Notes

(forming part of the financial statements)

1 Nature of operations

National Aluminium Products Company SAOG (the Company) is engaged in the manufacture and sale of aluminium products.

2 General information and statement of compliance with IFRSs

The Company is an Omani joint stock company registered under the Commercial Companies Law 1974 as amended, superseded by Commercial Company Law 2019 promulgated by the Royal Decree No. 18/2019 "The Commercial Companies Law of the Sultanate of Oman". The Law 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.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), the applicable disclosure requirements of the Capital Market Authority (CMA) and the relevant requirements of the Commercial Companies Law of 2019.

In 2019 the Company has adopted new guidance for the recognition of leases (see Note 3.1 below). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adoption as at 1 January 2019 being recognised as a single adjustment to retained earnings. Accordingly, the Company is not required to present a third statement of financial position as at that date.

3 New or revised standards or interpretations

3.1 New standards adopted as at 1 January 2019

IFRS 16 Leases

In the current year, the Company has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Company is 1 January 2019. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

Impact of the new definition of a lease
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

Notes

(forming part of the financial statements)

3 New or revised standards or interpretations (continued)

3.1 New standards adopted as at 1 January 2019 (continued)

IFRS 16 Leases (continued)

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

Impact on Lessee Accounting

Former operating leases

IFRS 16 changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Company:

(a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sub-lease as two separate contracts. The intermediate lessor is required to classify the sub-lease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

The application of IFRS 16 has an impact on the statement of cash flows of the Company. Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;

Notes

(forming part of the financial statements)

3 New or revised standards or interpretations (continued)

3.1 New standards adopted as at 1 January 2019 (continued)

IFRS 16 Leases (continued)

- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Company has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

Impact on assets and liabilities as at 1 January 2019

Impact as a lessee	As at 31 December 2018	IFRS 16 adjustment	As at 1 January 2019
Right to use assets	-	298,805	298,805
Lease liabilities	-	346,399	346,399
Adjustment to equity	-	(47,595)	(47,595)

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Company. Information on those expected to be relevant to the Company's financial statements is provided below.

Other

The Company does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Company. These standards are listed as follows:

- IFRS 17 Insurance Contracts;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8); and
- Conceptual Framework for Financial Reporting.

4 Summary of accounting policies

4.1 Overall consideration and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the interpretations issued by the International Financial Committee (IFRIC) of the IASB, the requirements of the Commercial Companies Law of Oman 2019, and the disclosure requirements of the Capital Market Authority (CMA). The measurement basis is more fully described in the accounting policies below.

The financial statements have been prepared using the significant accounting policies and measurement bases as summarised below.

4.2 Presentation of financial statement

The financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007). IAS 1 requires two comparative periods to be presented for the statement of financial position in certain circumstances. The Company will only present the second comparative figure when the circumstances arise.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.3 Foreign currency translation

Functional and presentation currency

Financial statements of the Company are presented in the Rial Omani (RO).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in the statement of profit or loss and other comprehensive income under 'other income' or 'other expense'.

In the Company's financial statements, all items and transactions of the Company with a presented currency other than the Rial Omani (the Company's presentation currency) were translated into the presentation currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date. Income and expenses have been translated into the Company's presentation currency at the average rates over the reporting period.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

4.4 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 and whose operating results are regularly reviewed by the chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Board of Directors have been identified as the chief decision maker. The Company has a single reportable segment.

4.5 Revenue

Revenue of the Company consists of sale of aluminum profiles and other items to the varying range of customers.

The Company uses the five-step model of revenue recognition. In particular, the Company has the following policies with respect to identification of performance obligations, allocation of the transaction price and recognition of revenue allocated to each performance obligation.

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.5 Revenue (continued)

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation: The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Companys performance as and when the Company performs; or
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Variable consideration

Variable consideration amount are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

Company evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Cost of obtainment and fulfilment

Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.5 Revenue (continued)

Cost of obtainment and fulfilment (continued)

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Revenue recognition

The Company recognize revenue when control of the products is transferred to the customer. That is, when the products are delivered to the customer and the customer has full discretion over the channel and price to sell the products. Further, there is no unfulfilled obligation that could affect the customer's acceptance of the products.

4.6 Financial instruments

IFRS 9 Financial instruments

Recognition & Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Classification and measurement of financial assets and financial liabilities

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets and liabilities. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flow characteristics.

Initial recognition

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: 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.

