

**Notes to the financial statements
for the year ended 31 December 2015**

1. General

National Aluminium Products Company SAOG ("the Company") is incorporated in the Sultanate of Oman on 8 December 1984 under a trade license issued by the Ministry of Commerce & Industry. The Company's Head Office is located at Al-Rusayl Industrial Area and its registered address is P O Box 124, Sultanate of Oman.

The principal activity of the Company is the manufacture and sale of aluminium products.

These financial statements are presented in Rials Omani (RO) since that is the currency in which the majority of the transactions are denominated.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

2.2 New and revised IFRS in issue but not yet effective

The Company has not yet 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
IFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities

**Effective for annual periods
beginning on or after
1 January 2016**

Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

1 January 2016

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

2.2 New and revised IFRS in issue but not yet effective (continued)

	Effective for annual periods beginning on or after
New and revised IFRSs	
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 15 Revenue from Contracts with Customers In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. Specifically, the standard introduces a 5-step approach to revenue recognition: <ul style="list-style-type: none"> • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
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

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

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

Board of directors anticipate that these new and revised standards, interpretations and amendments will be adopted in the Company's financial statements for the year beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 15, may have no material impact on the financial statements of the Company in the period of initial application.

Board of directors anticipate that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual year beginning 1 January 2018. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

3. Summary of significant accounting policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements comply with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority.

Basis of preparation

These financial statements have been prepared under the historical cost convention modified to include the fair value of investment property.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, the individual components are accounted for as separate items of property, plant and equipment.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in profit or loss as an expense as incurred.

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment as noted below:

	Years
Buildings	20
Plant and machinery, dies and die tools	5 – 20
Extrusion and anodizing plant	5 – 20
Office and other equipment	4 – 5
Furniture and fixtures	5
Motor vehicles	5
Computer installations	4 – 5

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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

Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the year in which they arise.

Investment properties are derecognised when they have either been disposed off or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on derecognition of an investment property are recognised in the profit or loss in the year of derecognition.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognized when the Company has become a party to the contractual provisions of the instrument. Financial assets are recognized and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments. The financial assets are initially recognized at fair value plus transactions costs. The financial assets which are non-derivative financial assets with fixed or determinable payments that are not quoted in active market are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

Financial assets

The principal financial assets are cash and bank balances and trade and other receivables.

Trade and other receivables

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. An allowance for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

Financial liabilities

The principal financial liabilities are term loan, trade and other payables and bank borrowings.

Trade and other payables

Payables with no stated interest rate are measured at the original invoice amount, in cases where the imputed interest is immaterial. However, in cases where the imputed interest rate factor is material, accounts payables are stated at amortized cost, through application of the discounted cash flows method at market interest rate available on short-term borrowings with comparable average periods of maturity.

Term loan and borrowings

Term loan and borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets (if any) to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the profit or loss unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and new realizable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated cost to completion and costs to be incurred in marketing, selling and distribution.

Dividends declared

Dividends are recognised as a liability in the period in which they are approved.

Employee benefits

The end of service benefits for eligible national employees is provided in accordance with Social Insurance Law of 1991. For others, provision for end of service benefits is based on the liability which would arise in accordance with the terms of the employment and the Labour Laws of the Sultanate of Oman, if the employment of all employees were terminated at the reporting date.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue from the sale of goods is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs, or the possible return of goods.

Interest income is accounted for under the accrual basis of accounting.

Operating lease payments

Payments made under operating leases are recognised in the profit or loss on a straight-line basis over the term of the lease.

Finance cost

Financing cost comprises interest payable on borrowings calculated using the effective interest rate method. Finance cost on borrowings to finance the construction of the qualifying assets are capitalised, during the period that is required to complete and prepare the asset for its intended use. Other interest costs are shown in profit or loss in the year as incurred.

Directors' remuneration

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which they relate.

Income tax

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.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

Income tax (continued)

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 it is no longer probable that the related tax benefits will be realized.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances with a maturity of less than three months from the date of placement, net of bank overdrafts.

