax asset is in respect of net investment in finance debtors and vehicles and equipment. The deferred tax asset recognised in the statement of financial position and the movement during the year is as follows:

	2020 **RO'000**	2019 RO'000
At 1 January	**11**	9
Recognised in the profit or loss (note 16)	**-**	-
At 31 March	**11**	9

8. Vehicles, equipment and other assets

	Motor vehicles RO'000	Furniture, fixture and office equipment RO'000	Capital work in progress RO'000	Right of use asset RO'000	Total RO'000
Cost					
At 1 January 2019	23	478	48	191	740
Additions		8		-	8
Disposal / write off	-			-	
At 31 March 2019	23	486	48	191	748
At 1 January 2020	**23**	**500**	**106**	**191**	**820**
Additions	**-**	**5**		**-**	**5**
At 31 March 2020	**23**	**505**	**106**	**191**	**825**
Depreciation					
At 1 January 2019	23	453	-		476
Charge for the year	-	3	-	11	14
Disposal/write off	-		-	-	
At 31March 2019	23	456	-	11	490
At 1 January 2020	**23**	**482**		**44**	**549**
Charge for the year	**-**	**3**	**-**	**11**	**14**
At 31March 2020	**23**	**485**	**-**	**55**	**563**
Carrying value					
At 31 March 2020	**-**	**20**	**106**	**136**	**262**
At 31 March 2019	-	30	48	180	258

Capital work in progress represents amounts incurred for the Company's new software.

9. Statutory deposit

The Company is required to maintain a deposit of RO 250,000 (US$ 649,351) (2019 - RO 250,000 (US $ 649,351)) with CBO in accordance with the applicable licensing regulations. During the year, the deposit earned interest at the annual rate of 1.5 % (2019 – 1.5 %).

10. Share capital

The authorised share capital of the Company comprises 500,000,000 (2019 - 500,000,000) ordinary shares of 100 baisas each and paid up capital at 31 March 2020 comprised of 307,146,325 (31 March 2019 – 307,146,325) fully paid shares of 100 baisas each.

During 2020, the Company had issued nil (2019 – 7,491,373) shares of 100 baisas each through stock dividend to the existing shareholders, which increased the paid up capital of the Company by RO nil (2019 - RO 0.75 million). The details of major shareholders who own 10% or more of the Company's shares are as follows:

Name of the shareholders holding greater than 10% of shares	**% of holding**	
	2020	2019
Fincorp Investment Co. LLC	**23.18**	23.18
Zawawi Trading Co. LLC	**17.45**	17.45

11. 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..

12a. Special reserve

In accordance with the CBO guidelines, where foreign currency borrowings are in excess of 40% of the net worth of the Company, an exchange reserve of 20% of the excess is to be created. 10% is created in the initial year that the borrowings exceed 40% of the net worth and 2.5% in each of the subsequent years. The carrying amount of such reserve at 31 March 2020 and 2019 are in excess of regulatory requirements and the same has been approved by the Board in order to provide flexibility to avail of opportunities for overseas borrowings, as and when they arise.

12b. Impairment reserve

As per Circular 1149 of the guidelines by Central Bank of Oman, the Company is required to create an impairment reserve in equity for an amount equal to the 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. This impairment reserve is not available for the distribution of dividend or for inclusion in capital and reserves for the purposes of computation of leverage ratio as per the CBO requirements. Accordingly an amount of RO 6.145million (2019: RO 0.977 million) has been transferred to the reserve during the year.

13. Proposed dividend

The Board of Directors has not proposed any cash dividend or stock dividend for the year 2019 so there will be no dividend payment in year 2020.

14. Bank borrowings

	2020	2019
	RO'000	RO'000
Bank overdrafts	**128**	1,042
Short-term loans	**25,200**	40,700
Current portion of long-term loans	**27,869**	18,864
Short term bank borrowings	**53,197**	60,606
Non-current portion of long-term loans	**21,774**	17,257
	74,971	77,863

- The interest rates on overdrafts are subject to change at the discretion of the banks, upon renewal of the facilities, which takes place generally on an annual basis. The short-term loans are due to mature between one and one hundred and eighty days.
- Interest on long term loans are as per the agreed rates.
- The fair value of short-term borrowings approximates their carrying value.
- Long-term loans include RO 16.63 million (2019 - RO 9.625 million) denominated in USD
- The related interest rate risk and maturity profile are given under note 30.

