



**His Highness Sheikh Khalifa Bin Zayed Bin Sultan Al Nahyan**  
President of United Arab Emirates

**His Majesty Sultan Qaboos Bin Said**  
Sultan of Oman



|                                           | <b>Page</b> |
|-------------------------------------------|-------------|
| Board of Directors                        | 3           |
| Executive Management                      | 5           |
| Board of Directors' Report                | 6           |
| Corporate Governance Report               | 10          |
| Management Discussion and Analysis Report | 24          |
| Investments Overview                      |             |
| A) Subsidiaries                           | 28          |
| B) Associates                             | 31          |
| C) Other Investments                      | 33          |
| New Investments in Projects               | 42          |
| <br><b>Financial Statements</b>           |             |
| • Auditors' Report                        | 43          |
| • Statement of Financial Position         | 48          |
| • Statement of Profit or Loss             | 49          |
| • Statement of Comprehensive Income       | 50          |
| • Statement of Changes in Equity          | 51          |
| • Statement of Cash Flows                 | 53          |
| • Notes to the Financial Statements       | 54          |

**Head Office:** P.O. Box 2205, Ruwi, Postal Code 112, Sultanate of Oman  
Tel: (968) 24489458 - Fax : (968) 24489465

**U.A.E. Office:** P.O. Box 30636, Abu Dhabi, United Arab Emirates  
Tel: (9712) 6266443 - Fax : (9712) 6266171



## BOARD OF DIRECTORS

**Mr. Mohamed Darwish Al Khoori**

Chairman



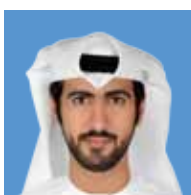
**Mr. Saeed Hilal Al Habsi**

Vice Chairman



**Mr. Ahmed Salem Abdullah Al Neyadi**

Director



**Mr. Khalid Abdullah Al Eisri**

Director



**Mr. Saeed Khamis Al Mhieri**

Director



**Mr. Mohammad Abdullah Al Khonji**

Director



### Nomination, Remuneration and Executive Committee

|                                    |          |
|------------------------------------|----------|
| Mr. Khalid Abdullah Al Eisri       | Chairman |
| Mr. Ahmed Salem Abdullah Al Neyadi | Member   |
| Mr. Mohammad Abdullah Al Khonji    | Member   |

### Audit Committee

|                                    |          |
|------------------------------------|----------|
| Mr. Saeed Khamis Al Mheiri         | Chairman |
| Mr. Saeed Hilal Al Habsi           | Member   |
| Mr. Ahmed Salem Abdullah Al Neyadi | Member   |

## INTERNAL AUDITOR



**Shah Abbas Jaffer Rizvi**

Internal Auditor / Audit Committee Secretary





**Mr. Awad Mohammed Faraj Bamkhalef**  
Chief Executive Officer



**Mr. Raffy Kozadjian**  
Projects Manager



**Mr. A.V. Manohar**  
Chief Financial Officer



**Mr. Saeed Bin Hilal Al Kharousi**  
Manager Administration & IT



**Mr. Sultan Al-Debei**  
Investment Manager

### Honorable Shareholders,



We start this report by pledging our loyalty and allegiance to His Majesty Sultan Haitham Bin Tariq - may God protect him. We do affirm our covenant of sincere endeavor under his wise leadership along the path of the blessed Renaissance established by His Majesty Sultan Qaboos Bin Said - may his soul rest in peace – and we pray Almighty God to grant him success in leading the Omani people towards more progress, prosperity, and stability.

On behalf of the Board of Directors of Oman & Emirates Investment Holding Company (O&E), I take this opportunity to present the Annual Report for 2019 containing the audited financial statements for the year ended 31st December 2019 and also an update on the salient developments in the Company.

### Business Environment in retrospect (Oman & UAE)

Economic activity slowed in 2019 in Oman during most of the year, as suggested by a year-on-year dip in oil production, and the non-oil economy remained subdued. Bank lending to the private sector remained downbeat, dampening both private consumption and fixed investment. In addition, government spending dropped slightly while a fall in revenues resulted in a small widening of the fiscal deficit. Inflation was muted, boding well for private consumption.

During 2019, MSM Index declined by (-) 8.55% while ADX and DFM increased by 3.59% and 9.49% respectively. During 2018, MSM and DFM Indices declined by (-) 13.48 and (-) 20.81% respectively while ADX appreciated by 8.45%. With about 90% of the Company's portfolio in Oman, the negative performance of the stock market impacted on the overall investment valuations of the Company.

### Restructuring during 2019

Focusing on financial viability during times of economic difficulties, the Company cut costs dramatically during the year through various initiatives as follow:

- Headcount reductions in Muscat and Abu Dhabi offices, but without losing sight of the Company's strategic needs and making sure that longer-term consequences will not be faced through the quick headcount reductions implemented.



- Reduction of emoluments of remaining staff counter balanced with offers for performance related compensation.
- Relocation into reduced office space in Abu Dhabi combined with relocation into newly build head office to decrease facilities related expenses.
- Reduction of bank loans, where opportune, to reduce interest burden.

The reduction of expenses and conserving necessary resources were necessary steps to protect the Company's financial health going forward. This restructuring starts a new dawn for the Company in such times of uncertainty and the benefits of these measures will be seen during the following years.

### **Financial Performance**

Summary results of the Company's investments are set out elsewhere in greater detail in this annual report. A snapshot of the Group's financial statements for 2019 consolidating the results of the Parent Company, its Subsidiaries and Associates, reflects the above economic factors. The performance highlights during 2019 are as follows:

- The Group & the Parent Company have achieved a Net Profit of RO 322,108 during 2019 as against a Net profit of RO 18,745 incurred during 2018.
- The Shareholders Equity increased to RO 20.596 Million as at 31.12.2019 from RO 20.274 Million as at 31.12.2018, against equity capital of RO 12,187,500, thus registering an increase in equity by 1.6%.
- The aggregate value of the investments of the Group has decreased to RO 46,842 Million as at 31.12.2019 from RO 49.807 Million as at 31.12.2018. This was mainly due to merger between Majan fund and Fincorp Al Amal fund. Majan Fund was treated as a Subsidiary and Al Amal Fund was treated as an Associate in our Financial Statements.
- Besides, with a view to take advantage of the low investment valuations of fundamentally strong companies, the Company has made opportunistic purchases and thus rebuilt the portfolio with value stocks.
- The Company has also done a systematic reshuffling of its investment portfolio and thus encashed the intrinsic gains from these investments.
- All these actions have assisted in preserving the overall financial balance of the Company, despite the prevailing challenging environment.

## Results of the Group at a Glance

RO in Million

| Particulars               | 2013   | 2014   | 2015    | 2016<br>(Re-stated) | 2017    | 2018   | 2019          |
|---------------------------|--------|--------|---------|---------------------|---------|--------|---------------|
| Equity Share Capital      | 12.187 | 12.187 | 12.187  | 12.187              | 12.187  | 12.187 | <b>12.187</b> |
| Net Equity                | 20.747 | 21.562 | 18.177  | 21.050              | 19.585  | 20.274 | <b>20.596</b> |
| Investments               | 45.744 | 43.100 | 42.446  | 46.034              | 49.919  | 49.807 | <b>46.842</b> |
| Net Profit / (Loss)       | 3.073  | 0.504  | (2.816) | 2.834               | (1.746) | 0.019  | <b>0.322</b>  |
| Book value per share – RO | 0.170  | 0.177  | 0.149   | 0.173               | 0.161   | 0.166  | <b>0.169</b>  |
| Earnings per share – RO   | 0.025  | 0.004  | (0.023) | 0.023               | (0.014) | 0.0002 | <b>0.0027</b> |

### Dividend:

As an Investment Holding Company, the Board decided to conserve funds during this challenging environment in order to meet investment commitment, establish and sustain long term benefits for the shareholders; and hence no dividend has been proposed for the year 2019.

### Head Office building

The construction of the Head Office Building in Ghala Heights on the land allotted by the Government on a long-term lease, was completed with higher quality specifications and at a cost lower than budgeted and tendered for. It is positioned as a Class A Building in the market and consists of two basements (one used as car parking floor, the second for services and rentable archive rooms), a ground floor and nine upper floors. The Company now occupies the top two floors of the nine-story building as its Head Office and, as per recent Board decision, one of these two floors will be rented out thus reducing the Company to occupy only one floor. Four floors are rented to reputed tenants on long-term tenancy agreements, three floors are currently being marketed and the ground floor is earmarked for a clinic. This investment will generate a sustained rental income stream from these and save on rental expenses hitherto incurred for the Head Office operations outside.

### Proposed Investment in a Hospital Project

The year witnessed some setback in the Company's efforts to secure the land for the envisaged 70-bed high-end hospital promoted in partnership with a leading medical group in Spain. As Founder Promoters, the Company and its Spanish partners are committed to hold 20% and 15% respectively in the project company and the balance share capital has been fully booked by institutional investors in Oman. The Company commissioned an independent consultant to review and update the Feasibility Study to current market parameters. The Constitutive Documents for the project company have been discussed during the past years and are ready for execution by all investors, pending conclusion of the land and the completion of the funding arrangement with banks. The project company will be incorporated imminently as a closed joint stock company. The implementation phase will start immediately afterwards.

### **Investment in an Assisted Reproduction Clinic**

The Company and two Spanish partners have studied and committed to establish Assisted Reproduction and Genetic Units in the Region, starting with a first unit in Muscat. One of the Spanish partners is a specialist setup which has been in the business of offering diagnosis and treatment of infertility services with cutting-edge technology and qualified personnel for over four decades through nine units in Spain and one abroad. It also maintains strong links to universities sponsoring research centers and collaborates on research projects. At time of writing, the preliminary commercial license of the project company has been obtained and an application for preliminary medical license for the clinic is ready to be submitted to the Ministry of Health. All going as planned, the clinic will open for consultation during the third quarter of the year.

### **Merger with FINCORP**

The Company announced a potential merger with FINCORP and both Board have appointed a Special Committee consisting four members from both the Boards to evaluate the merger.

### **Corporate Governance**

Management continues to uphold the sound corporate culture established in the Company as manifested by shared values and transparent governing policies. Our Company's governance system has been fully integrated with ethical business practices, which meet the high standards expected by the Authorities.

### **Internal Control Systems and their adequacy**

An internal audit system is in place to monitor strict adherence to compliance of the procedures and operating systems.

### **Future Outlook**

Local markets will remain heavily dependent on the impact of oil-price movements and the knock-on effect that they will have on domestic liquidity and on investor confidence, compounded at time of writing by the novel coronavirus (COVID-19) adverse effects on global economic growth. We anticipate the impact will be of short-term nature and could provide us with attractive entry points to new investments.

In Oman, the current and fiscal accounts will remain in deficit throughout 2020 and beyond even as oil prices recover, posing challenges. Real GDP is expected to pick up from 2021 as a result of rising gas output and the development of other sectors, especially logistics and tourism.

The Company will move forward with caution and will focus on enhancing its existing position with identified priorities in near to medium future under challenging economic outlook. Reshuffling the current investment portfolio to generate better yield and improved liquidity is a first measure to adequately cover commitments, government soft loan first repayment due toward end of this year and other operational costs.

As an Investment Holding Company, our objectives are to achieve a healthy and sustained financial performance and success in this challenging business environment. The positive impact of the various long-term measures that were taken during the past years have improved the financial performance of the Company. Management remains on the constant lookout to capture opportunities to selectively acquire fundamentally strong assets that the market may provide in order to achieve the targeted returns in the near to medium future.

The past five years have thrown many challenges. Nevertheless, the investment portfolio, the financial resources, earning potential and other internal parameters have been in alignment with our long-term strategy. Resources have been conserved towards safety and our streamlined systems in the Company have set in place a resilient asset holding and financial structure. This has and will continue to pave the way towards a sustained growth in future.

#### **People:**

On behalf of the Board, I appreciate the dedication and the efforts made by the Executive Management and all employees of the Company and I am hopeful that their concerted actions and proactive steps will lead to performance improvement in the coming years.

#### **Acknowledgment:**

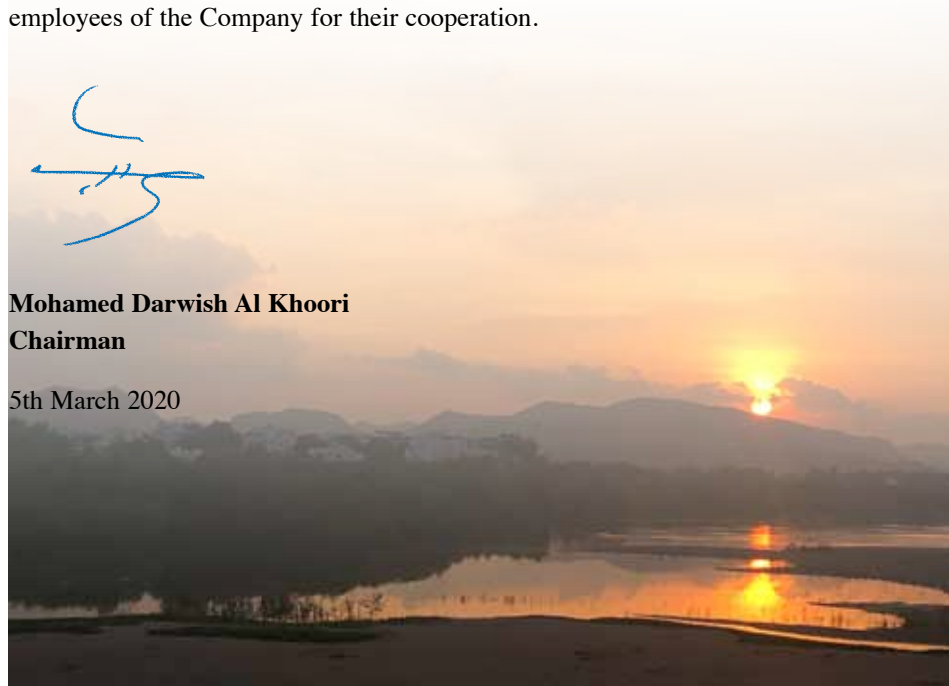
On behalf of the Board, I would like to express my sincere gratitude to His Majesty Sultan Qaboos Bin Said, may his soul rest in peace, allegiance to His Majesty Sultan Haitham Bin Tariq, Sultan of Oman, may God protect him, and His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates for their support. May God's grace be bestowed on them in abundance towards having a good health and long life and for achieving greater success in all their future endeavours.

I also take this opportunity to convey our heartfelt gratitude to the Governments of the Sultanate of Oman and United Arab Emirates for their support to our Company. I also extend thanks and gratitude to stock market authorities, banks, shareholders and employees of the Company for their cooperation.



**Mohamed Darwish Al Khoori**  
**Chairman**

5th March 2020



12 to 23.



*John*

## 1. Company's Philosophy on Code of Corporate Governance

- 1.1. The management of Oman & Emirates Investment Holding Co SAOG (O&E) believes that setting the highest standards of Corporate Governance, as envisioned by Capital Market Authority (CMA) in the Code of Corporate Governance (Code) is not a matter of mere compliance but a useful mechanism to restructure the core corporate values. The implementation of the same is yet another important milestone for achieving an efficient, impartial and ethical system of functioning at the top management keeping in view the overall interests of the shareholders.
- 1.2. The mandatory disclosure requirement as spelt out in the Code not only enhances the degree of transparency in sharing of information with the stakeholders but also reinforces the broader role the Directors need to play for achieving corporate objectives in the midst of challenges and adversities. O&E's governance system has been fully integrated with ethical business practices and sound corporate culture manifested with values and transparent and impartial governing policies on continuous basis.
- 1.3. This report is prepared by the Management of O&E under over all guidance of Code of Corporate Governance issued by the Capital Market Authority (CMA) under their Circular No. E/4/2015 dated 22 July 2015 as amended by Circular E/10/2016, dated 1 December 2016.

## 2. Board of Directors

### 2.1. Composition of the Board

The Board comprises of 6 members pursuant to Article No. 22 of the Articles of Association of the Company and the composition of the Board is as under:

| <b>Nominated directly by:</b>       | <b>No. of Members</b> |
|-------------------------------------|-----------------------|
| The Government of Sultanate of Oman | 2 Nos.                |
| The Government of UAE               | 2 Nos.                |

| <b>Elected at Annual General meeting of the Company</b> | <b>No. of Members</b> |
|---------------------------------------------------------|-----------------------|
| From Oman                                               | 1 No.                 |
| From UAE                                                | 1 No.                 |
| <b>Total</b>                                            | <b>6 Nos</b>          |

## 2.2. Functions of the Board of Directors

- a. The Board of Directors, who at the helm of affairs of the Company, manages and supervises the business activities and extends strategic guidance to the operating management in realizing the mission of the Company. The day-to-day management is delegated to a Chief Executive Officer by the Board, who further carries out the assigned duties through a team of executives, who are heading the various functions of the Company.
- b. The Board's duties and responsibilities encompass wide variety of functions of managing the affairs of the Company, and more specifically those as detailed under Principle 3 of the Code. A summary of the same is given as under:
  - (1) Approval of business plan, financial objectives, financial policies, investment strategies, action plans, internal regulations and implementation guidelines.
  - (2) Review of the operational and financial performance of the Company and also the performance of the Company's trading and other investments at periodic intervals.
  - (3) Overview of the performance of subsidiaries, associates and project companies and their financial requirements and obligations and deciding on extending the required level of support, if required.
  - (4) Approval of financial statements and other reports and submission to shareholders and other authorities as prescribed by the laws of the country.
  - (5) Fixing up authority levels and delegation of power to the executive management.
  - (6) Implementation of a transparent disclosure policy, including all transactions with Directors and the related parties and monitor its compliance.
  - (7) Reviewing material transactions with the related party, which are not in the ordinary course of business prior to the same being brought before the general meeting of the Company.
  - (8) Ensure compliance with the laws of the country through proper internal control systems.
  - (9) Nomination of executive, audit and other committees, specifying their roles, responsibilities and powers.
  - (10) Selection of Chief Executive Officer.
  - (11) All other matters specifically not delegated to the committees and executive management.



