

**Notes to the financial statements  
for the year ended 31 December 2013**

**1. General**

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

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

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

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

For the year ended 31 December 2013, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2013.

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.1 Standards and Interpretations adopted with no effect on the financial statements**

The following new and revised Standards and Interpretations have been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

**Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities** The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

**IFRS 10: Consolidated Financial Statements** IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation - Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern financial and operating policies of the entity so as to obtain benefits from its activities.

**IFRS 11: Joint arrangements** IFRS 11, replaces IAS 31 Interest in Joint Ventures and guidance contained in a related interpretations. IFRS 11, deals with how a joint arrangement of which two or more parties have joint control should be classified and account for. Under IFRS 11, investments in joint arrangements are classified either as joint operations or joint ventures, based on rights and obligation of parties to the arrangements by considering the structure, the legal form of the arrangement, the contractual terms agreed by the parties to the arrangement, and when relevant, other facts and circumstances.

**IFRS 12: Disclosure of Interests in Other Entities** IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and / or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Notes to the financial statements  
for the year ended 31 December 2013 (continued)

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

2.1 Standards and Interpretations adopted with no effect on the financial statements (continued)

IFRS 13: Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' [and the 'income statement' is renamed as the 'statement of profit or loss']. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Annual Improvements 2009-2011 Cycle

Makes amendments to the following standards:

- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.1 Standards and Interpretations adopted with no effect on the financial statements (continued)**

**IAS 19 Employee Benefits (as revised in 2011)** IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognised in profit or loss and other comprehensive income in prior years (see the tables below for details). In addition, IAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

**2.2 Standards and Interpretations in issue not yet effective**

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

<b>New IFRS and relevant amendments</b>	<b>Effective for annual periods beginning on or after</b>
<b>Financial Instruments</b>	
IFRS 9: <i>Financial Instruments</i> (as revised in 2010 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)	January 2015
<b>Consolidation, joint arrangements, associates and disclosures</b>	

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

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

**2.2 Standards and Interpretations in issue not yet effective (continued)  
Amendments to IFRSs**

**Effective for annual periods  
beginning on or after**

IAS 32 : Financial instruments: presentation, *Offsetting Financial Assets and Financial Liabilities: to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main area (a) the meaning of 'currently has a legally enforceable right of set-off' (b) the application of simultaneous realisation and settlement (c) the offsetting of collateral amounts (d) the unit of account for applying the offsetting requirements* January 2014

IAS 36: impairment of assets, *Recoverable Amount Disclosures for Non-Financial Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.* January 2014

IAS 39: Financial Instruments: Recognition and Measurement, *Novation of Derivatives and Continuation of Hedge Accounting' makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.* January 2014

**New Interpretations and amendments to Interpretations:**

IFRIC 21 – Levies January 2014

The directors anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company.

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**3. Summary of significant accounting policies**

**Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements comply with the disclosure requirements set out in the Rules and Guidelines on disclosure issued by the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

**Basis of preparation**

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

**Property, plant and equipment**

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

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

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

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

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

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

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)****3. Summary of significant accounting policies (continued)****Investment properties**

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

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

**Financial instruments**

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

*Financial assets*

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

*Trade and other receivables*

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

*Financial liabilities*

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

*Trade and other payables*

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

*Borrowings*

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

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)****3. Summary of significant accounting policies (continued)****Impairment of non-financial assets**

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

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

**Inventories**

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

**Dividends declared**

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

**Employee benefits**

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



**Notes to the financial statements  
for the year ended 31 December 2013 (continued)****3. Summary of significant accounting policies (continued)****Revenue**

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

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

**Operating lease payments**

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

**Finance cost**

Financing cost comprises interest payable on borrowings calculated using the effective interest rate method. Interest costs attributable to the acquisition and construction of property, plant and equipment are capitalised as part of the cost of those assets. Other interest costs are shown in profit or loss in the year as incurred.

