

Notes

(forming part of the condensed interim financial information)

1 Nature of operations

The Company is engaged in the manufacture and sale of aluminium products.

2 General information and statement of compliance with IFRSs

National Aluminium Products Company SAOG (“the Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman and is listed on the Muscat Securities Market. The registered business address of the Company is PO Box 15, Postal code 124, Sultanate of Oman.

The condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”

The condensed interim financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards (“IFRSs”).

3 Change in accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial information are the same as those applied in the preparation of the financial statements for the year ended 31 December 2019.

3.1 Standards, amendments and interpretations effective in 2020 and relevant for the Company’s operations:

The Company has adopted all of 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 periods beginning on 1 January 2020.

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 considerations

The same accounting policies, presentation and methods of computation are followed in this condensed interim financial information as were applied in the preparation of the Company’s financial statements for the year ended 31 December 2019, except for certain new and revised standards and interpretations that became effective in the current period.

4.2 Presentation of financial statements

The separate financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements*.

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4 Summary of accounting policies (Continued)

4.3 Estimates and judgements

The preparation of the condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Measurement of the expected credit loss allowance

The Management reviews the debtors ageing on a periodic basis. In case of difficult and unsecured debtors whose outstanding is in excess of the credit period allowed, regular follow up is made to collect the same. Where necessary, legal options are also considered. The Management estimates the allowance for credit losses based on percentages applied on the overall age analysis and including a review of case to case debtors.

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 2020	5,040,165	20,199,824	4,998,777	555,390	207,980	126,276	443,804	170,945	31,743,161
Additions	-	535,605	-	2,880	149	-	1,432	97,847	637,913.00
Disposals	-	(710,540)	-	-	-	-	-	-	(710,540.00)
At 30 September 2020	5,040,165	20,024,889	4,998,777	558,270	208,129	126,276	445,236	268,792	31,670,534
Depreciation									
At 1 January 2020	2,570,524	11,914,938	4,998,777	545,775	198,876	90,425	400,369	-	20,719,684
Charge for the period	108,397	866,155	-	4,201	4,823	8,182	13,336	-	1,005,094
Disposals and write offs	-	(710,540)	-	-	-	-	-	-	(710,540)
At 30 September 2020	2,678,921	12,070,553	4,998,777	549,976	203,699	98,607	413,705	-	21,014,238
Net book value:									
At 30 September 2020	2,361,244	7,954,336	-	8,294	4,430	27,669	31,531	268,792	10,656,296

For the year ended 2019 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 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

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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:

	Unaudited period ended 30 September	Audited Year ended 31 December
	2020 RO	2019 RO
As on 1 January 2020	282,154	298,805
Depreciation during the period/year	(12,491)	(16,651)
As at 30 September 2020	269,663	282,154

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

	Unaudited period ended 30 September	Audited Year ended 31 December
	2020 RO	2019 RO
Current	13,088	12,491
Non-current	312,251	322,068
	325,339	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						
30 September 2020							
Lease payments	32,564	32,564	32,564	32,564	32,564	378,400	541,220
Finance charges	(19,283)	(18,691)	(17,860)	(16,977)	(16,235)	(126,835)	(215,881)
Net present values	13,281	13,873	14,704	15,587	16,329	251,565	325,339

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.

	Unaudited period ended 30 September 2020 RO	Audited Year ended 31 December 2019 RO
At the beginning of the Period year	500,000	380,000
Revaluation during the period/year	-	120,000
At the end of the period/year	500,000	500,000

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).

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8 Inventories

	Unaudited period	Audited
	ended 30 September	Year ended
	2020	2019
	RO	RO
Raw materials	1,445,970	1,401,775
Spares and tools	891,232	884,156
Finished goods	1,029,785	862,935
Work in progress	399,676	425,074
Consumables	678,296	602,965
Scrap	210,250	662,219
	4,655,209	4,839,124
Less: Provision for slow moving inventories	(284,890)	(257,038)
	4,370,319	4,582,086

9 Trade and other receivables

	Unaudited	Audited
	Period ended	Year ended
	30 September	31 December
	2020	2019
	RO	RO
Trade receivables	17,247,729	18,871,537
Less: allowance for credit losses	(747,267)	(647,076)
	16,500,462	18,224,461
Advances and deposits	214,413	537,265
Prepayments and other receivables	207,800	270,072
	16,922,675	19,031,798

10 Cash and bank

	Unaudited	Audited
	Period ended	Year ended
	30 September	31 December
	2020	2019
	RO	RO
Cash at bank	267,140	437,383
Cash on hand	777	1,052
	267,917	438,435

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 (2019 – 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:

Names of shareholders	Unaudited		Audited	
	Period ended		Year ended	
	30 September 2020		31 December 2019	
	No. of shares	%	No. of shares	%
Global Financial Investment Holding Co SAOG	6,913,933	20.59	6,913,933	20.59
Omani & Emirates Investment Holding Company SAOG	4,462,500	13.29	4,462,500	13.29
Ministry of Defence Pension Fund	3,357,000	10.00	3,357,000	10.00
	14,733,433	43.88	14,733,433	43.88

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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 period as the reserve has reached the statutory minimum of one third of the capital. The reserve is not available for distribution.

