Notes to the financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

National Aluminium Products Company SAOG ("the Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman 1974, and was incorporated on 8 December 1984. The Company is engaged in the manufacture and sale of aluminium products.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC), the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority.

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The financial statements have been drawn up based on accounting standards, interpretations and amendments effective at 1 January 2017. The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 7 'Statement of cash flows' issued in January 2016 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

- Amendments to IAS 12 'Income Taxes' issued in January 2016 clarify that in order to compute a temporary difference, the carrying amount is compared to its tax base. In doing so, the entity should not consider how the related assets will be recovered (such as through sale), or the probability that any resulting deferred tax asset will be recoverable.

  The amendments also clarify that the estimation of taxable profit, against which deferred tax assets can be utilised, is a separate step. If it is considered probable that an asset will be realised at more than its carrying amount, this is reflected in the entity's estimate of future taxable profit. The tax deduction arising from the reversal of deferred tax assets will not be included in the estimated future taxable profit which is used to evaluate whether those assets are recoverable.

- Annual amendments to IFRSs (2014-2016 cycle) issued in December 2016 included an amendment to IFRS 12 'Disclosure of Interests in Other Entities'. The amendment clarifies that, except for the requirements to disclose summarised financial information, the requirements of IFRS 12 apply to interests (or a portion thereof) in a subsidiary, joint venture or associate that is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5 'Non-current Assets held for Sale and Discontinued Operations'.

The Management believes the adoption of the above and other amendments effective for the current accounting period has not had any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements.

Notes to the financial statements

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following significant new and revised standards were in issue but not yet effective:

- IFRS 15 'Revenue from Contracts with Customers' issued in May 2014 and related 'Clarifications to IFRS 15' issued in April 2016 establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related IFRICs 13, 15 and 18, and SIC-31. IFRS 15 is applicable for annual periods beginning on or after 1 January 2018. The standard is based on a 5 step approach to recognise revenue and also provides specific principles to apply, when there is a contract modification, when accounting for contract costs and when accounting for refunds and warranties.

  The application of IFRS 15 will not have significant impact on the recognition and measurement of revenue for the Company. However, the disclosures are likely to increase as IFRS 15 includes principles on disclosing the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, by providing qualitative and quantitative information.

- IFRS 16, 'Leases' issued in January 2016 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with lessor accounting substantially unchanged from IAS 17. IFRS 16 is effective from 1 January 2019.

  The adoption of IFRS 16 will result in the Company recognizing assets and liabilities in the statement of financial position relating to the operating leases of land for its factory premises in the Rusayl Industrial Estate. At the end of the reporting period, the future aggregate minimum lease commitments under non-cancellable operating leases amounted to RO 575,766 (2016 – RO 538,109).

- IFRS 9, 'Financial Instruments' issued in July 2014 has an effective date of accounting periods beginning on or after 1 January 2018. IFRS 9 outlines the recognition, measurement and derecognition of financial assets and financial liabilities, the impairment of financial assets and hedge accounting. Financial assets are to be measured at amortised cost, fair value through profit and loss or fair value through other comprehensive income, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. The impairment model in IFRS 9 moves to one that is based on expected credit losses rather than the IAS 39 incurred loss model. The derecognition principles of IAS 39, 'Financial Instruments: Recognition and Measurement' have been transferred to IFRS 9. The hedge accounting requirements have been liberalised from that allowed previously. The requirements are based on whether an economic hedge is in existence, with less restriction about proving whether a relationship will be effective than current requirements.

- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' issued in December 2016 addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after 1 January 2018.

The Management believes the adoption of the above other amendments, which are in issue but not effective is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for future periods.

Notes to the financial statements

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgement based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements include the following:

- *Estimated useful lives of property, plant and equipment:*
  The Management's estimate of the useful lives of these assets is based on various factors such as historical experience, market practice, operating cycles, maintenance programs and normal wear and tear.

- *Inventories*
  Inventories are stated at lower of cost and net realisable value. Provision for slow and non-moving inventories is based on Management's estimate of the realizable value of the inventories based on the Company's provisioning policy.

- *Allowance for credit losses*
  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.

4 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the measurement at fair value of investment property.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of income as an expense as incurred.

