Legal status and principal activities

Oman Refreshment Company SAOG ("the Company / the Parent company") is an Omani Joint Stock Company registered in the Sultanate of Oman on July 25, 1977 under the commercial registration no.01/05440/06. The Company's Head Office is located at Al Ghubra and its registered address is PO Box 30, Postal code 111, CPO Airport, Sultanate of Oman.

The principal activities of the Parent Company are the filling and distribution of soft drinks and trading in consumer packaged goods and related products primarily in the Sultanate of Oman. The Parent Company holds the franchise for filling and distribution of the entire range of Pepsi products in the Sultanate of Oman.

During the year 2011, the Parent Company registered a subsidiary "Al Rawdah Integrated Trade & Investment Enterprises LLC" in Oman together with two other directors of the Parent Company as its shareholders. The two directors jointly own 70% of the shareholding in this subsidiary beneficially for and on behalf of the Parent Company, resulting in it being a wholly owned subsidiary of the Parent Company. There were no commercial activities undertaken by the subsidiary since inception.

During the year, the Parent Company acquired 100% shareholding in Arabian Vending Machine LLC ('the Subsidiary'). Arabian Vending Machine LLC is a limited liability Company registered and incorporated in the Sultanate of Oman. The Company's principal activities are sale of vending machines and providing quality vending products.

Refer to note 18 for details of major shareholders of the Company.

Together, the Parent Company and its subsidiaries are referred to as "the Group".

The financial statements were authorized by the Board of Directors in the board meeting held on 4th February 2019.

2 Summary of significant accounting policies

2.1 Basis of preparation

(a) Compliance with IFRS

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRS IC), the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and comply with the disclosure requirements set out in the 'Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading' issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

(b) Historical cost convention

These financial statements have been prepared on a historical cost basis except where otherwise described in the accounting policies below.

(c) New and amended standards adopted by the Group

The Group applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 *Financial Instruments;*
- IFRS 15 *Revenue from Contracts with Cutomers;*
- *Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;*
- *Annual Improvements 2014-2016 cycle;*
- *Transfers to Investment Property – Amendments to IAS 40; and*
- *Interpretation 22 Foreign Currency Transactions and Advance Consideration.*

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New and amended standards adopted by the Group

The Group had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. This is disclosed in note 3. The other amendments listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

Title of the standard	**IFRS 16 *Leases***
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact	The Group is currently in the process of assessing the effects on the financial statements and hence it is not practical to disclose a reliable quantitative impact until finalisation of this assessment.
Mandatory application date	The Group will apply the standard from its mandatory adoption date of 1 January 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceaased.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re- measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Revenue recognition

(i) Revenue from trading

The Group manufactures and sells food and beverage items in Sultanate of Oman. Sales are recognised when the control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the use of the product, and there is no unfulfilled obligation that could affect customer's acceptance of the products. Delivery occurs when the products have been received by the customer and the risks and obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the purchase orders or the Group has objective evidence that all criteria of acceptance have been satisfied.

The products are often sold with retrospective volume rebates based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume rebates. Accumulated experience is used to estimate and provide for the rebates, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A volume rebates liability (included in trade receivable) is recognised for expected volume rebates payable to customers in relation to sales made until the end of the reporting period.

No element of financing is deemed present as the sales are made with credit terms of 120 days, which is consistent with market practice.

A receivable is recognised when goods are delivered and accepted by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2 Summary of significant accounting policies (continued)

2.4 Interest income and expense

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method and interest received on funds invested. Financing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Interest income is recognised in the statement of comprehensive income as it accrues, taking into account the effective yield on the asset.

2.5 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term.

2.6 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in 'Rial Omani', which is the Parent company's functional and the Group's presentation currency.

Foreign currency transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the reporting date. Differences on exchange are dealt with in the consolidated and Parent Company's statement of comprehensive income.

2.7 Earnings and net assets per share

The Group presents earnings per share ("EPS") and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

2.8 Directors' remuneration

Director's remuneration has been computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and will be recognised as an expense in the consolidated and Parent Company's statement of comprehensive income.

2.9 Dividend distribution

The Board of Directors of the Group recommends to the Shareholders the dividend to be paid out of the Group's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of 1974 (as amended) and other relevant directives issued by CMA while recommending the dividend. Dividends are recognised as a liability when declared and approved.

2 Summary of significant accounting policies (continued)

2.10 Income tax

Income tax on the results for the year comprises current tax calculated as per the fiscal regulations of the Sultanate of Oman and deferred tax.

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman. The tax effects on the temporary differences are disclosed under non-current assets as deferred tax.

Income tax on the results for the year comprises current tax calculated as per the fiscal regulations of the Sultanate of Oman and deferred tax.

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

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred tax. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman. The tax effects on the temporary differences are disclosed under non-current assets as deferred tax.

A deferred tax asset is recognised 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 utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The principal temporary differences arise from depreciation on property, plant and equipment, provision for impairment of trade receivables and provisions for slow moving inventories.

2.11 Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, if any. The cost of property, plant and equipment is the purchase price together with any incidental expenses. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost includes any other cost that is directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

2 Summary of significant accounting policies (continued)

2.11 Property, plant and equipment (continued)

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within "other income" in the statement of comprehensive income.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognised as expenses in the period in which they are incurred.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately. Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of the property, plant and equipment. The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 20 years
Leasehold improvements	2 - 5 years
Plant and machinery	3 - 10 years
Motor vehicles	3 - 5 years
Tools and equipment	3 - 20 years
Furniture, fixtures and office equipment	2 - 4 years
Coolers	5 years

Land is not depreciated as it is deemed to have indefinite life.

Capital work-in-progress is not depreciated until it is transferred into one of the above categories at the time when it is ready for use.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

2 Summary of significant accounting policies (continued)

2.12 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Customer contracts

Customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. They are recognised at their fair value at the date of acquisition and are subsequently amortised on a period of 5 years on a straight-line basis.

2.13 Investments in subsidiaries

(a) Classification.

Subsidiaries are all entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

(b) Valuation.

In the separate financial statements of the Parent Company, investments in subsidiaries are stated at cost less any diminution in the value of specific investment, which is other than temporary. Investment income is accounted for in the year in which entitlement is established.

2.14 Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. 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).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the consolidated and Parent Company's statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

2 Summary of significant accounting policies (continued)

2.15 Financial assets

(i) Classification

From 1 January 2018, the Group on initial recognition classifies its non-derivative financial instruments in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial instruments and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2 Summary of significant accounting policies (continued)

2.15 Financial assets (continued)

(iii) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 5.1 (b) for further details.

(v) Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:
- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Reclassification

The Group could choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term. In addition, the Group could choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group had the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

2 Summary of significant accounting policies (continued)

2.15 Financial assets (continued)

(v) Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables were carried at amortised cost using the effective interest method.

Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or a Group of financial assets was impaired. A financial asset or a Group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or Group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan or held-to-maturity investment had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.
Impairment testing of trade receivables is described in note 4.1(b).