### 2.3. Current Directors as at 31.12.2019

Details of the Directors of the company who are holding their office as at 31 December 2019, their membership in other public joint stock companies in Sultanate of Oman and their attendance at various meetings of the company during 2019 are stated as under:

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1. Mr. Mohamed Darwish Al Khoori</b><br/><b>Chairman</b><br/>Executive Director, Operations Department,<br/>Abu Dhabi Investment Authority, UAE</p> <ul style="list-style-type: none"> <li>• Nominated by Government of UAE</li> <li>• Non Executive/ Non-Independent Director</li> <li>• Chairman of other Boards - 1</li> <li>• Member of other Boards – 1</li> <li>• Member of other Board Committees - Nil</li> <li>• Attended all 6 Board meetings held during the year</li> <li>• Attended AGM</li> </ul> | <p><b>2. Mr. Khalid Al Eisri</b><br/><b>Vice Chairman</b><br/>Principal, Oman Investment Fund,<br/>Sultanate of Oman</p> <ul style="list-style-type: none"> <li>• Nominated by Government of Sultanate of Oman</li> <li>• Non Executive/ Independent Director</li> <li>• Chairman of other Boards - Nil</li> <li>• Member of other Boards – 2</li> <li>• Member of other Board Committees – Nil</li> <li>• Attended all 6 Board meetings held during the year</li> <li>• Attended AGM</li> </ul>                                                  |
| <p><b>3. Mr. Saeed Khamis Al Mhieri</b><br/>Chief Development Officer, International<br/>Capital Trading, UAE</p> <ul style="list-style-type: none"> <li>• Representing Public Shareholders of UAE</li> <li>• Non Executive/ Independent Director</li> <li>• Chairman of other Boards - Nil</li> <li>• Member of other Boards – Nil</li> <li>• Member of other Board Committees – Nil</li> <li>• Attended all 6 Board meetings held during the year</li> <li>• Attended AGM</li> </ul>                                | <p><b>4. Mr. Saed Saif Nasir Al Saadi</b><br/>Director of Government Properties, Ministry<br/>of Finance Sultanate of Oman</p> <ul style="list-style-type: none"> <li>• Nominated by Government of Sultanate of Oman w.e.f 05.11.2019</li> <li>• Non Executive/ Independent Director</li> <li>• Chairman of other Boards - Nil</li> <li>• Member of other Boards – 2</li> <li>• Member of other Board Committees – 2</li> <li>• Attended 1 Board meeting during the year after his appointment</li> </ul>                                         |
| <p><b>5. Mr. Ahmed Salem Abdullah Al Neyadi</b><br/>Investment Associate, Abu Dhabi Investment<br/>Authority, UAE</p> <ul style="list-style-type: none"> <li>• Nominated by Government of UAE</li> <li>• Non Executive / Non-Independent Director</li> <li>• Chairman of other Boards - 1</li> <li>• Member of other Boards - 1</li> <li>• Member of other Board Committees - 1</li> <li>• Attended 4 out of 6 Board meetings held during the year</li> </ul>                                                         | <p><b>6. Mr. Mohammad Al Khonji</b><br/>Chief Executive Officer, Al Khonji Real<br/>Estate &amp; Development LLC, Sultanate of<br/>Oman</p> <ul style="list-style-type: none"> <li>• Representing a Public Shareholder of the Sultanate of Oman w.e.f 28.03.2018</li> <li>• Non Executive/Non-Independent Director</li> <li>• Chairman of other Boards - 1</li> <li>• Member of other Boards – 3</li> <li>• Member of other Board Committees - 3</li> <li>• Attended all 6 Board meetings held during the year</li> <li>• Attended AGM</li> </ul> |

## 2.4. Past Directors during 2018

Details of the Directors of the company who were holding their office during part of 2019, their membership in other public joint stock companies in Sultanate of Oman and their attendance at various meetings of the company during 2019 are stated as under:

### 1. Mr. Saeed Al Habsi

#### Vice Chairman

Investment Director, Oman Investment Fund, Sultanate of Oman

- Nominated by Government of Sultanate of Oman
- Non Executive/ Independent Director
- Chairman of other Boards - Nil
- Member of other Boards – 1
- Member of other Board Committees - 1
- Attended 4 out of 6 Board meetings during the year
- Director till 05.11.2019

## 2.5 Number of meetings held and dates of the meetings

| Type                   | No. | Dates                                                                     |
|------------------------|-----|---------------------------------------------------------------------------|
| Board Meetings         | 6   | 03.03.2019, 28.03.2019, 07.05.2019, 01.08.2019, 31.10.2019 and 05.12.2019 |
| Annual General Meeting | 1   | 28.03.2019                                                                |

## 3. Audit and other committees

### 3.1 Audit Committee (AC)

#### a) Terms of reference

Audit Committee has been set up pursuant to Principle 10 of the Code. A summary of its responsibilities is as under:

- (1) Oversight of the quality and integrity of the financial statements.
- (2) Review of the Company's compliance with legal and regulatory requirements.
- (3) Short listing of the external and internal auditors of the Company.
- (4) Reviewing the annual plan and performance of the Company's internal audit function and its adequacy, and also the reports of the external auditors.
- (5) Monitoring various management reports, establishing accounting controls and reviewing the financial aspects of the executive management's activities.
- (6) Investigating any activity within the Company.
- (7) Seeking information from any employee.
- (8) Obtaining legal and professional advice.
- (9) Securing attendance of outsiders and experts as and when required.
- (10) Any other specific matter assigned by the Board.

**b) Composition of the Audit Committee**

The Audit Committee comprises of 3 Directors of the Company including one with finance and accounting expertise. All members of the Audit Committee are non executive and two are independent. The attendance of the members at the Audit Committee meetings held during 2019 is as follows:

**Current Members as at 31.12.2019**

| Names of members                                        | Period     |           | No. of meetings held | No. of meetings attended |
|---------------------------------------------------------|------------|-----------|----------------------|--------------------------|
|                                                         | From       | To        |                      |                          |
| Mr. Saeed Khamis Al Mheiri<br>Chairman of the Committee | Full year  |           | 4                    | 4                        |
| Mr. Khalid Al Eisri                                     | 24.04.2019 | Till date | 4                    | 3                        |
| Mr. Ahmed Salem Abdullah Alneyadi                       | Full year  |           | 4                    | 3                        |

Mr. Saeed Khamis Al Mheiri has finance and accounting background.

**c) Past Members during 2019**

| Names of members    | Period     |            | No. of meetings held | No. of meetings attended |
|---------------------|------------|------------|----------------------|--------------------------|
|                     | From       | To         |                      |                          |
| Mr. Saeed Al Habsi* | 19.12.2018 | 24.04.2019 | 4                    | 1                        |

\* Mr. Khalid Al Eisri replaced Mr. Saeed Al Habsi as a member of the audit committee with effect from 24.04.2019.

**d) Meetings of Audit Committee held during the year**

| Type                     | No | Dates                                             |
|--------------------------|----|---------------------------------------------------|
| Audit Committee meetings | 4  | 03.03.2019, 07.05.2019, 01.08.2019 and 31.10.2019 |

**e) Internal Control**

- (1) The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. Audit Committee members have met the internal auditor on a regular basis to review the internal audit reports, recommendations and management comments thereupon.
- (2) The new full time Internal Auditor has been appointed in February 2018. Accordingly, he carried out the internal audit of the operations of the company.
- (3) Audit Committee members have also met the external auditors to review audit findings and management letter. The Audit Committee has met the internal and external auditors separately, without the presence of the management, as required under the Code of Corporate Governance. The Audit Committee has further briefed the Board about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that adequate and effective internal controls are in place and that there are no significant concerns.

### 3.2 Nomination, Remuneration and Executive Committee (NREC)

#### a) Terms of reference

- (1) Assist and advise the Board on matters relating to the remuneration of the Board.
- (2) Assist the Board in evaluation of performance and determining remuneration Chief Executive Officer and Executive management.
- (3) Assisting on nomination of Directors, appointment of Chief Executive Officer and senior executive management
- (4) Review the Company's performance on a regular basis.
- (5) Formulate the strategic objectives in line with the Company's mission.
- (6) Establish operating policies on functional activities of the Company – project and portfolio investments, finance & accounting, personnel and administration, etc.
- (7) Ensure that the Company is functioning in accordance with the Articles of Association and meeting all legal requirements.
- (8) Carry out any other activity as and when assigned by the Board of Directors.

#### b) Composition of the Nomination Remuneration and Executive Committee and attendance of members at the meetings

The Nomination Remuneration and Executive Committee comprises as at 31 December 2019 comprises of 3, non-Executive Directors. The attendance of the members of the Nomination Remuneration and Executive Committee meetings held during 2019 is as follows:-

##### Members as at 31.12.2019

| Names of members                                      | Period     |           | No. of meetings held | No. of meetings attended |
|-------------------------------------------------------|------------|-----------|----------------------|--------------------------|
|                                                       | From       | To        |                      |                          |
| Mr. Mohammad Al Khonji *<br>Chairman of the Committee | Full Year  |           | 3                    | 2                        |
| Mr. Ahmed Salem Abdullah Alneyadi                     | Full Year  |           | 3                    | 2                        |
| Mr. Saeed Saif Al Saadi **                            | 05.12.2019 | till date | 3                    | -                        |

\*Mr. Mohammad Al Khonji was appointed as Chairman of the NREC on 30.10.2019.

\*\* Mr. Saeed Saif Al Saadi replaced Mr. Saeed Al Habsi as a Director of the Company on 05.11.2019 and then joined as member of the NREC as per the board resolution dated 05.12.2019.

#### c) Past Members of Nomination Remuneration Committee during 2019

| Names of members                          | Period     |            | No. of meetings held | No. of meetings attended |
|-------------------------------------------|------------|------------|----------------------|--------------------------|
|                                           | From       | To         |                      |                          |
| Mr. Khalid Al Eisri<br>(Ex Chairman NREC) | 7.11.2018  | 01.08.2019 | 3                    | 2                        |
| Mr. Saeed Al Habsi                        | 24.04.2019 | 05.11.2019 | 3                    | 2                        |

**d) Meetings of Nomination and Remuneration Committee held during the year**

| Type                                                      | No | Dates                                 |
|-----------------------------------------------------------|----|---------------------------------------|
| Nomination, Remuneration and Executive Committee meetings | 3  | 27.01.2019, 01.05.2019 and 30.10.2019 |

**4. Process of nomination of Directors**

- 4.1 Directors representing the Governments of Sultanate of Oman and UAE (Founder members category) are nominated by the respective Governments and their period of office is as determined by the respective Governments.
- 4.2 The Directors representing public shareholders are nominated by the shareholders at annual general meeting. The members thus elected hold office for a period of 3 years.
- 4.3 All Directors are appointed as per the provision laid down in the Commercial Companies Law by the Capital Market Authority enacted at the date of appointment and in conjunction with the Articles of Association of the Company.

**5. Remuneration matters**

**5.1 Details of remuneration to Directors**

The Company has proposed RO 30,000 towards Director's remuneration for 2019 (2018: RO 21,900) and has paid sitting fees for the members for the board and the committees of RO 20,000 (2017: RO 28,100). Details of payments are as follows:-

| Director Name                            | Board meeting sitting fee RO | Audit Committee sitting fee RO | Executive Committee sitting fee RO | Total RO      | Directors' remuneration RO |
|------------------------------------------|------------------------------|--------------------------------|------------------------------------|---------------|----------------------------|
| <b>For Full Year</b>                     |                              |                                |                                    |               |                            |
| Mr. Mohamed Darwish Al Khoori – Chairman | 2,500                        | -                              | -                                  | 2,500         | 6,000                      |
| Mr. Khalid Al Eisri – Vice Chairman      | 2,500                        | 900                            | 600                                | 4,000         | 4,750                      |
| Mr. Ahmed Salem Abdullah Alneyadi        | 2,000                        | 900                            | 600                                | 3,500         | 4,500                      |
| Mr. Mohammad Al Khonji                   | 2,000                        | -                              | 900                                | 2,900         | 4,500                      |
| Mr. Saeed Khamis Al Mheiri               | 2,500                        | 1200                           | -                                  | 3,700         | 4,500                      |
| <b>For Part of the year:</b>             |                              |                                |                                    |               |                            |
| <b>a. Director till 05.11.2019</b>       |                              |                                |                                    |               |                            |
| Mr. Saeed Al Habsi – Vice Chairman       | 2,000                        | 300                            | 600                                | 2,900         | 5,000                      |
| <b>b. Director from 05.11.2019</b>       |                              |                                |                                    |               |                            |
| Mr. Saed Saif Nasir Al Saadi             | 500                          | -                              | -                                  | 500           | 750                        |
| <b>Total</b>                             | <b>14,000</b>                | <b>3,300</b>                   | <b>4,500</b>                       | <b>20,000</b> | <b>30,000</b>              |

## **5.2 Details of remuneration paid to top 5 officers**

- (a) The remuneration package of the executives is made up of a fixed and variable component. Fixed component includes salary, valued perquisites and retiral benefits. The variable component is performance-linked bonus, which is calculated based on pre-determined parameters of performance.
- (b) During the year 2019 gross remuneration to the top 5 executives including variable components (excluding bonus) was RO 625,650. (2018: RO 597,481). This includes the 6 month notice period of the outgoing CEO, as well as the 2 months additional cost of the new CFO taking over the duties of the outgoing CFO.
- (c) Bonus amounting to RO Nil (2018: 41,642) was given to the top 5 executives of the Company.
- (d) Travel expenses incurred on Directors for attending the Board and its committee meetings – RO 10,166. (2018: RO 17,340)
- (e) Travel expenses incurred on top 5 executives towards official duties – RO 4,847. (2018 – RO 16,157)
- (f) During the year the Company reduced the number of employees and employee benefits which will be reflected in 2020.

## **5.3 Service contracts, notice period and severance fees**

The severance notice period for Chief Executive Officer is six months and for managerial executives it is three months, with end of service benefits payable as per Omani Labor Law.

## **6. Details of non-compliance by the Company**

During the year no non compliance to the rules regulations set by Capital Market Authority was observed and the Company has not paid any fines or penalties for any violation. (2019: Nil, 2018: Nil)

## **7. Means of communication with the shareholders and investors**

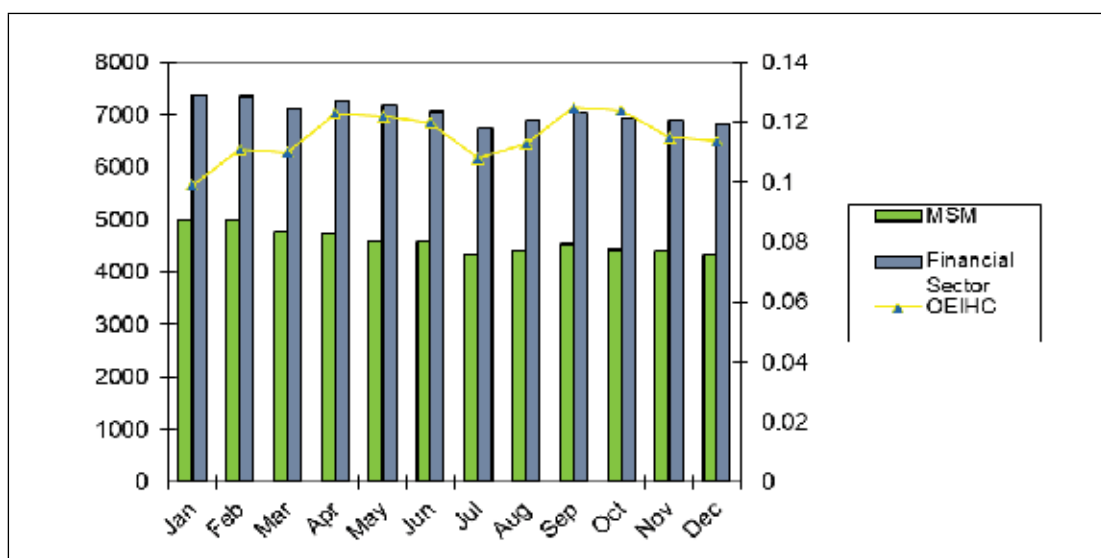
- 7.1 The quarterly results were published in local newspaper both in Arabic as well as in English. These financials were also posted on the website of Muscat Securities Market. In view of these publications, the results were not sent individually to the shareholders.
- 7.2 A separate Management Discussion and Analysis Report for the year 2019 forms part of the Annual Report.

## 8. Market price data

8.1 Market Price – High / Low Company's share in each month in MSM during the year 2019 is as under

| Month     | RO      |        |
|-----------|---------|--------|
|           | Highest | Lowest |
| January   | 0.0960  | 0.0960 |
| February  | 0.0950  | 0.0950 |
| March     | 0.0800  | 0.0800 |
| April     | 0.0810  | 0.0810 |
| May       | 0.0740  | 0.0740 |
| June      | 0.0800  | 0.0820 |
| July      | 0.0750  | 0.0750 |
| August    | 0.0740  | 0.0740 |
| September | 0.0670  | 0.0670 |
| October   | 0.0650  | 0.0650 |
| November  | 0.0680  | 0.0680 |
| December  | 0.0620  | 0.0660 |

8.2 Performance in comparison to broad based index or MSM – Banks and Investment Sector:



The share price of O&E decreased by 52% during 2019 against a decrease of 7% in Banking and Investment Index and a decrease of 8% in MSM General Index.

### 8.3 Distribution of shareholding as of 31 December 2019

| Range          | No. of Shareholders | No. of Shares      | % of Shareholders |
|----------------|---------------------|--------------------|-------------------|
| 0 – 1000       | 7,928               | 4,019,497          | 3.30%             |
| 1001 – 5000    | 8,928               | 14,651,243         | 12.02%            |
| 5001 – 10000   | 376                 | 2,845,103          | 2.33%             |
| 10001 – 50000  | 314                 | 6,788,192          | 5.57%             |
| 50001 – 100000 | 54                  | 4,174,285          | 3.43%             |
| Above 100001   | 74                  | 89,396,680         | 73.35%            |
| <b>Total</b>   | <b>17,674</b>       | <b>121,875,000</b> | <b>100%</b>       |

### 8.4 Shareholders holding more than 5% of the Share Capital as of 31 December 2019:

|                                      |        |                   |
|--------------------------------------|--------|-------------------|
| Abu Dhabi Investment Co, UAE         | 30%    | 36,562,500 Shares |
| Al Khonji Invest LLC and Group, Oman | 17.62% | 21,475,132 Shares |

### 8.5 Outstanding GDRs / ADRs / Warrants or any convertible instruments, conversion date and likely impact on equity

The Company does not have any GDRs / ADRs / Warrants or any other convertible warrants as of 31 December 2019 and hence the likely impact on equity is Nil.

## 9. Specific areas of non-compliance with the provisions of corporate governance and reasons

During 2019, no non-compliance was observed with respect to the provisions of Corporate Governance.

## 10. Corporate social activities and future plans

During 2019 the, Company has contributed RO Nil (2018: RO 1,550) as donations to various charitable organizations under its Corporate Social Responsibility program. An amount of RO 5,000 is budgeted towards social responsibilities in 2020.