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

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Property, plant and equipment (Continued)

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

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

c) Investment property

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

d) Fair value measurement

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

e) Inventories

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

Cost of scrap is computed based on the weighted average cost of the raw materials less the average product premium charged by the suppliers over and above the London Metal Exchange (LME) price.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Accounts and other receivables

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses of accounts and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. When an account or other receivable is uncollectible, it is written off against the allowance account for credit losses.

g) Cash and cash equivalents

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

h) Impairment

Financial assets
At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate.

Non-financial assets
At the end of each reporting period, the Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of income. The Management also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment reversals are recognised immediately in the statement of income.

i) Accounts and other payables

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

j) Provisions

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

k) Employees' end of service benefits

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

l) Financial assets

Financial assets are recognized when the Company has become a party to the contractual provisions of the instrument. Financial assets are recognised and derecognized on the trade date when the Company becomes party to the contractual provisions of the instruments.

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Financial liabilities

All financial liabilities are initially measured at fair value and are subsequently measured at amortised cost.

n) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period.

Deferred tax assets are recognized in relation to carry forward losses and unused tax credits to the extent that it is probable that future taxable profits will be achieved.

o) Revenue

Revenue consists of the invoiced value of goods supplied during the year net of returns and allowances, trade discounts and volume rebates. 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.

p) Interest income

Interest income is recognized on an accrual basis.

q) Operating leases

The operating lease payments are charged to the statement of income on a straight line basis, unless another systematic basis is representative of the time pattern of the benefit.

r) Foreign currency transactions

Transactions denominated in foreign currencies are translated into Rials Omani and recorded at rates of exchange ruling at the date of the transaction. Liabilities denominated in foreign currencies are translated into Rials Omani at exchange rates ruling on the end of the reporting period. Foreign exchange differences arising on translation are recognised in the statement of income.

s) Dividends

The Board of Directors recommends to the shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) while recommending the dividend.

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

Notes to the financial statements

4 SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the chief decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Board of Directors have been identified as the chief decision maker. The Company has a single reportable segment.

u) Directors' remuneration

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

v) Derivative financial instruments

The Company holds derivative financial instruments to hedge its risk associated with aluminium prices relating to future sales to customers.

The Management believes that, although the hedge positions will accomplish an economic hedge against their future purchases, they likely will not qualify for hedge accounting, which would match the gain or loss on the hedge positions to the specific commodity purchase being hedged. Accordingly, the fair value accounting has been used for these hedge positions, which means the fair value changes of the derivative financial instruments between the transaction date and the end of the reporting period are immediately recognized in the statement of income.

5 PROPERTY, PLANT AND EQUIPMENT

a) The details of property, plant and equipment for the years 2017 and 2016 are set out on pages 27 and 28 respectively.

b) The depreciation for the year is allocated as follows:

	2017 RO	2016 RO
Cost of sales (note 18)	1,176,231	995,847
General and administration (note 21)	3,416	2,899
	1,179,647	998,746

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

d) At the end of the reporting period, plant and machinery with a carrying value of RO 7,433,785 (2016 – RO 7,665,214) are mortgaged against the term loans and bank borrowings obtained from a local commercial bank [notes 12 c) and 14].

e) During the year, the Management had identified dies and die tools with a carrying value of RO 371,124, which were no longer in use. Accordingly, these assets have been impaired in the current year. The impairment losses have been recorded under cost of sales (note 18).

Notes to the financial statements

6 INVESTMENT PROPERTY

a) Investment property, being land, is stated at its fair value of RO 380,000 (2016 – RO 380,000), which has been estimated by the Management based on an independent valuation undertaken by a professional valuer in November 2017.

b) The fair value measurement for the investment property is measured on a recurring basis and fall within level 2 of the fair value hierarchy outlined in note 4 d).

7 INVENTORIES

	2017 RO	2016 RO
Raw materials	2,733,249	5,297,434
Spares and tools	782,049	799,520
Finished goods	776,644	750,302
Work in progress	515,940	125,381
Consumables	508,408	524,908
Scrap	158,739	1,278,032
	5,475,029	8,775,577
Provision for slow and non-moving inventories [refer note b)]	(500,512)	(237,503)
	4,974,517	8,538,074

The following further notes apply:

a) At the end of the reporting period, finished goods represent 10 days (2016 – 14 days) of annual sales.

