

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020**

**1. 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 25 July 1977 under the commercial registration No. 01/05440/06. The Company's Head Office is located at Al Ghubra and its registered address is P O Box 30, CPO Airport. Postal code 111, 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. It also sells to other Gulf Corporation Council (GCC) countries and Africa through its distribution channel.

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 2018, 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.

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

**2. Application of new and revised International Financial Reporting Standards ("IFRS")**

**2.1 New and revised IFRSs applied with no material effect on the parent company and consolidated financial statement effective for annual periods beginning on or after 1 January 2020**

In the current period, the parent company and Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these parent company and consolidated financial statements.

- *Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework*

## Notes to the parent company and consolidated financial statements for the year ended 31 December 2020 (continued)

### 2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

#### 2.1 New and revised IFRSs applied with no material effect on the parent company and consolidated financial statement effective for annual periods beginning on or after 1 January 2020 (continued)

- *Amendment to IFRS 16 ‘Leases’ to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.*
- *Amendments in IFRS 7, 9 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform*

#### 2.2 New and revised IFRS standards and interpretations but not yet effective

The parent company and the Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2021
Amendment to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle Amendments to:	
- IFRS 1 First-time Adoption of International Financial Reporting Standards,	1 January 2022
- IFRS 9 Financial Instruments,	1 January 2022
- IAS 41 Agriculture, and	1 January 2022
- IFRS 16 Leases	No effective date is stated
Amendments to IAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The Directors anticipate that these new standards, interpretations and amendments will be adopted in the parent company and the Group financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the parent company and consolidated financial statements in the period of initial application.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies****Statement of compliance**

These parent company and the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Commercial Companies Law 2019 of the Sultanate of Oman and comply with the disclosure requirements of the Capital Market Authority (CMA) of the Sultanate of Oman.

**Going concern**

The directors have, at the time of approving the parent company and consolidated financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the parent company and consolidated financial statements.

**Basis of preparation**

These parent company and consolidated financial statements are prepared on the historical cost basis, except for certain financial instruments measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These parent company and consolidated financial statements have been presented in Riyal Omani which is the parent company's functional and presentation currency.

The principal accounting policies of the Group applied in the preparation of these financial statement are set out below.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Consolidation**

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 ceased.

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.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Revenue recognition**

Revenue from contract with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

*Sale of goods*

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. The normal credit term is 30 to 60 days upon delivery.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

*Variable consideration*

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

*Rights to return*

Certain contracts provide a customer with a right to return the goods within a specified period. The Group uses the expected value method to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are also applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, the Group recognises a refund liability. A right of return asset (and corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

*Volume rebates*

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold.

The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****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.

**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.

**Directors' remuneration**

Directors' remuneration has been computed in accordance with the Commercial Companies Law and as per the requirements of Capital Market Authority.

**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 2019 and other relevant directives issued by CMA while recommending the dividend. Dividends are recognised as a liability when declared and approved.

**Income tax**

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**3. Summary of significant accounting policies (continued)**

**Income tax (continued)**

*Current tax*

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

*Deferred tax*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

**Property, plant and equipment**

*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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**3. Summary of significant accounting policies (continued)**

**Property, plant and equipment (continued)**

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

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.

*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.

*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:

	<b>Current year</b>	<b>Previous year</b>
Buildings	10 - 20 years	10 - 20 years
Leasehold improvements	2 - 5 years	2 - 5 years
Plant and machinery	3 - 20 years	3 - 10 years
Motor vehicles	3 - 7 years	3 - 5 years
Tools and equipments	3 - 20 years	3 - 20 years
Furniture, fixtures and office equipments	2 - 5 years	2 - 4 years
Coolers	5 - 7 years	5 years

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



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Property, plant and equipment (continued)**

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.

*Change in estimates*

In accordance with its policy, the Group reviews the estimated useful lives of its property, plant and equipment on an ongoing basis. During 2020, the Group review indicated that the actual lives of certain plant and machinery, motor vehicles, furnitures, fixtures and office equipment and coolers were longer than the estimated useful lives used for depreciation purposes in the Parent Company's financial statements. As a result, effective 1 January 2020, the Group changed its estimates of the useful lives of its plant and machinery, motor vehicles, furnitures, fixtures and office equipments and coolers to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the plant and machinery, motor vehicles, furnitures, fixtures and office equipments and coolers that previously assessed as 3 - 10 years, 3 - 5 years, 2 - 4 years and 5 years were increased to 3 - 20 years, 3 - 7 years, 2 - 5 years and 5 - 7 years respectively. In accordance with the requirements of IAS 8, the change in estimated has been recognised prospectively. The effect of this change in estimate has resulted in reduction of depreciation expense for the year and increase in profit for the year by RO 1,011,720 for parent company and consolidated financial statements.

**Intangible assets***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.

*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 over a period of 5 years on a straight-line basis.

*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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Investments in subsidiaries***Valuation*

In the 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.

**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 profit or loss and 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.

**Financial Instrument****Financial assets***Classification*

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

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Financial Instruments (continued)****Financial assets (continued)***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.

*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.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Financial Instruments (continued)****Financial assets (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.

*Impairment*

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.

**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 purchased 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.

**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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

***Employees' end of service benefits***

A provision is made for employees' end of service benefits which is payable on completion of employment. The provision is calculated in accordance with Labour Law of Sultanate of Oman based on employees' salary and accumulated period of service as at the reporting date.

**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 make 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. For more details on segment reporting refer note 34 below.