Foreign currencies

Transactions denominated in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are translated at the rates prevailing on the reporting date. Gains and losses arising from foreign currency transactions are dealt within the profit or loss.

Provisions

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date, that is, the amount that the Company would rationally pay to settle the obligation at the reporting date or to transfer it to a third party.

Provisions reviewed and adjusted at each reporting date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

4. Critical accounting estimates and judgements

The preparation of the financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property, plant and equipment

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Allowance for doubtful debts

Allowance for doubtful debts is based on management's assessment of various factors such as the company's past experience of collecting receivables from the customers and the age of debts.

Allowance for slow moving inventories

Allowance for slow moving inventories is based on management's assessment of various factors such as the usability, maintenance programs, and normal wear and tear using best estimates.

NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

Notes to the financial statements
for the year ended 31 December 2015 (continued)

5. Property, plant and equipment

	Buildings RO	Plant and machinery dies and die tools RO	Extrusion and anodizing plant RO	Office and other equipment RO	Furniture and fixtures RO	Motor vehicles RO	Computer installation RO	Capital work-in- progress RO	Total RO
Cost									
At 1 January 2014	2,366,830	11,891,321	4,998,777	469,801	162,770	68,026	343,673	140,597	20,441,795
Additions	6,355	591,219	-	52,313	13,541	27,450	7,748	901,427	1,600,053
Disposals	-	(220,667)	-	-	-	-	-	-	(220,667)
At 1 January 2015	2,373,185	12,261,873	4,998,777	522,114	176,311	95,476	351,420	1,042,024	21,821,180
Additions	59,420	905,968	-	9,888	11,223	-	23,045	6,353,503	7,363,047
Disposals	-	(170,000)	-	-	-	-	-	-	(170,000)
At 31 December 2015	2,432,605	12,997,841	4,998,777	532,002	187,534	95,476	374,465	7,395,527	29,014,227
Depreciation									
At 1 January 2014	1,895,037	8,507,355	4,992,377	449,755	157,727	65,652	315,969	-	16,383,872
Charge for the year	48,293	704,445	6,400	16,612	2,455	4,688	9,713	-	792,606
Disposals	-	(220,667)	-	-	-	-	-	-	(220,667)
At 1 January 2015	1,943,330	8,991,133	4,998,777	466,367	160,182	70,340	325,682	-	16,955,811
Charge for the year	50,383	728,924	-	19,361	2,291	5,490	11,461	-	817,910
Disposals	-	(165,714)	-	-	-	-	-	-	(165,714)
At 31 December 2015	1,993,713	9,554,343	4,998,777	485,728	162,473	75,830	337,143	-	17,608,007
Carrying value									
At 31 December 2015	438,892	3,443,498	-	46,274	25,061	19,646	37,322	7,395,527	11,406,220
At 31 December 2014	429,855	3,270,740	-	55,747	16,129	25,136	25,739	1,042,024	4,865,370

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

5. Property, plant and equipment (continued)

Additions to capital work-in-progress during the year of RO 6,353,503 mainly consists of the amounts expended towards the construction of the new aluminium extrusion line at the Company's factory.

The depreciation has been allocated as follows:

	2015	2014
	RO	RO
Cost of sales (note 17)	815,535	790,860
General and administrative expenses (note 19)	2,375	1,746
	<u>817,910</u>	<u>792,606</u>

6. Investment property

Investment property represents land held for sale by the Company. The land is stated at its fair value of RO 380,000 (2014: RO 380,000), which has been determined based on valuations performed by professional valuers in December 2015. The fair value has been determined using level 2 of fair value hierarchy.