15. Other liabilities

	2020	2019
	RO'000	RO'000
Payable to vendors for Finance debtors	**4,314**	5,698
Accruals for expenses	**548**	848
Advances received from customers	**1,484**	2,827
Interest payable	**843**	849
End of service benefits	**281**	256
Lease liability	**138**	161
Other payables	**2,224**	556
	9,832	11,195

Leasing related liabilities and accruals for expenses include payable to related parties amounting to RO 0.068 million (2019 - RO 0.87 million). Refer to note 25.

15. Other liabilities (continued)

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

	2020 RO'000	2019 RO'000
1 January	**270**	252
Charge for the year (note 22)	**11**	13
Paid during the year		(9)
31 March	**281**	256

16. Provision for taxation

The tax charge during the year comprises:

	2020 RO'000	2019 RO'000
Current year tax	**(125)**	65
Deferred tax reversal (note 7)		-
	(125)	65

	2020	2019
Profit before income tax	**(1,505)**	435
Taxation at the applicable tax rate	**(125)**	65
(Excess) / additional provision	**-**	-
Deferred tax	**-**	-
Temporary differences	**-**	-
Tax impact on restatement of opening allowance for impairment reserve	**-**	-
Items not deductible	**-**	-
Taxation expense	**(125)**	65

16. Provision for taxation (continued)

The movement in the provision for taxation is as follows:

	2020	2019
	RO'000	RO'000
At 1 January	**236**	438
Charge for the year	**(125)**	65
Paid during the year	**(84)**	(286)
At 31 March	**27**	217

Tax assessments have been completed and agreed for all the years up to 2014 with the Oman tax Authorities. The assessment for the year 2015 to 2019 has not been completed by the Oman tax authorities. The Company's management is of the opinion that additional taxes, if any, assessed for the open tax years would not be material to the Company's financial position as at 31 March 2020.

17. Corporate deposits and non-convertible bonds

The Company accepts term deposits from corporate customers in accordance with the CBO guidelines for a minimum period of 6 months and carry interest rates ranging from 3.00% to 5.40% (2019: 3.00% to 5.25%).

During the year, as per the terms of the Non-convertible bond maturity, the Company has repaid the principal amount of RO 5,000 thousand to the bondholder on 18th July 2019 and as at March 31, 2020 there is no balance outstanding.

18. Derivative financial instruments

The Company has entered into interest rate swap contracts with commercial banks for a total sum of US$ 25.00 million (RO 9.62 million) [2019: US$ 25 million (RO 9.62 million)] with a view to cap the Company's exposure to fluctuating interest rates. These interest rate swap transactions oblige the Company to pay a fixed rate ranging from 1.54% to 2.81% throughout the term of the hedge agreements over the notional amount covered by the agreements. The principal amount covered is based on repayments as per the facility agreement. The interest rate swap has been designated as a cash flow hedge and hedge accounted. As of 31 March 2020 the estimated future cash flows of the hedging instruments had a positive fair value of US$ 372,325 (RO 143,345) [(2019: US$ 92,057 (RO 35,441)], which has been accounted for as an unrealised gain in the statement of changes in equity.

18. Derivative financial instruments (continued)

The principal of the term loan outstanding under the Facility Agreement with the bank and the notional amount covered under the interest rate swap arrangement as of the reporting date was equivalent of RO 9.62 million. The table below shows the fair value of the derivative financial instrument, which is equivalent to the market value, together with the notional amount analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

	Notional amounts by term to maturity			
	Positive / (negative) fair value RO'000	**Notional amount total RO'000**	**1 -12 months RO'000**	**1 - 5 years RO'000**
31 March 2020				
Interest rate swaps	**143**	**9,625**	**5,133**	**4,492**
31March 2019				
Interest rate swaps	35	9,625	6,417	3,208