**Foreign exchange difference**

In preparing the financial statements of the Group, transactions in currencies other than the parent company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except as otherwise stated in the Standards.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****3. Summary of significant accounting policies (continued)****Foreign exchange difference (continued)**

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

The assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

**4. Critical accounting estimates and judgements**

The preparation of the parent company and consolidated financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

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 effect of any changes in estimates is done prospectively. The information about assumptions and estimates 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:

**Useful lives of property, plant and equipment**

Depreciation is calculated so as to allocate the cost of assets less residual value over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****4. Critical accounting estimates and judgements (continued)****Calculation of loss allowance**

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates. Refer the detailed note on assumptions used by management given in note 37.

**Allowance for impairment of financial assets**

Loss allowances for financial assets are based on assumptions about probability and risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculations, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

**Goodwill and investment in subsidiary**

The management follows the guidance of IAS 36 to determine when an investment in a subsidiary is impaired. This determination requires significant judgement and in making this judgement, the management evaluates, among other factors, the carrying amount of the entity's net assets and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The Board of Directors test annually whether goodwill and investment in subsidiary have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of estimates.

**Novel Coronavirus (Covid-19)**

In January 2020, the World Health Organization ("WHO") announced a global health emergency due to the outbreak of coronavirus ("COVID-19"). Based on the rapid increase in exposure and infections across the world, WHO, in March 2020, classified the COVID-19 outbreak as a pandemic. Actions taken by governmental authorities, nongovernmental organizations, businesses and individuals around the world to slow the COVID-19 pandemic and associated consumer behaviour have negatively impacted forecasted global economic activity, thereby resulting in lower demand for oil. This has created a current and forecasted oversupply, precipitating the recent steep decline in oil prices and an increase in oil price volatility.

The Group continues to closely monitoring the situation to manage the business disruption on its operations and financial performance. While circumstances are continually evolving, the risks are mitigated by the high demand for carbonated soft drinks; preventive measures taken by management to mitigate operational risks; continued evidence of demand in core Middle East markets; further cost cutting measures taken to improve financial resilience in the current environment.

The Group has performed an assessment of the potential impact of the pandemic on its financial statements for the year ended and has concluded that there is no material impact to the operations or the profitability of the Group. As the situation is evolving, the Group will continue to monitor the situation and adjust its critical judgements and estimates, as necessary, during the course of 2021.

# Oman Refreshment Company SAOG and its Subsidiaries

## Notes to the parent company and consolidated financial statements for the year ended 31 December 2020 (continued)

### 5. Property, plant and equipment

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
<b>Cost</b>									
At 1 January 2019	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
Additions during the year	650,468	-	741,561	69,700	-	98,396	205,805	1,954,762	3,720,692
Transfer	443,427	-	5,987,981	-	-	29,592	-	(6,461,000)	-
Disposals	-	-	-	-	-	-	(29,462)	-	(29,462)
<b>At 1 January 2020</b>	<b>16,059,128</b>	<b>82,780</b>	<b>27,865,350</b>	<b>4,875,363</b>	<b>62,471</b>	<b>3,482,308</b>	<b>4,486,126</b>	<b>892,945</b>	<b>57,806,471</b>
Additions during the year	503,101	-	1,054,057	93,082	-	411,114	174,362	43,818	2,279,534
Disposals	(3,777)	-	-	(295,932)	-	(17,525)	(129,522)	-	(446,756)
<b>At 31 December 2020</b>	<b>16,558,452</b>	<b>82,780</b>	<b>28,919,407</b>	<b>4,672,513</b>	<b>62,471</b>	<b>3,875,897</b>	<b>4,530,966</b>	<b>936,763</b>	<b>59,639,249</b>
<b>Accumulated depreciation</b>									
At 1 January 2019	3,022,347	82,448	15,128,700	3,818,735	27,382	2,958,253	3,301,400	-	28,339,265
Charge for the year	446,282	332	1,221,558	470,100	30,477	168,762	472,292	-	2,809,803
Disposals	-	-	-	-	-	-	(29,462)	-	(29,462)
<b>At 1 January 2020</b>	<b>3,468,629</b>	<b>82,780</b>	<b>16,350,258</b>	<b>4,288,835</b>	<b>57,859</b>	<b>3,127,015</b>	<b>3,744,230</b>	<b>-</b>	<b>31,119,606</b>
Charge for the year	344,135	-	1,143,183	258,525	4,612	145,337	266,148	-	2,161,939
Disposals	(3,777)	-	-	(295,932)	-	(17,525)	(129,522)	-	(446,756)
<b>At 31 December 2020</b>	<b>3,808,987</b>	<b>82,780</b>	<b>17,493,441</b>	<b>4,251,428</b>	<b>62,471</b>	<b>3,254,827</b>	<b>3,880,856</b>	<b>-</b>	<b>32,834,791</b>
<b>Carrying amount</b>									
<b>Balance at 31 December 2020</b>	<b>12,749,465</b>	<b>-</b>	<b>11,425,966</b>	<b>421,085</b>	<b>-</b>	<b>621,070</b>	<b>650,110</b>	<b>936,763</b>	<b>26,804,459</b>
Balance at 31 December 2019	12,590,499	-	11,515,092	586,528	4,612	355,293	741,896	892,945	26,686,865



Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)

