

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 1974, and was incorporated on 8 December 1984. 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 2018.

3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Company but are not yet mandatory:

- IFRS 17 Insurance Contracts
- Transfer of Investment Property-Amendments to IAS 40
- IFRS 1 First-time Adoption of International Financial Reporting Standards-Deletion of short-term
- IAS 28 Investments in Associates and Joint Venture – Clarification that measuring investee at fair value through profit or loss in an investment-by-investment choice
- IFRIC 22 Foreign currency Transactions and Advance Consideration
- IFRIC 23 Uncertainty over Income Tax treatment exemption for first time adopters

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Company, are not expected to have a material impact on the Company’s financial statement.

- Annual Improvements to IFRS Standards 2014-2016 cycle dealing with matters in IFRS 1 *First-time Adoption* and IAS 28 *Investments in Associates and Joint Ventures* (effective 1 January 2018);
- IFRIC 23 *Uncertainty over Income Tax Positions* (effective 1 January 2019);
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (effective 1 January 2019);
- Amendments to IAS 28: *Long-term Interests in Associates and Joint Ventures* (effective 1 January 2019); and
- IFRS 17 *Insurance Contracts* (effective 1 January 2022).

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3.1 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company (continued)

IFRS 16 Leases

The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For lessors, there is little change to the existing accounting in AS 17 Leases. Company will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS-17. In 2019, the Company is currently assessing the potential effect of IFRS 16 on its financial statements for the year.

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 2018, 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*.

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 Investment Property

Investment property comprises of land, is stated at RO 380,000 (2018 – RO 380,000), which has been estimated by the Management based on an independent valuation undertaken by a professional valuer in February 2019.

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6 Property, plant and equipment

	Land and buildings RO	Plant and machinery RO	Extrusion and anodizing plant RO	Furniture and fixtures RO	Computer and accessories RO	Office and equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost:									
At 1 January 2019	5,037,165	19,943,361	4,998,777	207,744	433,729	551,264	126,276	-	31,298,316
Additions	3,000	969,202	-	236	8,058	3,121	-	172,173	1,155,790
Disposals	-	(945,173)	-	-	--	-	-	-	(945,173)
At 30 Sep 2019	5,040,165	19,967,390	4,998,777	207,980	441,787	554,385	126,276	172,173	31,508,933
Depreciation:									
At 1 January 2019	2,421,488	11,844,165	4,998,777	187,805	381,907	533,302	76,366	-	20,443,810
For the period	112,247	776,617	-	8,548	13,791	10,785	11,311	-	933,299
Disposals	-	(945,173)	-	-	-	-	-	-	(945,173)
At 30 Sep 2019	2,533,735	11,675,609	4,998,777	196,353	395,698	544,087	87,677	-	20,431,936
Net book value									
At 30 Sep 2019	2,506,430	8,291,781	-	11,627	46,089	10,298	38,599	172,173	11,076,997

For the year ended 2018 the carrying amounts can be presented as follows:

	Land and buildings RO	Plant and machinery RO	Extrusion and anodizing plant RO	Furniture and fixtures RO	Computer and accessories RO	Office and equipment RO	Motor vehicles RO	Capital work in progress RO	Total RO
Cost:									
At 1 January 2018	5,037,165	19,084,800	4,998,777	207,069	409,613	548,304	105,776	-	30,391,504
Additions	-	1,055,153	-	675	24,116	2,960	20,500	-	1,103,404
Disposals	-	(196,592)	-	-	--	-	-	-	(196,592)
At 31 Dec 2018	5,037,165	19,943,361	4,998,777	207,744	433,729	551,264	126,276	-	31,298,316
Depreciation:									
At 1 January 2018	2,268,012	11,114,884	4,998,777	176,357	366,653	516,728	63,125	-	19,504,536
For the year	153,476	925,873	-	11,448	15,254	16,574	13,241	-	1,135,866
Disposals	-	(196,592)	-	-	-	-	-	-	(196,592)
At 31 Dec 2018	2,421,488	11,844,165	4,998,777	187,805	381,907	533,302	76,366	-	20,443,810
Net book value									
At 31 Dec 2018	2,615,677	8,099,196	-	19,939	51,822	17,962	49,910	-	10,854,506

7 Inventories

	Unaudited period ended 30 September 2019 RO	Audited Year ended 31 December 2018 RO
Raw materials	960,446	2,000,017
Spares and tools	848,173	803,333
Finished goods	910,968	630,746
Work in progress	352,284	569,154
Consumables	629,550	532,995
Scrap	159,818	693,395
	3,861,239	5,229,640
Less: Provision for slow moving inventories	(264,006)	(224,850)
	3,597,233	5,004,790

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8 Trade and other receivables

	Unaudited Period ended 30 September 2019 RO	Audited Year ended 31 December 2018 RO
Trade receivables	18,286,211	19,152,143
Less: allowance for credit losses	(329,919)	(201,616)
	17,956,292	18,950,527
Advances and deposits	1,264,016	141,646
Prepayments and other receivables	279,036	344,678
	19,499,344	19,436,851

The Amount of RO 18.29 Million includes RO 927k Overdue Trade Receivables, out of which RO 600k is covered by Credit Insurance. Suitable Provision amount will be assessed at year end as per company policy.