## 11. Related Party Transactions

The transactions with the related parties are as defined in Principle 9 of the 'Code' and include certain normal contracts and transactions which are carried out in the ordinary course of business without any differential advantage accruing to the related party. These also include transactions such as granting of loans, guarantees, capital injections or transactions of similar nature, being extended in the capacity of a Parent Company or as a long term investor to its subsidiaries or associates or other investee companies. Shareholders' approval is taken for these prospective transactions in a year at the Annual General meeting on general basis but the exact nature of transactions with monetary value, etc in a financial year are being notified to the shareholders and post-facto approval is taken at the next AGM.



## 12. Professional Profile of the Statutory Auditor

12.1 The shareholders of the Company appointed Abu Timam Grant Thornton as its auditors for 2019. Abu Timam, the Oman member firm of Grant Thornton International, is headquartered in Muscat with a branch in Salalah. The Muscat office was established in 1995. Abu Timam employs more than 70 people including Omani nationals. Grant Thornton International is a global network of professional services firms providing Audit, Tax and Advisory services. Grant Thornton is one of the six global accountancy firms as recognized by Wall Street and operates in 130 countries and territories and have 50,000 people working in member firms around the world.

12.2 Grant Thornton was paid a total fee of RO 17,000 (2018: KPMG – RO 18,500) [for audit and review of Corporate Governance Report for the year 2019 – RO 7,625 (2018: KPMG – RO 13,200)] for review of quarterly accounts during 2018 – RO 9,375 (2018: KPMG – RO 5,300). This fee is related to the Parent Company only and not of the subsidiaries in Oman.

12.3 Other tax related professional services were rendered by Ernst & Young for 2019 – RO 1,210 (2018 – RO Nil)].

## 13. External Assessment of Internal Audit

The Company appointed BDO LLC for independent quality assurance review of the internal audit unit of the Company for the year 2019 as per the International Professional Practices Framework (IPPF) as well as the requirements specified in the CMA resolution 10/2018 regarding comprehensive external assessment of the internal audit unit.

A detailed report emanating from the aforementioned review was submitted to the Audit Committee upon conclusion of this assessment for its review and consideration.

Overall assessment is that the activities of the Company's Internal Audit unit "Generally Conforms" with the IIA Standards, subject, however, to certain matters that may be considered to enhance the performance of the internal audit unit in future.

## 14. Acknowledgement by the Board of Directors

14.1 The Board of Directors confirms that the financial statements for 2019 have been prepared in accordance with the applicable standards and rules.

14.2 The Board of Directors, through the Audit Committee has reviewed the Company's system of internal controls and confirms that all controls are in place and fully effective.

14.3 The Board of Directors confirms they believe that there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.



**Mohamed Darwish Al Khoori**  
**Chairman**  
5th March 2020

**Raffy Manoug Kozadjian**  
**Acting Chief Executive Officer**

### **Oman Economy in retrospect**

Economic activity slowed in 2019 in Oman, as suggested by a year-on-year dip in oil production during most of the year. The non-oil economy remained subdued. Bank lending to the private sector remained downbeat, potentially dampening both private consumption and fixed investment. In addition, government spending dropped slightly while a fall in revenues resulted in a small widening of the fiscal deficit. Inflation was muted, boding well for private consumption.

### **Performance of the Equity Markets:**

During 2019, MSM Index declined by (-) 8.55% while ADX and DFM increased by 3.59% and 9.49% respectively. During 2018, MSM and DFM Indices declined by (-) 13.48 and (-) 20.81% respectively while ADX appreciated by 8.45%. With about 90% of the Company's portfolio in Oman, the negative performance of the stock market impacted on the overall investment valuations of the Company.

### **Investments**

Despite limited financial resources, the Company tried to take advantage of opportunities that enhance value and increase liquidity of its portfolio.

The lower investment valuations during 2019 provided certain good opportunities for the Company to reshuffle its trading investments, with the purchase and sale of certain shares at attractive valuations. The Company utilized the sale proceeds towards bank loan repayments and reinvested the balance, taking advantage of the low investment valuations. These steps have helped the company to sustain its operations under the prevailing adverse market situation.

The Company's investment portfolio, being in fundamentally strong assets with a good track record, weathered the adverse factors in the business environment reactions due to the lower oil prices prevalent during 2019. It is important to note that no distress sale was made at any point in time.

### Investment movement during 2019:

The movement of investments under different categories for the Parent Company as at 31 December 2019 is summarized in the following table:

RO in Million

| Particulars                                  | Financial Assets – FVTPL Equity | Financial Assets – Debt (Amortised Cost) | Associates (NAV basis) | Subsidiaries (NAV basis) | Total         |
|----------------------------------------------|---------------------------------|------------------------------------------|------------------------|--------------------------|---------------|
| <b>At 01.01.2019</b>                         | <b>22.057</b>                   | <b>2.142</b>                             | <b>14.868</b>          | <b>6.436</b>             | <b>45.503</b> |
| Purchases                                    | 0.378                           | -                                        | -                      | -                        | 0.378         |
| Less: Cost of Sales                          | (1.772)                         | -                                        | -                      | -                        | (1.772)       |
| Unrealized gain/ (loss)**                    | 0.714                           | -                                        | -                      | -                        | 0.714         |
| Share of Results                             | -                               | -                                        | (0.035)                | 0.382                    | 0.347         |
| Impairment & Amortisation                    | -                               | (0.010)                                  | -                      | -                        | (0.010)       |
| Movement between Associates and subsidiaries | -                               | -                                        | 3.445                  | (3.445)                  | -             |
| Dividend received                            | -                               | -                                        | (0.454)                | -                        | (0.454)       |
| Transfer to Liabilities                      | -                               | -                                        | -                      | 0.240                    | 0.240         |
| <b>At 31.12.2019</b>                         | <b>21.377</b>                   | <b>2.132</b>                             | <b>17.824</b>          | <b>3.613</b>             | <b>44.946</b> |
| <b>% to Total</b>                            | <b>47.56 %</b>                  | <b>4.74 %</b>                            | <b>39.66 %</b>         | <b>8.04 %</b>            | <b>100 %</b>  |

### Borrowings from Banks and Debt/ Equity Ratio

During 2019, bank borrowing for the operations (other than the Long-Term Loan for Head Office Building construction) has reduced by RO 1.350 Million, from RO 12.034 Million in 2018 to RO 10.683 Million in 2019. For the Head Office building construction, the Company repaid RO 0.286 Million and the Term Loan has reduced from RO 2.126 Million in 2018 to RO 1.841 Million in 2019. Therefore, the overall borrowing level has reduced up by RO 1.636 Million.

## Debt/ Equity Ratio

The table below illustrates the Debt Equity Ratio:

| <b>A. Borrowings:</b>        | <b>31.12.2019<br/>RO Million</b> | 31.12.2018<br>RO Million |
|------------------------------|----------------------------------|--------------------------|
| - Term Loan from banks       | <b>8.87</b>                      | 10.11                    |
| - Building Loan              | <b>1.841</b>                     | 2.126                    |
| - Overdraft from banks       | <b>1.817</b>                     | 1.923                    |
| <b>Total bank borrowings</b> | <b>12.528</b>                    | 14.159                   |
| Government Soft Loan         | <b>15</b>                        | 15                       |
| <b>A. Total Borrowings</b>   | <b>27.528</b>                    | 29.159                   |
| <b>B.Net Equity</b>          | <b>20.596</b>                    | 20.274                   |
| Debt / Equity (A/B)          | <b>1.34 times</b>                | 1.43 times               |

## Minority interests:

The results and net assets of the Subsidiaries relating to the shareholders other than the Parent Company are shown under 'Minority Interests' in the Group. A gain of RO 598,918 (2018: Loss of RO 87,226) is related to the Minority Interests for the year 2019 and RO 3,202,823 (2018: RO 6,014,036) represents the net assets of the Minority Shareholders as at 31.12.2019.

## Performance of Subsidiaries, Associates and Other Investments:

This Annual Report contains a separate section, Investments Overview, which highlights in greater detail the performance of project companies, Subsidiaries, Associates and Other investments.

## Restructuring during 2019

Focusing on financial viability during times of economic difficulties, the Company cut costs dramatically during the year through various initiatives as follow:

- Headcount reductions in Muscat and Abu Dhabi offices, but without losing sight of the Company's strategic needs and making sure that longer-term consequences will not be faced through the quick headcount reductions implemented.
- Reduction of emoluments of remaining staff counter balanced with offers for performance related compensation.
- Relocation into reduced office space in Abu Dhabi combined with relocation into newly build head office to decrease facilities related expenses.
- Reduction of bank loans, where opportune, to reduce interest burden.

The reduction of expenses and conserving necessary resources were necessary steps to protect the Company's financial health going forward. This restructuring starts a new dawn for the Company in such times of uncertainty and the benefits of these measures will be seen during the following years.

## Financial Performance highlights for 2019:

The Group and the Parent Co have achieved a Net Profit RO 322,108 during the year 2019 as against a Net Loss of RO 18,745 during 2018. The break-up details are as follows:

| Particulars                                                                  | Holding<br>31.12.2019<br>% | 2019<br>RO | 2018<br>RO |
|------------------------------------------------------------------------------|----------------------------|------------|------------|
| <b>Net (Loss) before the share of results of Subsidiaries and Associates</b> |                            | (24,597)   | (110,061)  |
| <b>Subsidiaries:</b>                                                         |                            |            |            |
| Majan Capital Fund                                                           | 0.00%                      | 447,234    | 179,066    |
| Omani Euro Food Industries Co SAOG                                           | 80.84%                     | (240,116)  | (168,286)  |
| FINCORP SAOG                                                                 | 51.20%                     | 175,233    | (287,871)  |
| <b>Associates:</b>                                                           |                            |            |            |
| Oman Hotels and Tourism Co SAOC                                              | 31.72%                     | 90,689     | (6,331)    |
| Oman Fiber Optic Co SAOC                                                     | 20.97%                     | 24,868     | 412,228    |
| Fincorp Al Amal Fund                                                         | 37.25%                     | (151,203)  |            |
| Net Profit / (Loss)                                                          |                            | 322,108    | 18,745     |

## Composition of investments in Parent Company:

The composition of the Parent Company's investment as at 31st December 2019, in comparison with earlier year's status indicates the following proportion of investments of the Company:

| Particulars                      | 2019       |        | 2018       |        |
|----------------------------------|------------|--------|------------|--------|
|                                  | RO         | %      | RO         | %      |
| Fair Value Through Profit & Loss | 21,377,543 | 47.56% | 22,057,078 | 48.50% |
| Associates (At NAV)              | 17,823,617 | 39.66% | 14,868,150 | 32.70% |
| Subsidiaries (At NAV)            | 3,613,317  | 8.04%  | 6,435,825  | 14.10% |
| At Amortised Cost                | 2,131,370  | 4.74%  | 2,142,060  | 4.70%  |
| Total                            | 44,945,847 | 100%   | 45,503,113 | 100%   |

The long-term investments need a different approach as longer waiting and perspective must be kept in view in these cases. The Company strives to maintain a balanced mix of these investment categories taking into consideration factors such as risk, reward, profitability, growth, steady returns and also the changing market conditions and the economy.

## Internal Controls:

The control environment within the Company is quite robust and being monitored. There were no breaches of controls reported during the year.

## Head Office building:

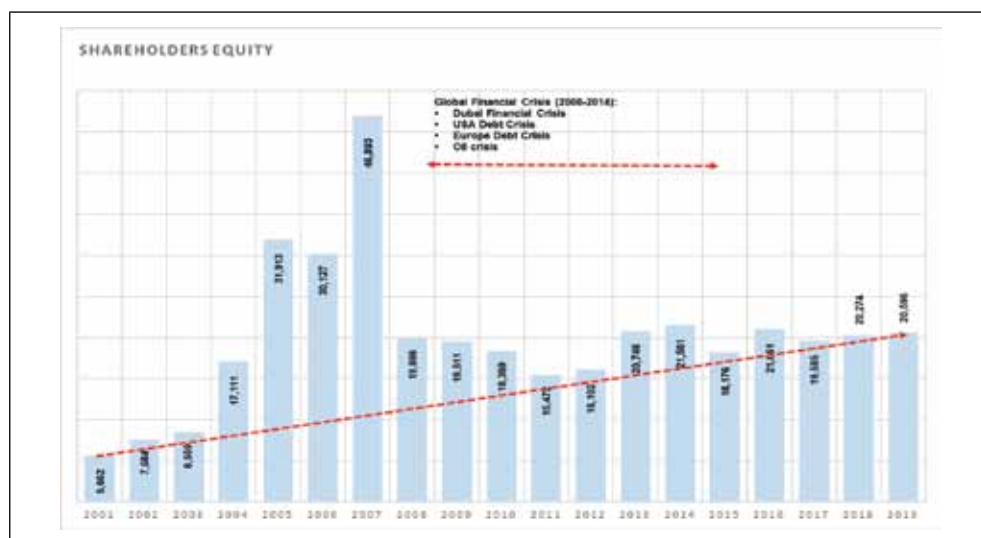
The construction of the Head Office Building in Ghala Heights on the land allotted by the Government on a long-term lease, was completed with higher quality specifications and at a cost lower than budgeted and tendered for. It is positioned as a Class A Building in the market and consists of two basements (one used as car parking floor, the second for services and rentable archive rooms), a ground floor and nine upper floors. The Company now occupies the top two floors of the nine-story building as its Head Office and, as per recent Board decision, one of these two floors will be rented out thus reducing the Company to occupy only one floor. Four floors are rented to reputed tenants on long-term tenancy agreements, three floors are currently being marketed and the ground floor is earmarked for a clinic. This investment will generate a sustained rental income stream from these and save on rental expenses hitherto incurred for the Head Office operations outside.

## Historical Performance Analysis

The year closes a chapter in the Company's history which has come a long way since New Management assumed control of the affairs in the year 2000.

## Shareholders' Equity:

The following shows the growth in Shareholders Equity throughout the years indicating a compounded annual growth in equity, including dividend, of 10.23% from 2002 to 2019.



## Results of the Group at a Glance

| RO in Million             |        |        |         |                     |         |        |        |
|---------------------------|--------|--------|---------|---------------------|---------|--------|--------|
| Particulars               | 2013   | 2014   | 2015    | 2016<br>(Re-stated) | 2017    | 2018   | 2019   |
| Equity Share Capital      | 12.187 | 12.187 | 12.187  | 12.187              | 12.187  | 12.187 | 12.187 |
| Net Equity                | 20.747 | 21.562 | 18.177  | 21.050              | 19.585  | 20.274 | 20.596 |
| Investments               | 45.744 | 43.100 | 42.446  | 46.034              | 49.919  | 49.807 | 46.842 |
| Net Profit / (Loss)       | 3.073  | 0.504  | (2.816) | 2.834               | (1.746) | 0.019  | 0.322  |
| Book value per share – RO | 0.170  | 0.177  | 0.149   | 0.173               | 0.161   | 0.166  | 0.169  |
| Earnings per share – RO   | 0.025  | 0.004  | (0.023) | 0.023               | (0.014) | 0.0002 | 0.0027 |

### **Proposed Investment in a Hospital Project:**

The year witnessed some setback in the Company's efforts to secure the land for the envisaged 70-bed high-end hospital (expandable to 100-bed later) promoted in partnership with a leading medical group in Spain. As Founder Promoters, the Company and its Spanish partners are committed to hold 20% and 15% respectively in the project company and the balance share capital has been fully booked by institutional investors in Oman.

Given the delay, the Company commissioned an independent consultant in December 2019 to review and update the Feasibility Study to current market parameters.

The Steering Committee representing all investors has been leading the development process during the past years and has a formulated complete timetable for the implementation as soon as the project company is incorporated as a closed joint stock company. The Constitutive Documents for the project company have been discussed during the past years and are ready for execution by all investors, pending conclusion of the land and the completion of the funding arrangement with banks. The project company will be incorporated imminently as a closed joint stock company. The implementation phase will start immediately afterwards.

### **Proposed Investment in an Assisted Reproduction Clinic**

The Company and two Spanish partners have studied and committed to establish Assisted Reproduction and Genetic Units in the Region, starting with a first unit in Muscat, on the ground floor of the Company's Building. One of the Spanish partners is a specialist setup which has been in the business of offering diagnosis and treatment of infertility services with cutting-edge technology and qualified personnel for over four decades. It has nine units and two satellites nationally in Spain and one international center abroad and performs all the reproduction techniques existing nowadays in reproductive medicine. It has a Genetics Unit and all the techniques that are used in reproductive genetics are carried out and they are the only ones with a DNA Bank of Donors in Europe. Genetic Counselling is also offered for a better diagnosis, treatment and consensus decision-making. Their various techniques and complementary processes will be transferred to the unit in Muscat under a Management Agreement, apart from their alignment through their own investment in the clinic. They also maintain strong links to universities sponsoring research centers and collaborates on research projects.

At time of writing, the preliminary commercial license of the project company has been obtained and an application for preliminary medical license for the clinic is ready to be submitted to the Ministry of Health. All going as planned, the clinic will open for consultation during the third quarter of the year.

### **Outlook:**

A number of factors, compounded at time of writing by the novel coronavirus (COVID-19) and the widespread shutdown of China's economy, continue to adversely affect global economic growth prospects leading to risks over global financial stability, interest rates and financial markets. We anticipate the impact will be of short-term nature and could provide us with attractive entry points to new investments.

Local markets will remain heavily dependent on the impact of oil-price movements and the knock-on effect that they will have on domestic liquidity and on investor confidence. Heightened regional tensions could further hurt stock market performance.

Oman is projected to grow at 3.7% in 2020, driven by higher natural gas output but the current and fiscal accounts will remain in deficit throughout 2020 and beyond even as oil prices recover, posing challenges. The government's budgeted deficit for 2019 will be financed through foreign debt. Revenue generating measures coupled with cost rationalization should on balance result in improved fiscal outlook in 2020.

Real GDP will pick up from 2021 as a result of rising gas output and the development of other sectors, especially logistics and tourism. Oman Government announced the budget for Year 2020. Total spending was up to RO 13.2 Billion for the year which is RO 300 Million higher than the previous year. OMR 5.3 Billion has been allocated to investments projects. Oil price is assumed at USD 58 per barrel for the purpose of the budget. Budget estimates a deficit of RO 2.6 Billion which is lower than the previous year.