5. Property, plant and equipment (continued)

Consolidated	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
<b>Cost</b>									
At 1 January 2019	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
Additions during the year	650,468	-	741,561	120,850	-	115,311	312,397	1,954,762	3,895,349
Transfer	443,427	-	5,987,981	-	-	29,592	-	(6,461,000)	-
Disposals	-	-	-	-	-	-	(110,802)	-	(110,802)
At 1 January 2020	16,059,128	82,780	28,489,713	4,972,683	62,471	3,504,137	4,511,378	892,945	58,575,235
Additions during the year	503,101	-	1,054,057	93,081	-	420,434	257,274	43,818	2,371,765
Disposals	(3,777)	-	-	(295,931)	-	(17,525)	(129,522)	-	(446,755)
At 31 December 2020	16,558,452	82,780	29,543,770	4,769,833	62,471	3,907,046	4,639,130	936,763	60,500,245
<b>Accumulated depreciation</b>									
At 1 January 2019	3,022,347	82,448	15,585,640	3,849,143	27,382	2,963,165	3,301,400	-	28,831,525
Charge for the year	446,282	332	1,221,558	485,649	30,477	169,984	577,886	-	2,932,168
Disposals	-	-	-	-	-	-	(110,802)	-	(110,802)
At 1 January 2020	3,468,629	82,780	16,807,198	4,334,792	57,859	3,133,149	3,768,484	-	31,652,891
Charge for the year	344,135	-	1,143,184	275,282	4,612	148,220	364,389	-	2,279,822
Disposals	(3,777)	-	-	(295,931)	-	(17,525)	(129,522)	-	(446,755)
At 31 December 2020	3,808,987	82,780	17,950,382	4,314,143	62,471	3,263,844	4,003,351	-	33,485,958
<b>Carrying amount</b>									
At 31 December 2020	12,749,464	-	11,593,389	455,690	-	643,202	635,779	936,763	27,014,287
At 31 December 2019	12,590,499	-	11,682,515	637,891	4,612	370,988	742,894	892,945	26,922,344

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**5. Property, plant and equipment (continued)**

(a) Land costing RO 56,010 in Sohar, RO 337,912 in Barka, RO 42,000 in Ibri and RO 15,000 in Mudhaibi are registered in the names of two Directors for the beneficial interest of the Parent Company. The Directors are in process of completing the formalities to transfer legal title to the parent company.

(b) Capital work in progress represents advances paid to contractors for non-carbonated drink lines, construction of new warehouses, staff accommodation near the warehouses and also to consultants for preparation and approval of construction drawings for depots. The transferred amount from capital work in progress mainly includes new production lines of dairy products / juices and, additions to building and warehousing facilities.

(c) Depreciation of property, plant and equipment is allocated as follows, for parent company and Group:

	Parent		Consolidated	
	2020	2019	2020	2019
	RO	RO	RO	RO
Cost of sales (note 25)	1,252,224	1,470,842	1,350,465	1,593,207
Selling and distribution expenses (note 26)	742,645	1,170,194	762,286	1,170,194
General and administrative expenses (note 27)	167,071	168,767	167,071	168,767
	<u>2,161,940</u>	<u>2,809,803</u>	<u>2,279,822</u>	<u>2,932,168</u>

**6. Intangible assets**

	Goodwill RO	Consolidated Customer contracts RO	Total RO
<b>2020</b>			
<b>Cost</b>			
Net book amount at 1 January	463,714	200,000	663,714
Amortised during the year	-	(50,000)	(50,000)
	<u>463,714</u>	<u>150,000</u>	<u>613,714</u>
Net book amount at 31 December			
<b>2019</b>			
Net book amount at 1 January	463,714	250,000	713,714
Amortised during the year	-	(50,000)	(50,000)
	<u>463,714</u>	<u>200,000</u>	<u>663,714</u>
Net book amount at 31 December			

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**6. Intangible assets (continued)**

Goodwill related to acquisition of Arabian Vending Company acquired in 2018. The cash flows used for impairment testing are discounted at a rate of 5%, based on the Group's latest budget and forecast cash flows using growth rate of 10%, covering a five-year period, which have regard to historic performance and knowledge of the current market, together with the Group's views on the future achievable growth and the impact of committed cash flows.

No impairment was identified as a result of the impairment test as the recoverable amounts exceeded carrying value of Arabian Auto Vending Company LLC, which is considered as a Cash Generating Unit (CGU). Reasonable change of assumptions will not lead to the situation when recoverable amount is less than carrying value of CGU.

The customer contracts were acquired as part of a business combination. 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.

**7. Right-of-use assets**

The Parent Company and Group has recognised right of use assets on parking spaces taken on lease.

	<b>Parent and Group</b>	
	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>
<b>Cost</b>		
At 1 January	<b>37,221</b>	<b>37,221</b>
<b>Accumulated depreciation</b>		
At 1 January	<b>13,531</b>	<b>-</b>
Charge for the year	<b>11,845</b>	<b>13,531</b>
At 31 December	<b>25,376</b>	<b>13,531</b>
<b>Net carrying amount at 31 December</b>	<b>11,845</b>	<b>23,690</b>

**8. Investment in subsidiary companies**

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>
Al Rawdah Integrated Trade & Investment Enterprises LLC	<b>100,000</b>	<b>100,000</b>
Arabian Auto Vending Co. LLC	<b>630,000</b>	<b>630,000</b>
	<b>730,000</b>	<b>730,000</b>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**8. Investment in subsidiary companies (continued)**

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 subdividing 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.

During 2018, the parent company 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 2019, Sultanate of Oman. The Company's principal activities are sale of vending machines and providing quality vending products.

The parent company has assessed the investments in the subsidiaries and there are no indicators of impairment as at the reporting date.