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. This is whether the Company objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Company in determining the business model for a Company of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows comprise of solely payment of principal and interest

Where the Company has a business model to collect contractual cash flows, the Company assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Company considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

Financial assets at fair value through other comprehensive income

Equity instrument which are not held for trading or issued as contingent consideration in business combination, and for which the company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss accounts

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement and gain or losses

Financial assets

Financial assets at amortised cost:

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

Financial assets at fair value through other comprehensive income

a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss account. Any gain or loss on derecognition is also recognised in the profit or loss account.

Reclassification

Financial assets

The Company will only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company's operations and demonstrable to external parties.

If he Company determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

The Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed. The Company's financial liabilities include trade payables, accruals and provisions, amounts due to the related parties, term loans and short term loan which are measured at amortised cost.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the profit or loss account.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss account.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

a) The rights to receive cash flows from the asset have expired; or
b) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
c) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

From 1 January 2018, any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of trade receivables and cash at bank.

Under IFRS 9, loss allowance are measured on either of the following bases:

- 12 month ECL: these are ECLs that result from possible default events within 12 months after the reporting date; and
- Lifetime *ECL:* these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

General approach

General approach is a three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Significant increase in credit risk

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

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

Simplified approach

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the company will be required to measure lifetime expected credit losses at all times.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit- impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off

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

Presentation of impairment

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to financial assets are presented separately in the statement of profit or loss and other comprehensive income.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Derivative financial instrument and hedging

The Company has elected to adopt hedge accounting from 1 January 2018.

The Company does not engage in proprietary trading activities in derivatives.

As part of its risk management strategy, the Company holds derivative financial instruments to hedge its risk associated with fluctuating aluminium prices relating to future sales to customers.

The Management believes that derivative financial instruments to hedge risk associated with fluctuating aluminium prices may not qualify for Hedge Accounting under IFRS 9. However, the Management believe that the hedge positions will accomplish an economic hedge against their future purchases. This will match the gain or loss on the derivative financial instruments to hedge the risk associated with fluctuating aluminium prices to the changes in price of the specific commodity purchase being hedged. Accordingly, the Company has chosen to designate the derivative financial instruments to hedge risk associated with fluctuating aluminium prices as well as the commodity purchase contracts to be measured at fair value through profit or loss. This results in the fair value changes of the derivative financial instruments between the transaction date and the end of the reporting period being immediately recognized in the statement of income and offset against the equal but opposite effect of the movement in the commodity price also recognized for the same period.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the income statement.

The Company applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- There is 'an economic relationship' between the hedged item and the hedging instrument;
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedge item.

For the purpose of hedge accounting, hedges are classified as:

- Hedges of the exposure to changes in fair value of recognised assets or liabilities or firm commitments (fair value hedge); or,
- Hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. The documentation also includes the hedge ratio and potential sources of ineffectiveness.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to income statement over the period to maturity.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss account.

Amounts recognised as OCI are transferred to the profit or loss account when the hedged transaction affects the profit or loss account, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

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 remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss account.

The Company entered into a derivative financial instrument to manage its exposure to interest rate risk, which include interest rate swaps.

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by companying together all assets with similar risk characteristics.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.6 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, amounts due from related parties, cash and cash equivalents and trade and other payables. Cash and cash equivalents comprise cash balances and deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

4.7 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, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the statement of income in the year the item is derecognized.

Capital work in progress is not depreciated. Otherwise, depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of items of property, plant and equipment, which are as follows:

• Buildings	20 - 25 years
• Plant, machinery, dies and die tools	5 - 40 years
• Extrusion and anodizing plant	5 - 20 years
• Office and other equipment	5 years
• Furniture and fixtures	5 years
• Motor vehicles	5 years
• Computers	5 years

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.8 Investment property

Property, which is held for rental, capital appreciation or a future undetermined use is classified as investment property. The carrying amount of investment property is the fair value of the property as determined on a recurring basis by a registered independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued or as assessed internally by the Management. Changes in the fair value are recognised in the statement of profit or loss.

4.9 Leases

Policy before 1 January 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date.

Operating lease payments are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

Policy after 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Company has the right to direct the use of the identified asset throughout the period of use the Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.9 Leases (continued)

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, the right-of-use assets and lease liability is presented as a separate line.

4.10 Legal reserve

In accordance with article 132 of the Commercial Companies Law of Oman 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one-third of the value of the Company's paid-up share capital.

