

NATIONAL ALUMINIUM PRODUCTS COMPANY SAOG

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Notes to the financial statements for the year ended 31 December 2014

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 2014, 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 2014.

**Notes to the financial statements
for the year ended 31 December 2014 (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 financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities	The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.
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Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities	The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.
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Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets	The amendment to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal.
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Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting	The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.
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IFRIC 21: Levies	IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies neither economic compulsion nor the going concern basis financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.
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**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

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

2.2 Standards and Interpretations in issue not yet effective

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

	Effective for annual periods beginning on or after
New IFRS and relevant amendments	
IFRS 9: Financial Instruments	1 January 2018
IFRS 15: Revenue from Contracts with Customers	1 January 2017
Amendment to IFRS 11: Accounting for Acquisition of Interest in Joint Operations	1 January 2016
Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendment to IAS 16 and IAS 41: Agriculture – Bearer Plants.	1 January 2016
Amendment to IAS 19: Employee Benefit Plans – Employee Contributions	1 July 2014
Amendments to IAS 27: Permits use of equity method for investments in subsidiaries, associates and joint ventures when an entity prepares its separate financial statements.	1 January 2016
Amendments to IFRS 10 and IAS 28: Specifies the accounting treatment for gain or loss on sale or contribution of assets between investor and joint ventures based on whether or not the sale or contribution results in a business.	1 January 2016
Annual Improvements to IFRSs 2010 – 2012 cycle	1 July 2014
Annual Improvements to IFRSs 2011 – 2013 cycle	1 July 2014
Annual Improvements to IFRSs 2012 – 2014 cycle	1 January 2016

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 in the period of initial application.

**Notes to the financial statements
for the year ended 31 December 2014 (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 in the Executive Regulations of the Capital Market Law 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 profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment as noted below:

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

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

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

**Notes to the financial statements
for the year ended 31 December 2014 (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 profit or loss in the year in which they arise.

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

Financial instruments

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

Financial assets

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

Trade and other receivables

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

Financial liabilities

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

Trade and other payables

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

Term loan and borrowings

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

**Notes to the financial statements
for the year ended 31 December 2014 (continued)****3. Summary of significant accounting policies (continued)****Impairment of non-financial assets**

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

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

Inventories

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

Dividends declared

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

Employee benefits

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

**Notes to the financial statements
for the year ended 31 December 2014 (continued)****3. Summary of significant accounting policies (continued)****Revenue**

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

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

Operating lease payments

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

Finance cost

Financing cost comprises interest payable on borrowings calculated using the effective interest rate method. 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

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

Income tax

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

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

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

**Notes to the financial statements
for the year ended 31 December 2014 (continued)****3. Summary of significant accounting policies (continued)****Income tax (continued)**

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

Cash and cash equivalents

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

Foreign currencies

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

Provisions

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

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

**Notes to the financial statements
for the year ended 31 December 2014 (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 2014 (continued)

5. Property, plant and equipment

	Buildings RO	Plant and machinery dies and die tools RO	Extrusion and anodizing plant RO	Office and other equipment RO	Furniture and fixtures RO	Motor vehicles RO	Computer installation RO	Capital work-in- progress RO	Total RO
Cost									
At 1 January 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 1 January 2014	2,366,830	11,891,321	4,998,777	469,801	162,770	68,026	343,673	140,597	20,441,795
Additions	6,355	591,219	-	52,313	13,541	27,450	7,748	901,427	1,600,053
Disposals	-	(220,667)	-	-	-	-	-	-	(220,667)
At 31 December 2014	2,373,185	12,261,873	4,998,777	522,114	176,311	95,476	351,421	1,042,024	21,821,181
Depreciation									
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 1 January 2014	1,895,037	8,507,355	4,992,377	449,755	157,727	65,652	315,969	-	16,383,872
Charge for the year	48,293	704,445	6,400	16,612	2,455	4,688	9,713	-	792,606
Disposals	-	(220,667)	-	-	-	-	-	-	(220,667)
At 31 December 2014	1,943,330	8,991,133	4,998,777	466,367	160,182	70,340	325,682	-	16,955,811
Carrying value									
At 31 December 2014	429,855	3,270,740	-	55,747	16,129	25,136	25,739	1,042,024	4,865,370
At 31 December 2013	471,793	3,383,966	6,400	20,046	5,043	2,374	27,704	140,597	4,057,923

**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

5. Property, plant and equipment (continued)

Additions to capital work-in-progress during the year of RO 901,427 mainly consists of the amounts expended towards the construction of the new aluminium extrusion line at the Company's factory.