**9. Term deposits**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Term deposits	41,000,000	32,500,000	41,000,000	32,500,000
Less: current portion of the term deposits	(17,000,000)	(25,500,000)	(17,000,000)	(25,500,000)
<b>Non-current portion of the term deposits</b>	<b>24,000,000</b>	<b>7,000,000</b>	<b>24,000,000</b>	<b>7,000,000</b>

Expected credit loss allowance on deposits based on the ratings of the bank –

	<b>Current portion</b>		<b>Non-current portion</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Term deposits	17,000,000	25,500,000	24,000,000	7,000,000
Less: expected credit loss allowance	(69,615)	-	(98,280)	-
<b>Term deposits</b>	<b>16,930,385</b>	<b>25,500,000</b>	<b>23,901,720</b>	<b>7,000,000</b>

The term deposits carry interest at rate of 4.25% p.a - 5.40% p.a and maturity in the range 1 to 3 years (2019 - 1 to 3 years) from the date of placement.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**10. Financial assets at fair value through profit or loss**

*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.

*Equity investments at fair value through profit and loss*

Equity investment at FVPL comprise the following investment:

Name of the Company	Parent		Consolidated	
	2020	2019	2020	2019
Non-current assets	RO	RO	RO	RO
<b>Listed securities</b>				
Bank Nizwa SAOG	13,765	13,765	13,765	13,765

**11. Inventories**

	Parent		Consolidated	
	2020	2019	2020	2019
	RO	RO	RO	RO
Raw and packing materials	3,010,166	2,496,318	3,010,166	2,496,318
Finished products (inclusive of excise tax)	2,280,642	2,541,834	2,366,191	2,541,834
Stores, spares and consumables	517,751	476,662	517,751	476,662
Trading items	975,160	685,002	975,160	824,428
	6,783,719	6,199,816	6,869,268	6,339,242
Less: provision for slow moving inventories	(105,785)	(77,438)	(105,785)	(77,438)
	6,677,934	6,160,293	6,763,483	6,299,719

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

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**11. Inventories (continued)**

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Opening balance	77,438	77,438	77,438	77,438
Provided during the year	28,347	-	28,347	-
Closing balance	<u>105,785</u>	<u>77,438</u>	<u>105,785</u>	<u>77,438</u>

**12. Trade receivables**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade receivables	7,502,328	7,195,848	7,682,416	7,390,503
Less: expected credit loss allowance (ECL)	(1,398,398)	(1,066,572)	(1,401,246)	(1,066,572)
Closing balance	<u>6,103,930</u>	<u>6,129,276</u>	<u>6,281,170</u>	<u>6,323,931</u>

Details of gross exposure of trade receivables are set out below:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Not past due	3,913,322	5,215,319	3,985,077	5,312,646
Due up to 90 days	2,447,994	1,182,569	2,519,750	1,279,897
More than 90 days	1,141,012	797,960	1,177,589	797,960
	<u>7,502,328</u>	<u>7,195,848</u>	<u>7,682,416</u>	<u>7,390,503</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**12. Trade receivables (continued)**

The movement in ECL for impairment of trade receivables during the year is as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	(1,066,572)	(939,332)	(1,066,572)	(939,332)
ECL charge for the year	(331,826)	(127,240)	(334,674)	(127,240)
<b>At 31 December</b>	<b>(1,398,398)</b>	<b>(1,066,572)</b>	<b>(1,401,246)</b>	<b>(1,066,572)</b>

**Classification as trade receivables**

Trade receivables are amounts due from customers for goods sold and services rendered in the ordinary course of business. They are generally due for settlement within 30 – 60 days and therefore are all classified as current. These receivables are recognized 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.

**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 approximate their fair value.

**13. Other receivables**

**Classification of other receivables**

The Group classifies its other receivables as amortized 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**13. Other receivables (continued)**

Other receivables include the following:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Marketing and deposit receivables	<b>3,017,210</b>	3,283,439	<b>3,017,210</b>	3,285,323
Accrued bank interest income	<b>1,151,578</b>	1,209,750	<b>1,151,578</b>	1,209,750
Due from employees	<b>45,920</b>	74,004	<b>45,920</b>	74,004
Due from related party	<b>701,908</b>	785,762	-	-
	<b>4,916,616</b>	5,352,955	<b>4,214,708</b>	4,569,077

**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.

**14. Other current assets**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Advances to suppliers	<b>2,983,963</b>	924,878	<b>3,009,470</b>	924,878
Prepayments and other deposits	<b>272,867</b>	258,136	<b>284,912</b>	266,323
	<b>3,256,830</b>	1,183,014	<b>3,294,382</b>	1,191,201

**15. Advances for property, plant and equipment**

Advance for property, plant and equipment represents advance paid towards the assembly of manufacturing lines of non-carbonated drinks.

**16. Cash and cash equivalents**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Call deposit accounts	<b>10,871,809</b>	5,275,634	<b>10,871,809</b>	5,275,634
Bank balances	<b>933,122</b>	1,336,844	<b>1,000,556</b>	1,573,814
Cash balances	<b>17,054</b>	2,458	<b>17,674</b>	3,673
	<b>11,821,985</b>	6,614,936	<b>11,890,039</b>	6,853,121



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**16. Cash and cash equivalents (continued)**

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.

**17. Share capital**

The Parent Company's authorized share capital comprises of 100,000,000 (2019 - 100,000,000) ordinary shares of 100 baisa each amounting to RO 10,000,000 and the issued share capital comprises 50,000,000 (2019 - 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:

	Shares held		%Share holding	
	2020	2019	2020	2019
Mohamed & Obaid Al Mulla LLC	8,395,000	8,395,000	16.79	16.79
Dubai Refreshments PSC	7,110,470	7,110,470	14.22	14.22

**18. Legal reserve**

The Commercial Companies Law of 2019, 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 have discontinued the transfer. The legal reserve is not available for distribution.