**Directors' remuneration**

Directors' remuneration is recognised in the period in which it is approved by the Shareholders in the Annual General Meeting.

**Income tax**

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

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

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

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**3. Summary of significant accounting policies (continued)**

**Income tax (continued)**

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

**Cash and cash equivalents**

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

**Foreign currencies**

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

**Provisions**

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

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

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**4. Critical accounting estimates and judgements**

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

**Key sources of estimation uncertainty**

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

*Useful lives of property, plant and equipment*

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

*Allowance for doubtful debts*

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

*Allowance for slow moving inventories*

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

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Notes to the financial statements  
for the year ended 31 December 2013 (continued)

5. Property, plant and equipment

Cost	Buildings RO	Plant and machinery dies and die tools RO	Extrusion and anodizing plant RO	Office and other equipment RO	Furniture and fixtures RO	Motor vehicles RO	Computer installation RO	Capital work-in- progress RO	Total RO
At 1 January 2012	2,364,704	11,075,464	4,998,777	466,775	149,913	68,026	328,653	135,861	19,588,173
Additions	-	501,183	-	751	11,355	-	8,409	636	522,334
At 1 January 2013	2,364,704	11,576,647	4,998,777	467,526	161,268	68,026	337,062	136,497	20,110,507
Additions	2,126	596,256	-	2,275	1,502	-	6,611	4,100	612,870
Disposals	-	(281,582)	-	-	-	-	-	-	(281,582)
At 31 December 2013	2,366,830	11,891,321	4,998,777	469,801	162,770	68,026	343,673	140,597	20,441,795
Depreciation									
At 1 January 2012	1,796,341	7,090,389	4,992,377	403,068	137,159	58,402	295,482	-	14,773,218
Charge for the year	49,987	846,681	-	26,691	14,660	4,324	11,322	-	953,665
At 1 January 2013	1,846,328	7,937,070	4,992,377	429,759	151,819	62,726	306,804	-	15,726,883
Charge for the year	48,709	816,720	-	19,996	5,908	2,926	9,165	-	903,424
Disposals	-	(246,435)	-	-	-	-	-	-	(246,435)
At 31 December 2013	1,895,037	8,507,355	4,992,377	449,755	157,727	65,652	315,969	-	16,383,872
Carrying value									
At 31 December 2013	471,793	3,383,966	6,400	20,046	5,043	2,374	27,704	140,597	4,057,923
At 31 December 2012	518,376	3,639,577	6,400	37,767	9,449	5,300	30,258	136,497	4,383,624

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 6. Investment property

Investment property represents land held for sale by the Company. The land is stated at its fair value at RO 325,000, which has been determined based on a valuation performed by a professional valuer. The fair value has been determined using level 2 of fair value hierarchy. The valuation takes place once in two years

### 7. Inventories

	2013 RO	2012 RO
Raw materials and consumables	2,647,538	1,930,878
Finished goods	946,811	602,740
Scrap	423,554	846,057
Work-in-progress	163,273	194,365
	<u>4,181,176</u>	<u>3,574,040</u>
Less: allowance for slow moving inventory	(47,958)	(35,583)
	<u>4,133,218</u>	<u>3,538,457</u>

Finished goods at the reporting date represent 19 days of revenue (2012: 12 days). Scrap includes nil amount (2012: RO 185,975) lying with a third party.

As at the reporting date, inventories amounting to RO 47,958 (2012: RO 35,583) were impaired. Movement in the allowance for slow moving and obsolete inventory items was as follows:

	2013 RO	2012 RO
At 1 January	35,583	36,000
Charge / (reversal of allowance) for the year	12,375	(417)
<b>At 31 December</b>	<u>47,958</u>	<u>35,583</u>

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 8. Trade and other receivables

	2013 RO	2012 RO
Trade receivables	5,235,403	6,381,297
Advances and deposits	58,800	77,279
Prepayments	42,888	17,713
	<u>5,337,091</u>	<u>6,476,289</u>
Less : allowance for doubtful debts	(13,793)	(45,821)
	<u>5,323,298</u>	<u>6,430,468</u>