The depreciation has been allocated as follows:

	2014 RO	2013 RO
Cost of sales (note 17)	790,860	887,527
General and administrative expenses (note 19)	1,746	15,897
	<u>792,606</u>	<u>903,424</u>

6. Investment property

Investment property represents land held for sale by the Company. The land is stated at its fair value of RO 380,000 (2013 : RO 325,000), which has been determined based on valuations performed by professional valuers in December 2014. The fair value has been determined using level 2 of fair value hierarchy.

7. Inventories

	2014 RO	2013 RO
Raw materials and consumables	1,858,919	2,647,538
Finished goods	600,793	946,811
Goods in transit	164,818	-
Scrap for conversion	947,700	423,554
Work-in-progress	327,426	163,273
	<u>3,899,656</u>	<u>4,181,176</u>
Less: allowance for slow moving inventory	(52,328)	(47,958)
	<u>3,847,328</u>	<u>4,133,218</u>

Finished goods at the reporting date represent 11 days of revenue (2013: 19 days). Scrap includes 772K (2013: Nil) lying with a third party. As at the reporting date, inventories amounting to RO 52,328 (2013: RO 47,958) were impaired. Movement in the allowance for slow moving and obsolete inventory items was as follows:

	2014 RO	2013 RO
At 1 January	47,958	35,583
Charge for the year	4,370	12,375
At 31 December	<u>52,328</u>	<u>47,958</u>

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Notes to the financial statements for the year ended 31 December 2014 (continued)

8. Trade and other receivables

	2014 RO	2013 RO
Trade receivables	7,563,963	5,235,403
Less : allowance for doubtful debts	(14,465)	(13,793)
	<u>7,549,498</u>	<u>5,221,610</u>
Advances and deposits	82,220	58,800
Prepayments	74,418	42,888
	<u>7,706,136</u>	<u>5,323,298</u>

Receivables covered under letters of credit and credit insurance as at the reporting date amounted to RO 7,056,562 (2013: RO 5,114,879).

As at the reporting date, trade receivables at nominal value of 14,465 (2013: 13,793) were impaired. Movement in the allowance for doubtful debts was as follows:

	2014 RO	2013 RO
At 1 January	13,793	45,821
Charge for the year	672	-
Write back during the year	-	(32,028)
At 31 December	<u>14,465</u>	<u>13,793</u>

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

31 December 2014

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

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Notes to the financial statements for the year ended 31 December 2014 (continued)

8. Trade and other receivables (continued)

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	370,291	261,563	76,548	32,180	-	-
Others	87,856	68,860	17,630	-	1,366	-
Total	5,235,403	4,994,058	156,444	73,618	10,382	901

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

	2014 RO	2013 RO
Cash at bank :		
Call deposit accounts	177,932	279,006
Current accounts	212,456	786,576
	390,388	1,065,582
Cash in hand	1,775	2,065
	392,163	1,067,647

Cash at bank includes RO 178,541 (2013: 302,753) denominated in foreign currencies mainly US Dollar, Euro and GBP.

**Notes to the financial statements
for the year ended 31 December 2014 (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 (2013: 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:

	2014		2013	
	%	RO	%	RO
Oman Emirates Investment Holding Co. SAOG	10.13%	340,070	10.93%	366,854
Ministry of Defence – Pension Fund	10.00%	335,700	10.00%	335,700
Al Gadeer Investments	7.01%	235,269	12.51%	420,000

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. No transfers were made during the year as the minimum required amount has been already been achieved.

12. Term loan

The Company has obtained a term loan from a local commercial bank repayable in 20 quarterly instalments two years after the date of initial drawdown. The facility is secured by commercial mortgage over the newly procured plant and machinery at the factory of the Company and assignment of the risk insurance of the plant and machinery in favour of the bank. The amount drawn down by the Company as at year end is RO 666,474 (2013 : nil).