19. Interest income

	2020 RO'000	2019 RO'000
Installment finance	**2,241**	2,411
Debt factoring activity	**633**	880
	2,874	3,291

20. Interest expense

Corporate deposits	**213**	237
Non-convertible bonds	**-**	65
Bank borrowings	**996**	896
	1,209	1,198

21. Other operating income

	2020	2019
	RO'000	RO'000
Fees, service charges and documentation charges	**110**	122
Other charges and recoveries	**33**	29
	143	151

22. Selling, general and administrative expenses

	2020	2019
	RO'000	RO'000
Personnel costs	**570**	614
Statutory and court fees	**122**	116
Office expenses	**75**	52
Rent	**31**	31
Professional fees	**10**	14
Communications	**21**	14
Marketing and promotion expenses	**10**	3
	839	844

Personnel costs

	RO'000	RO'000
Salaries and allowances	**421**	411
Other benefits	**102**	159
End of service benefits (note 15)	**11**	13
Contribution to the Public Authority for Social Insurance	**36**	31
	570	614

23. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit for the year attributable to ordinary shareholders (RO'000)	**(1,380)**	370
Weighted average number of ordinary shares in issue during the year ('000)	**307,146**	307,146
Basic and diluted earnings per share	**RO (0.018)**	RO 0.005

For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

24. Net assets per share

The calculation of net assets per share is as below:

	2020	2019
Net asset value (RO'000)	**38,916**	40,127
Number of ordinary shares outstanding at 31 March ('000)	**307,146**	307,146
Net assets per share	**RO 0.127**	RO 0.131

25. Related parties

Transactions

The Company has entered into transactions in the ordinary course of business with related parties which include shareholders with significant influence, entities over which directors have an interest, members of the board of directors and key management personnel. During the year, the following transactions were carried out with related parties:

	2020	2019
	RO'000	RO'000
Interest income	**59**	35
Other operating income	**-**	-
Other operating expenditure:		
Staff expenses	**-**	-
Office expenses	**4**	3
Interest on corporate deposit	**2**	1
Directors' remuneration and sitting fees	**9**	9
	15	13

Year end balances arising from related party transactions:

	2020	2019
	RO'000	RO'000
Receivable from related parties:		
Lease and factoring financing	**4,640**	3,042
Other advances	**19**	19
	4,659	3,061
Payable to related parties:		
Other liabilities	**68**	88
Corporate deposits	**200**	150

25. Related parties (continued)

Key management compensation

The compensation paid or payable to key management (five employees) (2019: six employees) services is shown below:

	2020	2019
	RO'000	RO'000
Salaries and other benefits	**60**	88
End of service benefits	**4**	4
	64	82

26. Commitments

The Company has approved commitments to customers as on 31 March 2020 amounting to RO 8.67 million (2019 - RO 6.56 million) which is contingent upon fulfilment of the terms and conditions attached thereto. The commitment on account of future capital expenditure not provided for in the financial statements is RO 0.041 million (2019 – RO 0.10 million)

27. Contingent liabilities

At 31 March 2020, there were contingent liabilities of RO 1.43 million (2019 - RO 4.03 million) in respect of letters of credit and 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.

28. Segmental information

Class of business

The Company operates in the business segment of instalment financing and leasing of vehicles and other assets, debt factoring, working capital and receivable financing activities. The strategic business unit offers similar products and services and is managed as one segment. For the strategic business unit, the Chief Executive Officer reviews internal management reports on a monthly basis. Performance is measured based on the profit before income tax, as included in the internal management reports.

The Chief Executive Officer considers the business of the Company as one operating segment and monitors accordingly.

Financial risk factors

The Company's activities expose it to variety of financial risks: market risk (including currency risk and interest risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management is carried out by the management under the policies approved by the Board of Directors. The management identifies, evaluates and hedges financial risks in close cooperation with Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments, and investment of excess liquidity.

Market risk

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

29. Financial risk management

Financial risk factors

Market risk

Foreign exchange risk

Foreign currency risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Company's functional currency. The majority of the Company's transactions are denominated in the functional currency. The Company is not exposed to foreign exchange risk as significant proportion of the Company's borrowings are denominated in functional currency or US Dollar which is pegged with Rial Omani.