Receivables covered under letters of credit as at the reporting date amounted to RO 1,775,539 (2012: RO 2,792,592)

As at the reporting date, trade receivables at nominal value of 13,793 (2012: 45,821) were impaired. Movement in the allowance for doubtful debts was as follows:

	2013 RO	2012 RO
At 1 January	45,821	29,911
Charge for the year	-	15,910
Write back during the year	(32,028)	-
<b>At 31 December</b>	<u>13,793</u>	<u>45,821</u>

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

#### 31 December 2013

	Total RO	Neither past due nor impaired RO	Past due			
			Up to 30 days past due RO	31 to 60 days past due RO	61 to 180 days past due RO	Over 181 days past due RO
Oman	2,470,035	2,458,103	4,699	2,355	3,977	901
Other GCC	2,307,221	2,205,532	57,567	39,083	5,039	-
Europe and UK	370,291	261,563	76,548	32,180	-	-
Others	87,856	68,860	17,630	-	1,366	-
<b>Total</b>	<u>5,235,403</u>	<u>4,994,058</u>	<u>156,444</u>	<u>73,618</u>	<u>10,382</u>	<u>901</u>

Notes to the financial statements  
for the year ended 31 December 2013 (continued)

8. Trade and other receivables (continued)

31 December 2012

	Total RO	Neither past due nor impaired RO	Past due			
			Up to 30 days past due RO	31 to 60 days past due RO	61 to 180 days past due RO	Over 181 days past due RO
Oman	2,260,291	2,154,405	76,328	21,868	7,690	-
Other GCC	3,524,822	3,281,739	193,640	8,648	40,795	-
Europe and UK	540,322	521,608	11,866	2,872	-	3,976
Others	55,862	51,135	422	-	-	4,305
<b>Total</b>	<b>6,381,297</b>	<b>6,008,887</b>	<b>282,256</b>	<b>33,388</b>	<b>48,485</b>	<b>8,281</b>

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

9. Cash and cash equivalents

	2013 RO	2012 RO
Cash at bank:		
Call deposit accounts	279,006	178,066
Current accounts	786,576	331,150
	<b>1,065,582</b>	<b>509,216</b>
Cash in hand	2,065	2,028
	<b>1,067,647</b>	<b>511,244</b>

Cash at bank includes RO 302,753 (2012: 181,579) denominated in foreign currencies mainly US Dollar, Euro and GBP.

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 10. Share capital

The Company's authorised, issued and paid up share capital consists of 33,571,450 ordinary shares of 100 baizas per share (2012: 33,571,450 ordinary shares of 100 baizas per share). At the reporting date, the following shareholders held 10% or more of the shares of the Company:

	2013		2012	
	%	RO	%	RO
Al Gadeer investments	12.51%	420,000	12.51%	420,000
Oman Emirates Investment Holding Co. SAOG	10.93%	366,854	10.13%	340,070
Ministry of Defence – Pension Fund	10.00%	335,700	10.00%	335,700

### 11. Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve equals one-third of the company's issued share capital. The reserve is not available for distribution.

### 12. End of service benefits

	2013 RO	2012 RO
At 1 January	245,445	273,072
Charge for the year	83,825	31,318
Paid during the year	(32,578)	(58,945)
<b>At 31 December</b>	<b>296,692</b>	<b>245,445</b>

### 13. Trade and other payables

Trade payables	1,627,724	3,527,401
Accrued expenses	1,048,781	903,423
Other payables	140,892	149,671
	<b>2,817,397</b>	<b>4,580,495</b>



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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 14. Short-term bank borrowings

	2013 RO	2012 RO
Loan against trust receipts	3,549,783	1,935,127
Short term loans	-	1,250,000
	<u>3,549,783</u>	<u>3,185,127</u>

The Company has credit facilities from commercial banks comprising overdrafts, guarantees, loan against trust receipts, export bill discounting and letters of credit with an aggregate sanctioned limit of RO 33.1 Million (2012: RO 33.1 million). These facilities carry interest at rates ranging between 2% to 4% per annum (2012: 2% to 4% per annum). The facilities are renewable on an annual basis.

