almadina investment holding (S.A.O.G)
المدينة للإستثمار القابضة (ش.م.ع.ع)

Management discussion and analysis report

Overview

Al Madina Investment Holding Company SAOG (the parent company) was established as an Omani public joint stock company in 1996. The company's shares are listed and traded on the Muscat Stock Exchange. The company includes a large base of shareholders along with the participation of individuals and institutions from the Sultanate of Oman and other Gulf Cooperation Council countries.

The main activity of the company is establishing or participating in the establishment of projects in various economic sectors. The main objective of the company is to be a long-term strategic investor and to participate in the development of the activity and therefore add value to the companies in which it invests. The company represents the boards and various committees in the companies it invests in. The company's investments are centered in the Sultanate of Oman, and most of them are in the financial and services sector.

Local Economic Vision

The budget aims to enhance financial, economic and social stability through continuing economic diversification policies, creating job opportunities, improving credit ratings, promoting digital transformation in addition to maintaining the sustainability of spending on basic services, as a result of the wise measures taken by the government.

The Sultanate of Oman succeeded in converting the estimated budget deficit of 1.3 billion Omani Riyals in 2023 into a surplus of 931 million Omani Rials. Moreover, total revenues have increased to 11.01 billion Omani Rials for the year 2024 compared to a budget amounting to 10.05 billion Omani Rials for the year 2023, which constitutes an increase by 9.6%, this is based on the budgeted price of oil, which reached $60 per barrel, compared to $55 per barrel in 2023. The Sultanate also succeeded in reducing the public debt significantly from 17.6 billion Omani riyals to 15.2 billion Omani riyals by paying approximately 2.4 billion Omani riyals, which contributed to saving 140 million Omani riyals from the costs of servicing the public debt, and this shall reflect positively on all aspects of development in the Sultanate

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The government seeks to enhance the efficiency of financial affairs management through a number of initiatives for development and by spending on investments, as 3.9 billion Omani riyals have been allocated for the year 2024, in addition to the initiatives of the public-private sector partnership program, the partnership for development program and others. These initiatives come to achieve financial balance on the long term.

Oman received a significant positive evaluation from international credit rating agencies in the fourth quarter of 2023, as Standard & Poor's raised the long-term credit rating of the Sultanate of Oman from "BB" to "BB+" along with stable future expectations, and Standard & Poor's expects growth of the Gross Domestic Product (GDP) at an accelerated rate of 2% annually until 2026, which reflects a positive path for the performance of the Omani economy.

Industry structure and development

The company has a diversified investment portfolio and therefore does not depend on the performance of a particular company or an economic sector per se. The investment portfolio currently consists mostly of diversified ownership rights across different economic sectors, of which Omani companies represent the predominant part.

Subsidiaries

Al Madina Business Center LLC is one of the subsidiaries of the parent company, which rents offices for companies and individuals and is located in Muscat Grand Mall. During this year, business center maintained its revenue level, as it has recorded revenues of RO 135,000 compared to the amount of RO 133,000 last year, and the company will continue the development plan for the business center and work to increase returns during the coming period.

Gulf Brand Trading Company SAOC is one of the subsidiaries of the parent company. During the upcoming period, the liquidation works for this company will be carried out as a result of the accumulated losses secondary to the Corona pandemic and the closure of restaurants.

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Al Mithaq Al Raida Trading Company LLC is one of the subsidiaries of the parent company and it works in the field of health. Since the company has stopped practicing its activities during the past years and due to the accumulation of losses, secondary to the Corona pandemic, some medical devices have been sold to reduce losses. During the coming period the Board will prepare a study on the company's situation and the state of the market in the health field. Upon completion of this study, the Board will take a decision that is appropriate for the interest of the shareholders.

Financial and operational performance

The consolidated financial statements include the results of the parent company and its subsidiaries (together referred to as the Group). The financial statements of the parent company and the group have been presented in accordance with international accounting standards.

Income list

The Group

The Group recorded a net loss of RO 1,547,770 compared to a net loss of RO 780,878 last year.

The realized income amounted to 574,986 OMR, an increase of 12.5%, compared to 511,285 OMR in the previous year.

The company's share in the losses of the associate companies was recorded to RO 333,092 compared to RO 71,320 last year, and the basic loss per share amounted to 18 baizas compared to a loss of 9 baizas last year.

The Parent company

The parent company recorded a net loss of RO 1,547,770 compared to a net loss of RO 780,878 last year.

The realized income increased by 11% to reach 490,244 OMR compared to 441,850 OMR in the previous year.

Expenses decreased in general, reaching 189,309 OMR compared to 558,776 OMR last year.

Interest costs increased to reach RO 656,551 compared to RO 489,961 last year due to the restructuring of loans with the bank.