13 Borrowings

	Unaudited Period ended 30 September 2020 RO	Audited Year ended 31 December 2019 RO
Term loan 1	294,933	594,933
Term loan 2	55,138	155,138
Non-current portion	350,071	750,071
Current portion of term loan 1	1,175,000	1,150,000
Current portion of term loan 2	400,000	400,000
Loan against trust receipts	10,574,615	14,368,153
Short term loans	6,826,000	7,378,500
Bank overdraft	505,930	490,725
Current portion	19,481,545	23,787,378

14 Employees end of service benefits

	Unaudited Period ended 30 September 2020 RO	Audited Year ended 31 December 2019 RO
At the beginning of the period/ year	342,622	300,541
Expense for the period / Year	44,959	62,494
Settled during the period / Year	(50,555)	(20,413)
At the end of the period/year	337,026	342,622

15 Trade and other payables

	Unaudited Period ended 30 September 2020 RO	Audited Year ended 31 December 2019 RO
Trade payable	4,603,976	2,064,074
Accruals	1,337,908	971,076
Other payables	346,920	365,891
	6,288,804	3,401,041

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16 Cost of sale

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Raw materials and other materials consumed	19,944,023	27,092,013
Salaries and employee related costs [note 20]	1,553,497	1,808,787
Depreciation	1,015,699	930,505
Other factory expenses	720,025	765,398
Provision for slow and non - moving inventories	27,242	29,681
	23,260,486	30,626,384

17 Other income

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Foreign exchange (loss) / gain	(5,669)	6,039
Insurance Claim received	7,273	-
Miscellaneous	79,599	45,030
Dies Related Income	73,350	75,995
Gain on disposal of property, plant and equipment	4,470	-
Gain/(Loss) on change in FV of derivative financial Instrument	-	146,989
(Loss)/Gain on change in FV of derivative financial item	-	(146,989)
	159,023	127,064

18 General and administrative expenses

	Unaudited period Ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Salaries and employee related costs [note 20]	471,445	517,130
Repairs and maintenance	94,665	104,681
Directors' meeting attendance fees	43,250	28,000
Legal and professional fees	34,674	23,656
Printing and stationery	5,729	15,187
Communication	15,920	17,080
Insurance	8,903	8,968
Depreciation	1,884	2,794
Other administrative expenses	74,286	62,666
	750,756	780,162

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19 Selling and distribution expenses

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Freight outward charges	488,030	634,279
Salaries and employee related costs [note 20]	150,670	144,546
Commission	190,112	67,556
Advertisement and sales promotion	19,996	19,784
Royalty expenses	-	43,616
Other expenses	82,103	119,769
	930,911	1,029,550

20 Salaries and employee related cost

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Salaries and wages	2,064,199	2,356,632
Contributions to defined retirement plan for Omani employees	66,454	64,565
Cost of End of service benefits for expatriate employees	44,959	49,266
	2,175,612	2,470,463

21 Net financial costs

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Interest expenses	951,934	1,017,310
Bank Charges	80,385	59,332
Interest Income	(22)	(348)
	1,032,297	1,076,294

22 Related party transaction

- a) The Company enters into transactions in the ordinary course of business with key management personnel, Directors, significant shareholders (holding of 10% or more interest in the Company) and entities in which they have an interest. These transactions are entered into on terms and conditions approved by the Management and Board of Directors and subject to shareholders' approval at the Annual General Meeting.
- b) The key management personnel compensation for the period comprises:

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Short term employment benefits	213,512	217,928
End of service benefits	12,206	9,635
Directors' meeting attendance fees	43,250	28,000
	268,968	255,563

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23 Earnings per share

The earnings per share is calculated by dividing the profit/loss for the period by the weighted average number of shares during the period. For the purpose of computation of the weighted average number of shares outstanding during the period.

	Unaudited Period ended 30 September 2020 RO	Unaudited Period ended 30 September 2019 RO
Loss for the period	(882,465)	(376,074)
Weighted average number of ordinary shares outstanding during the period	33,571,450	33,571,450
Basic loss per share	(0.035)	(0.015)

23.1 Net assets per share

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding as follows:

	Unaudited Period ended 30 September 2020 RO	Audited Year ended 31 December 2019 RO
Net assets (RO)	6,375,957	7,258,442
Weighted average number of ordinary shares outstanding during the period/year	33,571,450	33,571,450
Net assets per share (RO)	0.190	0.216

24 Contingencies and commitments

	Unaudited period ended 30 September 2020 RO	Unaudited period ended 30 September 2019 RO
Letter of credit and guarantee	22,250	22,241

25 Operating segments

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. For management purpose, the Company is organised into seven operating divisions. These divisions are the basis on which the Company reports its segment information:

	2020 30 September		2019 30 September	
	Sales RO	Accounts receivable RO	Sales RO	Accounts receivable RO
Local (Oman)	6,174,132	5,479,455	8,878,643	5,486,136
Other GCC Countries	17,152,850	11,413,624	21,301,473	12,364,386
Europe	1,069,849	110,183	1,056,328	193,077
Others	480,593	244,467	1,834,813	242,612
	24,877,424	17,247,729	33,071,257	18,286,211

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26 Comparatives

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