2.16 Inventories and goods in transit

Inventories are measured at the lower of cost and net realisable value. The cost of raw material represents the weighted average cost of materials puchased and includes the invoice value plus all direct expenses incurred in bringing the inventories to their present condition and location. Finished goods and work in progress cost includes direct labour and an appropriate share of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The liability for goods in transit is recorded when significant risks and rewards of ownership of the goods are transferred to the Group.

2.17 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 16.1 for further information about the Group's accounting for trade receivables and note 4.1(b) for a description of the Group's impairment policies.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise of cash at hand, bank balances and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

2 Summary of significant accounting policies (continued)

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using an effective interest method. Any difference between the proceeds (net of transaction costs) and redeemed borrowings is recognized over the term of borrowings in the statement of comprehensive income. Borrowings are classified as current or non-current liabilities based on the repayment terms agreed with the respective commercial banks.

2.20 Trade and other payables

Trade payables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group.

2.21 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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 time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.22 Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognised in the financial statements.

2.23 Employee benefits

Payment is made to Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees.

End of service benefits are accrued in accordance with the terms of employment of the Group’s employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 as amended and in accordance with IAS 19 “Employee Benefits”. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurances Law of 1991, are recognised as an expense in the consolidated statement of comprehensive income as incurred.

2.24 Segment reporting

An operating segment is component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors (‘Board’) that makes strategic decisions. All operating segment results are reviewed by the Group’s CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Group's financial statements.

3.1 Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financials have not been restated since the new accounting standards did not have a significant impact on the Group as disclosed in notes 3.2 and 3.3 below.

3.2 IFRS 9 *Financial Instruments*

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies in the financial statements but in no adjustments to the financial statements. The new accounting policies are set out in notes 2.15 and 2.17.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and whether any reclassifications were necessary into the appropriate IFRS 9 categories.

(ii) Impairment of financial assets

The Group has only trade receivables and other receivables as financial assets that are subject to IFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under IFRS 9 for receivables. There is no material impact on the change in impairment methodology on the Group's retained earnings and equity.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The resulting change in the loss allowance is not material as of 1 January 2018.

3.3 IFRS 15 *Revenue from contracts with customers*

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies but no adjustments to the financial statements is reqiured.

Revenue recognition policy in accordance with IFRS 15 is explained in note 2.3

4 Financial risk management

4.1 Financial risk factors

The Group has exposure to the following risks from its use of financial instruments:

(a) Market risk
(b) Credit risk
(c) Liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework and is responsible for developing and monitoring the Group's risk management policies.
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(a) Market risk

Market risk is the risk that the changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group'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, while optimizing the return.

(i) Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. In respect of the Group's transactions denominated in US Dollar and GCC currencies, the Group is not exposed to currency risk as the Rial Omani and GCC currencies are pegged to the US Dollar.

(ii) Fair value interest rate risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period. The Group's interest rate risk arises from borrowings and term deposits placed with the banks. The Group places deposits and borrows from commercial banks at commercial rates of interest.

Term deposits and borrowings issued at variable rates expose the Group to cash flow interest rate risk. Term deposits and borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain almost all of its term deposits and borrowings in fixed rate instruments.

During 2018 and 2017, the Group's borrowings were denominated in Rial Omani and USD. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Group.

At the reporting date, if the interest rate on borrowings were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 30,119 (2017 - RO 77,146) of the Parent Company and the Group.

At the reporting date, if the interest rate on term deposits were to shift by 0.5%, there would be a maximum increase or decrease in the interest income of RO 290,910 (2017 - RO 123,375) of the Parent Company and the Group.

The carrying values of the loans are not considered materially different from their fair values since the loans are at the market interest rates.

The Group manages its exposure to interest rate risk by ensuring that borrowings and deposits are on a contracted fixed rate basis.

4 Financial instruments risk management (continued)

(b) Credit risk

(i) Risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits with commercial banks. With regards to customer receivables, the Group maintains a credit policy that stipulates dealing with only creditworthy parties and obtaining sufficient collateral where appropriate as a means of mitigating the risk of financial loss from defaults. The Group regularly monitors the credit ratings of its debtors and the volume of transactions with those debtors during the year. Ongoing credit evaluation is performed on the financial condition of debtors. Therefore, credit risk exposures are insignificant.

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

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Term deposits - non current	**25,500,000**	**25,500,000**	7,000,000	7,000,000
Financial assets at fair value through profit and loss	**13,031**	**13,031**	-	-
Available-for-sale financial assets	**-**	**-**	14,935	14,935
Term deposits - current	**5,000,000**	**5,000,000**	17,175,000	17,175,000
Trade receivables	**5,789,058**	**5,681,725**	5,262,892	5,262,892
Other financial assets at amortised cost	**2,904,227**	**3,001,986**	-	-
Other receivables	**-**	**-**	2,893,064	2,893,064
Cash and cash equivalents	**2,625,515**	**2,564,314**	7,047,938	7,043,121
	41,831,831	**41,761,056**	39,393,829	39,389,012

For customers where there is no independent rating agency established in the country, the credit control team comprising of senior management assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. The outstanding position of the customers is continuously reviewed by the management.

The Group mainly categorises its trade receivables as corporate customers, salesman customers, government customers and others. Gross exposure by major classification of trade receivables is set out below:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Corporate customers	**4,549,387**	**4,495,720**	3,766,412	3,766,412
Salesman customers	**2,067,924**	**2,014,257**	2,127,856	2,127,856
Other customers	**88,419**	**88,419**	204,555	204,555
Government customers	**22,660**	**22,661**	20,855	20,855
Gross trade receivables	**6,728,390**	**6,621,057**	6,119,678	6,119,678
Less: loss allowance	**(939,332)**	**(939,332)**	(856,786)	(856,786)
Trade receivables – net	**5,789,058**	**5,681,725**	5,262,892	5,262,892

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Risk management (continued)

As per the credit policy of the Group, customers are extended a credit period of up to 90 days in the normal course of business. However, in some cases, due to the market conditions and historical business relationship with the customer the credit period may be extended by a further period of 60 days. The credit quality of financial assets is determined by the customers history of meeting commitments, market intelligence related information and management's trade experience.

The aging of trade receivables at the reporting date for the Group and Parent Company was:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Not past due	**4,446,033**	**4,411,033**	4,555,045	4,555,045
Due up to 90 days	**1,182,377**	**1,146,210**	944,734	944,734
More than 90 days	**1,099,980**	**1,063,814**	619,899	619,899
	6,728,390	**6,621,057**	6,119,678	6,119,678

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Group deals with reputed banks. Management does not expect any losses from non-performance by these counterparties.

Cash at banks including deposits

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
P-2	**2,598,225**	**2,598,225**	180,455	180,455
P-3	**17,153,010**	**17,153,010**	23,652,642	23,647,825
Not rated	**13,121,395**	**13,067,880**	6,985,855	6,985,855
	32,872,630	**32,819,115**	30,818,952	30,814,135

The rest of the statement of financial position item is cash on hand. The stated rating is as per the global bank ratings by Moody's Investors Service.