4.11 Inventories

Inventories are stated at lower of cost and net realisable value. Cost of raw materials, stores, spares and consumables and packing materials is determined on weighted average cost basis and comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. The cost of finished goods and work in progress includes cost of raw materials and an appropriate portion of direct expenses and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business less any incidental selling expenses. Provision is made, wherever necessary, for slow and non-moving inventories.Cost of scrap is computed based on the weighted average cost of the raw materials less the average product premium charged by the suppliers over and above the London Metal Exchange (LME) price.

4.12 Cash and cash equivalent

Cash and cash equivalents comprise bank balances and cash, including deposits with an original maturity period of 3 months or less for the date of acquisition.

4.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plans main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.13 Provisions, contingent liabilities and contingent assets (continued)

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

4.14 Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's Labour Law as per Royal Decree number 35/2003 (as amended) applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

End of service benefits are accrued in accordance with the terms of employment of the non-Omani employees at the reporting date, having regard to the requirements of the Omani Labour Law 2003, as and the requirement of IAS 19 with respect to defined benefit obligations. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual liability for annual leaves as a result of services up to the reporting date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while that relating to end of service benefits is disclosed as a non-current liability. The obligation of end of service is calculated using the projected unit credit method.

4.15 Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, Tax Authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit.

Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.16 Share capital

Share capital is determined using the nominal value of shares that have been issued.

Retained earnings include all current and prior period results as disclosed in the statement of changes in Shareholders' equity.

4.17 Dividend

The Board of Directors recommends to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman 2019, while recommending the dividend.

Dividend distribution is recognized as a liability in the period in which the dividends are approved by the shareholders.

4.18 Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman 2019, 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 income in the year to which they relate.

4.19 Significant management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2019, management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in Note 5.

Inventories

Inventories are measured at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the ordinary course of business less selling costs.

Notes

(forming part of the financial statements)

4 Summary of accounting policies (continued)

4.19 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Impairment of financial assets

The Company assesses the impairment of its financial assets based on the Expected Credit Loss ("ECL") model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. The Company measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

The Company measures the expected credit losses of a financial instrument in a way that reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured for the maximum contractual period over which the entity is exposed to credit risk. The significant estimates relating to the measurement of ECL relate to the fair value of the collaterals in place, the expected timing of the collection and forward-looking economic factors.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimating the incremental borrowing rate - leases

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Notes

(forming part of the financial statements)

5 Property, plant and equipment

	Buildings RO	Plant, machinery dies and die tools RO	Extrusion and anodizing plant RO	Office and other equipment RO	Furniture and fixtures RO	Motor vehicles RO	Computer equipment RO	Capital work in progress RO	Total RO
Cost									
At 1 January 2019	5,037,165	19,943,361	4,998,777	551,264	207,744	126,276	433,729	-	31,298,316
Additions	3,000	1,252,941	-	4,126	236	-	10,075	170,945	1,441,323
Disposals	-	(996,478)	-	-	-	-	-	-	(996,478
At 31 December 2019	**5,040,165**	**20,199,824**	**4,998,777**	**555,390**	**207,980**	**126,276**	**443,804**	**170,945**	**31,743,161**
Depreciation									
At 1 January 2019	2,421,488	11,844,165	4,998,777	533,302	187,805	76,366	381,907	-	20,443,810
Charge for the year	149,036	1,067,251	-	12,473	11,071	14,059	18,462	-	1,272,352
Disposals and write offs	-	(996,478)	-	-	-	-	-	-	(996,478
At 31 December 2019	**2,570,524**	**11,914,938**	**4,998,777**	**545,775**	**198,876**	**90,425**	**400,369**	**-**	**20,719,684**
Net book value:									
At 31 December 2019	**2,469,641**	**8,284,886**	**-**	**9,615**	**9,104**	**35,851**	**43,435**	**170,945**	**11,023,477**

For the comparative year the carrying amounts can be presented as follows:

	Buildings RO	Plant, machinery dies and die tools RO	Extrusion and anodizing plant RO	Office and other equipment RO	Furniture and fixtures RO	Motor vehicles RO	Computer equipment RO	Capital work in progress RO	Total RO
Cost									
At 1 January 2018	5,037,165	19,084,800	4,998,777	548,304	207,069	105,776	409,613	-	30,391,504
Additions	-	1,055,153	-	2,960	675	20,500	24,116	-	1,103,404
Disposals	-	(196,592)	-	-	-	-	-	-	(196,592
At 31 December 2018	5,037,165	19,943,361	4,998,777	551,264	207,744	126,276	433,729	-	31,298,316
Depreciation									
At 1 January 2018	2,268,012	11,114,884	4,998,777	516,728	176,357	63,125	366,653	-	19,504,536
Charge for the year	153,476	925,873	-	16,574	11,448	13,241	15,254	-	1,135,866
Disposals and write offs	-	(196,592)	-	-	-	-	-	-	(196,592
At 31 December 2018	2,421,488	11,844,165	4,998,777	533,302	187,805	76,366	381,907	-	20,443,810
Net book value									
At 31 December 2018	2,615,677	8,099,196	-	17,962	19,939	49,910	51,822	-	10,854,506

The depreciation for the year is allocated as follows:

	2019 RO	2018 RO
Cost of sales	1,285,387	1,132,394
General and administration	3,616	3,472
	1,289,003	1,135,866

At the end of the reporting period, plant and machinery with a carrying value of RO 6,970,928 (2018: RO 202,357) are mortgagec against the term loans and bank borrowings obtained from a local commercial bank

In the opinion of the Management, there is no objective evidence that the above assets are impaired as at 31 December 201! (2018: RO Nil).

Notes

(forming part of the financial statements)

6 Right-of-use asset and lease liabilities

As per IFRS 16, interest rate implicit in the lease should be used to discount present value of lease payments. In absence of implicit rate, the Company's incremental borrowing rate is used.

Movement in right-of-use asset:

	2019 RO	2018 RO
As on 1 January 2019	298,805	-
Depreciation during the year	(16,651)	-
Closing	282,154	-

The buildings and plant facilities are built on land leased from the Public Establishment for Industrial Estate (Rusayl Industrial Estate). The leases are for a period of 25 years.

Right to use asset	No of right of use assets leased	Range of remaining term	No of leases with extension option	No of leases with options to purchase	No of lease with termination options
Land	1	17	-	-	-

Lease liabilities are presented in the statement of financial position as follows:

	2019 RO	2018 RO
Current	12,491	-
Non-current	322,068	-
	334,559	-

	Within one year	1-2 years	2-3 years	3-4 years	4-5 years	After 5 years	Total
			Minimum lease payments due				
31 December 2019							
Lease payments	32,564	32,564	32,564	32,564	32,564	402,036	564,856
Finance charges	(20,073)	(19,497)	(18,713)	(17,881)	(17,001)	(137,132)	(230,297)
Net present values	12,491	13,067	13,851	14,683	15,563	264,904	334,559

Movement in lease liability:

	2019 RO	2018 RO
As on 1 January 2019	346,399	-
Interest expense for the year	20,724	-
Payment made during the year	(32,564)	-
Closing	334,559	-

7 Investment property

Investment property, being land, is stated at its fair value and it is located at Al-Rusail Phase 2, In Al Seeb, Plot No.299 covering an area of 3600 square meters. The fair value has been estimated by the Management based on an independent valuation undertaken by a professional valuer in February 2020.

	2019 RO	2018 RO
At the beginning of the year	380,000	380,000
Revaluation during the year	120,000	-
At the end of the year	500,000	380,000

The fair value measurement for the investment property is measured on a recurring basis and fall within level 2 of the fair value hierarchy as below.

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes

(forming part of the financial statements)

8 Inventories

	2019 RO	2018 RO
Raw materials	1,401,775	2,000,017
Spares and tools	884,156	803,333
Finished goods	862,935	630,746
Work in progress	425,074	569,154
Consumables	602,965	532,995
Scrap	662,219	693,395
	4,839,124	5,229,640
Provision for slow and non-moving inventories	(257,038)	(224,850)
	4,582,086	5,004,790

The following further notes apply:

a) In the opinion of the Management, except for the inventories of which provision is provided below there is no objective evidence that the above inventories are impaired as at 31 December 2019 (2018: RO Nil).

b) The movement in provision for slow and non-moving inventories during the year is as follows:

	2019 RO	2018 RO
At the beginning of the year	224,850	500,512
Created/(Written-off) during the year	32,188	(275,662)
At the end of the year	257,038	224,850

9 Trade and other receivables

	2019 RO	2018 RO
Trade receivable	18,871,537	19,152,143
Less: Allowance for credit losses	(647,076)	(201,616)
	18,224,461	18,950,527
Advances and deposits	537,265	141,646
Prepayments and other receivables	270,072	344,678
	19,031,798	19,436,851