7. Inventories

	2015	2014
	RO	RO
Raw materials and consumables	4,066,010	1,858,919
Finished goods	534,063	600,793
Goods in transit	-	164,818
Scrap for conversion	1,126,984	947,700
Work-in-progress	263,735	327,426
	<u>5,990,792</u>	<u>3,899,656</u>
Less: allowance for slow moving inventory	(57,706)	(52,328)
	<u>5,933,086</u>	<u>3,847,328</u>

Finished goods at the reporting date represent 8 days of sales (2014: 11 days). Scrap includes nil (2014: 771,501) lying with a third party. As at the reporting date, inventories amounting to RO 57,706 (2014: RO 52,328) were impaired. Movement in the allowance for slow moving and obsolete inventory items was as follows:

	2015	2014
	RO	RO
At 1 January	52,328	47,958
Charge for the year	5,378	4,370
	<u>57,706</u>	<u>52,328</u>

Notes to the financial statements
for the year ended 31 December 2015 (continued)

8. Trade and other receivables

	2015 RO	2014 RO
Trade receivables	8,774,373	7,563,963
Less : allowance for doubtful debts	(65,382)	(14,465)
	<u>8,708,991</u>	<u>7,549,498</u>
Advances and deposits	147,693	82,220
Prepayments	48,627	74,418
	<u>8,905,311</u>	<u>7,706,136</u>

Receivables covered under letters of credit and credit insurance as at the reporting date amounted to RO 7,685,736 (2014: RO 7,056,562).

As at the reporting date, trade receivables at nominal value of RO 65,382 (2014: RO 14,465) were impaired. Movement in the allowance for doubtful debts was as follows:

	2015 RO	2014 RO
At 1 January	14,465	13,793
Charge for the year	50,917	672
At 31 December	<u>65,382</u>	<u>14,465</u>

Aging analysis of gross trade receivables by geographic region is as follows:

31 December 2015

	Total RO	Neither past due nor impaired RO	Past due			
			Up to 30 days past due RO	31 to 60 days past due RO	61 to 180 days past due RO	Over 181 days past due RO
Oman	3,405,502	3,405,355	-	147	-	-
Other GCC	5,139,743	4,635,307	194,186	38,291	218,463	53,496
Europe	175,928	166,874	9,054	-	-	-
Others	53,200	53,200	-	-	-	-
Total	<u>8,774,373</u>	<u>8,260,736</u>	<u>203,240</u>	<u>38,438</u>	<u>218,463</u>	<u>53,496</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

8. Trade and other receivables (continued)

31 December 2014

	Total RO	Neither past due nor impaired RO	Past due			
			Up to 30 days past due RO	31 to 60 days past due RO	61 to 180 days past due RO	Over 181 days past due RO
			Oman	2,429,065	2,364,141	64,924
Other GCC	4,576,218	4,449,756	111,774	13,253	917	518
Europe	415,398	218,260	185,674	2,684	1,753	7,027
Others	143,282	113,685	29,331	-	-	266
Total	7,563,963	7,145,842	391,703	15,937	2,670	7,811

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. For majority of receivables, the Company has accepted letters of credit and / or has obtained credit insurance on exports.

9. Cash and cash equivalents

	2015 RO	2014 RO
Cash at bank :		
Call deposit accounts	565,949	177,932
Current accounts	412,125	212,456
	978,074	390,388
Cash in hand	1,146	1,775
	979,220	392,163

Cash at bank includes RO 569,417 (2014: 178,541) denominated in foreign currencies mainly US Dollar, Euro and GBP.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

10. Share capital

The Company's authorised, issued and paid up share capital consists of 33,571,450 ordinary shares of 100 baizas per share (2014: 33,571,450 ordinary shares of 100 baizas per share). At the reporting date, the following shareholders held 10% or more of the shares of the Company:

	2015		2014	
	%	RO	%	RO
Oman Emirates Investment Holding Co. SAOG	10.13%	340,070	10.13%	340,070
Ministry of Defence – Pension Fund	10.00%	335,700	10.00%	335,700

11. Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a Company's net profit to be transferred to a non-distributable legal reserve until the amount of the legal reserve equals one-third of the company's issued share capital. The reserve is not available for distribution. No transfers were made during the year as the minimum required amount has been already been achieved.