(ii) Impairment of financial assets

The Group has trade receivables and other financial assets at amortised cost as financial assets that are subject to IFRS 9's new expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristic and the days past due.

4 Financial risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

The expected loss rates are based on payment profiles of the trade receivables over a period of 36 months before 1 January 2018 and corresponding historical credit loss experience which are adjusted to reflect current and forward-looking information based on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified Gross Domestic Product of Oman to be the most relevant factors and accordingly, adjust the historical loss rates based on expected changes in the factor.

On that basis, the loss allowance as at 31 December 2018 and 1 January 2018 (on adoption of IFRS 9) was determined as follows for both trade receivables [refer note 12(c)].

	0 – 30 days	31 - 60 days	61 – 90 days	Above 90 days
31 December 2018				
Salesman customers	**4.91%**	**26.83%**	**100%**	**100%**
1 January 2018				
Salesman customers	**4.73%**	**28.11%**	**100%**	**100%**

	0 – 60 days	61 - 120 days	120 - 180 days	Above 180 days
31 December 2018				
Other customers	**4.33%**	**14.78%**	**90.19%**	**100%**
1 January 2018				
Salesman customers	**3.57%**	**13.70%**	**97.77%**	**100%**

The closing loss allowances for trade receivables as at 31 December 2018 reconcile to the opening loss allowances as follows:

	Parent Company 2018 RO	Group 2018 RO
At 1 January – calculated under IAS 39	**856,786**	**856,786**
Amounts restated through opening retained earnings	**-**	**-**
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	**856,786**	**856,786**
Increase in loss allowance recognised in profit or loss during the year	**82,546**	**82,546**
Written off during the year	**-**	**-**
At 31 December	**939,332**	**939,332**

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on financial assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

At the reporting date, if the forward looking factors were to shift upwards or downwards by 1%, there would be an insignificant change in the Parent Company’s and Group’s profitability.

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables. Other financial assets at amortised cost are considered to have low credit risk, and the loss allowance considered during the year was therefore limited to 12 months expected losses. Management believes that the expected credit loss on the above category of financial assets is not material and hence no loss allowance was made for such financial assets at 1 January 2018 and at 31 December 2018.

4 Financial instruments risk management (continued)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables and due from related parties was assessed based on the incurred loss model. Individual receivables, which were known to be uncollectible, were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there objective evidence that an impairment had been incurred but not yet was been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(c) Liquidity risk

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

The Group has adequate bank balance, credit facilities from commercial banks to ensure that it has sufficient cash on demand to meet expected operational expenses and sufficient credit facilities to manage its liquidity risk.

The Group's and the Parent Company's financial liabilities based on contractual payments at the reporting date were as follows:

	Carrying amount RO	Contractual cash flows RO	Up to 1 year RO	More than 1 year RO
Year ended 31 December 2018				
Trade and other payables	**7,219,093**	**7,219,093**	**7,219,093**	**-**
Bank borrowings	**6,023,854**	**6,023,854**	**6,023,854**	**-**
Future interest on borrowings	**-**	**158,174**	**158,174**	**-**
Total	**13,242,947**	**13,401,121**	**13,401,121**	**-**
Year ended 31 December 2017				
Trade and other payables	6,624,526	6,624,526	6,624,526	-
Bank borrowings	5,132,832	5,132,832	3,600,694	1,532,138
Future interest on borrowings	-	113,228	92,143	21,085
Total	11,757,358	11,870,586	10,317,363	1,553,223

4 Financial instruments risk management (continued)

4.2 Fair value estimation

All the financial assets and liabilities of the Group except for the financial assets through profit and loss are carried at amortised cost. The fair values of the long terms bank borrowings are approximate to their carrying values as the interest rates thereof approximate the market rates of interest. The carrying value less impairment provision of trade receivables, trade payables, short-term borrowings from banks approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from 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); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Parent Company and Group	**Level 1 RO**	**Total RO**
2018		
Financial assets at fair value through profit and loss	**13,031**	**13,031**
2017		
Available-for-sale investments	14,935	14,935

4.3 Capital risk management

Equity of the Parent Company and Group comprises share capital, legal reserve, general reserve and retained earnings. Group's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital. Capital requirements are prescribed by the Commercial Companies Law of 1974, amended, and the Capital Market Authority.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 2017 were as follows:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Total borrowings (note 16.7)	**6,023,854**	**6,023,854**	5,132,832	5,132,832
Less: cash and cash equivalents	**(2,625,515)**	**(2,564,314)**	(7,047,938)	(7,043,121)
Net debt	**3,398,339**	**3,459,540**	(1,915,106)	(1,910,289)
Equity	**58,348,551**	**58,343,405**	50,289,363	50,299,804
Total capital	**61,746,890**	**61,802,945**	48,374,257	48,389,515
Gearing Ratio	**6%**	**6%**	-	-

5 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) Impairment of financial assets

Refer note 4.1 (b) for details.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

6 Segment reporting

The Parent Company operates in one reportable segment of canning, bottling, distribution of soft drinks and trading of consumer packaged goods. All relevant information relating to this reportable segment is disclosed in the statement of financial position, statement of comprehensive income and notes to the financial statements.

During the year ended 31 December 2018, revenue from customers located in the Parent Company's country of domicile (Sultanate of Oman) is RO 74,194,150 (2017 - RO 73,856,522) and revenue from customers outside the Sultanate of Oman (foreign customers) is RO 1,701,430 (2017 - RO 3,994,595).

7 Cost of sales

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Direct materials	**32,885,305**	**32,835,260**	36,370,672	36,370,672
Cost of trading items	**5,604,953**	**5,604,953**	5,623,744	5,623,744
Employee related expenses (note 10)	**2,454,055**	**2,454,055**	2,395,409	2,395,409
Other direct expenses	**1,832,270**	**1,832,270**	1,761,954	1,761,954
Depreciation [note 17.1 (c)]	**1,717,341**	**1,717,341**	1,670,904	1,670,904
	44,493,924	**44,443,879**	47,822,683	47,822,683

8 Selling and distribution expenses

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Employee related expenses (note 10)	**7,533,316**	**7,514,688**	7,314,281	7,314,281
Advertising and sales promotion	**2,584,415**	**2,584,415**	2,753,117	2,753,117
Vehicle expenses	**1,277,276**	**1,273,543**	1,081,381	1,081,381
Transportation	**1,078,404**	**1,078,404**	986,546	986,546
Depreciation [note 17.1 (c)]	**1,073,330**	**1,046,356**	1,349,774	1,349,774
Other expenses	**432,898**	**431,898**	445,207	445,207
Rent, electricity and wear	**197,392**	**189,940**	184,705	184,705
Repairs and maintenance	**176,515**	**175,741**	174,400	174,400
Communication charges	**81,633**	**81,206**	77,854	77,854
Business entertainment and travel	**70,197**	**69,912**	57,872	57,872
Printing and stationery	**39,111**	**38,999**	45,393	45,393
	14,544,487	**14,485,102**	14,470,530	14,470,530