Further, the Company has entered into derivative contracts in order to manage and reduce the foreign currency risk arising in relation to the Company's borrowings denominated in US Dollar

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 most important sources of such risk are the Company's borrowings, and its financing activities, where fluctuations in interest rates, if any, are reflected in the results of operations.

Interest rate gap is a common measure of rate risk. A positive gap occurs when more assets than liabilities are subject to rate change during a prescribed period of time. A negative gap occurs when liabilities exceed assets subject to rate changes during a prescribed period of time. It includes the Company's financial instruments at carrying amounts, categorized by the earlier of contractual reprising or maturity dates.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The interest rates on short-term and long-term 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. The Company uses sensitivity analysis to analyses variable cost of borrowings. Management estimates that the Company's interest costs are sensitive to the extent that a change in 50 basis points in the average funding cost would change interest cost on borrowings by RO 0.37 million (2019 - RO 0.39 million). The Company's exposure to interest rate risk is shown under note 30.

The Company is exposed to fluctuation in interest rates on its term loan balance. Derivative financial instruments are used to reduce exposure to fluctuations in interest rates. While these are subject to the risk of market rates changing subsequent to acquisition, such changes are generally offset by opposite effects on the items being hedged.

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk is crucial for the Company's business; therefore management carefully manages its exposure to credit risk. The Company has established credit policies and procedures to manage credit exposure including evaluation of lease, credit worthiness, credit approvals, assigning credit limits, obtaining securities such as lien on title on leased assets, security deposits, personal guarantees and mortgages over properties.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. Exposure to credit risk is managed through regular analysis of the ability of lessees to meet repayment obligations. 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.

The estimation of counterparty credit exposure for risk management purposes is a complex mechanism and requires the use of credit risk models in place to determine various factors like changes in portfolio exposures, customer behaviors, market conditions, expected cash flows, probability of a customer to default etc. Company measures its credit risk using three drivers which are probability of default (PD) that derives likelihood of each customer to default based on its characteristics and credit behavior, loss given default (LGD) that determines maximum amount a company will lose in case a client defaults and exposure at default (EAD) that is computed based on future contractual payments expected to receive from counterparty.

Incorporation of forward-looking information

Under IFRS 9, Company uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Company employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Company applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Company for strategic planning and budgeting. The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Measurement of ECL

The key inputs used for measuring ECL are:

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

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is the magnitude of the likely loss if there is a default. The Company will estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models will consider the structure, collateral, seniority of the claim, counterparty industry, and recovery costs of any collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation are on a discounted cash flow basis. Regulatory LGDs are taken for portfolios with limited historic data and low default portfolios.

EAD is an estimate of the current exposure for funded facilities. For non-funded facilities the EAD is taken as the product of the applicable credit conversion factors and contract values. Exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Company uses EAD models that reflect the characteristics of the portfolios.

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Measurement of ECL (continued)

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contact extension or renewal is common business practice. However, for financial instruments such as revolving credit facilities that include both a loan and an undrawn commitment component, the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Company's exposure to credit losses to the contractual notice period. For such financial instruments the Company measures ECL over the period that it is exposed to credit risk and ECL would not be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. These financial instruments do not have a fixed term or repayment structure and have a short contractual cancellation period. However, the Company does not enforce in the normal day-to-day management the contractual right to cancel these financial instruments.

This is because these financial instruments are managed on a collective basis and are cancelled 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 to mitigate ECL, e.g. reduction in limits or cancellation of the loan commitment.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped based on shared risk characteristics, such as:

- Instrument type;
- Credit risk grade;
- Collateral type;

The groupings are reviewed on a regular basis to ensure that each Company is comprised of homogenous exposures.

The Company uses external benchmark information for portfolios with limited historical data and for low default portfolios where there is no instances of historical default.

The Company has in place policies, which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation, which includes the minimum operational requirements that are required for the specific collateral to be considered as effective risk mitigating. The Company's major collaterals are mortgaged properties, vehicles & other register-able assets or non-register-able assets.