12. Term loan

The Company has obtained a term loan from a local commercial bank repayable in 20 quarterly instalments two years after the date of initial drawdown. The facility is secured by commercial mortgage over the newly procured plant and machinery at the factory of the Company and assignment of the risk insurance of the plant and machinery in favour of the bank.

The amount drawn down by the Company as at year end is RO 5,331,016 (2014: 666,474).

13. End of service benefits

	2015	2014
	RO	RO
At 1 January	303,480	296,692
Charge for the year	58,800	50,275
Paid during the year	(38,613)	(43,487)
At 31 December	323,667	303,480

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

14. Trade and other payables

	2015 RO	2014 RO
Trade payables	5,340,767	745,685
Accrued expenses	916,635	998,770
Other payables	255,575	192,769
	<u>6,512,977</u>	<u>1,937,224</u>

15. Short-term bank borrowings

Loan against trust receipts	4,696,578	5,797,234
Short term loan	1,919,517	-
	<u>6,616,095</u>	<u>5,797,234</u>

The Company has credit facilities from commercial banks comprising overdrafts, guarantees, loan against trust receipts, export bill discounting and letters of credit with an aggregate sanctioned limit of RO 36.2 million (2014: RO 34.1 million). These facilities carry interest at rates ranging between 2% to 4% per annum (2014: 2% to 3% per annum). The facilities are renewable on an annual basis.

16. Net assets per share

Net assets per share are calculated by dividing the net assets attributable to the shareholders of the Company by the number of shares outstanding at the year end as follows:

	2015	2014
Net assets at 31 December (RO)	8,575,725	8,233,448
Number of shares outstanding at 31 December	<u>33,571,450</u>	<u>33,571,450</u>
Net assets per share (RO)	<u>0.255</u>	<u>0.245</u>

17. Cost of sales

Raw materials and other materials	18,880,014	14,214,934
Depreciation (note 5)	815,535	790,860
Employee related expenses	1,369,206	1,032,626
Other factory costs	393,610	312,023
	<u>21,458,365</u>	<u>16,350,443</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

18. Selling and distribution expenses

	2015 RO	2014 RO
Employee related expenses	281,550	256,256
Transportation – freight and duty	487,187	515,344
Travelling and sales expenses	188,931	144,383
Other expenses	190,082	226,140
	<u>1,147,750</u>	<u>1,142,123</u>

19. Administrative and general expenses

Employee related expenses	716,008	670,547
Depreciation (note 5)	2,375	1,746
Directors sitting fees	36,100	19,591
Directors' remuneration	-	7,035
Other administrative overheads	334,814	318,430
	<u>1,089,297</u>	<u>1,017,349</u>

Employee related expenses included in notes 17, 18 and 19 comprise:

	2015 RO	2014 RO
Salaries, wages and benefits	2,241,970	1,864,257
Contribution to defined contribution benefit plan	65,994	44,897
Unfunded defined benefit plan	58,800	50,275
	<u>2,366,764</u>	<u>1,959,429</u>

The number of employees at the reporting date was 317 (2014: 282).

20. Other income – net

	2015 RO	2014 RO
Foreign exchange gain / (loss) – net	86,688	(21,599)
Insurance claim received	9,148	8,538
Miscellaneous income	26,929	20,979
Loss on disposal of assets	(4,286)	-
	<u>118,479</u>	<u>7,918</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

21. Finance cost - net

	2015 RO	2014 RO
Finance income	(113)	(342)
Finance cost	203,104	118,542
	<u>202,991</u>	<u>118,200</u>

22. Taxation

Current tax:		
Current year	120,346	106,291
Prior years	-	36,396
	<u>120,346</u>	<u>142,687</u>
Income tax expenses	120,346	142,687
	<u>(17,533)</u>	<u>(9,462)</u>

Provision for income tax for the year is as follows:

At 1 January	179,707	224,597
Charge for the year	120,346	142,687
Tax paid	(111,593)	(187,577)
	<u>188,460</u>	<u>179,707</u>