9 General and administrative expenses

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Employee related expenses (note 10)	**2,486,423**	**2,486,423**	2,213,620	2,213,620
Impairment on property, plant and equipment [note 17.1 (a)]	**427,180**	**427,180**	-	-
Depreciation [note 17.1 (c)]	**206,844**	**206,844**	330,953	330,953
Directors remuneration [note 23 (b)]	**191,200**	**191,200**	169,400	169,400
Insurance	**129,942**	**129,942**	132,313	132,313
Rent, electricity and water	**95,639**	**95,639**	131,589	131,589
Legal and professional charges	**62,470**	**62,470**	50,760	50,760
Communication charges	**44,417**	**44,417**	67,811	67,811
Business entertainment and travel	**43,022**	**43,022**	40,844	40,844
Repairs and maintenance	**27,903**	**27,903**	57,209	57,209
Printing and stationery	**11,181**	**11,181**	9,795	9,795
Directors sitting fees [note 23 (b)]	**8,800**	**8,800**	30,600	30,600
Other expenses	**409,987**	**409,585**	308,403	308,001
	4,145,008	**4,144,606**	3,543,297	3,542,895

10 Employee related expenses

Details of employee related expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are as follows:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Wages and salaries	**11,814,622**	**11,803,145**	11,326,343	11,326,343
End of service benefits (note 17.7)	**253,269**	**247,368**	245,710	245,710
Contribution to defined retirement plan	**405,903**	**404,653**	351,257	351,257
	12,473,794	**12,455,166**	11,923,310	11,923,310

Employee related expenses are allocated as follows:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Cost of sales (note 7)	**2,454,055**	**2,454,055**	2,395,409	2,395,409
Selling and distribution expenses (note 8)	**7,533,316**	**7,514,688**	7,314,281	7,314,281
General and administrative expenses (note 9)	**2,486,423**	**2,486,423**	2,213,620	2,213,620
	12,473,794	**12,455,166**	11,923,310	11,923,310

11 Other income

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Gain on sale of property, plant and equipment	**109,138**	**109,138**	38,221	38,221
Miscellaneous income	**74,208**	**72,220**	87,332	87,332
	183,346	**181,358**	125,553	125,553

12 Finance income (net)

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Interest income on term deposits	**1,158,476**	**1,158,476**	890,801	890,801
Interest on long term bank borrowings	**(74,392)**	**(74,392)**	(228,124)	(228,124)
Interest on short term bank borrowings	**(130,020)**	**(130,020)**	(31,488)	(31,488)
	954,064	**954,064**	631,189	631,189

13 Taxation

(a) The taxation charge credit for the year comprises:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Current taxation:				
Current year	**2,256,567**	**2,251,521**	2,025,202	2,025,202
Deferred taxation				
Current year	**(170,255)**	**(170,253)**	(159,153)	(159,153)
	2,086,312	**2,081,268**	1,866,049	1,866,049

(b) The Parent Company and its subsidiary are subject to income tax at the rate of 15% of taxable profit (2017 - 15%) in accordance with the Income Tax Laws of Sultanate of Oman. The following is reconciliation between income taxes calculated on accounting profit at the applicable tax rates with the income tax expense for the year:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Profit before tax	**13,895,500**	**13,874,869**	12,682,631	12,683,033
Tax on accounting profit	**2,084,325**	**2,081,230**	1,902,395	1,902,455
Add/(deduct) tax effect of:				
Expenses not deductible	**90**	**90**	75	75
Tax rate difference	**-**	**-**	(34,421)	(34,421)
Others	**1,897**	**(52)**	(2,000)	(2,060)
	2,086,312	**2,081,268**	1,866,049	1,866,049

(c) The Parent Company's income tax assessments for the tax years up to 2011 have been finalized by the Secretariat General for Taxation (“tax department”). The Board of Directors are of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Group's financial position as at 31 December 2018.

(d) Both the subsidiaries are companies registered in Oman for which the tax rate applicable is 15%. The assessments of subsidiaries with the Oman Tax Authorities are at different stages of completion. The Parent Company and each of its subsidiaries are assessed separately for taxation. The Group as an entity is not taxable.

13 Taxation (continued)

(e) The movement in provision for taxation is as follows:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Opening balance	**2,025,202**	**2,025,202**	1,489,010	1,489,010
Provided during the year	**2,256,567**	**2,251,521**	2,025,202	2,025,202
Paid during the year	**(2,025,202)**	**(2,025,202)**	(1,489,010)	(1,489,010)
Closing balance	**2,256,567**	**2,251,521**	2,025,202	2,025,202

14 Basic and diluted earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding during the year ended 31 December 2018, calculated as follows:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Net profit attributable to ordinary shareholders (RO)	**11,809,188**	**11,793,601**	10,816,582	10,816,984
Weighted average number of shares	**50,000,000**	**50,000,000**	50,000,000	50,000,000
Basic and diluted earnings per share (RO)	**0.236**	**0.236**	0.216	0.216

15 Investment in subsidiary companies

	Parent Company 2018 RO	Parent Company 2017 RO
Al Rawdah Integrated Trade & Investment Enterprises LLC	**100,000**	100,000
Arabian Auto Vending Co. LLC	**630,000**	-
	730,000	100,000

The Parent Company registered a subsidiary "Al Rawdah Integrated Trade & Investment Enterprises LLC" in Oman together with two other directors of the Parent Company as its shareholders during the year 2011. The two directors jointly own 70% of the shareholding in this subsidiary beneficially for and on behalf of the Parent Company, resulting in it as a wholly owned subsidiary of the Parent Company. The subsidiary Company's principal registered activity is buying, selling and sub-dividing real estate into plots, renting and operating self-owned or leased real estate(residential and non-residential), real estate appraisal, export and import offices, business agencies (excluding portfolio and securities), renting of commercial equipment and professional machinery. There were no commercial activities undertaken by the subsidiary since the inception.

15 Investment in subsidiary companies (continued)

Business combinations

On 1 October 2018 the parent entity acquired 100% of the issued share capital of Arabian Auto Vending Co. LLC, a limited liability company, registered with the Ministry of Commerce and Industry in accordance with the provisions of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman. The Company's principal activities are sale of vending machines and providing quality vending products.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Parent Company 2018 RO
Purchase consideration	
Cash paid	**630,000**

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RO
Cash	**711**
Trade receivables	**65,384**
Inventories	**12,527**
Equipment	**210,161**
Intangible assets: customer contracts	**250,000**
Trade and other payables	**(365,451)**
Employee's end of service benefits	**(7,046)**
Net identifiable assets acquired	**166,286**
Goodwill	**463,714**
Net assets acquired	**630,000**

16 Financial assets and liabilities

This note provides information about the Group's financial instruments, including:

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved.