Staff cost increased mildly to RO 106,323 compared to RO 101,656 last year.

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Also, general and administrative expenses decreased by 86% compared to the expenses of last year and operating expenses increased by 21% during the year compared to last year.

The change in the fair value of financial assets through the income statement increased by 1.5% from last year to record a loss of RO 583,466 compared to a loss of RO 574,551 in the previous year.

The company recorded a change in the fair value of real estate investments, a loss of RO

252,500 compared to profits of 359,853 Omani riyals for last year and recorded a basic loss of

18 Baizas per share compared to a profit per share of 9 Baizas in the previous year.

Statement of financial position

The Group

The Group's capital base was recorded at RO 7,752,030 (compared to RO 9,251,526 in the previous year) and the asset base decreased to reach RO 19,895,046 compared to RO 21,366,670 last year.

Parent company

The Group's capital base was recorded at RO 7,752,030 (compared to RO 9,251,526 in the previous year) and the asset base increased to RO 19,896,922 compared to RO 21,367,386 last year.

Investment Portfolio and Investment Strategy

The investment portfolio is diversified in various sectors of activity, most of which are in stocks or are stock-related. The company's investment strategy is long-term. The company has built a

portfolio of core long-term strategic investments in the services sector with good potential while focusing on the real estate sector as well.

The following is a summary of the large real estate investments made by Al-Madina Investment Holding Company:

The company has acquired about 6% of the paid-up capital of Tilal Development Company SAOC as a long-term strategic investment. Tilal Development Company is the founder of Tilal Complex, which represents a unique multi-use project located in the Al Khuwair area under the name "Muscat Grand Mall". The paid-up capital of Tilal Development Company is 18 million Omani Riyals and the net assets amounted to 42 million Omani Rials as of December 31, 2022.

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Al-Madina Real Estate Company SAOC is the largest investment of Al-Madina Investment Holding Company in the real estate sector, in which it is considered to be a direct founding shareholder with about 18% of the capital of Al-Madina Real Estate Company. The paid-up capital and net assets of Al-Madina Real Estate Company amounted to RO 20 million and RO 23 million, respectively, as of December 31, 2023. Furthermore, Al-Madina Real Estate Company is one of the major founders of Tilal Development Company and owns 24% of its ownership rights. It also owns a group of projects, including a five-star hotel project in the heart of the capital near the Tilal project in which it owns a 35% stake and Al-Sahel neighborhood project was also launched, in which it owns a 50% stake. In addition, the company plans to focus on providing development services for projects that can be owned by others.

Accounting policies

The accounting policies of the parent company and the group are in accordance with the International Financial Reporting Standards. The parent company and the Group follow a prudent and constant approach to accounting and in reporting its financial assets. The investments are listed at values equal to their percentage of net equity in the investee company. The parent company's investments in subsidiaries and associate companies are also listed at values equal to their percentage of net equity in these companies.

Internal Control

The Board of Directors has established an effective internal control system in the company that achieves reasonable assurance of the efficiency and effectiveness of operations, examination and balance with regard to internal financial control and follow-up of compliance with regulations and laws. The internal control system is regularly monitored by the Board, the Audit Committee, the management team and the internal audit.

In addition, the parent company documents policies, procedures and controls for all operations. The Board also established a management structure in which tasks, responsibilities, and reporting lines were defined. All of these matters are clearly documented for all company employees to follow. The internal audit is carried out by one of the Omani audit institutions.

The company has a well-designed system for reporting to the management and the Board. Furthermore, periodic reports are prepared and revised in order to evaluate performance in light of the budget and the level of performance in previous years. The financial information is prepared using appropriate accounting policies. Additionally, operational procedures and controls are designed to ensure the timely execution of transactions and the protection of assets.

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Risks and Fears

In general, any investment carries some risk. We believe that the company's investment portfolio is sufficiently diversified with respect to the economic sectors to reduce the risks associated with any single investment. The company's investment in new projects involves the risk of declining performance, as the performance of those participations may not be implemented as planned.

Expectations

The 2024 State budget envisioned continued economic growth. The budget assumes an oil price of $60 per barrel and average oil production of 1.03 million barrels per day. The 2024 budget priorities included achieving financial sustainability, enhancing economic activity, accelerating non-oil revenues, improving spending efficiency, increasing foreign investments, reducing the deficit, reducing public debt, ensuring stable inflation rate, creating sustainable job opportunities, and implementing economic reform programs.

The Board of Directors believes that the year 2024 will be interesting as the overall economic conditions improve, with oil prices expected to rise above the budget, however global sentiment remains weak due to the continuing crisis of the current wars and the conflicting situation in the Red Sea.

Khaled Mohamed Ebeid
Acting CEO

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