**19. General reserve**

In accordance with Article 133 of the Commercial Companies Law of 2019, the General reserve is an optional reserve established by transferring 20% of the profits for the year after deduction of taxes and the legal reserve. This reserve is available for distribution to shareholders upon the recommendation of the Board of Directors. The Board Directors has proposed Nil transfer for the year ended 31 December 2020.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**20. Term loans**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Long term loans	5,387,934	7,963,457	5,387,934	7,963,457
Less: current portion of term loans	(2,656,154)	(2,654,486)	(2,656,154)	(2,654,486)
Non-current portion	2,731,780	5,308,971	2,731,780	5,308,971
Current portion of long term loans	2,656,154	2,654,486	2,656,154	2,654,486
Short term loans	5,000,000	-	5,000,000	-
Current portion	7,656,154	2,654,486	7,656,154	2,654,486

- In the year 2019, the parent company had availed a long term for purpose of investment in Capital expenditure at an annual interest rate of 1 month Treasury bill reference rate + 1.05% p.a. from a commercial bank. This long term loan is repayable over 36 months after 6 months moratorium period from the date of drawdown. The parent company has started repaying the loan in the current year.
- The long term loans are secured against first charge over certain property, plant and equipment.
- The parent company has complied all the financial covenants of the commercial bank.
- The short-term loans are due to mature within 12 months from its date of drawdown.

**Net debt reconciliation**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Cash and bank balances	11,821,985	6,614,936	11,890,039	6,853,121
Borrowings - repayable within one year	(7,656,154)	(2,654,486)	(7,656,154)	(2,654,486)
Borrowings - repayable after one year	(2,731,780)	(5,308,971)	(2,731,780)	(5,308,971)
Net cash / (Net debt)	1,434,051	(1,348,521)	1,502,105	(1,110,336)

**Reconciliation of financing cash flows**

A reconciliation between opening and closing balances in the statement of financial position for liabilities that result in financing cash flows is presented below:

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**20. Term loans (continued)**

**Reconciliation of financing cash flows (continued)**

<b>Borrowings</b>	<b>At 1 January RO</b>	<b>Parent and consolidated Proceeds during the year RO</b>	<b>Repayments during the year RO</b>	<b>At 31 December RO</b>
<b>2020</b>				
Short term loan	-	5,000,000	-	5,000,000
Long term loan	7,963,457	-	(2,575,523)	5,387,934
	<u>7,963,457</u>	<u>5,000,000</u>	<u>(2,575,523)</u>	<u>10,387,934</u>
<b>2019</b>				
Long term loan	6,023,854	6,439,603	4,500,000	7,963,457
	<u>6,023,854</u>	<u>6,439,603</u>	<u>4,500,000</u>	<u>7,963,457</u>

**21. Lease liabilities**

The Company recognized lease liabilities in relation to lease of parking space. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate 5% as of 1 January 2019.

	<b>Parent and consolidated 2020 RO</b>	<b>2019 RO</b>
Land	<u>11,845</u>	<u>23,690</u>
<b>Maturity profile</b>	<b>Total minimum lease payments RO</b>	<b>PV of minimum lease payment RO</b>
<b>2020</b>		
Less than 1 year	11,845	11,845
More than 1 but less than 5 years	-	-
	<u>11,845</u>	<u>11,845</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**21. Lease liabilities (continued)**

<b>Maturity profile</b>	<b>Total minimum lease payments</b>	<b>PV of minimum lease payment</b>
<b>2019</b>		
Less than 1 year	11,845	11,845
More than 1 but less than 5 years	12,437	11,845
	<u>24,282</u>	<u>23,690</u>

**22. Employees' end of service benefits**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	1,492,496	1,492,474	1,494,734	1,498,375
Accrued during the year (note 28)	222,373	237,463	225,330	239,679
Payments during the year	(446,630)	(237,441)	(447,202)	(243,321)
	<u>1,268,239</u>	<u>1,492,496</u>	<u>1,272,862</u>	<u>1,494,733</u>
At 31 December				

**23. Trade and other payables**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade payables	4,481,391	3,032,500	4,498,851	3,075,128
Accrued expenses	3,731,089	2,107,574	3,669,526	2,107,574
Other payables and provisions	142,054	152,802	142,054	156,628
Provision for leave pay and air passage	100,324	174,267	100,324	174,267
Creditors for purchase of property, plant and equipment	264,511	261,077	264,511	261,077
Directors' remuneration and sitting fees (note 35)	200,000	200,000	200,000	200,000
Excise tax payable	9,852,385	6,118,426	9,852,385	6,118,426
Advances from export customers	110,000	-	110,000	-
Payable to subsidiary	100,000	90,000	-	-
	<u>18,981,754</u>	<u>12,136,646</u>	<u>18,837,651</u>	<u>12,093,100</u>

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 parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**24. Taxation**

The taxation charge credit for the year comprises:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Current taxation:</b>				
Current year	<b>1,408,491</b>	1,287,489	<b>1,411,041</b>	1,301,888
<b>Deferred taxation</b>				
Current year	<b>156,662</b>	177,731	<b>156,662</b>	177,731
	<b>1,565,153</b>	1,465,220	<b>1,567,703</b>	1,479,619

The Parent Company and its subsidiaries are subject to income tax at the rate of 15% of taxable profit (2019 - 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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Profit before tax	<b>10,246,206</b>	9,927,787	<b>10,153,037</b>	9,935,665
Tax on accounting profit	<b>1,536,931</b>	1,490,839	<b>1,522,956</b>	1,490,350
Add / (deduct) tax effect of:				
Expenses not deductible	<b>28,222</b>	(25,619)	<b>(44,747)</b>	(10,731)
	<b>1,565,153</b>	1,465,220	<b>1,567,703</b>	1,479,619

The Parent Company's income tax assessments for the tax years up to 2016 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 2019.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**24. Taxation (continued)**

The movement in provision for taxation is as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Opening balance	<b>1,292,845</b>	2,251,521	<b>1,301,297</b>	2,256,567
Provided during the year	<b>1,408,491</b>	1,287,489	<b>1,411,041</b>	1,301,888
Paid during the year	<b>(1,285,830)</b>	(2,246,165)	<b>(1,300,229)</b>	(2,257,158)
Closing balance	<b>1,415,506</b>	1,292,845	<b>1,412,109</b>	1,301,297

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% (2019 - 15%).