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

	2017 RO	2016 RO
At the beginning of the year	237,503	57,706
Established during the year (note 18)	263,009	179,797
At the end of the year	500,512	237,503

8 ACCOUNTS AND OTHER RECEIVABLES

	2017 RO	2016 RO
Accounts receivable	13,482,895	8,923,048
Less: Allowance for credit losses [note f)]	(171,423)	(163,241)
	13,311,472	8,759,807
Advances and deposits	719,913	467,522
Prepayments and other receivables	203,282	75,102
	14,234,667	9,302,431

Notes to the financial statements

8 ACCOUNTS AND OTHER RECEIVABLES (Continued)

The following further notes apply:

a) 49% of the accounts receivable are due from 6 customers (2016 – 64% are due from 6 customers).

b) 96% (2016 – 95%) of the net accounts receivable are secured against letters of credits or credit risk cover and post-dated cheques.

c) Accounts receivable amounting to RO 12,323,653 (2016 – RO 7,930,749) are neither past due nor impaired.

d) Accounts receivable with a carrying amount of RO 987,819 (2016 – RO 829,058) are past due but not impaired. The ageing analysis of the accounts receivable which are past due but not impaired is as follows:

	2017 RO	2016 RO
Past due up to 30 days	831,394	684,525
Past due between 31 to 60 days	36,916	9,634
Past due between 61 to 180 days	2,513	89,645
Past due above 180 days	116,996	45,254
	987,819	829,058

e) In accordance with the debt provisioning policy, the Management has estimated past due debts amounting to RO 171,423 (2016 – RO 163,241) to be impaired and established allowance for credit losses against such debts.

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

	2017 RO	2016 RO
At the beginning of the year	163,241	65,382
Provided during the year (note 21)	8,182	97,859
At the end of the year	171,423	163,241

9 BANK BALANCES AND CASH

	2017 RO	2016 RO
Bank balances	727,203	412,618
Cash on hand	69	2,621
	727,272	415,239

Notes to the financial statements

10 SHARE CAPITAL

a) The Company's authorized, issued and paid up capital at the end of the reporting period comprises 33,571,450 shares with a nominal value of 100 baisas per share (2016 – similar capital structure).

b) Shareholders, who own 10% or more of the Company's share capital and number of shares they hold at the end of the reporting period are as follows:

	2017		2016	
	%	No. of shares	%	No. of shares
Oman Emirates Investment Holding Company SAOG	13.29	4,462,500	13.29	4,462,500
Global Financial Investment SAOG	12.21	4,099,430	5.59	1,878,135
Ministry of Defense Pension Fund	10.00	3,357,000	10.00	3,357,000

11 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the annual profit is to be transferred to a legal reserve, until the amount of the legal reserve reaches one third of the capital. No transfer has been made in the current year as the reserve has reached the statutory minimum of one third of the capital. The reserve is not available for distribution.

12 TERM LOANS

	2017 RO	2016 RO
Term loan 1 [note a)]	3,744,933	4,594,933
Term loan 2 [note b)]	1,355,138	1,345,062
	5,100,071	5,939,995
Less: current portion	(1,350,000)	(950,000)
Non–current portion	3,750,071	4,989,995

The following further notes apply:

a) Term loan 1 was obtained from a local commercial bank and is subject to an interest rate of 6.25% per annum (2016 - 5% per annum). The loan is repayable in 20 quarterly instalments of varying amounts which commenced from September 2016.

b) Term loan 2 was obtained from a local commercial bank and is subject to an interest rate of 6.25% per annum (2016 - 5% per annum). The loan is repayable in quarterly instalments of RO 100,000 each which commenced from December 2017.

c) The term loans and other bank borrowings (note 14) are secured by:

- commercial mortgage and assignment of insurance cover for certain plant and machinery [note 5 d)] and
- a promissory note of RO 8 million.

d) The term loan and bank borrowing agreements with the bank contain certain restrictive covenants which if violated can result in the withdrawal of the facility by the bank (note 14).