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Groupings based on shared risks characteristics (continued)

The Company has clear policies in place to identify early warning signals and to initiate appropriate and timely remedial actions. Some of the early warning indicators are listed below:

- frequent dishonor of cheques;
- inability to reach the customer over phone or in person;
- lack of response to written communications; and
- Adverse market feedback.

Notes to the financial statements for the year ended 31March 2020 (continued)

29. Financial risk management (continued)

Credit risk (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for period ended March 2020:

RO '000

Asset Classification as per CBO norms	Asset Classification as per IFRS 9	Gross carrying amount	Provision required as per CBO norms	Provision held as per IFRS 9	Difference between CBO provision required and provision held	Net carrying amount	Reserve interest as per CBO norms
(1)	(2)	(3)	(4)	(5)	(6) = (4)-(5)	(7) = (3)-(5)	(9)
Standard	Stage 1	89,992	41	484	(443)	89,508	21
	Stage 2	35,725	-	899	(899)	34,826	-
Subtotal		**125,717**	**-**	**1,383**	**(1,342)**	**124,334**	**21**
Special mention	Stage 3	3,949	295	735	(440)	3,214	95
Subtotal		**3,949**	**295**	**735**	**(440)**	**3,214**	**95**
Sub-standard	Stage 3	1,378	329	284	45	1,094	62
Subtotal		**1,378**	**329**	**284**	**45**	**1,094**	**62**
Doubtful	Stage 3	2,053	959	602	357	1,451	136
Subtotal		**2,053**	**959**	**602**	**357**	**1,451**	**136**
Loss	Stage 3	24,253	21,146	15,937	5,209	8,316	3,108
Subtotal		**24,253**	**21,146**	**15,937**	**5,209**	**8,316**	**3,108**
Other Items not covered under CBO	Stage 1	4,174	-	6	(6)	4,168	-
Circular BM977and related	Stage 2	4,805	-	14	(14)	4,791	-
Instructions.	Stage 3	17	-	2	(2)	15	-
Subtotal		8,996		22	(22)	8,974	-
	Stage 1	94,166	41	490	(449)	93,676	21
Total	Stage 2	40,530	-	913	(913)	39,617	-
	Stage 3	31,650	22,729	17,560	5,169	14,090	3,401
	Total	**166,346**	**22,770**	**18,963**	**3,807**	**147,383**	**3,422**

29. Financial risk management (continued)

Credit risk (continued)

Apart from above, Company maintains ECL of RO 0.022 million on bank balances and commitments and contingencies. There is a CBO provision of RO 0.144 million on contingent liabilities classified under as per CBO guidelines.

29. Financial risk management (continued)

Credit risk (continued)

The below table shows comparison of provision held as per IFRS 9 and required as per CBO norms for the period ended March 2019:

RO '000

Asset Classification as per CBO norms (1)	Asset Classification as per IFRS 9 (2)	Gross carrying amount (3)	Provision required as per CBO norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net carrying amount (7) = (3)-(5)	Reserve interest as per CBO norms (9)
Standard	Stage 1	100,256	-	559	(599)	99,696	-
	Stage 2	40,136	-	1,251	(1,251)	38,885	-
	Stage 3	907	-	157	(157)	750	-
Subtotal		141,299	-	1,968	(1,968)	139,331	-
Special Mention	Stage 3	4,753	402	1,328	(926)	3,425	118
Subtotal		4,753	402	1,328	(926)	3,425	118
Sub Standard	Stage 3	5,763	1,384	2,325	(940)	3,439	225
Subtotal		5,763	1,384	2,325	(940)	3,439	225
Doubtful	Stage 3	2,699	1,252	805	447	1,893	194
Subtotal		2,699	1,252	805	447	1,893	194
Loss	Stage 3	17,428	15,094	13,474	1,619	3,953	2,334
Subtotal		17,428	15,094	13,474	1,619	3,953	2,334
Total	Stage 1	100,256	-	559	(559)	99,696	-
	Stage 2	40,136	-	1,251	(1,251)	38,885	-
	Stage 3	31,550	18,132	18,089	43	13,461	2,872
	Total	171,942	18,132	19,899	(1,767)	152,042	2,872

29. Financial risk management (continued)

Credit risk (continued)

Apart from above, Company maintains ECL of RO 0.130 million on bank balances and commitments and contingencies. There is CBO provision of RO 0.73 million on contingent liabilities classified under special mention category.