Enhancing existing position will be a priority for the Company under challenging economic outlook and reshuffling current investment portfolio to generate better yield and improved liquidity as a first measure. The Company will move forward with caution and will focus closely on enhancing its existing position. Its priorities in near to medium future strategy are summarized below:

- Government Soft Loan first repayment amount of RO 2.5 M is due for repayment: in November 2020.
- A revision of the next 5-year Strategic Business Plan is underway with particular focus on the following:
  - Immediate priority of reshuffling the Company's portfolio pyramid with asset classification by risk and liquidity (e.g. equities/ stocks, fixed income/ bonds and cash equivalent or money market instruments) and building a portfolio base consisting of readily liquid assets to cover commitments, debt repayments, operational costs, etc.
  - Revising the Company's Debt/ Equity ratio policy during Strategic Plan discussions in light of interest rates on the horizon.
  - Identify investment opportunities that provide stable income/ returns.

As an Investment Holding Company, we need to maintain a delicate balance between long term investments, which require a long period of waiting, and short-term investments which are under the web of risk and rewards, requiring closer monitoring. Efforts will continue to fulfill the objectives as stipulated in the Company's Business Plan and this will include disinvestment of non-performing investee companies in the Group, restructuring the investments, maintaining the balance between long term and short-term investments and also the level of the borrowings.

Management maintains total awareness of challenges faced in prevailing business environment and is keen to enhance the credibility and financial strength of the Company in the coming years and to source further improvement in the overall return on the shareholders' funds.



**Raffy Kozadjian**  
**Acting Chief Executive Officer**  
5th March 2020



## A. SUBSIDIARIES

### General Information

These are companies in which O&E holds 50% and above and consist of two companies listed in Table (1) below. The total value of investment, net of impairments, based on Net Asset Value at end 31/12/2019 in Subsidiaries has reached RO 3.613 Million representing 8% of the Parent Company's total investments.

**Table (1) - Subsidiaries**

| Sr | Company Name                       | Capital      | Shareholders %                                                                              |
|----|------------------------------------|--------------|---------------------------------------------------------------------------------------------|
|    | <b>OMAN</b>                        |              |                                                                                             |
| 1  | Oman Euro Food Industries Co. SAOG | RO 2,000,000 | O&E: 80.84%<br>AAAIID: 17.20%<br>Others: 1.96%                                              |
| 2  | The Financial Corporation SAOG     | RO 7,002,996 | O&E: 51.2%<br>OIFC : 21.8%<br>Al Khonji Holdings: 11.6%<br>Sawairis : 10.0%<br>Others: 5.4% |

### Performance of Subsidiaries

#### 1. Omani Euro Food Industries Company SAOG



- The company contract manufactures baby food products for Heinz and also produces and markets its own products under Mother's Choice brand name.
- Mother's Choice brand baby cereals are sold in 11 countries around the World.
- The company achieved a turnover of RO 1.41 Million compared to RO 1.48 Million during 2018, recording a drop of 5% in Sales.



- The Operating Loss was RO 218K in 2019 compared to the Operating loss of RO 130K during 2018. Net Losses were RO 334K in 2019 compared to Net Losses of RO 245K recorded in 2018, resulting from decrease in Sales. Cash Loss of RO 150K was recorded compared to Cash loss of RO 64K in 2018.
- Heinz Sales during 2019 were RO 859K compared to RO 996K in 2018, indicating a decrease of 14%. This was mainly due to decline in Cereal, Rusk, Biscuit and Complan sales during the year.
- Mother Choice Sales were RO 498K during 2019 compared to RO 479K in 2018, an increase of 4%.
- The Capital of the company is eroded by 126% and will be discussed at the forthcoming Extra Ordinary General Meeting.
- O&E's holds 80.84% of the capital holding 1,616,778 shares.

## **2. The Financial Corporation SAOG (FINCORP)**



- The company operates in four business segments: brokerage activities, portfolio management, equity advisory services and investment activities.
- During 2019 the Group earned total operational revenue of RO 1.56 Million (RO 1.07 Million in 2018) an increase of 46% and Net profit for the period stood at RO 794K compared to a Net Loss of RO 350K during the previous year.
- O&E's holds 51.20% of the capital holding 35,854,310 shares.

## **3. Majan Capital Fund (Joint Investment Account- Merged with Fincorp Al Amal Fund on April 28,2019)**

- This Fund, listed on the MSM, was promoted by O&E in 1995 and merged with Al Amal fund on April 28, 2019. Majan Capital Fund core business is to achieve long-term capital appreciation through a diversified portfolio, principally of equity and equity-related investments. It is an open-ended Fund, facilitating investors with easy entry and exit options.
- FINCORP managed the Fund's investments and provided brokerage services related to investment transactions.
- The Fund recorded net profit of RO 484K up to April 28, 2019 as against net loss of RO 194K during 2018.
- No dividend has been proposed for 2019. (2018: Nil).
- O&E's has been allotted 2,974,771 units in Fincorp Al Amal fund as part of the Merger.

## B. ASSOCIATES

### General Information

These are companies in which O&E holds between 20% and 50% and are composed of three companies listed in Table (2) below. The total value of investments based on Net Asset Value at end 31/12/2019 in Associate Companies has reached RO 17.82 Million representing 40% of the Parent Company's total investments.

**Table (2) – Associate Companies**

| Sr | Company Name                   | Capital      | Shareholders %                                                          |
|----|--------------------------------|--------------|-------------------------------------------------------------------------|
|    | <b>OMAN</b>                    |              |                                                                         |
| 4  | Oman Fiber Optic Company SAOC  | RO 7,215,118 | O&E: 21.0%<br>Omantel : 41.0%<br>Omar Al Zawawi: 21.5%<br>Others: 16.5% |
| 5  | Oman Hotels & Tourism Co. SAOC | RO 6,985,000 | O&E: 31.7%<br>Al Khonji Invest LLC: 60.0%<br>Others: 8.3%               |
| 6  | Fincorp Al Amal fund Units     | RO 7,985,174 | O&E: 37.25%<br>Financial Corp: 21.26%<br>Others: 41.49%                 |



### Performance of Associate Companies

#### 4. Oman Fiber Optic Company SAOC (OFO)

- It is a joint stock company established in 1996, specialized in design and manufacture of optical fiber and fiber optic cables in Muscat.
- In the year 2018, the turnover of was RO 21.32 Million compared to previous year's turnover at RO 28.16 Million, a reduction of 24%.
- During the year, the company achieved net profit of RO 119K, a decrease of 94% compared to previous year net profit of RO 1,965K.
- The net asset value per share as on 31/12/2019 is RO 2.340.



- The Directors have recommended a cash dividend of 30% for the year 2019, and this will be placed for shareholders' approval in the forthcoming Annual General Meeting (2018: 30%).
- O&E's holds 1,512,863 shares as at 31/12/2019 representing 21.0% of the capital of RO 7,215,118.

#### 5. Oman Hotels and Tourism Company SAOC



- The legal form of this company was changed from Public Joint Stock company (SAOG) to Joint Stock close company, through an Extraordinary General Meeting of the Shareholders held on 25 October 2017.
- The principal activity of the Parent Company is the ownership and operation of Tulip Inn Downtown Muscat and Al Wadi Hotel in Sohar. The Parent Company also manages outside restaurants and has investments in subsidiaries: Sur Plaza Hotel in Sur and Desert Night Camp luxury desert resort in Bidiya, Sharqiyah Sands of Oman.
- During 2019, the revenue generated at Group level was RO 3.60 Million being 4% lower compared to RO 3.76 Million generated during the previous year.
- The consolidated Operating Profit was RO 301K, 24% lower compared to RO 395K during previous year.
- The Associate Company share of profit was RO 226K representing a decrease of 11% compared to RO 254K achieved in 2018.
- The company recorded a net profit of RO 286K at Group level compared to RO 455K last year, a decrease of 37%.
- The Board has not proposed any dividend for the year (Nil in 2018).
- O&E's holds 22,158,419 shares representing 31.72% of the capital of RO 6.985 Million.



#### 6. Fincorp Al Amal Fund

- Fincorp Al Amal Fund is open-ended, registered and incorporated in the Sultanate of Oman on 20 October 2004.
- The day-to-day operations of the Fund, the investment advisory and administration roles are managed by the Investment Manager, the Financial Corporation Company SAOG ("Fincorp").

- The governance and control over the Fund are exercised by the Investors' Committee, which is responsible for formulating investment strategy and the related guidelines adopted by the Fund.
- The principal activity of the Fund is to invest in equities and debt securities with a view to achieving long term capital appreciation through a diversified portfolio, primarily comprising of equity and equity related investments in companies listed on the MSM and other GCC markets.
- Majan Fund was merged with Fincorp Al Amal fund on 28th April 2019 and Oman Emirates has been allotted 2,974,771 units in Fincorp Al Amal fund as part of the Merger.
- During this year, the fund has achieved net profit of RO 350K, with an increase of 1% compared to previous year net profit of RO 346K.
- The Net Asset value per unit as on 31/12/2019 was RO 1.107.
- The fund proposed to distribute cash dividend of 4.5% (45 baiza) per unit for year 2019 (2018: Nil)
- O&E shareholding in it amounts to 37.25%, being 2,974,771 units of its Share Capital

## C. OTHER INVESTMENTS

### General Information

Other Investments include Quoted and Unquoted Investments aggregating to RO 21.38 Million and Debt Instrument for RO 2.13 Million representing 47.5% and 4.7% respective of the Parent Company total investments. Table (3) below shows Quoted Investment and Unquoted Investments where O&E holds a stake of above 1% and also a Debt Instrument.

**Table (3) Other Investments**

| Sr | Company's Name                                           | Capital           | O&E Stake    |
|----|----------------------------------------------------------|-------------------|--------------|
|    | <b>OMAN</b>                                              |                   |              |
| 7  | Computer Stationery Industry SAOG                        | RO 1,000,000      | <b>14.4%</b> |
| 8  | National Aluminum Products Co. SAOG                      | RO 3,357,145      | <b>13.3%</b> |
| 9  | Muscat Clearing & Depository Co. SAOC                    | RO 3,000,000      | <b>2.7%</b>  |
| 10 | Fund For Development of Youth Projects SAOC              | RO 5,370,000      | <b>4.7%</b>  |
| 11 | Majan Development Co. SAOC                               | RO 16,100,000     | <b>5.0%</b>  |
| 12 | Iskan Oman Invest Co. SAOC                               | RO 12,500,000     | <b>10.0%</b> |
| 13 | Octal Holding & Co. SAOC                                 | RO 77,564,687     | <b>2.9%</b>  |
| 14 | Al Najd Agricultural Development Co. SAOC                | RO 12,800,000     | <b>5.1%</b>  |
| 15 | Al Jazeera Steel Products Co. SAOG                       | RO 12,489,796     | <b>1.6%</b>  |
| 16 | Al Kamil Power Co. SAOG                                  | RO 9,625,000      | <b>3.1%</b>  |
| 17 | National Finance Co. SAOG                                | RO 54,123,045     | <b>2.6%</b>  |
|    | <b>UNITED ARAB EMIRATES</b>                              |                   |              |
| 18 | Gulf Capital PJSC                                        | AED 1,225,000,000 | <b>0.41%</b> |
| 19 | Al Wathba National Insurance Co PJSC                     | AED 207,000,000   | <b>1.17%</b> |
| 20 | Taleem Investments Co (Amity School) - Murabaha Facility | Not Applicable    | <b>NA</b>    |

### Performance of Companies

#### 7. Computer Stationery Industry SAOG

- The company was established in 1985 with a share capital of RO 1 Million and is engaged in printing of continuous stationery and commercial printing materials. It has reached a premier position in the printing industry in Oman. It has a wholly owned subsidiary 'Oman Printers and Stationers LLC' which is engaged in specialized printing of school books, leaflets and other general materials.





- During 2019, the company reported revenues of RO 1.44 Million compared to RO 1.67 Million during 2018, a decrease of 13.6%.
- The Net Loss After Tax was RO 81K compared to a profit of RO 43K in 2018.
- No dividend has been recommended for year 2019 (Year 2018, Nil).
- O&E holds 14.437% stake in it.

#### 8. National Aluminum Products Co SAOG



- The company was established in 1984 with its manufacturing facility located in Rusayl Industrial Estate. It produces aluminum extrusions and also sells proprietary high-quality aluminum systems.
- The company's expansion with two presses and a vertical powder coating line, completed in mid-year 2016, is enhancing the company's competitiveness through sustainability, operating cost reductions and improved productivity.
- The aluminum extrusion industry continued to face a very challenging environment in 2019 characterized by intense competition and cheaper supplies from abroad which, combined with subdued oil prices on the construction industry affected the performance of the year.
- The company reported sales of RO 45.0 Million in 2019 compared to RO 47.8 Million during 2018 representing a decrease of 10%.
- It recorded Net loss of RO 774K in 2019 compared to Net profit of RO 814K during 2018.
- No Dividend has been recommended for year 2019 (13% in 2018).
- O&E holds 13.3% stake in the company.



## 9. Muscat Clearing And Depository Company SAOC



- This is a closely held joint stock company established in 1999, specialized in carrying out the depository and transfer functions of the MSM. The company is primarily engaged in registering and transferring the ownership of securities on the MSM and providing the services such as maintenance of shareholders registers of joint stock companies, investment funds and other securities listed on the MSM, depository and registration of all trading contracts of securities, issuance of ownership certificates, validation of restrictions and pledge of shares, etc.
- The total revenue reached RO 3.99 Million during 2019 compared to RO 3.71 Million during 2018, an increase of 7.5%.
- The company reported a net profit after tax of RO 842K in 2019 compared to a net profit of RO 780K in 2018, an increase of 8%.
- The company has proposed a cash dividend of 15% (2018: 10%).
- O&E owns 80,860 shares being 2.7% of the capital of RO 3.0 Million of the company.

## 10. Fund for Development of Youth Projects SAOC (FDY)



- FDY is a closely held corporation established in 1999 whose core activity is to support and promote start-up Small and Medium Enterprises in Oman to generate employment opportunities for Omanis. It provides advisory services and support to entrepreneurs as well as financial support in the form of equity and debt wherever required.
- Revenues of RO 810K were recorded during 2019 compared to RO 502K in 2018, an increase of 61%.
- Net Profit amounted to RO 450K during 2019 compared to a Net Loss of RO 276K during 2018.
- O&E owns 250,000 shares representing 4.7% of the share capital of FDY.

## 11. Majan Development Company SAOC

- The company was established in March 2008 and promoted by Gulf Investment House, Kuwait, in association with various institutional investors in Oman.
- The business model is a full spectrum service covering four areas of activities: land trading, property development, real estate funds and property management.
- The company recorded revenues from rental income and others of RO 3.84 Million during 2019 as compared to RO 1.22 Million during 2018.
- Net Loss for the year was RO 65K compared to Net loss of RO 82K at end 2018.
- O&E holds 5% of the capital of the company which is now RO 16.1 Million.

## 12. Iskan Oman Invest Company SAOC



- The company was established in April 2008 in Oman promoted by Housing Finance (Iskan Kuwait) in association with institutional investors in Oman. It is a closed joint stock company engaged in real estate development projects and services targeting customers of medium and high income. Its main objective is



to provide real estate investment and services under one roof. However, due to corrections in the real estate sector, the company tried to diversify its investment portfolio and entered the education sector and is planning expansion into the health market.

- The company divested its education subsidiary during 2018 and currently holds subsidiaries in real estate and investment related activities.
- Upon sale of its educational subsidiary, the company returned 50% of the Capital to the shareholders and also declared a maiden cash dividend of 20% during 2018.
- For 2019, revenues from continuing operations amounted to RO 707K compared to RO 381K in 2018.
- The Net loss reported during 2019 was RO 39K compared to net profit RO 12.91 Million in 2018.
- O&E holds 10% of the capital of the company

### 13. Octal Holding & Company SAOC



- It is a world leading company specialized in manufacturing PET resin and APET sheets used in the packaging industry. The production facility is based in Salalah, Oman. Octal's strategic position, its advanced technological capabilities and ease of raw materials sourcing contribute to lowering its costs and thus give it competitive advantage in producing PET resin and amorphous PET sheets at the highest quality. Its well-timed phased expansion and unique marketing strategy play a great role in growth of revenues.
- During the year ended 31 December 2019, the company reported revenues of RO 305 Million (USD 794 Million) compared to RO 321 Million (USD 834 Million) in 2018, a decrease of 4.5%.
- It reported a profit of RO 10.5 Million (USD 27.4 Million) during 2018 compared to a RO 8.2 Million during 2018 (USD 21.5) during 2018, an increase of 28%.
- O&E holds 2.89% of the total issued and paid up share capital of RO 77,564,687.



### 14. Al Najd Agricultural Development Co. SAOC

شركة النجد  
للتنمية الزراعية



**Al Najd Agriculture**  
Development Company

- This is one of the strategic projects within the framework of developing the agricultural sector of the Sultanate. The project enjoys the support of the Government. The Private Sector's participation in this project came on selective and professional basis. The project is dedicated to the production of animal forage utilizing central pivot irrigation systems and adopting modern production methods.

- The company recorded revenues of RO 824K in 2019 compared to RO 534K in 2018.
- It incurred a Loss of RO 389K compared to a Loss RO 578K during 2017.
- The company's paid up capital is RO 10,330,500 at end 2019 while its authorized capital is RO 12,800,000. This paid up capital includes shares of RO 2,688,000 given to the farmers and Thumrait Development Fund in accordance with a Government grant.
- O&E holds 5.13% equity stake in this company.



#### 15. Al Jazeera Steel Products Company SAOG



- It is a joint stock company established in 1996 specialized in manufacture of steel products and is based in Sohar, Oman.
- Net profits during 2019 were RO 275K compared to RO 2.78 Million during the previous year.
- The Board of Directors recommended a cash dividend of 5% amounting to Baizas 5 for the year 2019 for every share held (2018: 16%) .
- O&E holds 2,010,000 shares in this company representing 1.6% of the share capital of RO 12.489 Million.

#### 16. Al Kamil Power Company SAOG



- Al Kamil Power Company SAOG owns a 285 MW electricity generating plant near Al Kamil, Oman.
- The total income of the company during 2019 was RO 7.3 Million compared to RO 12.7 Million in 2018, a decrease of about 43%.
- The company posted a Net Profit of RO 3.56 million (RO 2.42 million in 2018), an increase of 47%.
- For 2019, the Board recommended a cash dividend of 55% (35% to be paid in May 2020 and 20% in November 2020). This compares with a Cash Dividend of 40% for 2018 (20% paid in June 2019 and 20% paid in December 2019).
- O&E holds 3,025,540 shares in this company representing 3.14% of the capital.