The Group and Parent Company holds the following financial instruments:

	Note	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Financial assets at amortised cost					
Trade receivables	**16.1**	**5,789,058**	**5,681,725**	5,262,892	5,262,892
Other financial assets at amortised cost	**16.2**	**2,904,227**	**3,001,986**	-	-
Other receivables	**16.2**	**-**	**-**	2,893,064	2,893,064
Term deposits (current & non-current)	**16.3**	**30,500,000**	**30,500,000**	24,175,000	24,175,000
Cash and cash equivalents	**16.4**	**2,625,515**	**2,564,314**	7,047,938	7,043,121
Financial assets at fair value through profit or loss (FVPL)	**16.5**	**13,031**	**13,031**	-	-
Available-for-sale financial assets	**16.5(a)**	-	-	14,935	14,935
		41,831,831	**41,761,056**	39,393,829	39,389,012

	Note	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Liabilities at amortised cost					
Term loans (current and non-current)	**16.7**	**6,023,854**	**6,023,854**	5,132,832	5,132,832
Trade and other payables	**16.6**	**7,219,093**	**6,941,600**	6,624,526	6,709,268
		13,242,947	**12,965,454**	11,757,358	11,842,100

16.1 Trade receivables

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Trade receivables	**6,728,390**	**6,621,057**	6,119,678	6,119,678
Less: Loss allowance [note 4.1(b) (ii)]	**(939,332)**	**(939,332)**	(856,786)	(856,786)
	5,789,058	**5,681,725**	5,262,892	5,262,892

(i) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold and services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. These receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised fair value.

The Group holds these receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are provided in note 4.1(b).

16 Financial assets and liabilities (continued)

16.1 Trade receivables (continued)

(ii) Carrying and fair values of trade receivables

The carrying amounts of the Group's trade receivables are denominated in Rial Omani. Due to the short-term nature of the current receivables, their carrying amount appoximate their fair value.

(iii) Impairment and risk exposure

Information about the impairment of trade receivables and Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 4.1(b).

16.2 Other financial assets at amortised cost (2017: other loans and receivables)

(i) Classification of financial assets at amortised cost

The Group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial assets at amortised cost include the following:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Other receivables	**1,753,557**	**1,851,316**	1,448,624	1,448,624
Accrued bank interest income	**962,338**	**962,338**	1,316,465	1,316,465
Due from employees	**101,875**	**101,875**	127,975	127,975
Customs duty refund receivable	**86,457**	**86,457**	-	-
	2,904,227	**3,001,986**	2,893,064	2,893,064

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained.

(iii) Carrying and fair values of other receivables

The carrying amounts of the Group's other receivables are denominated in Rial Omani. Due to the short-term nature of the current receivables, their carrying amount approximates to their fair value

(iv) Impairment and risk exposure

Information about the impairment of other receivables and Group's exposure to foreign currency risk, , and interest rate risk and credit risk can be found in note 4.1 (b).

16 Financial assets and liabilities (continued)

16.3 Term deposits

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Term deposits with local banks	**30,500,000**	**30,500,000**	24,175,000	24,175,000
Less: Current portion of the term deposits	**(5,000,000)**	**(5,000,000)**	(17,175,000)	(17,175,000)
Non-current portion of the term deposits	**25,500,000**	**25,500,000**	7,000,000	7,000,000

The term deposits carry interest at commercial rates and mature in 1 to 3 years (2017 - 1 to 3 years) from the date of placement except certain long term deposits that mature in 42 months from the date of placement.

16.4 Cash and cash equivalents

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Call deposit accounts	**1,026,095**	**1,026,095**	4,463,770	4,463,770
Bank balances	**1,346,535**	**1,293,020**	2,180,182	2,175,365
Cash balances	**252,885**	**245,199**	403,986	403,986
	2,625,515	**2,564,314**	7,047,938	7,043,121

Cash and cash equivalents includes cash on hand, all bank balances, including deposits with a maturity of three months or less from the date of placement. Deposit accounts are maintained with commercial banks in Oman and earn interest at commercial rates.

16.5 Financial assets at fair value through profit or loss

(i) Classification of financial assets at fair value through profit or loss

The group classifies the following financial assets at fair value through profit or loss (FVPL)

- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

(ii) Equity investments at fair value through profit and loss

Equity investment at FVPL comprise the following investment:

Group and Parent Company

Name of the Company	Group	Parent Company	Group	Parent Company
Non-current assets	**2018**	**2018**	2017	2017
Listed securities				
Bank Nizwa SAOG	**13,031**	**13,031**	-	-

This investment was classified as available-for-sale in 2017, see note (a) below. Note 2.15 sets out the remaining accounting policies. All of the financial assets at FVPL are denominated in Rial Omani.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

16 Financial assets and liabilities (continued)

16.5 Financial assets at fair value through profit and loss (continued)

(a) Financial assets previously classified as available-for-sale financial assets (2017)

Available-for-sale financial assets included the following classes of financial assets:

Name of the Company	**Group**	**Parent Company**	Group	Parent Company
Non-current assets	**2018**	**2018**	2017	2017
Listed securities				
Bank Nizwa SAOG	**-**	**-**	14,935	14,935

Classification of financial assets as available-for-sale

Investments were designated as available-for-sale financial assets if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) were also included in the available-forsale category.

The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

Impairment indicators for available-for-sale financial assets

A security is considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost. See note 2.15 for further details about the Group's previous impairment policies for available-for-sale financial assets.

16.6 Trade and other payables

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Trade payables	**3,316,415**	**2,991,837**	3,396,823	3,396,823
Accrued expenses	**2,745,834**	**2,708,234**	1,802,246	1,796,988
Other payables and provisions	**597,881**	**592,566**	578,778	578,778
Provision for leave pay and air passage	**273,754**	**273,754**	273,588	273,588
Creditors for purchase of property, plant and equipment	**-**	**-**	259,999	259,999
Directors' remuneration and sitting fees (note 23 (b))	**200,000**	**200,000**	200,000	200,000
Amounts due to related parties (note 23 (c))	**85,209**	**85,209**	113,092	113,092
Payable to subsidiary (note 23 (c))	**-**	**90,000**	-	90,000
	7,219,093	**6,941,600**	6,624,526	6,709,268

Trade payables and due to related parties are unsecured. The carrying amounts of trade payables and due to related parties are considered to be the same as their fair values, due to their short-term nature.

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

16 Financial assets and liabilities (continued)

16.7 Bank borrowings

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Long term loans availed	**1,523,854**	**1,523,854**	5,132,832	5,132,832
Less: current portion of term loans	**(1,523,854)**	**(1,523,854)**	(3,600,694)	(3,600,694)
Non-current portion	**-**	**-**	1,532,138	1,532,138

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Short term loans availed	**4,500,000**	**4,500,000**	-	-
Current portion of long term loans	**1,523,854**	**1,523,854**	3,600,694	3,600,694
Current portion	**6,023,854**	**6,023,854**	3,600,694	3,600,694

In 2014, the Group availed a term loan from a commercial bank amounting to RO 3,617,969 out of the total approved facility of RO 4.8 million to finance certain capital expenditure during the year. An additional amount of RO 668,324 was availed during 2015, while the balance loan amount was not availed and cancelled. The term loan is repayable in 60 monthly installments commencing from 31 July 2014, carries interest at commercial borrowing rates and is secured by a first pari passu registered charge on the respective assets acquired with the proceeds of the loan.