Groupings based on shared risks characteristics (continued)

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

RO '000

Asset classification as per CBO norms (1)	Asset classification as per IFRS 9 (2)	Gross carrying amount (3)	Provision required as per CBO norms (4)	Provision held as per IFRS 9 (5)	Difference between CBO provision required and provision held (6) = (4)-(5)	Net carrying amount (7) = (3)-(5)	Reserve interest as per CBO norms (9)
Classified as non- performing – Mar 20	Stage 3	**1,685**	**677**	**598**	**79**	**1087**	**77**
Classified as non- performing – Mar 19	Stage 3	3,483	1,601	1,559	42	1,924	306

The below table shows comparison of impairment allowance and loss held as per IFRS 9 and required as per CBO norms:

RO'000

	31 March 2020					
	As per CBO Norms		As per IFRS 9		Difference	
	Current year	Previous year	Current year	Previous year	Current year	Previous year
Impairment loss charged to statement of profit and loss	**802**	**951**	**802**	**951**	**-**	**-**
Provisions required as per CBO norms / held as per IFRS 9	**26,192**	**21,004**	**18,963**	**19,899**	**7,229**	**1,105**
Gross NPL ratio (percentage)	**20%**	**18%**	**20%**	**18%**	**0%**	**(0.0%)**
Net NPL ratio (percentage)	**4%**	**6%**	**8%**	**8%**	**(4%)**	**(2%)**

An additional amount of RO 1.35 million (net of impact of tax @15%) is transferred to the impairment reserve. If this amount had been charged to statement of profit or loss, the net loss after tax would have been RO 2.7 million .

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

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

	2020 RO'000	2019 RO'000
Bank balances	**1,792**	1,642
Net investment in finance debtors	**158,290**	171,942
Other receivables	**462**	495
	160,544	174,079

The above table represents a worst case scenario of credit risk exposure to the Company at 31 March 2020 and 2019 without taking account of any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As can be seen above, the most significant exposures arise from Net investment in finance debtors to customers (including commitments) and amounts due from banks.

At 31 March 2020 and 2019, the Company did not have any individual customer concentration of net investment in finance debtors. No single customer owes more than 10% of the aggregate amounts of net investment in finance debtors.

Economic sector concentration of gross investment in finance debtors

	2020 RO'000	2019 RO'000
Personal sector	**52,814**	51,855
Business sector	**104,536**	120,087
	157,350	171,942

Credit quality per class of financial assets

All leases extended by the Company are against security of assets financed and in certain cases if required against additional security. The Company regularly monitors credit quality of its financial assets.

29. Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

The Company's receivables which are neither past due nor impaired and past due but not impaired comprise 67 percent and 12 percent of net investment in finance debtors (2019-63 percent and 19 percent) respectively.

The Company limits its credit risk with respect to exposure with banks by dealing with reputable banks.

Renegotiated finance debtors

Renegotiated lease receivables as at 31 March 2020 are RO 1.68 million (2019 - RO 3.38 million) and include impaired loans of RO 1.68 million (2019 - RO 3.27 million)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may result in unavailability of certain sources of funding.

Sources of funding are regularly reviewed by the management and the asset liability management committee and monitored by diversification through long-term and short-term borrowings, increasing the number of lenders, developing additional products such as corporate deposits, seeking fixed interest rates for longer tenure. Fund management has been carried out by treasury function of the Company. It includes managing and monitoring day to day cash flows and funding needs. This is achieved through maintaining approved credit facilities to cover net future funding needs and monitoring cash flows projections. The maturity profile of the Company's financial liabilities and net-settled derivative financial liabilities is set out under note 30.

Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure and to confirm to regulations, the Company may take appropriate strategic decisions.

Central Bank of Oman (CBO) requires the Company to maintain a minimum paid up capital of RO 25 million which has been complied with.

29. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

Capital management (continued)

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, impairment reserve and proposed cash dividend).