#### 17. National Finance Co SAOG:



**National Finance**  
Co. SAOG  
Partners in Progress

- The company was established in 1987 and it is engaged in asset-based financing for individual and SME customers. After a period of selective and controlled growth till 2005, the company has started achieving impressive growth thereafter.
- This company and Oman Oryx Leasing Company SAOG merged together through a merger by incorporation with effect from 01/01/2018. The merged Company has emerged as the largest Finance and Leasing Company in Sultanate of Oman.
- The merger has enhanced the company's market presence through increase in customer reach, service channels and enable rapid expansion through launch of new products.
- During 2019, total income reached RO 44.6 Million compared to RO 42.3 Million in year 2018 and net income for the current year was RO 10 Million compared to RO 12 Million in year 2018.
- The Company has declared a dividend of 12.5% (12.5% Cash Dividend) for 2019. For 2018, the company had declared distribution of 12.5% dividend (8% Cash Dividend and 4.5% stock dividend).
- O&E has 2.6% stake in this company.

#### 18. Gulf Capital PJSC:



- O&E is a founder member in Gulf Capital Private Joint Stock Company (GC), a UAE based private equity firm. The company's strategy is to acquire controlling stakes in highly profitable, fast growing and visible companies in select industries in the Gulf Region.
- The Group financial performance depends upon the contribution from private equity activities and overall growth in value of portfolio of private equity investments.
- The Net profit for the year was AED 11 Million compared to a Net loss of AED 359 Million in the previous year.
- O&E holds 5,000,000 shares (AED 5,000,000) in this company.

#### 19. Al Wathba National Insurance Co. PJSC

- The company was incorporated in Abu Dhabi as public shareholding company, listed in the Abu Dhabi Securities Exchange, and its principal activity is the transaction of general insurance and re-insurance business of all classes.
- The Net Profit reported for 2019 decreased to AED 23 Million compared to AED 42.7 Million in 2017, a decrease of 46%.
- The total assets at end 2019 stood at AED 1.585 Million compared to AED 1.565 Million in 2018 and the shareholders equity decreased from AED 851 Million at end 2018 to AED 783 Million at end 2019.
- O&E holds 2,415,000 shares in this company with a share capital of AED 207 Million.

## 20. Amity School, Dubai



- During 2017, the Company evaluated and invested in a school named Amity School, Dubai situated in Al Qusais, Dubai, and being operated by the reputed Operator from India, Amity Education Group.
- The Investment is structured in the form of extension of Islamic Finance (Commodity Murabaha) facility to the Amity School through an off-shore company, Taleen Investment Co. The commodity murabaha agreement, which is for a period of 6 years, contains the repayment schedule and detailed terms and conditions under which the facility is extended to the Amity School LLC.
- In respect of all the repayment obligation, Amity School LLC have provided various security/ comfort: postdated cheques, financial bank guarantee, mortgage over the school building through a Bank acting as a Security Agent and contractual comfort from the Parent Foundation of the Amity Group.
- The amount invested by the Company was AED 20.0 Million (RO 2.1 Million).

## SECTORAL DIVERSIFICATION OF THE TOTAL INVESTMENTS OF O&E

Table (4) below indicates the sectoral diversification of O&E's total investments valued at RO 44.945 Million on 31/12/2019 based on carrying value, in the Parent Company:

**Table (4) - Sectoral diversification of the total value of investments**



| Sr. | Sector           | Investment Value<br>RO Million | Holding %   |
|-----|------------------|--------------------------------|-------------|
| 1   | Tourism & Hotels | 9.998                          | 22.24%      |
| 2   | Industry         | 4.970                          | 11.06%      |
| 3   | Investment       | 6.907                          | 15.37%      |
| 4   | Banking          | 7.823                          | 17.41%      |
| 5   | Real Estate      | 2.013                          | 4.48%       |
| 6   | Insurance        | 2.596                          | 5.78%       |
| 7   | Power            | 1.046                          | 2.33%       |
| 8   | Leasing          | 1.929                          | 4.29%       |
| 9   | Services         | 0.664                          | 1.48%       |
| 10  | Agriculture      | 0.224                          | 0.50%       |
| 11  | Telecom          | 4.644                          | 10.33%      |
| 12  | Education        | 2.131                          | 4.74%       |
|     | <b>Total</b>     | <b>44.945</b>                  | <b>100%</b> |

### **European Hospital**

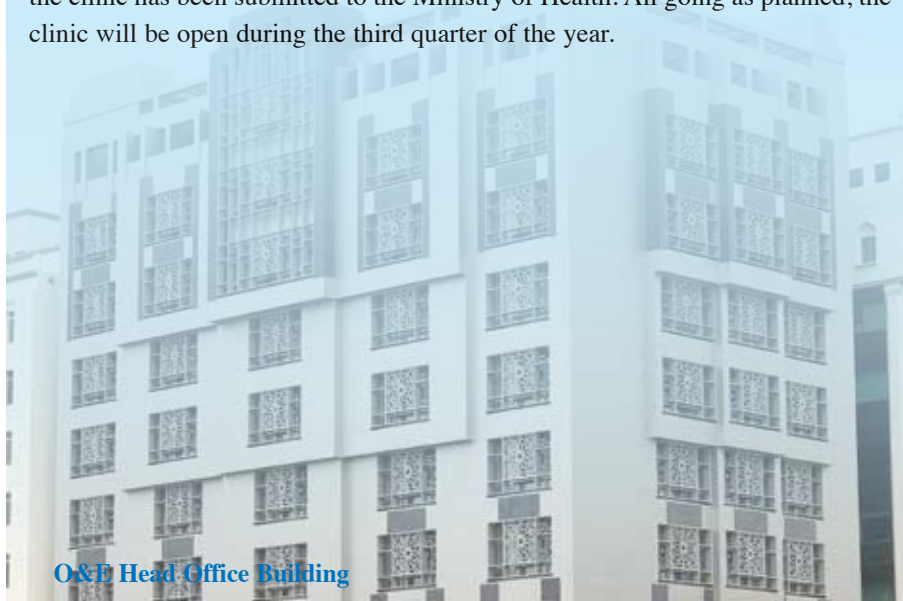
The Company continues its endeavor to develop a high-end Hospital in partnership with a leading medical group in Spain. This proposed hospital will be set up with a 70-bed capacity, expandable to 100 beds later, in a central location in Muscat and will have all the state-of-the-art medical facilities. O&E is promoting this project jointly with Spanish Partners and both have agreed to hold 20% and 15% respectively in the Project Company. The balance share capital has been fully booked by various institutional investors in Oman. At time of writing, the Constitutive Documents for the company formation are ready for execution pending completion of securing the land and the funding arrangement with banks. The implementation phase will start immediately afterwards.

### **Company's Headquarter Building**

The construction of the Head Office Building in Ghala Heights on the land allotted by the Government on a long-term lease, has been completed with higher specifications than initially tendered for and at a cost lower than budgeted. It is positioned as a class A building in the market and consists of two basements (one used as car parking floor, the second for services and rentable archive rooms), a ground floor and nine upper floors. The Company now occupies the top two floors of the nine-story building as its head office. At time of writing, four floors are occupied by reputed tenants on long-term tenancy agreement, three floors are currently being marketed and the ground floor is earmarked for a clinic. The company has availed a commercial bank for funding this project on a long-term basis.

### **Fertility Clinic**

O&E and its Spanish partners, including a subsidiary offering diagnosis and treatment of infertility services with cutting-edge technology for four decades, have studied and committed to create Assisted Reproduction and Genetic Units in the Region, starting with Muscat, as a greatly differentiated model in the market. At time of writing, the preliminary commercial license of a company under formation has been obtained and an application for preliminary license for the clinic has been submitted to the Ministry of Health. All going as planned, the clinic will be open during the third quarter of the year.



**O&E Head Office Building**













## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

|                                                        |       | 31 December<br>2019<br>Group<br>RO | 31 December<br>2018<br>Group<br>RO | 31 December<br>2019<br>Parent<br>RO | 31 December<br>2018<br>Parent<br>RO |
|--------------------------------------------------------|-------|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
|                                                        | Notes |                                    |                                    |                                     |                                     |
| <b>ASSETS</b>                                          |       |                                    |                                    |                                     |                                     |
| Cash and bank balances                                 | 5     | 2,613,590                          | 1,502,375                          | 1,166,846                           | 147,993                             |
| Trade and other receivables                            | 6     | 2,076,848                          | 3,712,599                          | 76,611                              | 2,108,698                           |
| Inventories                                            |       | 445,819                            | 481,699                            | -                                   | -                                   |
| Financial assets at fair value through profit or loss  | 7     | 25,005,888                         | 32,797,259                         | 21,377,538                          | 22,057,078                          |
| Investment in equity accounted investees               | 9     | 19,704,887                         | 14,868,150                         | 17,823,619                          | 14,868,150                          |
| Investment in subsidiaries                             | 10    | -                                  | -                                  | 3,613,319                           | 6,435,825                           |
| Financial assets at amortised cost                     | 11    | 2,131,371                          | 2,142,060                          | 2,131,371                           | 2,142,060                           |
| Property, plant and equipment                          | 12    | 2,374,951                          | 5,115,086                          | 727,939                             | 3,341,098                           |
| Investment properties                                  | 13    | 3,353,250                          | 335,000                            | 3,053,250                           | -                                   |
| Right-of-use asset                                     |       | 26,261                             | -                                  | -                                   | -                                   |
| Deferred tax asset                                     | 14    | 300,524                            | 258,423                            | -                                   | -                                   |
| <b>Total assets</b>                                    |       | <b>58,033,389</b>                  | <b>61,212,651</b>                  | <b>49,970,493</b>                   | <b>51,100,902</b>                   |
| <b>EQUITY</b>                                          |       |                                    |                                    |                                     |                                     |
| Share capital                                          | 15    | 12,187,500                         | 12,187,500                         | 12,187,500                          | 12,187,500                          |
| Legal reserve                                          | 16    | 4,921,214                          | 4,862,889                          | 4,062,500                           | 4,062,500                           |
| Revaluation reserve                                    | 17    | -                                  | -                                  | -                                   | -                                   |
| Retained earnings                                      |       | 3,487,627                          | 3,223,844                          | 4,346,341                           | 4,024,233                           |
| <b>Equity attributable to the owners of the Parent</b> |       | <b>20,596,341</b>                  | <b>20,274,233</b>                  | <b>20,596,341</b>                   | <b>20,274,233</b>                   |
| Non-controlling interests                              |       | 3,202,823                          | 6,014,036                          | -                                   | -                                   |
| <b>Total equity</b>                                    |       | <b>23,799,164</b>                  | <b>26,288,269</b>                  | <b>20,596,341</b>                   | <b>20,274,233</b>                   |
| <b>LIABILITIES</b>                                     |       |                                    |                                    |                                     |                                     |
| Bank overdrafts                                        | 18    | 2,810,213                          | 1,946,614                          | 1,816,784                           | 1,923,452                           |
| Trade and other payables                               | 19    | 2,036,850                          | 2,088,615                          | 1,850,041                           | 1,667,064                           |
| Lease liabilities                                      |       | 26,835                             | -                                  | -                                   | -                                   |
| Term loans                                             | 20    | 10,707,327                         | 12,236,153                         | 10,707,327                          | 12,236,153                          |
| Loans from Governments                                 | 21    | 16,069,000                         | 15,540,025                         | 12,538,000                          | 12,085,000                          |
| Deferred Government grant                              | 21    | 2,584,000                          | 3,112,975                          | 2,462,000                           | 2,915,000                           |
| <b>Total liabilities</b>                               |       | <b>34,234,225</b>                  | <b>34,924,382</b>                  | <b>29,374,152</b>                   | <b>30,826,669</b>                   |
| <b>Total equity and liabilities</b>                    |       | <b>58,033,389</b>                  | <b>61,212,651</b>                  | <b>49,970,493</b>                   | <b>51,100,902</b>                   |
| <b>Net assets per share</b>                            | 31    | <b>0.169</b>                       | <b>0.166</b>                       | <b>0.169</b>                        | <b>0.166</b>                        |

The Consolidated and the Parent Company financial statements on pages 5 to 51 were approved and authorised for issue by the Board of Directors on 05 March 2020 and were signed on their behalf by:

**Mohamed Darwish Al Khoori**  
Chairman

**Raffy Manoug Kozadjian**  
Chief Executive Officer

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4

## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2019

|                                                                      | Notes | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|----------------------------------------------------------------------|-------|---------------------|---------------------|----------------------|----------------------|
| <b>Income</b>                                                        |       |                     |                     |                      |                      |
| Interest income                                                      | 22    | 60,172              | 45,752              | 35,077               | 3,989                |
| Rental income                                                        |       | 74,113              | -                   | 74,113               | -                    |
| Brokerage commission income                                          |       | 197,375             | 135,443             | -                    | -                    |
| Dividend income                                                      |       | 1,716,034           | 2,076,185           | 1,345,484            | 1,623,150            |
| Net income from financial assets at FVTPL                            | 7     | 2,058,137           | 2,115,546           | 675,817              | 1,443,654            |
| Gross profit on sale of food products                                | 23    | 131,040             | 193,495             | -                    | -                    |
| Asset management fees                                                |       | 96,742              | 88,196              | -                    | -                    |
| Advisory income - corporate finance                                  |       | -                   | 1,200               | -                    | -                    |
| Share of (loss)/profit from equity accounted investees               | 9     | (117,983)           | 405,897             | (35,646)             | 405,897              |
| Share of gain/(loss) from subsidiaries accounted under equity method | 10    | -                   | -                   | 382,351              | (277,091)            |
| Other income                                                         | 24    | 46,693              | 41,066              | 12,158               | 29,012               |
| <b>Total income</b>                                                  |       | <b>4,262,323</b>    | <b>5,102,780</b>    | <b>2,489,354</b>     | <b>3,228,611</b>     |
| <b>Expenses</b>                                                      |       |                     |                     |                      |                      |
| Staff costs                                                          | 25    | (1,705,002)         | (2,018,040)         | (1,042,166)          | (1,189,097)          |
| Administrative expenses                                              | 26    | (783,321)           | (791,856)           | (405,510)            | (359,481)            |
| Investment related expenses                                          | 27    | (24,138)            | (127,395)           | (27,781)             | (64,959)             |
| Directors' remuneration                                              |       | (30,000)            | (33,900)            | (30,000)             | (21,900)             |
| <b>Total expenses</b>                                                |       | <b>(2,542,461)</b>  | <b>(2,971,191)</b>  | <b>(1,505,457)</b>   | <b>(1,635,437)</b>   |
| <b>Net income</b>                                                    |       | <b>1,719,862</b>    | <b>2,131,589</b>    | <b>983,897</b>       | <b>1,593,174</b>     |
| Finance costs                                                        |       | (792,032)           | (737,474)           | (661,756)            | (595,110)            |
| Settlement relating to an erstwhile subsidiary                       |       | -                   | (79,975)            | -                    | (79,975)             |
| Impairment loss on non-financial assets:                             |       |                     |                     |                      |                      |
| - investment properties                                              | 13    | (35,000)            | -                   | -                    | -                    |
| - investments                                                        |       | (33)                | -                   | (33)                 | -                    |
| - goodwill                                                           | 10    | -                   | (1,302,235)         | -                    | (899,344)            |
| Impairment loss on financial instruments - net                       |       | (13,870)            | (146,162)           | -                    | -                    |
|                                                                      |       | <b>(840,935)</b>    | <b>(2,265,846)</b>  | <b>(661,789)</b>     | <b>(1,574,429)</b>   |
| <b>Profit/(loss) before tax</b>                                      |       | <b>878,927</b>      | <b>(134,257)</b>    | <b>322,108</b>       | <b>18,745</b>        |
| Income tax                                                           | 28    | 42,100              | 65,776              | -                    | -                    |
| <b>Profit/(loss) after tax for the year</b>                          |       | <b>921,027</b>      | <b>(68,481)</b>     | <b>322,108</b>       | <b>18,745</b>        |
| <b>Attributable to:</b>                                              |       |                     |                     |                      |                      |
| Owners of the Parent                                                 |       | 322,108             | 18,745              | 322,108              | 18,745               |
| Non-controlling interests                                            |       | 598,919             | (87,226)            | -                    | -                    |
|                                                                      |       | <b>921,027</b>      | <b>(68,481)</b>     | <b>322,108</b>       | <b>18,745</b>        |
| <b>Basic and diluted earnings per share</b>                          | 30    | <b>0.0026</b>       | <b>0.0002</b>       | <b>0.0026</b>        | <b>0.0002</b>        |

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4

## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

|                                                               | <b>2019</b>    | 2018     | <b>2019</b>    | 2018   |
|---------------------------------------------------------------|----------------|----------|----------------|--------|
|                                                               | <b>Group</b>   | Group    | <b>Parent</b>  | Parent |
|                                                               | <b>RO</b>      | RO       | <b>RO</b>      | RO     |
| <b>Profit/(loss) for the year</b>                             | <b>921,027</b> | (68,481) | <b>322,108</b> | 18,745 |
| Other comprehensive income                                    |                |          |                |        |
| Items that may be subsequently reclassified to profit or loss |                |          |                |        |
| Other comprehensive income (tax)                              | -              | 4,662    | -              | 2,387  |
| <b>Total comprehensive income/(loss) for the year</b>         | <b>921,027</b> | (63,819) | <b>322,108</b> | 21,132 |
| <b>Total comprehensive income/(loss) attributable to:</b>     |                |          |                |        |
| - Owners of the Parent                                        | <b>322,108</b> | 21,132   | <b>322,108</b> | 21,132 |
| - Non controlling interests                                   | <b>598,919</b> | (84,951) | -              | -      |
|                                                               | <b>921,027</b> | (63,819) | <b>322,108</b> | 21,132 |