The following further notes apply:

a) 45% of the accounts receivable are due from 10 customers (2018 – 46% are due from 6 customers).

b) Accounts receivable amounting to RO 14,026,700 (2018 – RO 16,129,985) are neither past due nor impaired.

c) In accordance with the debt provisioning policy, the Management has estimated past due debts amounting to RO 647,076 (2018 – RO 201,616) to be impaired and established allowance for credit losses against such debts.

d) The movement in allowance for credit losses is as follows:

	2019 RO	2018 RO
At the beginning of the year	201,616	171,423
Provided during the year	445,460	30,193
At the end of the year	647,076	201,616

10 Cash and cash equivalent

	2019 RO	2018 RO
Cash at bank	437,383	1,568,196
Cash on hand	1,052	612
	438,435	1,568,808

Notes

(forming part of the financial statements)

11 Share capital

The Company's authorized, issued and paid up capital comprises of 33,571,450 shares with a nominal value of RO 0.1 each (2018 – 33,571,450).

Shareholders of the Company who own 10% or more of the Company's share and the number of shares they hold are as follows:

	2019		2018	
Names of shareholders	No. of shares	%	No. of shares	%
Global Financial Investment Holding Co SAOG	6,913,933	20.59	5,886,015	17.53
Omani & Emirates Investment Holding Company SAOG	4,462,500	13.29	4,462,500	13.29
Ministry of Defense Pension Fund	3,357,000	10.00	3,357,000	10.00
	14,733,433	43.88	13,705,515	40.82

12 Legal reserve

As required by the Commercial Companies Law of the Sultanate of Oman 2019, 10% of the annual profit is to be transferred to a legal reserve, until the amount of the legal reserve reaches one third of the capital. No transfer has been made in the current year as the reserve has reached the statutory minimum of one third of the capital. The reserve is not available for distribution.

13 Borrowings

	2019 RO	2018 RO
Term loan 1	594,933	1,744,933
Term loan 2	155,138	555,138
Non–current portion	750,071	2,300,071
Current portion of term loan 1	1,150,000	1,050,000
Current portion of term loan 2	400,000	400,000
Loan against trust receipts	14,368,153	14,058,064
Short term loans	7,378,500	5,806,616
Bank overdraft	490,725	-
current portion	23,787,378	21,314,680

The following further notes apply:

a) Term loan 1 was obtained from a local commercial bank and is subject to an interest rate of 6.25% per annum (2018 – 6.25% per annum). The loan is repayable in 20 quarterly instalments of varying amounts which commenced from September 2016.

b) Term loan 2 was obtained from a local commercial bank and is subject to an interest rate of 6.25% per annum (2018 – 6.25% per annum). The loan is repayable in quarterly instalments of RO 100,000 each which commenced from December 2017.

c) The term loans and other bank borrowings are secured by:
- commercial mortgage and assignment of insurance cover for certain plant and machinery; and
- a promissory note of RO 8 million.

d) The term loan and bank borrowing agreements with the bank contain certain restrictive covenants which if violated can result in the withdrawal of the facility by the bank.

e) The maturity profile of the non-current portion of the term loans based on the remaining period to maturity from the end of the reporting period is as follows:

	2019 RO	2018 RO
Up to 1 year	1,550,000	1,450,000
Between 1 and 5 years	750,071	2,300,071
	2,300,071	3,750,071

Notes

(forming part of the financial statements)

14 Trade and other payables

	2019 RO	2018 RO
Trade payable	2,064,074	3,623,801
Accruals	971,076	748,490
Other payables	365,891	311,869
	3,401,041	4,684,160

15 Income tax

a) Recognised in the statement of profit or loss and other comprehensive income and presented in the statement of financial position

The Company is liable to an income tax at the rate of 15% (2018: 15%) on the taxable income in accordance with the Income Tax Law of the Sultanate of Oman.

	2019 RO	2018 RO
Recognised in statement of profit or loss and other comprehensive income		
Deferred tax income	144,755	-
Deferred tax expense	-	162,134
	144,755	162,134
Presented in statements of financial position as liabilities:		
Deferred tax asset/(liability)	16,143	(128,612)