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

	<b>1 January 2020 RO</b>	<b>Movement during the year RO</b>	<b>31 December 2020 RO</b>
<b>2020</b>			
Deferred tax asset / (liability)			
Accumulated tax depreciation	<b>53,274</b>	<b>(256,571)</b>	<b>(203,297)</b>
Tax effect of provision for			
- impairment of trade receivables	<b>160,393</b>	<b>99,909</b>	<b>260,302</b>
- slow moving and obsolete stock	<b>11,616</b>	-	<b>11,616</b>
- impairment of property, plant and equipment	<b>64,077</b>	-	<b>64,077</b>
	<b>289,360</b>	<b>(156,662)</b>	<b>132,697</b>
<b>2019</b>			
Deferred tax asset / (liability)			
Accumulated tax depreciation	250,499	(197,225)	53,274
Tax effect of provision for			
- impairment of trade receivables	140,899	19,494	160,393
- slow moving and obsolete stock	11,616	-	11,616
- impairment of property, plant and equipment	64,077	-	64,077
	467,091	(177,731)	289,360

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**25. Cost of sales**

	Parent		Consolidated	
	2020	2019	2020	2019
	RO	RO	RO	RO
Direct materials	26,097,303	26,722,195	26,311,372	26,962,290
Cost of trading items	5,297,380	5,180,440	5,311,264	5,180,440
Employee related expenses (note 28)	1,912,710	2,452,090	1,912,710	2,452,090
Other direct expenses	2,085,508	1,982,110	2,100,515	1,994,828
Depreciation (note 5)	1,252,224	1,470,842	1,350,465	1,593,207
	<u>36,645,125</u>	<u>37,807,677</u>	<u>36,986,326</u>	<u>38,182,855</u>

**26. Selling and distribution expenses**

	Parent		Consolidated	
	2020	2019	2020	2019
	RO	RO	RO	RO
Employee related expenses (note 28)	6,549,885	7,029,664	6,675,601	7,138,141
Advertising and sales promotion	4,019,313	1,970,898	4,029,231	1,976,109
Depreciation (note 5)	742,645	1,170,194	762,286	1,170,194
Vehicle expenses	1,079,357	1,132,643	1,084,151	1,141,850
Transportation	931,318	965,184	931,318	965,184
Repairs and maintenance	119,891	186,742	122,629	186,742
Rent, electricity and wear	216,227	133,294	219,606	139,359
Business entertainment and travel	29,112	54,767	37,141	59,248
Amortisation of intangible assets	-	-	50,000	50,000
Communication charges	40,040	40,169	44,763	42,298
Printing and stationery	24,867	36,009	24,867	36,009
Other expenses	224,630	249,851	225,491	251,423
	<u>13,977,285</u>	<u>12,969,415</u>	<u>14,207,084</u>	<u>13,156,557</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**27. General and administrative expenses**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Employee related expenses (note 28)	<b>2,469,879</b>	2,788,486	<b>2,469,879</b>	2,788,486
Directors remuneration and sitting fees (note 35)	<b>200,000</b>	196,932	<b>200,000</b>	196,932
Depreciation (note 5)	<b>167,071</b>	168,767	<b>167,071</b>	168,767
Communication charges	<b>62,701</b>	57,739	<b>62,701</b>	57,739
Business entertainment and travel	<b>27,606</b>	54,775	<b>27,606</b>	54,775
Rent, electricity and water	<b>71,354</b>	12,068	<b>71,354</b>	46,821
Repairs and maintenance	<b>21,749</b>	32,729	<b>21,749</b>	32,729
Legal and professional charges	<b>24,000</b>	24,000	<b>29,304</b>	25,900
Depreciation on leased asset (note 7)	<b>11,845</b>	13,531	<b>11,845</b>	13,531
Printing and stationery	<b>6,160</b>	9,523	<b>7,085</b>	10,230
Provision for slow moving inventories	<b>28,347</b>	-	<b>28,347</b>	-
Other expenses	<b>513,563</b>	236,458	<b>547,772</b>	236,458
	<b>3,604,275</b>	3,595,008	<b>3,644,713</b>	3,632,368

**28. 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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Wages and salaries	<b>10,710,101</b>	12,032,777	<b>10,832,860</b>	12,139,038
End of service benefits (note 22)	<b>222,373</b>	237,463	<b>225,330</b>	239,679
	<b>10,932,474</b>	12,270,240	<b>11,058,190</b>	12,378,717
Selling and distribution expenses (note 26)	<b>6,549,885</b>	7,029,664	<b>6,675,601</b>	7,138,141
General and administrative expenses (note 27)	<b>2,469,879</b>	2,788,486	<b>2,469,879</b>	2,788,486
Cost of sales (note 25)	<b>1,912,710</b>	2,452,090	<b>1,912,710</b>	2,452,090
	<b>10,932,474</b>	12,270,240	<b>11,058,190</b>	12,378,717



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**29. Other income**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Scrape sales	47,660	49,113	47,660	60,254
Gain on sale of property, plant and equipment	35,731	29,462	35,731	29,462
Miscellaneous income	-	7,971	-	7,971
	<b>83,391</b>	<b>86,546</b>	<b>83,391</b>	<b>97,687</b>

**30. Finance income (net)**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Interest income	1,704,435	1,298,312	1,704,435	1,298,312
Interest expense	(256,494)	(126,829)	(256,494)	(126,829)
	<b>1,447,941</b>	<b>1,171,483</b>	<b>1,447,941</b>	<b>1,171,483</b>

**31. Dividends**

Subsequent to the reporting date, the Board of Directors has proposed a cash dividend of RO 0.050 per share totaling RO 2,500,000 for the year ended 31 December 2020, subject to shareholders' approval at the ensuing annual general meeting.