The Company is subject to income tax at the rate of 12% of taxable profits in excess of RO 30,000 in accordance with the income tax laws of the Sultanate of Oman. The following is reconciliation between income taxes calculated on accounting profits at the applicable tax rates with the income tax expense for the year:

	2015 RO	2014 RO
Profit before tax	881,519	833,805
	<u>102,183</u>	<u>96,457</u>
Income tax expense at the rates mentioned above	102,183	96,457
Non-deductible expenses	630	977
Temporary differences	17,533	8,857
Prior year tax	-	36,396
	<u>120,346</u>	<u>142,687</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

22. Taxation (continued)

The income tax return for the year 2014 have not yet been assessed by the Secretariat General for Taxation at the Ministry of Finance.

The Board of Directors are of the opinion that additional taxes, if any, related to the open tax years would not be significant to the Company's financial position as at the reporting date.

Deferred tax liability is attributable to the following items:

	1 January 2015 RO	Recognised in profit and loss RO	31 December 2015 RO
Property, plant and equipment	(49,045)	10,778	(38,267)
Provision for inventories	6,279	645	6,924
Provision for doubtful debts	1,736	6,110	7,846
Fair valuation of investment property	(32,400)	-	(32,400)
	<u>(73,430)</u>	<u>17,533</u>	<u>(55,897)</u>
	1 January 2014 RO	Recognised in profit and loss RO	31 December 2014 RO
Property, plant and equipment	(64,503)	15,458	(49,045)
Provision for inventories	5,755	524	6,279
Provision for doubtful debts	1,656	80	1,736
Fair valuation of investment property	(25,800)	(6,600)	(32,400)
	<u>(82,892)</u>	<u>9,462</u>	<u>(73,430)</u>

23. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributed to the shareholders by the weighted average number of shares outstanding.

	2015	2014
Net profit for the year (RO)	778,706	700,580
Weighted average number of shares as of 31 December	33,571,450	33,571,450
Earnings per share (RO)	0.023	0.021

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

24. Related parties

Related parties comprise of shareholders, key business persons and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and condition which the management consider to be comparable with those adopted for arm's length transactions with third parties.

Key management compensation:

	2015	2014
	RO	RO
Short-term benefits	303,802	266,664
Employees' end of service benefits	14,126	7,352
	<u>317,928</u>	<u>274,016</u>
Directors' remuneration	-	7,035
Sitting fees and other expenses	36,100	19,591
	<u>36,100</u>	<u>26,626</u>

Proposed director's remuneration for the year 2015 is nil (2014: 7,035).

25. Commitments and contingencies

The following summarises the significant commitments and contingencies as at reporting date:

	2015	2014
	RO	RO
Purchase of capital items	27,587	102,352
Capital work-in-progress	-	5,526,400
Letters of guarantee	7,250	7,250

Lease commitments

The Company has leased land for its factory premises from the Rusayl Industrial Estate Authority under an agreement that expires on 31 December 2027. At the reporting date, future minimum lease commitments under non-cancellable operating leases were as follows:

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

25. Commitments and contingencies (continued)

Lease commitments (continued)

	2015	2014
	RO	RO
Due within one year	27,675	23,124
Due after one year but within five years	138,377	108,916
	166,052	132,040

26. Dividend

The Board of Directors have recommended a total cash dividend of 13% (2014: 13%) for qualifying 33,571,450 shares amounting to RO 436,429 (2014: RO 436,429) pending approval of the shareholders.

27. Operating segments

The Executive Committee views the Company as only one business segment; the manufacture of aluminium extrusions and related products and all the relevant information relating to the primary segment are disclosed in the statement of financial position, profit or loss and notes to the financial statements.

Operating segment

The following operating segment analysis relating to revenue has been compiled based on the location of the customers.