b) Reconciliation of tax expense

	2019 RO	2018 RO
(Loss)/profit before tax	(919,200)	975,693
Add:		
Accounting depreciation	1,289,003	1,135,866
Fee related to tax matters	1,178	3,445
Donations	205	-
Interest in relation to IFRS 16	20,724	-
Provision for slow moving inventories	257,039	224,850
Provision for credit losses	647,076	201,616
	1,296,025	2,541,470
Deduct:		
Tax depreciation	(1,434,320)	(1,629,185)
Profit on disposal of assets	(12,356)	-
Unrealized gain on revaluation of land	(120,000)	-
Lease rentals paid during the year	(32,564)	-
Provision for credit losses	(201,616)	(171,423)
Provision for slow moving inventories	(224,850)	(500,512)
Provision for scrap valuation	-	(51,000)
Taxable loss	(729,681)	189,350
Tax rate	15%	15%
Income tax of the year	-	-

c) Available carried forward tax losses

	2019 RO	2018 RO
Available carry forward losses b/d	(1,895,983)	(2,085,333)
Tax (loss)/income for the year	(729,681)	189,350
Closing balance of available carry forward tax losses	(2,625,664)	(1,895,983)

The Company has available tax losses to be carried forward from the year ended 31 December 2019 to be utilised in the subsequent years.

Notes

(forming part of the financial statements)

15 Income tax (continued)

d) Deferred tax asset/(liability)

	1 January 2019 RO	Recognised in profit or loss RO	Recognised in profit or loss RO	31 December 2019 RO
Deferred tax asset/(liability):				
Property, plant and equipment	(436,498)	-	(26,187)	(462,685)
Provision for slow moving inventory	33,728	-	4,828	38,556
Provision for credit losses	30,242	-	66,819	97,061
Fair value of investment property	(40,500)	-	(18,000)	(58,500)
Right-of-use assets and lease liabilities	-	7,139	722	7,861
Unused tax losses	284,416	-	109,434	393,850
Deferred tax assets/(liability)	(128,612)	7,139	137,616	16,143

	1 January 2018 RO	Recognised in profit or loss RO	Recognised in profit or loss RO	31 December 2018 RO
Deferred tax asset/(liability):				
Property, plant and equipment	(362,536)	-	(73,962)	(436,498)
Provision for slow moving inventory	75,077	-	(41,349)	33,728
Provision for credit losses	25,713		4,529	30,242
Provision for scrap valuation	7,650		(7,650)	-
Fair value of investment property	(40,500)		-	(40,500)
Unused tax losses	328,118	-	(43,702)	284,416
Deferred tax assets/(liability)	33,522	-	162,134	(128,612)

e) Current status of tax assessments

The Company's tax assessments for the year 2015 and 2017 have not been finalised by the Secretariat General for Taxation. The Management believes that the tax liability, if any, that may arise on the completion of the assessment for the unassessed tax years will not be material to the Company's financial position as at 31 December 2019.

16 Related party transactions and balances

Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) as follows:

	2019 RO	2018 RO
Directors:		
Directors' sitting fees	44,500	43,500
Travelling expenses		580
	44,500	44,080
Senior management:		
Short term employment benefits	318,813	324,946
End of service benefits	13,292	14,338
	332,105	339,284
	376,605	383,364

The Company did not provide bonus for senior management in 2019 (2018: 28,836).

Notes

(forming part of the financial statements)

17 Net assets and other basic earnings per share

Net assets per share

Net assets per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	2019 RO	2018 RO
Net assets (Rial Omani)	7,258,422	8,516,891
Number of shares outstanding	33,571,450	33,571,450
Net assets per share (Rial Omani)	0.216	0.254

Basic earnings per share

Basic earnings per share is calculated by dividing the net (loss)/profit for the year by the weighted average number of shares outstanding during the year as follows:

	2019 RO	2018 RO
(Loss)/Profit for the year (Rial Omani)	(774,445)	813,559
Weighted average number of shares outstanding during the year	33,571,450	33,571,450
(Loss)/Earnings per share (Rial Omani)	(0.023)	0.024

18 Revenue from operations

	2019 RO	2018 RO
Aluminium products	37,842,546	42,387,691
Scrap sales	5,156,477	5,409,570
	42,999,023	47,797,261

19 Cost of sales

	2019 RO	2018 RO
Raw materials and other materials consumed	35,186,989	39,441,288
Salaries and employee related costs	2,386,686	2,314,562
Depreciation	1,285,387	1,132,394
Other factory expenses	952,065	937,244
Provision for slow and non - moving inventories	32,188	(275,662)
	39,843,315	43,549,826

20 Other income

	2019 RO	2018 RO
Gain on change in fair value of derivative financial item	158,070	158,070
Miscellaneous	135,459	165,728
Gain on fair value of Land	120,000	-
Foreign exchange gain	18,654	21,233
Gain on disposal of property, plant and equipment	12,356	300
Insurance claim received	2,934	101,737
Loss on change in FV of derivative financial item	(158,070)	(158,070)
Amounts no longer payable written back	-	199,191
Reversal of previous year gain on derivative financial instruments	-	(102,012)
	289,403	386,177

The net gain/loss on financial instruments and financials items relates to changes in fair value of commodity forward contracts with bank and suppliers.