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4

## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

|                                                       | Attributable to equity holders of the Parent Company |               |                    |                   |            |                             |
|-------------------------------------------------------|------------------------------------------------------|---------------|--------------------|-------------------|------------|-----------------------------|
|                                                       | Share capital                                        | Legal reserve | Fair value reserve | Retained earnings | Total RO   | Non controlling interest RO |
| <b>Group</b>                                          |                                                      |               |                    |                   |            |                             |
| <b>As at 01 January 2018 (as previously reported)</b> |                                                      |               |                    |                   |            |                             |
| Adjustment on initial application of IFRS 9           | 12,187,500                                           | 4,862,889     | 2,533,094          | 2,001             | 19,585,484 | 6,045,286                   |
| Adjustment on initial application of IFRS 15          | -                                                    | -             | (2,533,094)        | 3,204,733         | 671,639    | (1,734)                     |
| <b>Restated balance as at 01 January 2018</b>         | -                                                    | -             | -                  | (4,022)           | (4,022)    | (953)                       |
| Profit for the year                                   | 12,187,500                                           | 4,862,889     | -                  | 3,202,712         | 20,253,101 | 6,042,599                   |
| Other comprehensive income                            | -                                                    | -             | -                  | 18,745            | 18,745     | (87,226)                    |
| <b>Total comprehensive income</b>                     | -                                                    | -             | -                  | 2,387             | 2,387      | 2,275                       |
| Transactions with owners:                             | -                                                    | -             | -                  | 21,132            | 21,132     | (84,951)                    |
| Unit capital introduced (net)                         | -                                                    | -             | -                  | -                 | -          | 56,388                      |
| <b>Total transactions with owners</b>                 | -                                                    | -             | -                  | -                 | -          | 56,388                      |
| <b>As at 31 December 2018</b>                         | 12,187,500                                           | 4,862,889     | -                  | 3,223,844         | 20,274,233 | 6,014,036                   |
| <b>As at 01 January 2019</b>                          | 12,187,500                                           | 4,862,889     | -                  | 3,223,844         | 20,274,233 | 6,014,036                   |
| Profit for the year                                   | -                                                    | -             | -                  | 322,108           | 322,108    | 598,919                     |
| <b>Total comprehensive income</b>                     | -                                                    | -             | -                  | 322,108           | 322,108    | 598,919                     |
| Legal reserve relating to a subsidiary                | -                                                    | 58,325        | -                  | (58,325)          | -          | -                           |
| Subsidiary reclassified as associate                  | -                                                    | -             | -                  | -                 | -          | (3,410,132)                 |
| <b>At 31 December 2019</b>                            | 12,187,500                                           | 4,921,214     | -                  | 3,487,627         | 20,596,341 | 3,202,823                   |
|                                                       |                                                      |               |                    |                   |            | 26,288,269                  |
|                                                       |                                                      |               |                    |                   |            | 26,288,269                  |

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4

## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2019

| Parent Company                                 | Share<br>capital<br>RO | Legal<br>reserve<br>RO | Revaluation<br>reserve<br>RO | Retained<br>earnings<br>RO | Total<br>RO       |
|------------------------------------------------|------------------------|------------------------|------------------------------|----------------------------|-------------------|
| As at 01 January 2018 (as previously reported) | 12,187,500             | 4,062,500              | 2,533,094                    | 802,390                    | 19,585,484        |
| Adjustment on initial application of IFRS 9    | -                      | -                      | (2,533,094)                  | 3,204,733                  | 671,639           |
| Adjustment on initial application of IFRS 15   | -                      | -                      | -                            | (4,022)                    | (4,022)           |
| <b>Restated balance as at 1 January 2018</b>   | <b>12,187,500</b>      | <b>4,062,500</b>       | <b>-</b>                     | <b>4,003,101</b>           | <b>20,253,101</b> |
| Profit for the year                            | -                      | -                      | -                            | 18,745                     | 18,745            |
| Other comprehensive income                     | -                      | -                      | -                            | 2,387                      | 2,387             |
| Total comprehensive income                     | -                      | -                      | -                            | 21,132                     | 21,132            |
| <b>As at 31 December 2018</b>                  | <b>12,187,500</b>      | <b>4,062,500</b>       | <b>-</b>                     | <b>4,024,233</b>           | <b>20,274,233</b> |
| As at 01 January 2019                          | <b>12,187,500</b>      | <b>4,062,500</b>       | <b>-</b>                     | <b>4,024,233</b>           | <b>20,274,233</b> |
| Profit for the year                            | -                      | -                      | -                            | 322,108                    | 322,108           |
| Other comprehensive income                     | -                      | -                      | -                            | -                          | -                 |
| Total comprehensive income                     | -                      | -                      | -                            | 322,108                    | 322,108           |
| <b>As at 31 December 2019</b>                  | <b>12,187,500</b>      | <b>4,062,500</b>       | <b>-</b>                     | <b>4,346,341</b>           | <b>20,596,341</b> |

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4



## CONSOLIDATED AND THE PARENT COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2018

|                                                               |       | 2019         | 2018        | 2019         | 2018        |
|---------------------------------------------------------------|-------|--------------|-------------|--------------|-------------|
|                                                               |       | Group        | Group       | Parent       | Parent      |
|                                                               | Notes | RO           | RO          | RO           | RO          |
| <b>Cash flows from operating activities</b>                   |       |              |             |              |             |
| Profit/(loss) before tax                                      |       | 878,927      | (134,257)   | 322,108      | 18,745      |
| <b>Adjustments for:</b>                                       |       |              |             |              |             |
| Share of loss/(profits) of equity accounted investees         |       | 35,646       | (405,897)   | (346,705)    | (128,806)   |
| Depreciation/amortisation                                     |       | 301,202      | 244,159     | 123,363      | 75,196      |
| Dividend income                                               |       | (1,716,034)  | (2,076,185) | (1,345,484)  | (1,623,150) |
| Interest income                                               | 22    | (60,172)     | (45,752)    | (35,077)     | (3,989)     |
| Net income from financial assets at FVTPL                     | 7     | (2,058,137)  | (2,115,546) | (675,817)    | (1,443,654) |
| Impairment loss on investments                                |       | 33           | -           | 33           | -           |
| Employees end of service benefits                             | 19    | 57,893       | 64,308      | 37,151       | 41,194      |
| Impairment loss on goodwill                                   |       | -            | 1,302,235   | -            | 899,344     |
| Impairment loss on investment property                        | 13    | 35,000       | -           | -            | -           |
| Impairment loss on financial instruments – net                |       | -            | 145,384     | -            | -           |
| Provision for doubtful debts written off                      |       | (12,389)     | -           | -            | -           |
| Interest expense                                              |       | 792,032      | 737,474     | 661,756      | 595,110     |
| <b>Cash outflows before working capital changes</b>           |       | (1,745,999)  | (2,284,077) | (1,258,672)  | (1,570,010) |
| <b>Changes in working capital:</b>                            |       |              |             |              |             |
| Trade and other receivables                                   |       | 1,589,961    | (723,432)   | 1,997,011    | (1,468,359) |
| Trade and other payables                                      |       | 213,377      | (117,815)   | 159,085      | 15,287      |
| Inventories                                                   |       | 35,880       | (12,975)    | -            | -           |
| Cash generated from/(used in) operations                      |       | 93,219       | (3,138,299) | 897,424      | (3,023,082) |
| Interest paid                                                 |       | (792,032)    | (737,474)   | (661,756)    | (595,110)   |
| End of service benefits paid                                  | 19    | (294,360)    | (31,208)    | (253,227)    | -           |
| <b>Net cash used in operating activities</b>                  |       | (993,173)    | (3,906,981) | (17,559)     | (3,618,192) |
| <b>Cash flows from investing activities</b>                   |       |              |             |              |             |
| Acquisition of property, plant and equipment                  |       | (586,122)    | (747,272)   | (552,765)    | (718,823)   |
| Dividend and interest income received                         |       | 1,811,281    | 2,121,937   | 1,415,636    | 1,627,139   |
| Dividend from equity accounted investees                      |       | 453,859      | -           | 453,859      | -           |
| Proceeds from sale of investments                             |       | 7,596,124    | 8,770,208   | 1,733,733    | 3,181,387   |
| Purchase of investments                                       |       | (3,108,178)  | (6,805,572) | (378,408)    | (1,163,559) |
| <b>Net cash generated from investing activities</b>           |       | 6,166,964    | 3,339,301   | 2,672,055    | 2,926,144   |
| <b>Cash flow from financing activities</b>                    |       |              |             |              |             |
| Repayment of term loans                                       |       | (30,728,875) | (6,385,240) | (30,728,874) | (6,385,240) |
| Proceeds from term loans                                      |       | 29,200,048   | 6,494,805   | 29,200,048   | 6,494,805   |
| Repayment on redemption of units                              |       | (836)        | (2,759)     | -            | -           |
| Payment of finance lease liabilities                          |       | (16,931)     | -           | -            | -           |
| Proceeds from issue of units                                  |       | -            | 59,147      | -            | -           |
| Transfer of cash to Al Amal Fund due to merger                |       | (3,379,432)  | -           | -            | -           |
| <b>Net cash (used in)/generated from financing activities</b> |       | (4,926,025)  | 165,953     | (1,528,826)  | 109,565     |
| <b>Net change in cash and cash equivalents</b>                |       | 247,765      | (401,727)   | 1,125,670    | (582,483)   |
| Cash and cash equivalents at beginning of the year            |       | (536,812)    | (135,085)   | (1,868,032)  | (1,285,549) |
| <b>Cash and cash equivalents at end of the year</b>           | 5     | (289,047)    | (536,812)   | (742,362)    | (1,868,032) |

The notes on pages 11 to 51 form an integral part of these financial statements.

Report of the Auditors - page 1 to 4

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 1 Legal status and principal activities

Oman & Emirates Investment Holding Company SAOG (“the Parent Company”) is registered as an Omani joint stock company. It is engaged in investment activities and related services in accordance with Royal Decree No. 10/93 and its Articles of Association. The Parent Company is licensed to carry out financial investment activities through its branch in the United Arab Emirates (the UAE) by the Central Bank of the UAE. The Parent Company and its subsidiaries (“the Group”) operate in the Sultanate of Oman and the UAE under the Commercial Companies Law 1974 as amended, superseded by Commercial Company Law 2019 promulgated by the Royal Decree No. 18/2019 “The Commercial Companies Law of the Sultanate of Oman”. The Law was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

The Parent Company and its subsidiaries are together referred to as the “Group”. The Group has the following subsidiaries and equity accounted investees.

|                                                             | Country of<br>incorporation | Shareholding<br>percentage |      | Principal<br>Activities  |
|-------------------------------------------------------------|-----------------------------|----------------------------|------|--------------------------|
|                                                             |                             | 2019                       | 2018 |                          |
| <b>Subsidiaries</b>                                         |                             |                            |      |                          |
| Majan Capital Fund                                          | Oman                        | -                          | 92   | Financial services       |
| Omani Euro Food Industries Company SAOG                     | Oman                        | 81                         | 81   | Manufacture of baby food |
| The Financial Corporation Company SAOG and its subsidiaries | Oman                        | 51                         | 51   | Financial services       |
| <b>Equity accounted investees</b>                           |                             |                            |      |                          |
| Oman Hotels and Tourism Company SAOG                        | Oman                        | 32                         | 32   | Hospitality services     |
| Oman Fiber Optic Company SAOG                               | Oman                        | 21                         | 21   | Fiber optic products     |
| Fincorp Al Amal Fund                                        | Oman                        | 37                         | -    | Financial Services       |

#### 2 Basis of accounting

These financial statements for the year ended 31 December 2019 comprise the Parent Company and its subsidiary (together “the Group”). The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as “the financial statements”. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of Commercial Company Law and the disclosure requirements of the Capital Markets Authority (CMA) of Sultanate of Oman.

The Consolidated and Parent Company statement of financial position is prepared in descending order of liquidity, as the presentation is more appropriate in the Groups operation.

##### (a) Use of judgements and estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows.

Estimates and judgements are reviewed regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Impairment of investment in equity accounted investees and subsidiaries**

The Group reviews its investment in equity accounted investees and subsidiaries periodically and evaluates for objective evidence of impairment. Objective evidence includes the performance of equity accounted investees and subsidiaries, the future business model, local economic conditions and other relevant factors. Based on the objective evidences, the Group determines the need for impairment loss on investment in equity accounted investees and subsidiaries.

#### **Impairment of goodwill**

The Group tests annually whether goodwill has impaired, considering projected cash flows, terminal growth rate and discount factors. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

#### **Impairment of trade and other receivables**

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

#### **(b) Functional and presentation currency**

The financial statements are presented in Rials Omani, the Group's functional currency.

#### **(c) Changes in significant accounting policies**

New and revised standards that are effective for annual periods beginning on or after 1 January 2019

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2019. Information on these new standards is presented below.

#### **IFRS 16 Leases**

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described below. The impact of the adoption of IFRS 16 on these financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019. The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all contracts entered into or changed on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

#### Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Group:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

#### Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular with regard to how a lessor manages the risks arising from its residual interest in leased assets.

The application of IFRS 16 has an impact on the statement of cash flows of the Group. Under IFRS 16, lessees must present:

- Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability as part of operating activities;
- Cash paid for the interest portion of a lease liability as either operating activities or financing activities, as permitted by IAS 7 (the Group has opted to include interest paid as part of financing activities); and
- Cash payments for the principal portion for a lease liability, as part of financing activities.

#### Group

| Impact as a lessee      | As at 31 December 2018 | IFRS 16 adjustment | As at 1 January 2019 |
|-------------------------|------------------------|--------------------|----------------------|
| Right of use assets     | -                      | 43,766             | 43,766               |
| Finance lease liability | -                      | 43,766             | 43,766               |

Parent Company does not have an impact of IFRS 16 in its current financial statements.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### Others

The Group does not expect any other standards issued by the IASB, to have a material impact on the Group. These standards are listed as follows:

- Annual Improvements to IFRSs' 2015-2018 cycle;
- IFRIC 23 Uncertainty over Income Tax Treatments;
- IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9);
- IAS 28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28); and
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).

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

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group. These standards are listed as follows:

- Definition of a Business (Amendments to IFRS 3);
- Conceptual Framework for Financial Reporting; and
- IFRS 17 Insurance Contracts (effective 1 January 2022).

### 3 Significant accounting policies

The Group and Parent has consistently applied the following accounting policies to all periods presented, except it mentioned otherwise (see note 2(c)).

#### 3.1 Basis of consolidation

##### (a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity when the Group 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss. Goodwill is tested for any impairment annually.

Consequent to the amendment in IAS 27, effective 01 January 2017, the Parent has adopted equity method to account for its investment in subsidiaries for the purpose of its separate financial statements.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### **(b) Changes in ownership interests in subsidiaries without change of control**

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.

#### **(c) Disposal of subsidiaries**

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated statement of comprehensive income. 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. Consequently, amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### **(d) Equity accounted investees**

Equity accounted investees are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in equity accounted investees are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, including transaction cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in equity accounted investees includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the equity accounted investees. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Consequent to the amendment in IAS 27, effective 01 January 2017, the Parent has adopted equity method to account for its investment in associated for the purpose of its separate financial statements.

### **3.2 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions.

### **3.3 Foreign currency translation**

#### **(a) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

#### **(b) Group companies**

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- (ii) income and expenses for each income statement are translated at average exchange rates; and all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings are taken to other comprehensive income.

### **3.4 Property, plant and equipment**

Property, plant and equipment is stated at historical cost, which includes capitalised borrowing costs, less accumulated depreciation and impairment losses, if any. Historical 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 cost of dismantling and remove the item and restoring the site on which they are located. Subsequent costs are included in the asset's 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over the estimated useful lives, as follows:

|                                          |             |
|------------------------------------------|-------------|
| Buildings                                | 20-40 years |
| Plant and machinery                      | 15-20 years |
| Furniture, fixtures and office equipment | 3-5 years   |
| Leasehold improvements                   | 5 years     |
| Vehicles                                 | 3-4 years   |

The depreciation methods, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other income' in the consolidated statement of comprehensive income.

#### 3.5 Investment properties

Investment properties comprise land and buildings held for long-term rental yields and not occupied by the Parent Company or by the Group. Investment properties are carried at cost, less impairment. Any required impairment charge is recorded in the consolidated statement of comprehensive income.

#### 3.6 Intangible assets

Goodwill arising on acquisition of subsidiaries, equity accounted investees and joint ventures is measured at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### 3.7 Impairment of non-financial assets

Assets that have an indefinite useful life - for example, goodwill are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.



# NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

## for the year ended 31 December 2019

### 3.8 Financial assets and financial liabilities

#### (i) Classification and measurement of financial assets and financial liabilities

##### Financial assets

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; fair value through other comprehensive income – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

|                                    |                                                                                                                                                                                                                                                                                                                          |
|------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.                                                                                                                                                                 |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.                       |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

The application of these policies resulted in the reclassification set out in the table above and explained below:

- a) Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost.
- b) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.
- c) Corporate debt securities that were previously classified as held-to-maturity are now classified at amortised cost. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

#### **Business model assessment**

In making an assessment of the objective of the business model in which a financial asset is held, the Group considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

The Group has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents, balances due from brokers and receivables from reverse sale and repurchase agreements. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities, equity investments, investment in unlisted open-ended investment funds, unlisted private equities and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

#### **Assessment whether contractual cash flows are SPPI**

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

#### **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition unless the Group were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

#### **Financial liabilities**

##### **Classification**

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### **Derecognition**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

##### **Modification**

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

### **3.9 Fair value measurement**

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure.

Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### 3.10 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

### 3.11 Impairment of financial assets

The impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The financial assets at amortised cost consist of trade receivables, cash and cash equivalents, and corporate debt securities.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

#### **Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

#### **Credit-impaired financial assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

#### **Presentation of impairment losses**

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Impairment losses related to trade and other receivables, including contract assets, are presented separately in the statement of profit or loss.

### **3.12 Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents include cash in hand, all bank balances, including short term deposits with a maturity of three months or less from the date of placement and bank overdrafts.



## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

#### **3.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### **3.14 Government grant**

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The loans on the soft terms are carried in the statement of financial position at fair value being the fair value of consideration received. The fair value of the consideration received is the sum of all future cash payments, discounted using the market borrowing rates of interest for loans having similar maturity to discount the future contractual cash flows.

The difference between the fair value and the principal amount of the loans is treated as Government grant and deferred over the period of the loans. The deferred Government grant is recognised as income over the periods necessary to match it on a systematic basis to the costs which it intended to compensate.

#### **3.15 Income tax**

The tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in the statement of comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the liability method, providing for 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 the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither the accounting nor taxable profits, and difference relating to subsidiaries and jointly controlled entities to the extent that they probably will not reverse in foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **3.16 End of service benefits and leave entitlements**

Provision for end of service indemnity for non-Omani employees has been made in accordance with the terms of the Oman Labour Law and its amendments and is based on current remuneration rates and cumulative years of service at the statement of financial position date. Employee's entitlements to annual leave and leave passage are recognised when they accrue to the employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Law are recognised as an expense in the statement of profit or loss as incurred.

## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

#### **3.17 Provisions**

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

#### **3.18 Revenue recognition policy**

The majority of the Group's revenue is derived from trading in equity securities of Companies.

The Group uses the following 5 steps model for revenue recognition.