9 Cash and bank

	Unaudited Period ended 30 September 2019 RO	Audited Year ended 31 December 2018 RO
Bank balances	625,886	1,568,196
Cash on hand	2,470	612
	628,356	1,568,808

10 Share capital

Names of shareholders	Unaudited period ended 30 September 2019		Audited Year ended 31 December 2018	
	No. of shares	%	No. of shares	%
Global Financial Investment Holding SAOG	6,913,933	20.59	5,886,015	17.53
Oman & 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
Others	18,838,017	56.12	19,865,935	59.18
	33,571,450	100	33,571,450	100

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 loan

	Unaudited Period ended 30 September 2019 RO	Audited Year ended 31 December 2018 RO
Term loan 1 (note a)	2,019,933	2,794,933
Term loan 2 (note b)	655,138	955,138
Less: current portion	(1,225,000)	(1,450,000)
Non-current portion	1,450,071	2,300,071

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13 Staff terminal benefits

	Unaudited Period ended 30 September	Audited Year ended 31 December
	2019 RO	2018 RO
At the beginning of the period/ year	300,541	301,033
Expense for the period	49,266	63,106
Settled during the period	(11,962)	(63,598)
At the end of the period/year	337,845	300,541

14 Bank Borrowings

	Unaudited Period ended 30 September	Audited Year ended 31 December
	2019 RO	2018 RO
Loan against trust receipts	14,215,921	14,058,064
Short term loans	6,322,483	5,806,616
	20,538,404	19,864,680

15 Trade and other payables

	Unaudited Period ended 30 September	Audited Year ended 31 December
	2019 RO	2018 RO
Accounts payable	2,767,930	3,623,801
Accruals	896,672	748,490
Other payables	133,008	311,869
	3,797,610	4,684,160

16 Cost of sale

	Unaudited period ended 30 September	Unaudited period ended 30 September
	2019 RO	2018 RO
Raw materials and other materials consumed	27,092,013	29,482,818
Salaries and employee related costs	1,808,787	1,715,918
Depreciation	930,505	842,158
Other factory expenses	765,398	704,330
Provision for slow and non - moving inventories	29,681	-
	30,626,384	32,745,224

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17 Other income

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Foreign exchange gain	6,039	13,882
Insurance Claim received	-	101,737
Miscellaneous	121,025	198,698
(Loss) on change in FV of derivative financial Instrument	(146,989)	(51,498)
Gain on change in FV of derivative financial item	146,989	51,498
	127,064	314,317

18 General and administrative expenses

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Salaries and employee related costs	517,130	521,081
Repairs and maintenance	104,681	38,825
Directors' meeting attendance fees	28,000	30,900
Legal and professional fees	23,656	21,344
Printing and stationery	15,187	24,484
Communication	17,080	13,637
Insurance	8,968	11,088
Depreciation	2,794	2,482
Other administrative expenses	62,666	64,312
	780,162	728,153

19 Selling and distribution expenses

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Freight outward charges	634,279	561,614
Salaries and employee related costs [note 20]	144,546	127,304
Commission	67,556	196,212
Advertisement and sales promotion	19,784	29,992
Royalty expenses	43,616	91,433
Other expenses	119,769	133,667
	1,029,550	1,140,222

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20 Salaries and employee related cost

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Salaries and wages	2,356,632	2,252,104
Contributions to defined retirement plan for Omani employees	64,565	61,902
Cost of End of service benefits for expatriate employees	49,266	50,297
	2,470,463	2,364,303

21 Financial costs

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Interest expenses	1,016,962	790,592
Bank Charges	59,332	35,491
	1,076,294	826,083

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 2019 RO	Unaudited period ended 30 September 2018 RO
Short term employment benefits	217,928	224,756
End of service benefits	9,635	11,181
Directors' meeting attendance fees	28,000	30,900
	255,563	266,837

23 Earnings per share

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

	Unaudited Period ended 30 September 2019 RO	Unaudited Period ended 30 September 2018 RO
(Loss)/Profit for the period	(376,074)	750,282
Weighted average number of ordinary shares outstanding during the period/year	33,571,450	33,571,450
Basic (loss) / earnings per share	(0.015)	0.034

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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 2019 RO	Audited Year ended 31 December 2018 RO
Net assets (RO)	7,704,388	8,516,891
Weighted average number of ordinary shares outstanding during the period/year	33,571,450	33,571,450
Net assets per share (RO)	0.229	0.254

24 Contingencies and commitments

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
Letter of credit and guarantee	22,241	14,521

25 Operating Lease Commitments

	Unaudited period ended 30 September 2019 RO	Unaudited period ended 30 September 2018 RO
	578,154	543,202

The Company has leased land for factory premises from the Public Establishment for Industrial Estates under operating lease agreements, which are entered into for a 25 year period.

26 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:

	2019 September		2018 September	
	Sales RO	Accounts receivable RO	Sales RO	Accounts receivable RO
Local (Oman)	8,878,643	5,486,136	9,668,599	5,179,935
Other GCC Countries	21,301,473	12,364,386	25,872,974	12,335,539
Europe	1,056,328	193,077	9,302	218
Others	1,834,813	242,612	437,282	165,833
	33,071,257	18,286,211	35,988,157	17,681,525

27 Comparatives

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