During 2020 and 2019, the Company’s strategy was to maintain the gearing and leverage ratios within 5 times of the equity. The gearing and leverage ratios at 31 March 2020 and 2019 were as follows:

	2020	2019
	RO’000	RO’000
Total borrowings	**92,548**	103,110
Total outside liabilities	**102,407**	114,522
Total equity	**38,916**	40,127
Net worth (defined above)	**31,970**	38,349
Gearing ratio (times)	**2.38**	2.57
Leverage ratio (times)	**3.20**	2.99

Fair value

The fair value of financial assets and liabilities that are not traded in an active market is determined by using estimated discounted cash flows (level 3). The fair value of investments in listed securities is determined by quoted (unadjusted) prices in active markets for identical assets or liabilities (level 1). Derivative financial instruments carried at fair value amounting to RO 143K (2019: 35K) are valued using level 2 inputs.

The carrying value less impairment allowance is assumed to approximate their fair values.

The different levels have been defined as follows:

- 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 (i.e., as prices) or indirectly (i.e., derived from prices).

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

30. Financial instruments and financial risk management

Interest rate risk

The table below summarises the Company's exposure to interest rate risks. Included in the table are the Company's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates as on 31 March 2020:

31 March 2020	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 years RO'000	2 to 3 years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Assets							
Cash and bank balances	-	-	-	-	-	1,807	1,807
Net investment in finance debtors	26,740	28,111	29,603	21,342	32,592	-	138,388
Other receivables and prepayments	-	-	-	-	-	462	462
Derivative financial instruments	-	-	-	-	-	143	143
Deferred tax asset	-	-	-	-	-	11	11
Vehicles and equipment	-	-	-	-	-	156	156
Capital work in progress	-	-	-	-	-	106	106
Statutory deposit	-	250	-	-	-		250
Total assets	26,740	28,361	29,603	21,342	32,592	2,685	141,323
Equity and liabilities							
Equity	-	-	-	-	-	38,916	38,916
Short-term bank borrowings	25,328	-	-	-	-	-	25,328
Other liabilities	-	-	-	-	-	9,832	9,832
Tax payable	-	-	-	-	-	27	27
Corporate deposits	10,769	4,300	2,508	-	-	-	17,577
Non-convertible bonds	-	-	-	-	-	-	-
Negative fair value of derivatives	-	-	-	-	-	-	-
Long-term loans (including current portion)	28,085	17,067	4,491	-	-	-	49,643
Total equity and liabilities	64,182	21,367	6,999	-	-	48,775	141,323
Gap between assets and liabilities	(37,442)	6,994	22,604	21,342	32,592	(46,090)	-
Cumulative gap between assets and liabilities	(37,442)	(30,448)	(7,844)	13,498	46,090	-	-

30. Financial instruments and financial risk management (continued)

Interest rate risk (continued)

31 March 2019	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 Years RO'000	2 to 3 years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Assets							
Cash and bank balances	-	-	-	-	-	1,689	1,689
Net investment in finance debtors	41,412	23,444	35,109	21,932	30,016		151,913
Other receivables and prepayments	-	-	-	-	-	495	495
Derivative financial instruments	-	-	-	-	-	35	35
Deferred tax asset	-	-	-	-	-	9	9
Vehicles and equipment	-	-	-	-	-	210	210
Capital work-in-progress	-	-	-	-	-	48	48
Statutory deposit	-	**250**	-	-	-	-	250
Total assets	41,412	23,694	35,109	21,932	30,016	2,486	154,649
Equity and liabilities							
Equity	-	-	-	-	-	40,127	40,127
Short-term bank borrowings	41,742	-	-	-	-		41,742
Other liabilities	-	-	-	-	-	11,195	11,195
Tax payable	-	-	-	-	-	217	217
Corporate deposits	8,245	610	10,684	708	-	-	20,247
Non-convertible bonds	**5000**	-	-	-	-	-	5,000
Negative fair value of derivatives	-	-	-	-	-	-	
Long-term loans (including current portion)	28,606	7,515	-	-	-	-	36,121
Total equity and liabilities	83,593	8,125	10,684	708	-	51,539	154,649
Gap between assets and liabilities	(42,181)	15,569	24,425	21,224	30,016	(49,053)	
Cumulative gap between assets and liabilities	(42,181)	(26,612)	(2,187)	19,037	49,053	-	-

30. Financial instruments and financial risk management (continued)

Liquidity risk

The amounts disclosed in table below analyses the Company's assets and liabilities as on 31 March 2020 and 31 March 2019 into relevant maturity groupings based on the remaining period at the reporting date 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.