Notes to the financial statements

12 TERM LOANS (Continued)

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

	2017 RO	2016 RO
Between 1 and 2 years	1,450,000	1,350,000
Between 2 and 5 years	2,300,071	3,639,995
	3,750,071	4,989,995

13 ACCOUNTS AND OTHER PAYABLES

	2017 RO	2016 RO
Accounts payable	875,183	6,297,344
Accruals	776,700	428,952
Other payables	378,554	285,964
	2,030,437	7,012,260

14 BANK BORROWINGS

	2017 RO	2016 RO
Loan against trust receipts	13,785,492	4,111,319
Short term loans	2,305,000	4,671,806
Bank overdraft	11,581	39,255
	16,102,073	8,822,380

The following further note applies:

Bank borrowings are obtained from local commercial banks, at commercial rates prevailing in the Sultanate of Oman [see also note 12 c) and d)].

15 TAXATION

	2017 RO	2016 RO
Statement of comprehensive income		
Deferred tax credit	83,083	6,336
Prior year tax (charge) / credit	(160)	68,114
	82,923	74,450
Statement of financial position		
Non – current assets		
Deferred tax asset	33,522	--
Non – current liabilities		
Deferred tax liability	--	49,561

Notes to the financial statements

15 TAXATION (Continued)

The following further notes apply:

a) Taxation is provided at 15% (2016 – 12% of the taxable income in excess of RO 30,000) on the profit for the year adjusted for tax purposes. No provision for current taxation has been made since the Company has incurred a taxable loss.

b) The tax assessments for the years 2015 and 2016 have not been finalised by the Secretariat General for Taxation. The Management believes that the tax liability, if any, that may arise on the completion of the assessments for the unassessed tax years will not be material to the Company's financial position at the end of the reporting period.

c) The movement in the deferred tax asset / (liability) during the year is attributed to the following items:

	Carry forward losses RO	Provisions RO	Accelerated capital allowances RO	Fair value of investment property RO	Total RO
At 31 December 2015	--	14,770	(38,267)	(32,400)	(55,897)
Credited / (charged) to the statement of income	164,843	33,319	(191,826)	--	6,336
At 31 December 2016	164,843	48,089	(230,093)	(32,400)	(49,561)
At 31 December 2016	164,843	48,089	(230,093)	(32,400)	(49,561)
(Credited / (charged) to the statement of income	163,275	60,351	(132,443)	(8,100)	83,083
At 31 December 2017	328,118	108,440	(362,536)	(40,500)	33,522

d) The deferred tax impact attributable to the change in tax rate is an additional tax credit of RO 6,704 in the statement of income (2016 – not applicable).

16 RELATED PARTY TRANSACTIONS

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 year comprises:

	2017 RO	2016 RO
Short term employment benefits	374,487	279,701
End of service benefits	28,727	13,420
Directors' meeting attendance fees (note 21)	49,300	51,300
Other expenses	329	--
	452,843	344,421

Notes to the financial statements

17 NET ASSETS AND BASIC EARNINGS PER SHARE

a) Net assets per share

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

	2017	2016
Net assets (in Rials Omani)	7,703,332	8,158,328
Number of shares outstanding	33,571,450	33,571,450
Net assets per share (in Rials Omani)	0.229	0.243

b) Basic earnings per share

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

	2017	2016
(Loss) / profit for the year (in Rials Omani)	(454,996)	19,032
Weighted average number of shares outstanding during the year	33,571,450	33,571,450
(Loss) / earnings per share (in Rials Omani)	(0.014)	0.001

18 COST OF SALES

	2017 RO	2016 RO
Opening stock	6,621,862	4,066,010
Purchases	25,125,721	19,731,248
Closing stock	(4,023,706)	(6,621,862)
	27,723,877	17,175,396
Movement in finished goods and work in progress	(416,901)	77,885
Movement in scrap inventory	1,119,293	151,048
Raw materials and other materials consumed	28,426,269	17,404,329
Depreciation [note 5 b)]	1,176,231	995,847
Salaries and employee related costs [note 23 a)]	1,982,523	1,803,851
Other factory expenses	663,559	479,653
Impairment of dies and die tools [note 5 e)]	371,124	--
Provision for slow and non - moving inventories [note 7 b)]	263,009	179,797
	32,882,715	20,863,477

19 GAIN ON DERIVATIVE FINANCIAL INSTRUMENTS

The net gain on financial instruments at fair value through profit or loss relates to commodity forward contracts that did not qualify for hedge accounting. The derivative instruments, although initiated for hedging an identified future purchases of raw material, was not designated as such at inception and therefore does not qualify for hedge accounting. The gain will be used to effectively reduce the cost of raw materials once matured in the year 2018.