1. Identifying the contract with a customer
2. Identifying performance obligation
3. Determining the transaction price
4. Allocating the transaction price to the performance obligation
5. Recognising revenue when/as performance obligations are satisfied

The accounting policies of the Parent Company for the purpose of separate financial statements are the same as that of the Group unless otherwise stated.

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

##### **Dividend, interest and other income**

Interest income is recognised using the effective interest rate (EIR).

The EIR is the rate that exactly discounts estimated future receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

Dividend income is recognised when the right to receive payment is established.

Brokerage revenue is recognised on completion of the deal.

Net income from financial instruments at FVTPL includes all realised and unrealised fair value changes and foreign exchange differences, interest and dividend income, including dividend expense on securities sold short.

#### **3.19 Directors' remuneration**

The Directors' remuneration is governed as set out in the Memorandum of Association of the Group, the Commercial Companies Law and regulations issued by the Capital Market Authority.

## **NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**

### **for the year ended 31 December 2019**

#### **3.20 Dividend distribution**

Dividends are recommended by the Board after considering the profit available for distribution and the Parent Company's future cash requirements and are subject to approval by the shareholders at Annual General Meeting. Dividends are recognised as a liability in the financial statements in the period in which they are approved by the Board.

#### **3.21 Fiduciary assets**

The Group provides trustee services to third parties, which involve the holding of the assets of the third parties. These assets that are held in a fiduciary capacity are not included in these consolidated financial statements. (see note 29).

### **4 Financial risk management**

#### **4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The overall risk management programme of the Group focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

The Board of Directors defines risk limits and sets suitable policies in this regard for management of credit risk, liquidity risk as well as market risk relating to the investment and liability management activities of the Group and the Parent Company. Risk management is carried out by the management in accordance with documented policies approved by the Board of Directors.

##### **(a) Market risk**

###### **Foreign exchange risk**

Foreign exchange risk is the risk arising from future commercial transactions or recognised financial assets or liabilities being denominated in a currency that is not the Group's functional currency.

The Group transactions are mainly denominated in Rial Omani, United Arab Emirates Dirham (UAE Dirham), Kuwait Dinar, United States Dollar (US Dollar), Euro and Saudi Riyal. The accounting record of the Parent Company's branch at Abu Dhabi is maintained in UAE Dirham. The Group is not exposed to foreign exchange risk for its net assets denominated in UAE Dirham and US Dollar as the functional currency and UAE Dirham is pegged with US Dollar. Any changes in exchange rate relating to Kuwait Dinar and Euro are not material to the Group.

###### **Interest rate risk**

Interest rate risk is the uncertainty of future earnings resulting from fluctuations in interest rates. The risk arises when there is a mismatch in the assets and liabilities, which are subject to interest rate adjustment within a specified period. The Group is exposed to interest rate risk on its interest bearing assets and liabilities (bank deposits, held-to-maturity financial assets, bank overdrafts and term loans. Assets and liabilities carrying variable rates expose the Group to cash flow interest rate risk.

Financial assets at amortised cost and loan from Governments carry fixed interest rate. Assets or liabilities carrying fixed interest and measured at amortised cost are independent of the short-term changes of the applicable interest rates. Such assets or liabilities do not expose the Group to interest rate risk.

In accordance with liquidity management policies, the Group place bank deposits or borrow funds. The bank deposits are of short-term nature and repriced at the time of maturity. The Group and the Parent Company's borrowings, overdraft and term-loans are at commercial terms which reprice yearly or more frequently. Such



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

frequent re-pricing exposes the Group and the Parent Company to interest rate risk. The Group carries out periodic analysis and monitors the market interest rates fluctuations taking into consideration the Group's needs. In case of material market rate fluctuations, the terms of the deposits and borrowings are renegotiated with the banks and whenever necessary re-invested or borrowed.

If the variable interest would have changed by 50 basis points for the year based on average borrowing level and with all other variable held constant, the profit for the Group and the Parent Company would have been lower/higher by RO 69,251 (2018: RO 69,173) and RO 66,709 (2018: RO 69,018) as per details given below:

|                                            | Group         |               | Parent        |               |
|--------------------------------------------|---------------|---------------|---------------|---------------|
|                                            | 2019          | 2018          | 2019          | 2018          |
|                                            | RO            | RO            | RO            | RO            |
| <b>Financial liabilities:</b>              |               |               |               |               |
| At 1 January                               | 14,182,767    | 13,486,439    | 14,159,605    | 13,447,591    |
| At 31 December                             | 13,517,540    | 14,182,767    | 12,524,111    | 14,159,605    |
| Average Outstanding                        | 13,850,154    | 13,834,603    | 13,341,858    | 13,803,598    |
| <b>Impact of 50 basis point on average</b> | <b>69,251</b> | <b>69,173</b> | <b>66,709</b> | <b>69,018</b> |

#### Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

The Group trades in financial instruments to take advantage of short-term and long-term capital market movements. All investment securities present a risk of loss of capital. The Group controls this risk through a careful selection of securities and other financial instruments within specified limits. The maximum risk resulting from financial instruments is determined by the carrying amount of the financial instruments. The Group's overall market positions for listed securities are monitored on a daily basis by the Investment Manager and are reviewed periodically by the Investment Committee. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The table below summarises the impact of increases / decreases of the country wise indices on the Group's and the Parent Company's profit and equity for the year. The analysis is based on the assumption that the equity indices had increased/decreased by 5% with all other variables held constant and all the companies' equity instruments moved according to the historical correlation with the index:

Impact on the (loss)/profit due to quoted equity assets held and classified as financial assets at fair value through profit or loss:

|                                | Group            |                  | Parent         |                |
|--------------------------------|------------------|------------------|----------------|----------------|
|                                | 2019             | 2018             | 2019           | 2018           |
|                                | RO               | RO               | RO             | RO             |
| Oman                           | (305,126)        | 713,747          | (818,468)      | 661,906        |
| India                          | -                | 11,533           | -              | -              |
| GCC                            | 1,549,003        | 554,478          | 1,419,370      | 109,943        |
| <b>Total</b>                   | <b>1,243,877</b> | <b>1,279,758</b> | <b>600,902</b> | <b>771,849</b> |
| <b>5% increase or decrease</b> | <b>62,194</b>    | <b>63,988</b>    | <b>30,045</b>  | <b>38,593</b>  |

Post-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as fair value through profit or loss. Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### (b) Credit risk

Credit risk is managed on group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Credit risk arises from bank balances, financial assets at amortised cost and credit exposures to customers, including outstanding amounts from related parties. Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties and continually assessing the creditworthiness of counter parties. In monitoring customer credit risk, customers are assessed based on whether they are individuals or legal entity, their ageing profile, maturity and existence of previous financial difficulties.

The Group limits its credit risk with regard to bank deposits by dealing with reputable banks only.

#### (c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. It includes the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame.

In accordance with prudent liquidity risk management, the Group aims to maintain sufficient cash and an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash outflows.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

- (i) The contractual maturity profile of the financial liabilities of the Group is as follows: The amounts are gross, undiscounted and include contractual interest payments.

|                              | Up to 3<br>months<br>RO | 3 to 12<br>months<br>RO | 1 to 5 years<br>RO | Over 5<br>years<br>RO | Total<br>RO       |
|------------------------------|-------------------------|-------------------------|--------------------|-----------------------|-------------------|
| <b>31 December 2019</b>      |                         |                         |                    |                       |                   |
| <b>Financial liabilities</b> |                         |                         |                    |                       |                   |
| Bank overdrafts              | 2,810,213               | -                       | -                  | -                     | 2,810,213         |
| Trade and other payables     | 1,880,084               | -                       | 156,766            | -                     | 2,036,850         |
| Term loans                   | 6,499,652               | 987,537                 | 3,772,758          | -                     | 11,259,947        |
| Loans from Governments       | 2,407,000               | 3,175,000               | 10,571,000         | 2,500,000             | 18,653,000        |
| <b>Total liabilities</b>     | <b>13,596,949</b>       | <b>4,162,537</b>        | <b>14,500,524</b>  | <b>2,500,000</b>      | <b>34,760,010</b> |
| <b>31 December 2018</b>      |                         |                         |                    |                       |                   |
| <b>Financial liabilities</b> |                         |                         |                    |                       |                   |
| Bank overdrafts              | 1,946,614               | -                       | -                  | -                     | 1,946,614         |
| Trade and other payables     | 1,304,067               | 90,591                  | 171,761            | -                     | 1,566,419         |
| Term loans                   | 7,148,946               | 1,133,526               | 4,945,329          | 335,982               | 13,563,783        |
| Loans from Governments       | -                       | 1,932,000               | 11,721,000         | 5,000,000             | 18,653,000        |
| <b>Total liabilities</b>     | <b>10,399,627</b>       | <b>3,156,117</b>        | <b>16,838,090</b>  | <b>5,335,982</b>      | <b>35,729,816</b> |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- (ii) The contractual maturity profile of the financial liabilities of the Parent Company is as follows: The amount are gross, undiscounted and include contractual interest payments.

|                              | Up to 3<br>months<br>RO | 3 to 12<br>months<br>RO | 1 to 5 years<br>RO | Over 5<br>years<br>RO | Total<br>RO |
|------------------------------|-------------------------|-------------------------|--------------------|-----------------------|-------------|
| <b>31 December 2019</b>      |                         |                         |                    |                       |             |
| <b>Financial liabilities</b> |                         |                         |                    |                       |             |
| Bank overdrafts              | 1,816,784               | -                       | -                  | -                     | 1,816,784   |
| Trade and other payables     | 675,152                 | -                       | 156,770            | 1,018,119             | 1,850,041   |
| Term loans                   | 6,499,652               | 987,537                 | 3,772,758          | -                     | 11,259,947  |
| Loans from Governments       | -                       | 2,500,000               | 10,000,000         | 2,500,000             | 15,000,000  |
| Total liabilities            | 8,991,588               | 3,487,537               | 13,929,528         | 3,518,119             | 29,926,772  |
| <b>31 December 2018</b>      |                         |                         |                    |                       |             |
| <b>Financial liabilities</b> |                         |                         |                    |                       |             |
| Bank overdrafts              | 1,923,452               | -                       | -                  | -                     | 1,923,452   |
| Trade and other payables     | 253,864                 | 90,591                  | 171,761            | 778,002               | 1,294,218   |
| Term loans                   | 7,099,406               | 980,500                 | 4,679,066          | 335,982               | 13,094,954  |
| Loans from Governments       | -                       | -                       | 10,000,000         | 5,000,000             | 15,000,000  |
| Total liabilities            | 9,276,722               | 1,071,091               | 14,850,827         | 6,113,984             | 31,312,624  |

#### 4.2 Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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 less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

|                              | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|------------------------------|---------------------|---------------------|----------------------|----------------------|
| Total borrowings             | 32,170,540          | 32,835,767          | 27,524,111           | 29,159,605           |
| Less: cash and bank balances | (2,613,590)         | (1,502,375)         | (1,166,846)          | (147,993)            |
| Net debt                     | 29,556,950          | 31,333,392          | 26,357,265           | 29,011,612           |
| Total equity                 | 20,596,337          | 20,274,233          | 20,596,337           | 20,274,233           |
| Total capital                | 50,153,287          | 51,607,625          | 46,953,602           | 49,285,845           |
| <b>Gearing ratio</b>         | <b>58.9%</b>        | <b>60.7%</b>        | <b>56.1%</b>         | <b>58.9%</b>         |

#### 4.3 Fair value estimation

The Group follows IFRS 13 for financial instruments that are measured in the consolidated statement of financial position at fair value; this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

The fair values of financial assets and financial liabilities that are traded in active markets are based on prices obtained directly from an exchange on which the instruments are traded or obtained from a broker that provides an unadjusted quoted price from an active market for identical instruments. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are not considered active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates and equity prices, foreign currency exchange rates, equity indices, EBITDA multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

#### **i. Valuation approach for specific instruments**

##### **Corporate debt securities**

Where quoted prices in an active market are available at the measurement date for an identical corporate debt security, those prices are used (Level 1 measurement). The Group measures instruments quoted in an active market at mid price, because this price provides a reasonable approximation of the exit price.

##### **Listed equity securities**

Listed equity securities are valued using quoted prices in an active market for an identical instrument (Level 1 measurement).

The following table presents the investments that are measured at fair value.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

|                                                       | Level 1<br>RO     | Level 3<br>RO    | Total<br>RO       |
|-------------------------------------------------------|-------------------|------------------|-------------------|
| <b>The Group</b>                                      |                   |                  |                   |
| <b>31 December 2019</b>                               |                   |                  |                   |
| Financial assets at fair value through profit or loss | <b>17,673,484</b> | <b>7,332,404</b> | <b>25,005,888</b> |
|                                                       | <b>17,673,484</b> | <b>7,332,404</b> | <b>25,005,888</b> |
| 31 December 2018                                      |                   |                  |                   |
| Financial assets at fair value through profit or loss | 25,595,163        | 7,202,096        | 32,797,259        |
|                                                       | 25,595,163        | 7,202,096        | 32,797,259        |
|                                                       | Level 1<br>RO     | Level 3<br>RO    | Total<br>RO       |
| <b>The Parent Company</b>                             |                   |                  |                   |
| <b>31 December 2019</b>                               |                   |                  |                   |
| Financial assets at fair value through profit or loss | <b>14,631,950</b> | <b>6,745,588</b> | <b>21,377,538</b> |
|                                                       | <b>14,631,950</b> | <b>6,745,588</b> | <b>21,377,538</b> |
| 31 December 2018                                      |                   |                  |                   |
| Financial assets at fair value through profit or loss | 15,436,969        | 6,620,109        | 22,057,078        |
|                                                       | 15,436,969        | 6,620,109        | 22,057,078        |

Interest free and subsidised loans from the Governments have been stated at value of consideration received. The fair value of the consideration received is estimated by discounting the future payments at applicable rates at the time of inception of those loans. Other bank borrowing are obtained on market rates and are renegotiated on regular intervals. The carrying amount financial asset at amortised cost approximates its fair value as they carry a fixed commercial rate. The carrying values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

The movement in Level 3 instruments is as follows:

| Particulars           | 2019<br>Group    | 2018<br>Group | 2019<br>Parent   | 2018<br>Parent |
|-----------------------|------------------|---------------|------------------|----------------|
| 1 January             | <b>7,202,096</b> | 7,379,683     | <b>6,620,109</b> | 6,864,573      |
| Sales during the year | -                | (1,281,504)   | -                | (1,250,000)    |
| Fair value adjustment | -                | 660,536       | -                | 660,536        |
| Unrealised gains      | <b>130,309</b>   | 443,381       | <b>125,485</b>   | 345,000        |
| 31 December           | <b>7,332,405</b> | 7,202,096     | <b>6,745,594</b> | 6,620,109      |

Significant unobservable inputs used in measuring fair value:

| Description                 | Fair Value at 31<br>December 2019 | Valuation techniques used                                                | Significant unobservable inputs                                                         |
|-----------------------------|-----------------------------------|--------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| <b>Group</b>                |                                   |                                                                          |                                                                                         |
| Unquoted equity investments | <b>7,332,404</b>                  | DCF, DDM, Net adjusted value & Weighted average combination of DCF & DDM | Expected cash flows<br>Future earnings projection<br>Discount for lack of marketability |
| <b>Parent</b>               |                                   |                                                                          |                                                                                         |
| Unquoted equity investments | <b>6,745,594</b>                  | DCF, DDM, Net adjusted value & Weighted average combination of DCF & DDM | Expected cash flows<br>Future earnings projection<br>Discount for lack of marketability |



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 4.4 Financial instruments by category

The accounting policies of the Group for financial instruments have been applied to the line items below:

##### 31 December 2019

##### Assets

|                                                       |                   |                  |                   |
|-------------------------------------------------------|-------------------|------------------|-------------------|
| Cash and cash equivalents                             | -                 | 2,613,590        | 2,613,590         |
| Trade and other receivables (excluding prepayments)   | -                 | 1,988,352        | 1,988,352         |
| Financial assets at fair value through profit or loss | 25,005,888        | -                | 25,005,888        |
| Financial assets at amortised cost                    | -                 | 2,131,370        | 2,131,370         |
|                                                       | <u>25,005,888</u> | <u>6,733,312</u> | <u>31,739,200</u> |

| Financial<br>assets at<br>FVTPL<br>RO | Financial<br>assets at<br>amortised<br>cost<br>RO | Total<br>RO       |
|---------------------------------------|---------------------------------------------------|-------------------|
| -                                     | 2,613,590                                         | 2,613,590         |
| -                                     | 1,988,352                                         | 1,988,352         |
| 25,005,888                            | -                                                 | 25,005,888        |
| -                                     | 2,131,370                                         | 2,131,370         |
| <u>25,005,888</u>                     | <u>6,733,312</u>                                  | <u>31,739,200</u> |

##### 31 December 2019

##### Liabilities

|                          |                   |
|--------------------------|-------------------|
| Bank overdrafts          | 2,810,213         |
| Trade and other payables | 1,757,870         |
| Term loans               | 10,707,327        |
| Loans from Governments   | 18,653,000        |
|                          | <u>33,928,410</u> |

| Financial<br>liabilities<br>RO |
|--------------------------------|
| 2,810,213                      |
| 1,757,870                      |
| 10,707,327                     |
| 18,653,000                     |
| <u>33,928,410</u>              |

##### 31 December 2018

##### Assets

|                                                       |                   |                  |                   |
|-------------------------------------------------------|-------------------|------------------|-------------------|
| Cash and cash equivalents                             | -                 | 1,502,375        | 1,502,375         |
| Trade and other receivables (excluding prepayments)   | -                 | 3,627,276        | 3,627,276         |
| Financial assets at fair value through profit or loss | 32,797,259        | -                | 32,797,259        |
| Financial assets at amortised cost                    | -                 | 2,142,060        | 2,142,060         |
|                                                       | <u>32,797,259</u> | <u>7,271,711</u> | <u>40,068,970</u> |

| Financial<br>assets at<br>FVTPL<br>RO | Financial<br>assets at<br>amortised<br>cost<br>RO | Total<br>RO       |
|---------------------------------------|---------------------------------------------------|-------------------|
| -                                     | 1,502,375                                         | 1,502,375         |
| -                                     | 3,627,276                                         | 3,627,276         |
| 32,797,259                            | -                                                 | 32,797,259        |
| -                                     | 2,142,060                                         | 2,142,060         |
| <u>32,797,259</u>                     | <u>7,271,711</u>                                  | <u>40,068,970</u> |