13. End of service benefits

	2014	2013
	RO	RO
At 1 January	296,692	245,445
Charge for the year	50,275	83,825
Paid during the year	(43,487)	(32,578)
At 31 December	303,480	296,692

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Notes to the financial statements for the year ended 31 December 2014 (continued)

14. Trade and other payables

	2014 RO	2013 RO
Trade payables	745,685	1,627,724
Accrued expenses	998,770	1,048,781
Other payables	192,769	140,892
	<u>1,937,224</u>	<u>2,817,397</u>

15. Short-term bank borrowings

Loan against trust receipts	<u>5,797,234</u>	<u>3,549,783</u>
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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 34.1 Million (2013: RO 33.1 million). These facilities carry interest at rates ranging between 2% to 3% per annum (2013: 2% to 4% per annum). The facilities are renewable on an annual basis.

16. Net assets per share

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

	2014	2013
Net assets at 31 December (RO)	<u>8,233,448</u>	<u>7,935,725</u>
Number of shares outstanding at 31 December	<u>33,571,450</u>	<u>33,571,450</u>
Net assets per share (RO)	<u>0.245</u>	<u>0.236</u>

17. Cost of sales

	2014 RO	2013 RO
Raw materials and other materials	14,214,934	13,091,758
Depreciation (note 5)	790,860	887,527
Employee related expenses	1,032,626	982,357
Other factory costs	312,023	289,243
	<u>16,350,443</u>	<u>15,250,885</u>

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Notes to the financial statements for the year ended 31 December 2014 (continued)

18. Selling and distribution expenses

	2014 RO	2013 RO
Employee related expenses	256,256	248,348
Transportation – freight and duty	515,344	492,901
Travelling and sales expenses	144,383	95,396
Other expenses	226,140	358,845
	<u>1,142,123</u>	<u>1,195,490</u>

19. Administrative and general expenses

Employee related expenses	670,547	606,083
Depreciation (note 5)	1,746	15,897
Directors sitting fees	19,591	20,307
Directors' remuneration	7,035	30,157
Other administrative overheads	318,430	316,837
	<u>1,017,349</u>	<u>989,281</u>

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

	2014 RO	2013 RO
Salaries, wages and benefits	1,864,257	1,720,426
Contribution to defined contribution benefit plan	44,897	32,538
Unfunded defined benefit plan	50,275	83,824
	<u>1,959,429</u>	<u>1,836,788</u>

The number of employees at the reporting date was 282 (2013: 264).

20. Other income – net

	2014 RO	2013 RO
Foreign exchange (loss) / gain – net	(21,599)	44,860
Insurance claim received	-	5,344
Miscellaneous income	29,517	313,928
Loss on disposal of assets	-	(26,085)
	<u>7,918</u>	<u>338,047</u>

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Notes to the financial statements for the year ended 31 December 2014 (continued)

21. Finance cost - net

	2014 RO	2013 RO
Finance income	(342)	(226)
Finance cost	118,542	157,412
	<u>118,200</u>	<u>157,186</u>

22. Taxation

Current tax:		
Current year	106,291	196,935
Prior years	36,396	30,096
Income tax expenses	<u>142,687</u>	<u>227,031</u>
Deferred tax reversal	<u>(9,462)</u>	<u>(36,072)</u>

Provision for income tax for the year is as follows:

At 1 January	224,597	65,327
Charge for the year	142,687	227,031
Tax paid	(187,577)	(67,761)
At 31 December	<u>179,707</u>	<u>224,597</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:

	2014 RO	2013 RO
Profit before tax	833,805	1,368,249
Income tax expense at the rates mentioned above	96,457	160,590
Non-deductible expenses	977	1,045
Temporary differences	8,857	35,300
Prior year tax	36,396	30,096
	<u>142,687</u>	<u>227,031</u>

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Notes to the financial statements for the year ended 31 December 2014 (continued)

22. Taxation (continued)

The income tax returns for the years 2010 to 2013 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 2014 RO	Recognised in profit and loss RO	31 December 2014 RO
Property, plant and equipment	(64,503)	15,458	(49,045)
Provision for inventories	5,755	524	6,279
Provision for doubtful debts	1,656	80	1,736
Fair valuation of investment property	(25,800)	(6,600)	(32,400)
	<u>(82,892)</u>	<u>9,462</u>	<u>(73,430)</u>

23. Earnings per share

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

	2014	2013
Net profit for the year (RO)	700,580	1,177,290
Weighted average number of shares as of 31 December	33,571,450	33,571,450
Earnings per share (RO)	0.021	0.035

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.