31 March 2020	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 years RO'000	2 to 3 Years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Assets							
Cash and bank balances	1,807	-	-	-	-	-	1,807
Net investment in finance debtors	26,740	28,111	29,603	21,342	32,592	-	138,388
Other receivables and prepayments	-	-	-	-	-	462	462
Derivative financial statement	-	-	-	-	-	143	143
Deferred tax asset	-	-	-	-	-	11	11
Vehicles and equipment	-	-	-	-	-	156	156
Capital work-in-progress	-	-	-	-	-	106	106
Statutory deposit	-	-	-	-	-	250	250
Total assets	28,547	28,111	29,603	21,342	32,592	1,128	141,323
Equity and liabilities							
Equity	-	-	-	-	-	38,916	38,916
Short-term bank borrowings	25,328	-	-	-	-	-	25,328
Other liabilities	9,551	-	-	-	281	-	9,832
Tax payable	27	-	-	-	-	-	27
Corporate deposits	10,769	4,300	2,508		-	-	17,577
Long-term loans (including current portion)	14,969	12,901	16,647	5,126	-	-	49,643
Total equity and liabilities	60,644	17,201	19,155	5,126	281	38,916	141,323

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2020	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 Years RO'000	2 to 3 Years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Gap in maturity (excluding off balance sheet)	(32,097)	10,910	10,448	16,216	32,311	(37,788)	-
Cumulative gap in maturity	(32,097)	(21,187)	(10,739)	5,477	37,788	-	-

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2019	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 years RO'000	2 to 3 Years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Assets							
Cash and bank balances	1,689	-	-	-	-	-	1,689
Net investment in finance debtors	41,412	23,444	35,109	21,932	30,016	-	151,913
Other receivables and prepayments	-	-	-	-	-	495	495
Derivative financial statement	-	-	-	-	-	35	35
Deferred tax asset	-	-	-	-	-	9	9
Vehicles and equipment	-	-	-	-	-	210	210
Capital work-in-progress	-	-	-	-	-	48	48
Statutory deposit	-	-	-	-	-	250	250
Total assets	43,101	23,444	35,109	21,932	30,016	1,047	154,649
Equity and liabilities							
Equity	-	-	-	-	-	40,127	40,127
Short-term bank borrowings	41,742	-	-	-	-	-	41,742
Other liabilities	10,939	-	-	-	256	-	11,195
Tax payable	217	-	-	-	-	-	217
Corporate deposits	8,245	610	10,684	708	-	-	20,247
Non-convertible bonds	5000	-	-	-	-	-	5,000
Long-term loans (including current portion)	11,541	7,323	11,682	5,575	-	-	36,121
Total equity and liabilities	77,684	7,933	22,366	6,283	256	40,127	154,649

30. Financial instruments and financial risk management (continued)

Liquidity risk (continued)

31 March 2019	Upto 6 months RO'000	6 to 12 months RO'000	1 to 2 Years RO'000	2 to 3 Years RO'000	More than 3 years RO'000	Fixed rate or non-interest rate sensitive RO'000	Total RO'000
Gap in maturity (excluding off balance sheet)	(26,829)	11,923	10,067	22,816	22,809	(40,786)	-
Cumulative gap in maturity	(28,829)	(14,906)	(4,839)	17,977	40,786	-	-

31. Expenses on loss of Litigation

The company had carried a contingency liability of RO 1.658 Mill in 2020 pertaining to case filed by one of its customer that was pending decision in the Supreme Court. On 7th April 2020, the company has received an adverse judgement in the case.

While the company has submitted its review petition in Supreme Court against the judgment, the company's Management and Board of Directors have decided to fully absorb the loss related to this adverse judgment in the financial statement of Mar 2020.

32. Approval of financial statements

These financial statements were approved by the Board of directors and authorized for issue on 31 May, 2020.