Notes to the financial statements

20 OTHER INCOME

	2017 RO	2016 RO
Amounts no longer payable written back	251,595	100
Gain on disposal of property, plant and equipment	4,693	4,225
Foreign exchange gain	--	21,965
Miscellaneous	26,366	12,041
	282,654	38,331

21 GENERAL AND ADMINISTRATION

	2017 RO	2016 RO
Salaries and employee related costs [note 23 a)]	679,321	547,421
Repairs and maintenance	69,787	66,488
Directors' meeting attendance fees [note 16 b)]	49,300	51,300
Legal and professional fees	42,734	27,060
Bank charges	29,819	49,674
Communication	19,418	21,162
Insurance	16,559	11,496
Printing and stationery	12,278	16,886
Allowance for credit losses [note 8 f)]	8,182	97,859
Depreciation [note 5 b)]	3,416	2,899
Other administrative expenses	62,522	38,245
	993,336	930,490

22 SELLING AND DISTRIBUTION

	2017 RO	2016 RO
Freight outward charges	523,654	262,535
Salaries and employee related costs [note 23 a)]	166,270	161,851
Commission	152,943	42,212
Royalty expenses	101,997	93,777
Advertisement and sales promotion	5,736	90,889
Other expenses	111,753	85,991
	1,062,353	737,255

23 SALARIES AND EMPLOYEE RELATED COSTS

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

	2017 RO	2016 RO
Salaries and wages	2,679,354	2,323,796
Contributions to defined retirement plan for Omani employees	78,006	74,699
Cost of end of service benefits for expatriate employees	70,754	57,378
	2,828,114	2,455,873

Notes to the financial statements

23 SALARIES AND EMPLOYEE RELATED COSTS (Continued)

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

	2017 RO	2016 RO
At the beginning of the year	312,832	323,667
Expense for the year	70,754	57,378
Settled during the year	(82,553)	(68,213)
At the end of the year	301,033	312,832

24 NET FINANCE CHARGES

	2017 RO	2016 RO
Interest expense (net)	817,859	475,129
Interest cost capitalised	--	(97,080)
Net finance charges	817,859	378,049

25 COMMITMENTS AND CONTINGENCIES

a) Commitments

The Company has leased land for factory premises [note 5 c)] from the Public Establishment for Industrial Estates under operating lease agreements, which are entered into for a 25 year period. At the end of the reporting period, the future aggregate minimum lease commitments under non-cancellable operating leases are:

	2017 RO	2016 RO
Not later than one year	32,564	27,675
Later than one year but not later than five years	120,758	103,577
Later than five years	422,444	406,857
	575,766	538,109

b) Contingent liabilities

At the end of the reporting period, the Company had contingent liabilities of RO 1,569,202 (2016 – RO 966,735) in respect of guarantees and letters of credit entered into in the normal course of business from which it is anticipated that no material liabilities will arise.

c) Contingent asset

During the year, the Company has filed an insurance claim for the business interruption loss arising out of damage to plant and machinery. Although the cost of the damage was borne by the supplier under a warranty arrangement, the claim settlement relating to business interruption is not yet finalized by the insurers. However, the surveyors have provisionally estimated an amount of RO 188,619.

While the Management is confident of receiving an amount in relation to the claim, none will be recognized until the amount is determined and confirmed by the insurers.

Notes to the financial statements

26 OPERATING SEGMENTS

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

	Sales RO	2017 Accounts receivable RO	Sales RO	2016 Accounts receivable RO
Local (Oman)	10,665,460	4,454,072	9,709,346	4,716,924
Other GCC Countries	17,937,103	9,021,892	9,716,426	4,120,440
Europe	9,571	422	388,369	11,683
Others	668,381	6,509	422,546	74,001
	29,280,515	13,482,895	20,236,687	8,923,048

27 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the policies approved by the Board of Directors.

a) Market risk

Currency risk

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

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

	2017 RO	2016 RO
Bank balances	281,937	122,165
Accounts and other receivables	8,813,207	4,206,124
Accounts and other payables	330,575	5,183,182

Interest rate risk

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

For every 0.5% change in interest rate, the impact on the statement of income will approximate to RO 106,011 (2016 – RO 73,812) based on the level of financial liabilities (net) at the end of the reporting period.