Notes

(forming part of the financial statements)

21 General and administration expenses

	2019 RO	2018 RO
Salaries and employee related costs	691,487	697,000
Repairs and maintenance	140,759	80,701
Other administrative expenses	87,263	81,329
Directors' meeting attendance fees	44,500	43,500
Legal and professional fees	33,975	31,486
Communication	24,898	18,747
Printing and stationery	20,743	29,880
Insurance	11,265	17,414
Depreciation	3,616	3,472
	1,058,506	1,003,529

22 Selling and distribution expenses

	2019 RO	2018 RO
Freight outward charges	854,144	761,561
Salaries and employee related costs	197,710	177,222
Commission	187,201	227,215
Other expenses	158,898	177,206
Advertisement and sales promotion	24,518	40,563
Royalty expenses	-	121,782
	1,422,471	1,505,549

23 Salaries and employee related costs

Salaries and employee related costs included under cost of sales, general and administration and selling and distribution costs comprise the following:

	2019 RO	2018 RO
Salaries and wages	3,126,896	3,039,680
Contributions to defined retirement plan for Omani employees	86,493	82,058
Cost of end of service benefits for expatriate employees	62,494	63,106
	3,275,883	3,184,844

Movements in expatriate employees' end of service benefits liability during the year is as follows:

	2019 RO	2018 RO
At the beginning of the year	300,541	301,033
Expense for the year	62,494	63,106
Settled during the year	(20,413)	(63,598)
At the end of the year	342,622	300,541

Notes

(forming part of the financial statements)

24 Net finance charges

	2019 RO	2018 RO
Interest expense	**1,358,260**	1,084,993
Banking Charges	**79,991**	34,114
Interest Income	**(377)**	(459)
Net finance charges	**1,437,874**	1,118,648

25 Contingencies and commitments

Contingent liabilities

At the end of the reporting period, the Company had contingent liabilities of RO 25,655 (2018 – RO 2,071,316) in respect of guarantees and letters of credit entered in the normal course of business from which it is anticipated that no material liabilities will arise.

26 Operating segments

The Company has a single reportable business segment, manufacture and sale of aluminium products. The geographical information for the sales and accounts receivable for the business segment is as follows:

	2019		2018	
	Sales RO	Accounts receivable RO	Sales RO	Accounts receivable RO
Other GCC Countries	**25,019,879**	**13,279,825**	27,188,165	13,535,789
Local (Oman)	**10,618,633**	**5,372,346**	12,402,936	5,235,337
Others	**2,027,553**	**65,376**	2,691,008	324,007
Europe	**176,481**	**153,990**	105,582	57,010
	37,842,546	**18,871,537**	42,387,691	19,152,143

27 Financial instrument risks

Risk management objectives and policies

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

27.1 Market risk analysis

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollars, UAE Dirhams, Saudi Riyals, Qatari Riyals, Kuwaiti Dinar, Euro and Sterling Pound. As the Omani Rial and GCC currencies (except Kuwaiti Dinar) are pegged against the US Dollar, the Management does not believe that the Company is exposed to any material currency risk arising from exposure to GCC currencies. The exposure to Euro and Sterling Pound is not significant at the end of the reporting period.

Notes

(forming part of the financial statements)

27 Financial instrument risks (continued)

27.1 Market risk analysis (continued)

At the end of the reporting period, the significant foreign currency exposure of the financial assets and liabilities is as follows:

	2019 RO	2018 RO
Bank balances	43,279	583,158
Accounts and other receivables	13,221,119	13,680,741
Accounts and other payables	628,875	2,446,595

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Company's policy is to minimise interest rate cash flow risk exposures on borrowings.

The Company is exposed to interest rate risk on its interest bearing assets (call deposit accounts) and liabilities (term loans and bank borrowings). The Company manages its exposure to interest rate risk by ensuring that significant borrowings are on a fixed rate basis. The Company borrows at interest rates on commercial terms and manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities.

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 122,904 (2018 – RO 118,074) based on the level of financial liabilities (net) at the end of the reporting period.