	2015	2014
	RO	RO
Oman	7,682,054	6,275,025
Other GCC countries	15,388,085	10,752,212
Europe	1,030,540	1,587,454
Others	560,764	784,311
	24,661,443	19,399,002

Similar analysis of the Company's trade receivable is set out in note 8.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)****28. Financial risk management**

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, trade and other receivables, trade and other payables, term loans and bank borrowings.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Overview

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

The management follows overall risk management covering specific areas, such as foreign exchange risk, interest rate risk and credit risk.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

Credit is extended to customers only with an objective of optimizing the Company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Necessary controls and procedures are established to manage the Company's credit risk and its working capital. It is therefore Company's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information.

The carrying amount of financial assets represents the maximum credit exposure. The exposure to credit risk at the reporting date was on account of:

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

28. Financial risk management (continued)

(i) Credit risk (continued)

	2015 RO	2014 RO
Trade receivables	8,774,373	7,563,963
Advances and deposits	147,693	82,220
Bank balances	978,074	390,388
	<u>9,900,140</u>	<u>8,036,571</u>

Trade and other receivables

The exposure to credit risk is monitored on an on-going basis and Management determines provisions for impairment where required. Therefore, the Company considers the credit risk to be minimal.

Age analysis of trade receivable, movement in impairment allowance and concentration of trade receivable are set out in note 8.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Trade and other payables principally comprise amount outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 75 days.

	2015			2014		
	Less than one year RO	One to five years RO	Total RO	Less than one year RO	One to five years RO	Total RO
Term loan	-	5,331,016	5,331,016	-	666,474	666,474
Borrowings	6,616,095	-	6,616,095	5,797,234	-	5,797,234
Trade and other payables	6,512,977	-	6,512,977	1,937,224	-	1,937,224
	<u>13,129,072</u>	<u>5,331,016</u>	<u>18,460,088</u>	<u>7,734,458</u>	<u>666,474</u>	<u>8,400,932</u>

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

28. Financial risk management (continued)

Financial risk factors (continued)

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Currency risk

The Company's functional and presentation currency is Rials Omani and the Company's performance is substantially independent of changes in foreign currency rates. Consequently foreign currency risk arising from GCC currencies and USD which are pegged to the Omani Rial is not significant. The Company is not exposed to foreign exchange risk on trade payables, receivables and bank balances.

The trade payable, receivable and bank balances in Euro and GBP are exposed to foreign currency exchange risk. 100 basis points variation in exchange rate of Euro and GBP at the reporting date will have an impact of RO 3,290 on reported net profit (2014: RO 1,039).

Interest rate risk

The Company has term borrowings which are interest bearing and exposed to changes in market interest rates. The Company adopts a policy of ensuring that all its borrowing are on a fixed rate basis. At the end of the reporting period the interest rate profile of the Company's average interest bearing financial instruments was:

	2015 RO	2014 RO
Fixed rate instruments		
Borrowings	2 - 4%	2 - 3%

Commodity risk

In respect of commodity price risk the Company manages its exposure with natural hedging process and also by entering into forward contracts as required to mitigate any risks. During the previous year the Company entered into small number of commodity forward contracts due to volatility in Aluminium prices.

29. Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and stakeholders' confidence and to sustain future development of the business.

Management is confident of improving the current level of profitability by enhancing top line growth and prudent cost management. The Company is not subject to externally imposed capital requirements.

**Notes to the financial statements
for the year ended 31 December 2015 (continued)**

29. Capital management (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings and term loan as shown in the statement of financial position less bank and cash balances. Total capital employed is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio at the reporting date was as follows:

	2015	2014
	RO	RO
Total debt	11,947,111	6,463,708
Less: cash and bank balances	(979,220)	(392,163)
	<hr/>	<hr/>
Net debt	10,967,891	6,071,545
Total equity	8,575,725	8,233,448
	<hr/>	<hr/>
Total capital employed	19,543,616	14,304,993
	<hr/>	<hr/>
Gearing ratio	56%	42%
	<hr/>	<hr/>

30. Approval of financial statements

The financial statements were approved by the Management and authorized for issue on 21 February 2016.