In 2016, the Group availed a term loan of RO 3,500,000 from a commercial bank to finance certain capital expenditure during the year. The term loan is repayable in 36 monthly installments commencing from 14 December 2016, carry interest at commercial borrowing rates and is secured by a registered charge on the respective assets acquired with the proceeds of the loan. (note 16).

During the year, the Group has also availed short-term loans from commercial banks to finance working capital requirements from time to time. These short-term loans were repayable over 1 to 3 months from their date of borrowing and carry interest at commercial rates.

Net debt reconciliation

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Cash and bank balances	**2,625,515**	**2,564,314**	7,047,938	7,043,121
Borrowings - repayable within one year	**(6,023,854)**	**(6,023,854)**	(3,600,694)	(3,600,694)
Borrowings - repayable after one year	**-**	**-**	(1,532,138)	(1,532,138)
Net debt	**(3,398,339)**	**(3,459,540)**	1,915,106	1,910,289

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

16.7 Bank borrowings (continued)

Net debt reconciliation (continued)

Group

31 December 2018	**Other assets**	**Liabilities from financing activities**		
	Cash and bank balances RO	**Borrowings due within one year RO**	**Borrowings due after one year RO**	**Total RO**
Net debt as at 1 January 2018	**7,047,938**	**(3,600,694)**	**(1,532,138)**	**1,915,106**
Non-cash items	**-**	**(1,532,138)**	**1,532,138**	**-**
Cash flows	**(4,422,423)**	**(891,022)**	**-**	**(5,313,445)**
Net debt as at 31 December 2018	**2,625,515**	**(6,023,854)**	**-**	**(3,398,339)**

31 December 2017	Other assets	Liabilities from financing activities		
	Cash and bank balances RO	Borrowings due within one year RO	Borrowings due after one year RO	Total RO
Net debt as at 1 January 2017	4,322,625	(5,448,942)	(3,511,168)	(4,637,485)
Non-cash items	-	(1,979,030)	1,979,030	-
Cash flows	2,725,313	3,827,278	-	6,552,591
(Net debt)/surplus as at 31 December 2017	7,047,938	(3,600,694)	(1,532,138)	1,915,106

Parent Company

31 December 2018	**Other assets**	**Liabilities from financing activities**		
	Cash and bank balances RO	**Borrowings due within one year RO**	**Borrowings due after one year RO**	**Total RO**
Net debt as at 1 January 2018	**7,043,121**	**(3,600,694)**	**(1,532,138)**	**1,910,289**
Non-cash items		**(1,532,138)**	**1,532,138**	**-**
Cash flows	**(4,478,807)**	**(891,022)**	**-**	**(5,369,829)**
Net debt as at 31 December 2018	**2,564,314**	**(6,023,854)**	**-**	**(3,459,540)**

31 December 2017	Other assets	Liabilities from financing activities		
	Cash and bank balances RO	Borrowings due within one year RO	Borrowings due after one year RO	Total RO
Net debt as at 1 January 2017	4,317,808	(5,448,942)	(3,511,168)	(4,642,302)
Non-cash items	-	(1,979,030)	1,979,030	-
Cash flows	2,725,313	3,827,278	-	6,552,591
(Net debt)/surplus as at 31 December 2017	7,043,121	(3,600,694)	(1,532,138)	1,910,289

17 Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including:

- specific information about each type of non-financial asset and non-financial liability
  - property, plant and equipment (note 17.1)
  - intangible assets (note (17.2)
  - deferred tax balances (note 17.3)
  - inventories (note 17.4)
  - other current assets (note 17.5)
  - advance for property, plant and equipment (note 17.6)
  - employee benefit obligations (note 17.7)
- accounting policies
- information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved.

17.1 Property, plant and equipment

(a) Details of movement in property, plant and equipment are set out on pages 46 to 49.

(b) Land costing RO 56,010 in Sohar, RO 337,912 in Barka, RO 42,000 in Ibri, RO 15,000 in Mudhaibi and RO 55,000 in Al Duqm are registered in the names of two Directors for the beneficial interest of for the Parent Company. Presently the Parent Company’s directors are following up to transfer the land in the name of the Parent Company.

(c) Capital work in progress represents advances paid to contractors for construction of new warehouses, staff accommodation near the warehouses and also to consultants for preparation and approval of construction drawings for depots.

(d) Depreciation of property, plant and equipment is allocated as follows, for Group and the Parent Company:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Cost of sales (note 7)	**1,717,341**	**1,717,341**	1,670,904	1,670,904
Selling and distribution expenses (note 8)	**1,073,330**	**1,046,356**	1,349,774	1,349,774
General and administrative expenses (note 9)	**206,844**	**206,844**	330,953	330,953
	2,997,515	**2,970,541**	3,351,631	3,351,631

(e) Please refer to notes 2.11 & 5(b) for accounting policies and critical accounting estimates

17.2 Intangible assets

	Goodwill RO	**Customer contracts RO**	**Total**
2018			
Cost	**463,714**	**250,000**	**713,714**
Net book amount at 31 December 2018	**463,714**	**250,000**	**713,714**

The customer contracts were acquired as part of a business combination (see note 15 for details). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line over a period of 5 years.

17 Non-financial assets and liabilities (continued)

17.3 Deferred taxation

Deferred income tax is calculated on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount used for taxation purpose using a principal tax rate of 15% (2017 - 15%).

Movement in the temporary differences during the year for Group and Parent Company are as follows:

	1 January 2018 RO	**Credited during the year RO**	**31 December 2018 RO**
Deferred tax asset/(liability)			
Accumulated tax depreciation	**162,321**	**88,178**	**250,499**
Tax effect of provision for			
- impairment of trade receivables	**128,517**	**12,382**	**140,899**
- slow moving and obsolete stock	**6,000**	**5,616**	**11,616**
- impairment of property, plant and equipment	**-**	**64,077**	**64,077**
	296,838	**170,253**	**467,091**

	1 January 2017 RO	Credited during the year RO	31 December 2018 RO
Deferred tax asset/(liability)			
Accumulated tax depreciation	36,133	126,188	162,321
Tax effect of provision for			
- impairment of trade receivables	92,192	36,325	128,517
- slow moving and obsolete stock	9,360	(3,360)	6,000
	137,685	159,153	296,838

17.4 Inventories

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Raw materials	**2,039,589**	**2,009,686**	2,323,817	2,323,817
Finished products	**1,454,908**	**1,454,908**	1,312,542	1,312,542
Packing material	**217,352**	**217,352**	682,129	682,129
Stores, spares and consumables	**472,313**	**472,313**	348,316	348,316
Trading items	**562,394**	**562,394**	720,201	720,201
	4,746,556	**4,716,653**	5,387,005	5,387,005
Less: Provision for slow moving inventories	**(77,438)**	**(77,438)**	(40,000)	(40,000)
	4,669,118	**4,639,215**	5,347,005	5,347,005
Add: Goods in transit	**52,477**	**52,477**	208,377	208,377
	4,721,595	**4,691,692**	5,555,382	5,555,382

Goods in transit are related to the raw materials and packing materials which are in transit at the reporting date.