The proposed dividend for 2019 amounting to RO 2,500,000 (RO 0.050 per share) was approved and paid during 2020.

The proposed dividend for 2018 amounting to RO 3,750,000 (RO 0.075 per share) was approved and paid during 2019.

**32. 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 2020, calculated as follows:

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**32. Basic and diluted earnings per share (continued)**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Net profit attributable to ordinary shareholders	<b>8,680,917</b>	8,462,567	<b>8,585,198</b>	8,456,046
Weighted average number of shares	<b>50,000,000</b>	50,000,000	<b>50,000,000</b>	50,000,000
Basic and diluted earnings per share	<b>0.174</b>	0.169	<b>0.172</b>	0.169

**33. 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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Net assets	<b>69,236,889</b>	63,055,972	<b>69,139,795</b>	63,054,597
Number of shares outstanding	<b>50,000,000</b>	50,000,000	<b>50,000,000</b>	50,000,000
Net assets per share	<b>1.385</b>	1.261	<b>1.383</b>	1.261

**34. 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**34. Segment reporting (continued)**

The region wise revenue from customer within and outside Sultanate of Oman were as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Domestic sales	<b>54,435,246</b>	61,170,492	<b>54,956,363</b>	61,766,909
UAE	<b>309,671</b>	76,750	<b>309,671</b>	76,750
KSA	<b>126,991</b>	-	<b>126,991</b>	-
Qatar	<b>2,277,270</b>	1,561,398	<b>2,277,270</b>	1,561,398
Kuwait	<b>3,060,756</b>	-	<b>3,060,756</b>	-
Bahrain	<b>132,928</b>	-	<b>132,928</b>	-
Yemen	<b>1,127,280</b>	155,616	<b>1,127,280</b>	155,616
Somalia	<b>1,971,002</b>	204,842	<b>1,971,002</b>	204,842
<b>Total revenue</b>	<b>63,441,144</b>	63,169,098	<b>63,962,261</b>	63,765,515

**35. Related party transactions**

The Group has entered 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.

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Sale of products and goods to:</b>				
- <i>Subsidiary companies</i>				
Arabian Vending LLC	11,994	34,057	-	-
- <i>Shareholder</i>				
Dubai Refreshments PSC, UAE	<b>309,671</b>	198,912	<b>309,671</b>	198,912
- <i>Other related party</i>				
Omani Packaging Co SAOG	-	9,335	-	9,335
Ahmed Mohamed bin Omair	<b>2,748</b>	2,887	<b>2,748</b>	2,887

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**35. Related party transactions (continued)**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Purchase of trading items and materials from:</b>				
- <i>Subsidiary companies</i>				
Arabian Vending LLC	<u>7,425</u>	<u>2,173</u>	<u>-</u>	<u>-</u>
- <i>Shareholder</i>				
Dubai Refreshments PSC, UAE	<u>465,073</u>	<u>216,121</u>	<u>465,073</u>	<u>216,121</u>
- <i>Other related party</i>				
Omani Packaging Co SAOG	<u>217,793</u>	<u>219,383</u>	<u>217,793</u>	<u>219,383</u>

Compensation of key management personnel and directors during the year was as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Short-term benefits	695,298	747,133	695,298	747,133
Employees' end of service benefits	25,689	32,441	25,689	32,441
Directors' remuneration	170,600	184,732	170,600	184,732
Directors' sitting fees	29,400	12,200	29,400	12,200
	<u>920,987</u>	<u>976,506</u>	<u>920,987</u>	<u>976,506</u>

The Directors' remuneration for the year 2020 is subject to shareholders' approval at the annual general meeting.

Balances with related parties as at 31 December were as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Payable to:</b>				
- <i>Subsidiary companies</i>				
Al Rawdah Integrated Trade & Investment Enterprises LLC	<u>100,000</u>	<u>90,000</u>	<u>-</u>	<u>-</u>
- <i>Other related party</i>				
Omani Packaging Co SAOG (*)	<u>37,848</u>	<u>84,266</u>	<u>37,848</u>	<u>84,266</u>

\* The balances are shown under Trade payable (note 23).

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**35. Related party transactions (continued)**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Receivable from:</b>				
- <i>Subsidiary companies</i>				
Arabian Auto Vending LLC	<b>701,908</b>	785,762	-	-
- <i>Shareholders</i>				
Dubai Refreshments PSC, UAE (#)	<b>120,379</b>	29,899	120,379	29,899
- <i>Other related parties</i>				
Sheikh Ahmad Bin Omair (#)	<b>1,191</b>	686	1,191	686

# The balances are shown under Other receivable (note 13).

**36. Commitments and contingent liability**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Letters of guarantee	<b>808,397</b>	826,010	<b>808,397</b>	826,010
Purchase commitments	<b>842,325</b>	275,618	<b>842,325</b>	275,618
Capital commitments	<b>542,454</b>	-	<b>542,454</b>	-

Purchase commitments relates to the purchase orders of trading goods, raw material, stores and spares and packing materials.