### 15. Net assets per share

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

	2013	2012
Net assets at 31 December (RO)	7,935,725	6,993,435
Number of shares outstanding at 31 December	<u>33,571,450</u>	<u>33,571,450</u>
Net assets per share (RO)	<u>0.236</u>	<u>0.208</u>

### 16. Cost of sales

	2013 RO	2012 RO
Raw materials and other materials	13,091,758	13,265,506
Depreciation	887,527	928,115
Employee related expenses	982,357	870,726
Other factory costs	289,243	298,086
	<u>15,250,885</u>	<u>15,362,433</u>

# NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 17. Selling and distribution expenses

	2013 RO	2012 RO
Employee related expenses	248,348	279,988
Transportation – freight and duty	492,901	549,072
Travelling and sales expenses	95,396	77,253
Other expenses	358,845	259,688
	<u>1,195,490</u>	<u>1,166,001</u>

### 18. Administrative and general expenses

Employee related expenses	606,083	590,166
Depreciation	15,898	25,550
Directors sitting fees	20,308	15,399
Directors' remuneration	30,157	-
Other administrative overheads	316,835	307,019
	<u>989,281</u>	<u>938,134</u>

Employee related expenses included in notes 16, 17 and 18 comprise:

Salaries, wages and benefits	1,720,426	1,675,256
Contribution to defined contribution benefit plan	32,538	34,305
Unfunded defined benefit plan	83,824	31,319
	<u>1,836,788</u>	<u>1,740,880</u>

The number of employees at the reporting date was 264 (2012: 257).

### 19. Other income - net

	2013 RO	2012 RO
Foreign exchange income – net	44,860	117,705
Gain on derivatives	-	7,164
Insurance claim received	5,344	337
	313,928	22,449
Loss on disposal of assets	(26,085)	-
	<u>338,047</u>	<u>147,655</u>

# NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 20. Finance cost - net

	2013 RO	2012 RO
Finance income	(226)	(186)
Finance cost	157,412	153,526
	<u>157,186</u>	<u>153,340</u>

### 21. Income tax

Current tax		
Current year	196,935	73,234
Prior years	30,096	(45,121)
	<u>227,031</u>	<u>28,113</u>
Deferred tax (release) / charge	<u>(36,072)</u>	<u>4,508</u>

Provision for income tax for the year is as follows:

At 1 January	65,327	262,813
Charge for the year	227,031	28,113
Adjustments	-	(17)
Tax paid	(67,761)	(225,582)
<b>At 31 December</b>	<u>224,597</u>	<u>65,327</u>

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

# NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 21. Income tax (continued)

The total charge for the year can be reconciled to the accounting profits as follows:

	2013 RO	2012 RO
Profit before tax	1,368,250	369,797
Income tax expense at the rates mentioned above	160,590	40,776
Timing differences	5,903	31,981
Non- deductible tax expenses	346	477
Prior year tax	30,096	(45,121)
	<u>196,935</u>	<u>28,113</u>

The income tax returns for the years 2010 to 2012 have not yet been assessed by the Secretariat General for Taxation at the Ministry of Finance.