17 Non-financial assets and liabilities (continued)

17.4 Inventories (continued)

The movement in provision for slow moving inventories is as follows:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Opening balance	**40,000**	**40,000**	78,000	78,000
Provided during the year	**37,438**	**37,438**		
Written back during the year	**-**	**-**	(38,000)	(38,000)
Closing balance	**77,438**	**77,438**	40,000	40,000

17.5 Other current assets

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Prepayments and other deposits	**225,653**	**199,646**	248,476	248,476
Advances to suppliers	**1,401,550**	**1,401,550**	201,834	201,834
	1,627,203	**1,601,196**	450,310	450,310

17.6 Advance for property, plant and equipment

Advance for property, plant and equipment represents advances paid for preparation and approval of construction drawings for interior depots and underground water tank at head office plant premises (capital commitments - note 24).

17.7 Employees' end of service benefits

Provision for end of service benefits of, non-Omani employees is made in accordance with the requirements of Oman Labour Law. This is an unfunded defined employee’s end of service benefits plan and the movement in the liability recognized in the statement of financial position is as follows:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
At 1 January	**1,579,457**	**1,579,457**	1,506,897	1,506,897
Accrued during the year (note 10)	**253,269**	**247,368**	245,710	245,710
Payments during the year	**(334,351)**	**(334,351)**	(173,150)	(173,150)
At 31 December	**1,498,375**	**1,492,474**	1,579,457	1,579,457

In accordance with the provisions of IAS 19, the management has carried out an exercise to assess the present value of its obligations as at 31 December 2018 and 2017, using the projected unit credit method, in respect of employees’ end of service benefits payable under the Oman Labour Law. Under this method an assessment has been made of an employee’s expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment / promotion costs in line with the operating performance of the Group and expected future outlook. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 5% (2017 - 5%)

18 Share capital

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

The Parent Company's authorized share capital comprises of 100,000,000 (2017 - 100,000,000) ordinary shares of 100 baisa each amounting to RO 10,000,000 and the issued share capital comprises 50,000,000 (2017 - 50,000,000) fully paid up shares of 100 baisa each amounting to RO 5,000,000.

The Parent Company has only one class of ordinary shares, which rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at Company meetings.

Details of shareholders who own 10% or more of the Parent Company's share capital are as follows:

	2018		2017	
	Shares held	**%Share holding**	Shares held	%Share holding
Mohamed & Obaid Al Mulla LLC	**8,395,000**	**16.79%**	8,395,000	16.79%
Dubai Refreshments PSC	**7,110,470**	**14.22%**	7,110,470	14.22%

19 Legal reserve

The Commercial Companies Law of 1974, as amended requires that 10% of an entity's profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of a company's issued share capital. This being achieved, the Parent Company had discontinued the transfer. The legal reserve is not available for distribution.

20 General reserve

General reserve is an optional reserve established by transferring 20% of the profits for the year after deduction of taxes and the legal reserve, until the total amount of general reserve becomes equal to one-half of the issued share capital of the Company in accordance with Article 106 of the Commercial Companies Law of 1974, as amended. This being achieved, the Parent Company had discontinued the transfer. This reserve is available for distribution to shareholders upon the recommendation of the Board of Directors.

21 Dividend

Subsequent to the reporting date, the Board of Directors has proposed a cash dividend of 0.075 (2017 - RO 0.075) per share totaling 3,750,000 (2017: RO 3,750,000) for the year ended 31 December 2018, subject to shareholders' approval at the ensuing annual general meeting. The proposed dividend of RO 3,750,000 as of 31 December 2017 was approved and paid during 2018.

During the year, an amount of 272,687 (2017 - RO 201,004) representing unclaimed dividends, has been transferred to the Investors Trust Fund of the Capital Market Authority.

22 Net assets per share

Net assets per share is 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:

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017 RO	Parent Company 2017 RO
Net assets (RO)	**58,348,551**	**58,343,405**	50,289,363	50,299,804
Number of shares outstanding at 31 December	**50,000,000**	**50,000,000**	50,000,000	50,000,000
Net assets per share (RO)	**1.167**	**1.167**	1.006	1.006

NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

23 Related party transactions

The Group has entered into transactions with directors, key management personnel of the Group and entities over which directors are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and services to the Group. The Group also sells goods to the related parties. Terms of purchases, sales, and provision of goods and services are comparable with those that could be obtained on arm's length basis from third parties.

(a) The significant related party transactions during the year were as follows :

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Sale of products and goods				
Ahmed Mohamed bin Omeir	**2,864**	**2,864**	2,557	2,557
Arabian Vending LLC	**-**	**11,666**	-	-
Dubai Refreshments PSC, UAE	**108,631**	**108,631**	-	-
Omani Packaging Co SAOG	**233,146**	**233,146**	-	-
	344,641	**356,307**	2,557	2,557

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Purchase of trading items and materials				
Dubai Refreshments PSC, UAE	**237,857**	**237,857**	357,887	357,887
Omani Packaging Co SAOG	**239,861**	**239,861**	233,146	233,146
	477,718	**477,718**	591,033	591,033
Others				
Administrative expenses (employee related expenses)	**9,723**	**9,723**	16,400	16,400

(b) Compensation of key management personnel and directors during the year was as follows

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Short-term benefits	**777,769**	**777,769**	722,321	722,321
Employees' end of service benefits	**28,830**	**28,830**	25,411	25,411
Directors' remuneration	**171,800**	**171,800**	169,400	169,400
Directors' sitting fees	**28,200**	**28,200**	30,600	30,600
	1,006,599	**1,006,599**	947,732	947,732

The Directors' remuneration for the year 2018 is subject to shareholders' approval at the annual general meeting.

(c) Balances with related parties as at 31 December were as follows:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Due to related parties				
Dubai Refreshments PSC, UAE	**21,550**	**21,550**	54,183	54,183
Omani Packaging Co SAOG	**63,659**	**63,659**	58,909	58,909
Payable to subsidiary	**-**	**90,000**	-	90,000
	85,209	**175,209**	113,092	203,092

24 Commitments and contingent liabilities

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Letters of guarantee	**1,471,992**	**1,471,992**	537,450	537,450
Purchase commitments	**691,502**	**691,502**	972,957	972,957
Capital commitments	**857,293**	**857,293**	778,398	778,398

25 Operating leases as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO	Parent Company 2017 RO
Less than one year	**81,600**	**81,600**	101,204	101,204
Between one and five years	**6,000**	**6,000**	21,000	21,000
	87,600	**87,600**	122,204	122,204

Movement in property, plant and equipment (note 17.1)