**37. Financial risk management**

**Financial risk factors**

The Group (including parent company) has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****37. Financial risk management (continued)****Financial risk factors (continued)**

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.

**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.

**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.

**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 2020 and 2019, the Group's borrowings were denominated in Rial Omani. 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 51,940 (2019 - RO 39,817) of the Parent Company and the Group.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**37. Financial risk management (continued)**

**Financial risk factors (continued)**

**Fair value interest rate risk (continued)**

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 205,000 (2019 - RO 162,500) of the Parent Company and the Group.

The carrying values of the borrowings are not considered materially different from their fair values since the loans are at prevailing 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.

**Credit risk**

**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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Term deposits	<b>40,832,105</b>	32,500,000	<b>40,832,105</b>	32,500,000
Financial assets at fair value through profit and loss	<b>13,765</b>	13,765	<b>13,765</b>	13,765
Trade receivables	<b>6,103,930</b>	6,129,276	<b>6,281,170</b>	6,323,931
Other receivables	<b>4,916,616</b>	5,352,955	<b>4,214,708</b>	4,569,077
Bank balances	<b>11,804,931</b>	6,612,478	<b>11,872,985</b>	6,850,663
	<b>63,671,347</b>	50,608,474	<b>63,214,733</b>	50,257,436

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**37. Financial risk management (continued)**

**Financial risk factors (continued)**

**Credit risk (continued)**

**Risk management (continued)**

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:

	2020		2019	
	RO	ECL %	RO	ECL %
<b>Parent</b>				
Corporate customers	4,903,799	11.90	4,536,965	7.84
Salesman customers	2,144,950	6.67	2,386,347	6.98
Other customers	447,829	-	261,110	-
Government customers	5,750	-	11,426	-
	<hr/>		<hr/>	
Gross trade receivables	7,502,328	18.63	7,195,848	14.82
Less: loss allowance	(1,398,398)	-	(1,066,572)	-
	<hr/>		<hr/>	
Trade receivables - net	6,103,930	-	6,129,276	-
	<hr/>		<hr/>	
<b>Consolidated</b>				
Corporate customers	5,083,186	11.57	4,731,620	7.84
Salesman customers	2,144,950	6.67	2,386,347	6.98
Other customers	448,530	-	261,110	-
Government customers	5,750	-	11,426	-
	<hr/>		<hr/>	
Gross trade receivables	7,682,416	18.24	7,390,503	14.82
Less: loss allowance	(1,401,246)	-	(1,066,572)	-
	<hr/>		<hr/>	
Trade receivables - net	6,281,170	-	6,323,931	-
	<hr/>		<hr/>	



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)****37. Financial risk management (continued)****Financial risk factors (continued)****Credit risk (continued)****Risk management (continued)**

As per the credit policy of the Group, customers are extended a credit period of up to 60 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.

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.

*Impairment of financial assets*

The Group has trade receivables and other financial assets at amortized cost as financial assets that are subject to IFRS 9's 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, except as disclosed

*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.

The expected loss rates are based on payment profiles of the trade receivables for a period of 48 months from January 2017 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.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**37. Financial risk management (continued)**

**Financial risk factors (continued)**

**Credit risk (continued)**

**Risk management (continued)**

**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 31 December 2020 and 2019.

Management has considered ECL provision on term deposit balances based on external credit ratings of the banks.

**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 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	Up 1 to 3 year RO
<b>31 December 2020</b>				
Trade and other payables	18,837,651	18,837,651	18,837,651	-
Bank borrowings	10,387,934	10,387,934	7,656,154	2,731,780
Future interest on borrowings	-	281,895	236,118	45,777
	<u>29,225,585</u>	<u>29,507,480</u>	<u>26,729,923</u>	<u>2,777,557</u>
<b>31 December 2019</b>				
Trade and other payables	12,093,100	12,093,100	12,093,100	-
Bank borrowings	7,963,457	7,963,457	2,654,486	5,308,971
Future interest on borrowings	-	164,524	164,524	329,048
	<u>20,056,557</u>	<u>20,221,081</u>	<u>14,912,110</u>	<u>5,638,019</u>

## Notes to the parent company and consolidated financial statements for the year ended 31 December 2020 (continued)

### 37. Financial risk management (continued)

#### Financial risk factors (continued)

#### Liquidity risk (continued)

No additional disclosure for the parent company's financial liabilities have been presented as they are not materially different from the group.

#### 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 and Consolidated	Level 1 RO	Total RO
<b>31 December 2020</b>		
Financial assets at fair value through profit and loss	13,765	13,765
<b>31 December 2019</b>		
Financial assets at fair value through profit and loss	13,765	13,765

#### 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 2019, and the Capital Market Authority.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2020 (continued)**

**37. Financial risk management (continued)**

**Financial risk factors (continued)**

**Capital risk management (continued)**

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 2020 and 2019 were as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Total borrowings (note 20)	<b>10,387,934</b>	7,963,457	<b>10,387,934</b>	7,963,457
Less: cash and cash equivalents	<b>(11,821,985)</b>	(6,614,936)	<b>(11,890,039)</b>	(6,853,121)
(Net cash) / Net debt	<b>(1,434,051)</b>	1,348,521	<b>(1,502,105)</b>	1,110,336
Equity	<b>69,236,889</b>	63,055,972	<b>69,139,795</b>	63,054,597
Total capital	<b>67,802,838</b>	64,404,583	<b>67,637,690</b>	64,165,023
Gearing ratio	-	2%	-	2%

**38. Approval of financial statements**

The financial statements were approved by the Board and authorized for issue on 25 January 2021.