Notes to the financial statements

27 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

a) Market risk (Continued)

Commodity price risk

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

The Company has open derivative contracts outstanding at year end in the amount of RO 1,361,287 (2016- Nil). The fair market value of these commodity contracts as of 31 December 2017 was RO 1,463,299 (2016 – Nil) (note 19).

b) Credit risk

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

Credit risk is monitored on a case-to-case basis and managed through credit guarantee schemes, operating through approved credit limits and obtaining guarantees and letters of credit. The Company has a significant concentration of credit risk, details of which are provided in note 8 a) to the financial statements. The carrying value of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

c) Liquidity risk

The Management monitors liquidity requirements on a regular basis and ensures that sufficient funds are available including unutilized credit facilities to meet all liabilities as they fall due. The Company manages liquidity risk of maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows. The contractual maturity analysis for term loans is provided in notes 12 e) to the financial statements. The Company's other financial liabilities are payable within six months from the end of the reporting period.

d) Capital management

The Company's objectives when managing capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the Shareholders. The Company also ensures compliance with externally imposed capital requirements.

The Company sets capital in proportion to risk and makes adjustments to it in the light of changes in economic conditions, the risk characteristics of the underlying assets, and covenants entered into with the providers of external debt. In order to maintain or adjust the level of equity, the Company adjusts the level of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

In the context of managing capital (equity), the Company has covenanted with banks providing external debt to maintain specified debt to equity ratio. At the end of the reporting period, the actual debt to equity ratio was within the covenanted level, and the Company does not therefore anticipate that covenant will require them to increase the level of capital (equity).

28 COMPARATIVES

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

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2017	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 31 December 2016	5,030,835	18,974,044	4,998,777	545,424	202,829	71,776	395,453	23,527	30,242,665
Additions during the year	6,330	716,254	--	2,880	4,240	34,000	14,555	--	778,259
Transfers during the year	--	23,527	--	--	--	--	--	(23,527)	-
Disposals and write offs during the year	--	(629,025)	--	--	--	--	(395)	--	(629,420)
At 31 December 2017	5,037,165	19,084,800	4,998,777	548,304	207,069	105,776	409,613	--	30,391,504
Depreciation / impairment									
At 31 December 2016	2,115,376	10,393,026	4,998,777	500,689	165,227	57,635	352,323	--	18,583,053
Charge for the year	152,636	979,759	--	16,039	11,130	5,490	14,593	--	1,179,647
Impairment losses [note 5 e)]	--	371,124	--	--	--	--	--	--	371,124
Relating to disposals and write offs	--	(629,025)	--	--	--	--	(263)	--	(629,288)
At 31 December 2017	2,268,012	11,114,884	4,998,777	516,728	176,357	63,125	366,653	--	19,504,536
Net book value									
At 31 December 2017	2,769,153	7,969,916	--	31,576	30,712	42,651	42,960	--	10,886,968
At 31 December 2016	2,915,459	8,581,018	--	44,735	37,602	14,141	43,130	23,527	11,659,612

Notes to the financial statements

5 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2016	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 31 December 2015	2,432,605	12,997,841	4,998,777	532,002	187,534	95,476	374,465	7,395,527	29,014,227
Additions during the year	177,308	592,536	--	13,422	15,295	--	20,988	432,589	1,252,138
Transfers during the year	2,420,922	5,383,667	--	--	--	--	--	(7,804,589)	--
Disposals during the year	--	--	--	--	--	(23,700)	--	--	(23,700)
At 31 December 2016	5,030,835	18,974,044	4,998,777	545,424	202,829	71,776	395,453	23,527	30,242,665
Depreciation									
At 31 December 2015	1,993,713	9,554,343	4,998,777	485,728	162,473	75,830	337,143	--	17,608,007
Charge for the year	121,663	838,683	--	14,961	2,754	5,505	15,180	--	998,746
Relating to disposals	--	--	--	--	--	(23,700)	--	--	(23,700)
At 31 December 2016	2,115,376	10,393,026	4,998,777	500,689	165,227	57,635	352,323	--	18,583,053
Net book value									
At 31 December 2016	2,915,459	8,581,018	--	44,735	37,602	14,141	43,130	23,527	11,659,612
At 31 December 2015	438,892	3,443,498	--	46,274	25,061	19,646	37,322	7,395,527	11,406,220