Group	Land and buildings RO	Leasehold improvements RO	Plant and machinery RO	Motor vehicles RO	Tools and equipment RO	Furniture Fixtures and office equipment RO	Coolers RO	Capital work- in-progress RO	Total RO
Cost									
Balance at 1 January 2018	**11,664,138**	**82,780**	**20,518,871**	**4,969,888**	**62,471**	**3,226,667**	**4,045,392**	**535,210**	**45,105,417**
Acquisition of a subsidiary	**-**	**-**	**624,363**	**46,170**	**-**	**4,914**	**-**	**-**	**675,447**
Additions during the year	**3,371,920**	**-**	**616,937**	**44,750**	**-**	**127,653**	**424,780**	**5,291,153**	**9,877,193**
Write off	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(427,180)**	**(427,180)**
Disposals	**(70,825)**	**-**	**-**	**(208,975)**	**-**	**-**	**(160,389)**	**-**	**(440,189)**
Balance at 31 December 2018	**14,965,233**	**82,780**	**21,760,171**	**4,851,833**	**62,471**	**3,359,234**	**4,309,783**	**5,399,183**	**54,790,688**
Accumulated depreciation									
Balance at 1 January 2018	**2,756,532**	**62,404**	**13,821,790**	**3,398,687**	**27,382**	**2,646,578**	**3,024,715**	**-**	**25,738,088**
Acquisition of subsidiary	**-**	**-**	**431,179**	**29,195**	**-**	**4,912**	**-**	**-**	**465,286**
Charge for the year	**265,815**	**20,044**	**1,332,671**	**630,236**	**-**	**311,675**	**437,074**	**-**	**2,997,515**
Disposals	**-**	**-**	**-**	**(208,975)**	**-**	**-**	**(160,389)**	**-**	**(369,364)**
Balance at 31 December 2018	**3,022,347**	**82,448**	**15,585,640**	**3,849,143**	**27,382**	**2,963,165**	**3,301,400**	**-**	**28,831,525**
Carrying amount									
Balance at 31 December 2018	**11,942,886**	**332**	**6,174,531**	**1,002,690**	**35,089**	**396,069**	**1,008,383**	**5,399,183**	**25,959,163**

Movement in property, plant and equipment (note 17.1) (continued)

Group	Land and buildings RO	Leasehold improvements RO	Plant and machinery RO	Motor vehicles RO	Tools and equipment RO	Furniture Fixtures and office equipment RO	Coolers RO	Capital work-in-progress RO	Total RO
Cost									
Balance at 1 January 2017	11,006,120	82,780	20,113,865	4,764,102	62,018	3,034,771	3,759,160	564,332	43,387,148
Additions during the year	658,018	-	366,457	251,786	453	191,896	423,982	9,427	1,902,019
Transfers during the year	-	-	38,549	-	-	-	-	(38,549)	-
Disposals	-	-	-	(46,000)	-	-	(137,750)	-	(183,750)
Balance at 31 December 2017	11,664,138	82,780	20,518,871	4,969,888	62,471	3,226,667	4,045,392	535,210	45,105,417
Accumulated depreciation									
Balance at 1 January 2017	2,521,286	34,780	12,300,485	2,719,813	24,455	2,248,143	2,720,078	-	22,569,040
Charge for the year	235,246	27,624	1,521,305	723,707	2,927	398,435	442,387	-	3,351,631
Disposals	-	-	-	(44,833)	-	-	(137,750)	-	(182,583)
Balance at 31 December 2017	2,756,532	62,404	13,821,790	3,398,687	27,382	2,646,578	3,024,715	-	25,738,088
Carrying amount									
Balance at 31 December 2017	8,907,606	20,376	6,697,081	1,571,201	35,089	580,089	1,020,677	535,210	19,367,329

Movement in property, plant and equipment (note 17.1) (continued)

Parent Company	Land and buildings RO	Leasehold improvements RO	Plant and machinery RO	Motor vehicles RO	Tools and equipment RO	Furniture Fixtures and office equipment RO	Coolers RO	Capital work- in-progress RO	Total RO
Cost									
Balance at 1 January 2018	**11,664,138**	**82,780**	**20,518,871**	**4,969,888**	**62,471**	**3,226,667**	**4,045,392**	**535,210**	**45,105,417**
Additions during the year	**3,371,920**	**-**	**616,937**	**44,750**	**-**	**127,653**	**424,780**	**5,291,153**	**9,877,193**
Impairment	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(427,180)**	**(427,180)**
Disposals	**(70,825)**	**-**	**-**	**(208,975)**	**-**	**-**	**(160,389)**	**-**	**(440,189)**
Balance at 31 December 2018	**14,965,233**	**82,780**	**21,135,808**	**4,805,663**	**62,471**	**3,354,320**	**4,309,783**	**5,399,183**	**54,115,241**
Accumulated depreciation									
Balance at 1 January 2018	**2,756,532**	**62,404**	**13,821,790**	**3,398,687**	**27,382**	**2,646,578**	**3,024,715**	**-**	**25,738,088**
Charge for the year	**265,815**	**20,044**	**1,306,910**	**629,023**	**-**	**311,675**	**437,074**	**-**	**2,970,541**
Disposals	**-**	**-**	**-**	**(208,975)**	**-**	**-**	**(160,389)**	**-**	**(369,364)**
Balance at 31 December 2018	**3,022,347**	**82,448**	**15,128,700**	**3,818,735**	**27,382**	**2,958,253**	**3,301,400**	**-**	**28,339,265**
Carrying amount									
Balance at 31 December 2018	**11,942,886**	**332**	**6,007,108**	**986,928**	**35,089**	**396,067**	**1,008,383**	**5,399,183**	**25,775,976**

Movement in property, plant and equipment (note 17.1) (continued)

Parent Company	Land and buildings RO	Leasehold improvements RO	Plant and machinery RO	Motor vehicles RO	Tools and equipment RO	Furniture Fixtures and office equipment RO	Coolers RO	Capital work-in-progress RO	Total RO
Cost									
Balance at 1 January 2017	11,006,120	82,780	20,113,865	4,764,102	62,018	3,034,771	3,759,160	564,332	43,387,148
Additions during the year	658,018	-	366,457	251,786	453	191,896	423,982	9,427	1,902,019
Transfers during the year	-	-	38,549	-	-	-	-	(38,549)	-
Disposals	-	-	-	(46,000)	-	-	(137,750)	-	(183,750)
Balance at 31 December 2017	11,664,138	82,780	20,518,871	4,969,888	62,471	3,226,667	4,045,392	535,210	45,105,417
Accumulated depreciation									
Balance at 1 January 2017	2,521,286	34,780	12,300,485	2,719,813	24,455	2,248,143	2,720,078	-	22,569,040
Charge for the year	235,246	27,624	1,521,305	723,707	2,927	398,435	442,387	-	3,351,631
Disposals	-	-	-	(44,833)	-	-	(137,750)	-	(182,583)
Balance at 31 December 2017	2,756,532	62,404	13,821,790	3,398,687	27,382	2,646,578	3,024,715	-	25,738,088
Carrying amount									
Balance at 31 December 2017	8,907,606	20,376	6,697,081	1,571,201	35,089	580,089	1,020,677	535,210	19,367,329