24. Related parties

Related parties comprise of shareholders, key business persons and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and condition which the management consider to be comparable with those adopted for arm's length transactions with third parties.

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Notes to the financial statements for the year ended 31 December 2014 (continued)

24. Related parties (continued)

Key management compensation

	2014 RO	2013 RO
Short-term benefits	266,664	212,400
Employees' end of service benefits	7,352	6,989
	<u>274,016</u>	<u>219,389</u>
Directors' remuneration	7,035	30,157
Sitting fees and other expenses	19,591	20,308
	<u>26,626</u>	<u>50,465</u>

Proposed director's remuneration for the year 2014 is RO 7,035 (2013: 30,157).

25. Commitments and contingencies

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

	2014 RO	2013 RO
Purchase of capital items	102,352	47,000
Capital work-in-progress	<u>5,526,400</u>	<u>-</u>
Letters of guarantee	<u>7,250</u>	<u>7,250</u>

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:

	2014 RO	2013 RO
Due within one year	23,124	20,193
Due after one year but within five years	108,916	80,772
	<u>132,040</u>	<u>100,965</u>

**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

26. Dividend

The Board of Directors have recommended a total cash dividend of 13% (2013: 12%) for qualifying 33,571,450 shares amounting to RO 436,429 (2013: RO 402,857) pending approval of the shareholders.

27. Operating segments

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

Operating segment

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

	2014 RO	2013 RO
Oman	6,275,025	6,015,437
Other GCC countries	10,752,212	9,613,391
Europe	1,587,454	1,997,113
Others	784,311	997,103
	<u>19,399,002</u>	<u>18,623,044</u>

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

28. Financial risk management

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

**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

28. Financial risk management (continued)

Financial risk factors (continued)

Overview

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

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

(i) Credit risk

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

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

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

	2014 RO	2013 RO
Trade receivables	7,563,963	5,235,403
Advances and deposits	82,220	58,800
Bank balances	390,388	1,065,582
	<u>8,036,571</u>	<u>6,359,785</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 2014 (continued)**

28. Financial risk management (continued)

Financial risk factors (continued)

(ii) Liquidity risk (continued)

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.

	2014			2013		
	Less than one year RO	One to five years RO	Total RO	Less than one year RO	One to five years RO	Total RO
Term loan	-	666,474	666,474	-	-	-
Borrowings	5,797,234	-	5,797,234	3,549,783	-	3,549,783
Trade and other Payables	1,937,224	-	1,937,224	2,817,397	-	2,817,397
	<u>7,734,458</u>	<u>666,474</u>	<u>8,400,932</u>	<u>6,367,180</u>	<u>-</u>	<u>6,367,180</u>

(iii) Market risk

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

Currency risk

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

The trade payable, receivable and bank balances in Euro and GBP are exposed to foreign currency exchange risk. 100 basis points variation in exchange rate of Euro and GBP at the reporting date will have an impact of RO 1,039 on reported net profit (2013: RO 3,534).

**Notes to the financial statements
for the year ended 31 December 2014 (continued)**

28. Financial risk management (continued)

Financial risk factors (continued)

(iii) Market risk (continued)

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:

	2014 RO	2013 RO
Fixed rate instruments		
Borrowings	2 - 4%	2 - 4%

Commodity risk

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

29. Capital management

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

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

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

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Notes to the financial statements for the year ended 31 December 2014 (continued)

29. Capital management (continued)

The gearing ratio at the reporting date was as follows:

	2014 RO	2013 RO
Total debt	6,463,708	3,549,783
Less: cash and bank balances	(392,163)	(1,067,647)
Net debt	6,071,545	2,482,136
Total equity	8,233,448	7,935,725
Total capital employed	14,304,993	10,417,861
Gearing ratio	42%	24%

30. Approval of financial statements

The financial statements were approved by the Management and authorized for issue on 23 February 2015.