Commodity price risk

The Company is affected by volatility in aluminium prices. Its operating activities require the manufacturing of aluminium profiles and therefore require a continuous supply of aluminium. Due to significant increased volatility of the price of aluminium, the Management uses derivative contracts (options and swaps) to hedge any significant risks from fluctuation in metal prices.

The Company has open derivative contracts outstanding at year end in the amount of RO 343,420 (2018- RO 2,126,472). The fair market value of these commodity contracts as of 31 December 2019 was RO 340,802 (2018 – RO 1,968,402).

27.2 Credit risk analysis

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. The Company is exposed to credit risk from financial assets including cash held at bank, trade and other receivable, amount due from a related party, deposits and finance lease receivables.

a) Credit risk management

Credit risk is managed through Company risk management policies and procedures. For banks, only independently rated parties with a rating from reputed credit rating agency are accepted.

b) Impairment of financial asset

The Company has following types of financial asset that are subject to the expected credit loss model:

- trade receivable;
- cash at bank; and
- deposit

Although cash at bank and deposit are subject to the impairment requirement of IFRS 9, the identified impairment loss was immaterial.

Notes

(forming part of the financial statements)

27 Financial instrument risks (continued)

27.2 Credit risk analysis (continued)

Trade receivable impairment

The Company applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Credit risk on accounts receivable is limited to their carrying values as the Management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit risk is monitored on a case-to-case basis and managed through credit guarantee schemes, operating through approved credit limits and obtaining guarantees and letters of credit.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to engage with the Company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

Impairment loss movement

The closing loss allowances for trade and other receivables as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019 RO	2018 RO
Opening loss allowance as at 1 January 2019 – calculated under IFRS 9	201,616	171,423
Increase in credit loss allowance recognised in profit or loss during the year	445,460	30,193
At 31 December	647,076	201,616

The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised as at the reporting date, is as summarised below:

	2019 RO	2018 RO
Trade receivables	18,871,537	19,152,143
Cash at bank	437,383	1,568,196
Advances and deposits	537,265	141,646
	19,846,185	20,861,985

Credit risk on receivables and bank balances is limited as the receivables are shown net of provision for bad and doubtful debt and bank balances are held with reputable local banks. The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures.

27.3 Liquidity risk analysis

Liquidity risk referred to as funding risk, it is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Notes

(forming part of the financial statements)

27 Financial instrument risks (continued)

27.3 Liquidity risk analysis (continued)

The Company's financial liabilities recognised at the reporting date, as summarised below:

	2019 RO	2018 RO
Borrowings	24,537,449	23,614,751
Other payables	365,891	311,869
Staff terminal benefits	342,622	300,541
Lease liability	334,559	-
	25,580,521	24,227,161

The maturity profile of the Company's financial liabilities recognised at the reporting date, as summarised below:

	Within 6 months RO	6 to 12 months RO	Above 1 year RO	Total RO
Interest bearing:				
Borrowings	22,982,881	789,908	764,660	24,537,449
Non-interest bearing:				
Lease liability	-	12,491	322,068	334,559
Other payables	365,891	-	-	365,891
Staff terminal benefits	-	-	342,622	342,622
	23,348,772	802,399	1,429,350	25,580,521

This compares to the maturity of the Company's financial liabilities in the previous reporting year as follows:

	Within 6 months RO	6 to 12 months RO	Above 1 year RO	Total RO
Interest bearing:				
Borrowings	20,359,691	840,336	2,414,724	23,614,751
Non-interest bearing:				
Other payables	311,869	-	-	311,869
Staff terminal benefits	-	-	300,541	300,541
	20,671,560	840,336	2,715,265	24,227,161

Liquidity requirements are monitored on a regular basis and the management ensures that sufficient funds are available to meet any future commitments.

28 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern; and
- to provide an adequate return to the Shareholders by services commensurately with the level of risk.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total equity.

The capital structure of the Company consists of debt, which includes the long term loan and equity comprising share capital, legal reserve and retained earnings/accumulated losses.

The gearing ratio at 31 December 2019 and 2018 were as follows:

	2019 RO	2018 RO
Total debt	24,537,449	23,614,751
Total equity	7,258,422	8,516,891
Net debt to equity ratio	338%	277%

Notes

(forming part of the financial statements)

29 Fair value measurement

The Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- 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 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

30 Comparatives

Previous year figures have been regrouped or reclassified, wherever necessary, so that they conform to those of the current year.