

## Independent Auditor's Report

To the Members of  
National Aluminum Products Company SAOG  
P.O. Box 15, Rusayl  
Postal Code 124  
Sultanate of Oman

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of National Aluminum Products Company SAOG (the Company), which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2019.

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## Independent Auditor’s Report (continued)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matter described below to be the key audit matter to be communicated in our report:

Key audit matter	How our audit addressed the key audit matter
<p><b>Inventories</b></p> <p>Inventories are significant to the Company as disclosed in note 8, it represents approximately 19% of total current assets. The raw materials mainly comprise aluminium billets, which are subject to price volatility. This can impact the net realisable value of inventories including raw material, work-in-progress and finished goods. Furthermore, the estimation of inventory impairment provision involves significant management judgment. Inventories, net of impairment, amounted to RO 4,582,086 at 31 December 2019.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Checking the effectiveness of key inventory controls operating within the Company.</li> <li>• Agreeing the cost of inventories on a sample basis to supporting documents (for example, purchase orders, invoices and goods receipt notes).</li> <li>• Assessing the reasonableness of the inventory impairment policy applied by the management for impairment against old and obsolete stores and spares.</li> <li>• Attending the annual inventory count performed by the Management to identify any obsolete inventories.</li> <li>• Considering the selling price realised for items sold subsequent to year end verses the carrying values of inventories to assess that net realisable values are appropriate.</li> </ul>
<p><b>Trade receivable and expected credit losses</b></p> <p>As disclosed in note 9, the Company has a trade receivable of RO 18,871,537 which constitutes 78.5% of total current assets on which the Company carries an aggregate provision of RO 647,076.</p> <p>These trade receivables are stated at amortised cost. Given the materiality of the trade receivables to the financial statements, this was considered to be a key audit matter.</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an update of the understanding of the process relating to the provision for expected credit losses;</li> <li>• We selected a sample of trade receivable balances and verified the overdue, analysed the customer’s historical payment patterns and tested whether any post year end payments have been received after the reporting date;</li> <li>• Reviewed related disclosures in the financial statements; and</li> <li>• Assessed whether the calculation was in accordance with IFRS 9 and comparing the Company’s provisioning rate against the historical collection data.</li> </ul>

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## Independent Auditor's Report (continued)

### Other information

The Board of Directors (the Board) is responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2019 Annual Report after the date of our auditor's report:

- Chairman's report;
- Corporate governance report;
- Board appraisal report; and
- Management discussion and analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be misstated.

If, based on the work we have performed on the other information obtained prior to the date of the audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Government for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of Sultanate of Oman 2019, as amended, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists, misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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# Independent Auditor's Report (continued)

### Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## **Independent Auditor's Report (continued)**

### **Report on Other Legal and Regulatory requirements**

In our opinion, the financial statements of National Aluminium Products Company SAOG as of and for the year ended 31 December 2019 comply, in all material respects, with the relevant disclosure required of the Commercial Companies Law of Sultanate of Oman 2019, and the rules and guidelines issued by the Capital Market Authority.



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**ABU TIMAM**  
*(Chartered Certified Accountants)*



**26 February 2020**