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

Deferred tax liability is attributable to the following items:

	1 January 2013 RO	Recognised in profit and loss RO	31 December 2013 RO
Property, plant and equipment	(102,933)	38,430	(64,503)
Provision for inventories	4,270	1,485	5,755
Provision for doubtful debts	5,499	(3,843)	1,656
Fair valuation of investment property	(25,800)	-	(25,800)
	<u>(118,964)</u>	<u>36,072</u>	<u>(82,892)</u>

# NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

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## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 22. Earnings per share

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

	2013	2012
Net profit for the year (RO)	1,177,290	337,176
Weighted average number of shares as of 31 December	33,571,450	33,571,450
Earnings per share (RO)	0.035	0.010

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

### 23. Related parties

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

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

#### Key management compensation

	2013 RO	2012 RO
Short-term benefits	212,400	205,050
Employees' end of service benefits	6,989	6,996
	219,389	212,046
Directors' remuneration	30,157	-
Sitting fees and other expenses	20,308	15,399
	50,465	15,399

Proposed director's remuneration for the year 2013 is RO 30,157 (2012: Nil).

Notes to the financial statements  
for the year ended 31 December 2013 (continued)

**24. Commitments and contingencies**

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

	2013 RO	2012 RO
Purchase of capital items	47,000	104,814
Letters of guarantee	7,250	7,250

**Lease commitments**

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

	2013 RO	2012 RO
Due within one year	19,162	20,222
Due after one year but within five years	61,208	80,887
	<u>80,370</u>	<u>101,109</u>

**25. Dividend**

The Board of Directors have recommended a total cash dividend of 12% (2012: 7%) for qualifying 33,571,450 shares amounting to RO 402,857 (2012: RO 235,000) pending approval of the shareholders.

**26. Operating segments**

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

Notes to the financial statements  
for the year ended 31 December 2013 (continued)

**26. Operating segments (continued)**

*Operating segment*

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

	2013 RO	2012 RO
Oman	6,015,437	5,518,745
Other GCC countries	9,613,391	9,511,030
Europe and UK	1,997,113	1,905,567
Others	997,103	801,708
	18,623,044	17,737,050

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

**27. Financial risk management**

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

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

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

**Financial risk factors**

**Overview**

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

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

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**27. Financial risk management (continued)**

**Financial risk factors (continued)**

**(i) Credit risk**

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

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

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

	2013 RO	2012 RO
Trade receivables	5,235,403	6,381,297
Advances and deposits	58,800	77,279
Bank balances	1,065,582	509,216
	<u>6,359,785</u>	<u>6,967,792</u>

*Trade and other receivables*

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

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



**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**27. Financial risk management (continued)**

**Financial risk factors (continued)**

**(ii) Liquidity risk**

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

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

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

**31 December 2013**

	<b>Carrying amount RO</b>	<b>Upto 1 year RO</b>
<b>Non-derivative financial liabilities</b>		
Bank borrowings	3,549,783	3,549,783
Trade and other payables	2,817,397	2,817,397
	<u>6,367,180</u>	<u>6,367,180</u>

**31 December 2012**

<b>Non-derivative financial liabilities</b>		
Bank borrowings	3,185,217	3,185,217
Trade and other payables	4,580,495	4,580,495
	<u>7,765,712</u>	<u>7,765,712</u>

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**27. Financial risk management (continued)**

**Financial risk factors (continued)**

**(iii) Market risk**

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

*Currency risk*

The Company's functional and presentation currency is Rials Omani, however the Company's revenue includes exports made to primarily GCC countries. Consequently foreign currency risk arising from GCC currencies and USD which are pegged to the Omani Rial is not significant.

The trade payable, receivable and bank balances in Euro and GBP are exposed to foreign currency exchange risk. 100 basis points variation in exchange rate of Euro and GBP at the reporting date will have an impact of RO 3,534 on reported net profit (2012: RO 362).

*Interest rate risk*

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

	2013	2012
	RO	RO
<b>Fixed rate instruments</b>		
Financial liabilities	3%	3%

*Commodity risk*

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

The Company has no open forward commodity contracts outstanding at the reporting date (2012: Nil).

**Notes to the financial statements  
for the year ended 31 December 2013 (continued)**

**28. Capital management**

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

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

**29. Approval of financial statements**

The financial statements were approved by the Management and authorized for issue on 16 February 2014.