##### 31 December 2018

##### Liabilities

|                          |                   |
|--------------------------|-------------------|
| Bank overdrafts          | 1,946,614         |
| Trade and other payables | 1,574,033         |
| Term loans               | 12,236,153        |
| Loans from Governments   | 18,653,000        |
|                          | <u>34,409,800</u> |

| Financial<br>liabilities<br>RO |
|--------------------------------|
| 1,946,614                      |
| 1,574,033                      |
| 12,236,153                     |
| 18,653,000                     |
| <u>34,409,800</u>              |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

The accounting policies of the Group and Parent Company for financial instruments have been applied to the line items below:

#### 31 December 2019

##### Assets

|                                                       |            |
|-------------------------------------------------------|------------|
| Cash and cash equivalents                             | -          |
| Trade and other receivables (excluding prepayments)   | -          |
| Financial assets at fair value through profit or loss | 21,377,543 |
| Financial assets at amortised cost                    | -          |

| Financial assets at FVTPL RO | Financial assets at amortised cost RO | Total RO   |
|------------------------------|---------------------------------------|------------|
| -                            | 1,166,846                             | 1,166,846  |
| -                            | 2,076,517                             | 2,076,517  |
| 21,377,543                   | -                                     | 21,377,543 |
| -                            | 2,131,370                             | 2,131,370  |
| 21,377,543                   | 5,374,733                             | 26,752,276 |

#### 31 December 2019

##### Liabilities

|                          |
|--------------------------|
| Bank overdrafts          |
| Trade and other payables |
| Term loans               |
| Loans from Governments   |

| Financial liabilities RO |
|--------------------------|
| 1,816,784                |
| 1,693,270                |
| 10,707,327               |
| 15,000,000               |
| 29,217,381               |

#### 31 December 2018

##### Assets

|                                                       |            |
|-------------------------------------------------------|------------|
| Cash and cash equivalents                             | -          |
| Trade and other receivables (excluding prepayments)   | -          |
| Financial assets at fair value through profit or loss | 22,057,078 |
| Financial assets at amortised cost                    | -          |

| Financial assets at FVTPL RO | Financial assets at amortised cost RO | Total RO   |
|------------------------------|---------------------------------------|------------|
| -                            | 147,993                               | 147,993    |
| -                            | 2,083,757                             | 2,083,757  |
| 22,057,078                   | -                                     | 22,057,078 |
| -                            | 2,142,060                             | 2,142,060  |
| 22,057,078                   | 4,373,810                             | 26,430,888 |

#### 31 December 2018

##### Liabilities

|                          |
|--------------------------|
| Bank overdrafts          |
| Trade and other payables |
| Term loans               |
| Loans from Governments   |

| Financial liabilities RO |
|--------------------------|
| 1,923,452                |
| 516,216                  |
| 12,236,153               |
| 15,000,000               |
| 29,675,821               |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 5 Cash and bank balances

|                                | 2019             | 2018             | 2019             | 2018           |
|--------------------------------|------------------|------------------|------------------|----------------|
|                                | Group            | Group            | Parent           | Parent         |
|                                | RO               | RO               | RO               | RO             |
| Cash in hand                   | 2,130            | 2,296            | 865              | 287            |
| Short term deposits            | 253,906          | 253,353          | -                | -              |
| Wakala deposits                | 1,035,075        | -                | 1,035,075        | -              |
| Call and current accounts      | 1,323,211        | 1,247,965        | 130,906          | 147,706        |
| Expected credit loss allowance | (732)            | (1,239)          | -                | -              |
|                                | <u>2,613,590</u> | <u>1,502,375</u> | <u>1,166,846</u> | <u>147,993</u> |

- (a) Call accounts carry interest rates of 0.5% (2018: 0.5%) per annum.
- (b) Short term deposit carry an interest rate of 3.2%
- (c) The Parent Company's bank balance includes RO 92,424 (2018: 92,573) in a restricted account in lieu of unclaimed dividend.
- (d) For the purpose of statement of cash flows, cash and cash equivalents comprises of following amounts:

|                           | 2019             | 2018             | 2019             | 2018               |
|---------------------------|------------------|------------------|------------------|--------------------|
|                           | Group            | Group            | Parent           | Parent             |
|                           | RO               | RO               | RO               | RO                 |
| Cash and bank balances    | 2,613,590        | 1,502,375        | 1,166,846        | 147,993            |
| Bank overdrafts (Note 18) | (2,810,213)      | (1,946,614)      | (1,816,784)      | (1,923,452)        |
| Restricted bank balance   | (92,424)         | (92,573)         | (92,424)         | (92,573)           |
|                           | <u>(289,047)</u> | <u>(536,812)</u> | <u>(742,362)</u> | <u>(1,868,032)</u> |

#### 6 Trade and other receivables

|                                       | 2019             | 2018             | 2019          | 2018             |
|---------------------------------------|------------------|------------------|---------------|------------------|
|                                       | Group            | Group            | Parent        | Parent           |
|                                       | RO               | RO               | RO            | RO               |
| Amounts due from related parties:     |                  |                  |               |                  |
| - Due from equity accounted investees | 1,656            | 346,206          | 1,656         | 346,206          |
| Trade receivables                     | 1,963,358        | 1,679,131        | -             | -                |
| Impairment of trade debtors           | (192,837)        | (205,226)        | -             | -                |
|                                       | <u>1,772,177</u> | <u>1,820,111</u> | <u>1,656</u>  | <u>346,206</u>   |
| Other receivables                     | 347,050          | 403,916          | 173,649       | 300,402          |
| Impairment of other receivables       | (130,875)        | (164,775)        | (130,875)     | (130,875)        |
|                                       | <u>1,988,352</u> | <u>2,059,252</u> | <u>44,430</u> | <u>515,733</u>   |
| Receivable on sale of investments     | -                | 1,156,505        | -             | 1,156,505        |
| Advances for building construction    | -                | 411,519          | -             | 411,519          |
| Prepaid expenses                      | 88,496           | 85,323           | 32,181        | 24,941           |
|                                       | <u>2,076,848</u> | <u>3,712,599</u> | <u>76,611</u> | <u>2,108,698</u> |



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

(a) The movement in allowance for trade and other receivables is analysed as follows:

|                                          | <b>2019</b>     | 2018    | <b>2019</b>    | 2018    |
|------------------------------------------|-----------------|---------|----------------|---------|
|                                          | <b>Group</b>    | Group   | <b>Parent</b>  | Parent  |
|                                          | <b>RO</b>       | RO      | <b>RO</b>      | RO      |
| 01 January                               | <b>370,001</b>  | 216,806 | <b>130,875</b> | 130,875 |
| Adjustment on initial adoption of IFRS 9 | -               | 7,811   | -              | -       |
| Charge for the year                      | -               | 145,384 | -              | -       |
| Reversed during the year                 | <b>(46,289)</b> | -       | -              | -       |
| 31 December                              | <b>323,712</b>  | 370,001 | <b>130,875</b> | 130,875 |

(b) As of 31 December 2019, trade receivables of RO 192,837 (2018- RO 205,226) were assessed as impaired and fully provided for.

(c) The fair values of trade and other receivables approximates their carrying amounts. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

#### 7 Financial assets at fair value through profit or loss

The movement in financial assets at fair value through profit or loss during the year is as follows:

|                                                           | <b>2019</b>        | 2018        | <b>2019</b>        | 2018        |
|-----------------------------------------------------------|--------------------|-------------|--------------------|-------------|
|                                                           | <b>Group</b>       | Group       | <b>Parent</b>      | Parent      |
|                                                           | <b>RO</b>          | RO          | <b>RO</b>          | RO          |
| <b>At 1 January</b>                                       | <b>32,797,259</b>  | 17,801,591  | <b>22,057,078</b>  | 8,294,865   |
| Transfer on reclassification                              | -                  | 13,027,720  | -                  | 12,519,348  |
| Adjustment on IFRS 9 adoption                             | -                  | 660,536     | -                  | 660,536     |
| Transfer on reclassification of subsidiaries to associate | <b>(4,847,052)</b> | -           | -                  | -           |
| Purchases during the year                                 | <b>3,108,146</b>   | 6,805,572   | <b>378,376</b>     | 1,163,559   |
| Sales during the year                                     | <b>(7,596,124)</b> | (7,573,194) | <b>(1,771,837)</b> | (2,035,454) |
| Unrealised gains/(loss)                                   | <b>1,543,659</b>   | 2,075,034   | <b>713,921</b>     | 1,454,224   |
| <b>At 31 December</b>                                     | <b>25,005,888</b>  | 32,797,259  | <b>21,377,538</b>  | 22,057,078  |
| Realised gain/(loss) on sale                              | <b>514,478</b>     | 40,512      | <b>(38,104)</b>    | (10,570)    |

(a) The financial assets at fair value through profit or loss are denominated in the following currencies:

|               | <b>2019</b>       | 2018       | <b>2019</b>       | 2018       |
|---------------|-------------------|------------|-------------------|------------|
|               | <b>Group</b>      | Group      | <b>Parent</b>     | Parent     |
|               | <b>RO</b>         | RO         | <b>RO</b>         | RO         |
| Rial Omani    | <b>19,275,059</b> | 21,102,406 | <b>18,239,376</b> | 19,547,309 |
| UAE Dirham    | <b>4,239,498</b>  | 5,187,970  | <b>3,138,162</b>  | 2,509,769  |
| Saudi Rial    | <b>799,308</b>    | 5,211,868  | -                 | -          |
| Qatar Rial    | <b>89,099</b>     | 437,112    | -                 | -          |
| Kuwait Dinar  | <b>568,513</b>    | 557,829    | -                 | -          |
| Indian Rupees | -                 | 230,665    | -                 | -          |
| Others        | <b>34,411</b>     | 69,409     | -                 | -          |
|               | <b>25,005,888</b> | 32,797,259 | <b>21,377,538</b> | 22,057,078 |

(b) A detailed sector wise analysis of financial assets at fair value through profit or loss is disclosed under note 8.

(c) Financial assets at fair value through profit or loss of RO 12,569,242 (2018 – RO 15,458,093) are pledged by Parent Company with commercial banks as security against credit facilities (notes 20 and 21).

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 8 Investments analysis

The following tables provide, the Group's and the Parent Company's investments in equity securities comprising of financial assets at fair value through profit or loss.

- (a) Details where the holding of the Group and the Parent Company is 10% or more of the market value of its investment:

|                              | % of investment portfolio | Number of securities | Carrying and fair value RO | Original cost RO |
|------------------------------|---------------------------|----------------------|----------------------------|------------------|
| <b>Group – local quoted</b>  |                           |                      |                            |                  |
| <b>31 December 2019</b>      |                           |                      |                            |                  |
| Bank Muscat SAOG             | 12                        | 13,193,903           | 5,726,154                  | 3,993,976        |
| <b>31 December 2018</b>      |                           |                      |                            |                  |
| Bank Muscat SAOG             | 12                        | 13,389,636           | 5,489,751                  | 4,395,936        |
| <b>Parent – local quoted</b> |                           |                      |                            |                  |
| <b>31 December 2019</b>      |                           |                      |                            |                  |
| Bank Muscat SAOG             | 12                        | 13,193,903           | 5,726,154                  | 3,993,976        |
| <b>31 December 2018</b>      |                           |                      |                            |                  |
| Bank Muscat SAOG             | 12                        | 13,389,636           | 5,489,751                  | 4,395,936        |

- (b) Details where the holdings of the Group and the Parent Company is 10% or more of the investee company's share capital:

|                                           | Holding % | Number of securities | Carrying and fair value RO | Original cost RO |
|-------------------------------------------|-----------|----------------------|----------------------------|------------------|
| <b>Group – local quoted</b>               |           |                      |                            |                  |
| <b>31 December 2019</b>                   |           |                      |                            |                  |
| Computer Stationery Industry Company SAOG | 14        | 1,443,710            | 375,365                    | 468,504          |
| National Aluminium Products Company SAOG  | 13        | 4,462,500            | 758,625                    | 852,792          |
|                                           |           |                      | 1,133,990                  | 1,321,296        |
| <b>31 December 2018</b>                   |           |                      |                            |                  |
| Computer Stationery Industry Company SAOG | 14        | 1,443,710            | 375,365                    | 468,504          |
| National Aluminium Products Company SAOG  | 13        | 4,461,800            | 1,543,783                  | 852,744          |
|                                           |           |                      | 1,919,148                  | 1,321,248        |
| <b>The Parent Company – local quoted</b>  |           |                      |                            |                  |
| <b>31 December 2019</b>                   |           |                      |                            |                  |
| Computer Stationery Industry Company SAOG | 14        | 1,443,710            | 375,365                    | 468,504          |
| National Aluminium Products Company SAOG  | 13        | 4,462,500            | 758,625                    | 852,792          |
|                                           |           |                      | 1,133,990                  | 1,321,296        |
| <b>31 December 2018</b>                   |           |                      |                            |                  |
| Computer Stationery Industry Company SAOG | 14        | 1,443,710            | 375,365                    | 468,504          |
| National Aluminium Products Company SAOG  | 13        | 4,461,800            | 1,543,783                  | 852,744          |
|                                           |           |                      | 1,919,148                  | 1,321,248        |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

Sector wise investment is as follows:

|                                      | 2019                                                     |                   | 2018                                                     |                   |
|--------------------------------------|----------------------------------------------------------|-------------------|----------------------------------------------------------|-------------------|
|                                      | Financial assets at fair value through profit or loss RO | Original cost RO  | Financial assets at fair value through profit or loss RO | Original cost RO  |
| <b>Group</b>                         |                                                          |                   |                                                          |                   |
| <b>Local quoted investments:</b>     |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 7,512,456                                                | 6,183,006         | 9,603,001                                                | 8,614,348         |
| Manufacturing sector                 | 1,490,116                                                | 3,309,675         | 2,648,712                                                | 1,719,147         |
| Services and other sectors           | 3,228,983                                                | 2,754,951         | 2,023,225                                                | 1,472,893         |
|                                      | <u>12,231,555</u>                                        | <u>12,247,632</u> | <u>14,274,938</u>                                        | <u>11,806,388</u> |
| <b>Overseas quoted investments:</b>  |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 2,090,972                                                | 1,852,098         | 6,532,375                                                | 5,903,838         |
| Manufacturing sector                 | 225,344                                                  | 224,742           | 1,460,562                                                | 1,352,780         |
| Services and other sectors           | 3,125,613                                                | 1,095,785         | 3,327,288                                                | 2,802,843         |
|                                      | <u>5,441,929</u>                                         | <u>3,172,625</u>  | <u>11,320,225</u>                                        | <u>10,059,461</u> |
| <b>Local unquoted investments:</b>   |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 552,933                                                  | 475,195           | 636,328                                                  | 467,990           |
| Services and other sectors           | 2,933,995                                                | 2,416,437         | 2,676,580                                                | 1,995,479         |
| Manufacturing sector                 | 3,556,575                                                | 2,022,190         | 3,514,560                                                | 2,301,522         |
|                                      | <u>7,043,503</u>                                         | <u>4,913,822</u>  | <u>6,827,468</u>                                         | <u>4,764,991</u>  |
| <b>Overseas unquoted investment:</b> |                                                          |                   |                                                          |                   |
| <b>Banking and investment sector</b> | 288,901                                                  | 597,684           | 374,628                                                  | 630,296           |
|                                      | <u>288,901</u>                                           | <u>597,684</u>    | <u>374,628</u>                                           | <u>630,296</u>    |
|                                      | <u>25,005,888</u>                                        | <u>20,931,763</u> | <u>32,797,259</u>                                        | <u>27,261,136</u> |
| <b>Parent Company</b>                |                                                          |                   |                                                          |                   |
| <b>Local quoted investments:</b>     |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 7,122,600                                                | 5,792,414         | 8,699,598                                                | 7,702,549         |
| Manufacturing sector                 | 1,413,905                                                | 3,223,608         | 2,541,590                                                | 1,616,151         |
| Services and other sectors           | 3,220,383                                                | 2,746,551         | 1,996,925                                                | 1,446,433         |
|                                      | <u>11,756,888</u>                                        | <u>11,762,573</u> | <u>13,238,113</u>                                        | <u>10,765,133</u> |
| <b>Overseas quoted investments:</b>  |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 118,787                                                  | 54,968            | 430,234                                                  | 329,758           |
| Services and other sectors           | 2,756,275                                                | 722,322           | 1,768,622                                                | 1,135,192         |
|                                      | <u>2,875,062</u>                                         | <u>777,290</u>    | <u>2,198,856</u>                                         | <u>1,464,950</u>  |
| <b>Local unquoted investments:</b>   |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 318,053                                                  | 250,000           | 343,250                                                  | 250,000           |
| Services and other sectors           | 2,607,859                                                | 2,105,522         | 2,451,385                                                | 1,826,190         |
| Manufacturing sector                 | 3,556,575                                                | 2,022,190         | 3,514,560                                                | 2,301,522         |
|                                      | <u>6,482,487</u>                                         | <u>4,377,712</u>  | <u>6,309,195</u>                                         | <u>4,377,712</u>  |
| <b>Overseas unquoted investment:</b> |                                                          |                   |                                                          |                   |
| Banking and investment sector        | 263,106                                                  | 533,970           | 310,914                                                  | 533,970           |
|                                      | <u>21,377,543</u>                                        | <u>17,451,545</u> | <u>22,057,078</u>                                        | <u>17,141,765</u> |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 9 Investment in equity accounted investees

The movement in investment in equity accounted investees during the year is as follows

|                               | <b>2019</b>       | 2018       | <b>2019</b>       | 2018       |
|-------------------------------|-------------------|------------|-------------------|------------|
|                               | <b>Group</b>      | Group      | <b>Parent</b>     | Parent     |
|                               | <b>RO</b>         | RO         | <b>RO</b>         | RO         |
| <b>At 1 January</b>           | <b>14,868,150</b> | 14,443,837 | <b>14,868,150</b> | 14,443,837 |
| Adjustment on IFRS 9 adoption | -                 | 18,416     | -                 | 18,416     |
| Purchases/Merger              | <b>5,408,579</b>  | -          | <b>3,444,974</b>  | -          |
| Share of (loss)/profit        | <b>(117,983)</b>  | 405,897    | <b>(35,646)</b>   | 405,897    |
| Dividend received             | <b>(453,859)</b>  | -          | <b>(453,859)</b>  | -          |
| <b>At 31 December</b>         | <b>19,704,887</b> | 14,868,150 | <b>17,823,619</b> | 14,868,150 |

- (a) The carrying amount of investment in equity accounted investees includes unimpaired goodwill amounting to RO 3,704,608 (2018 - RO 3,704,608).
- (b) Investments in equity accounted investees are pledged with commercial banks as security against credit facilities (Notes 20 and 21).

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

|                                                   | Oman Hotels and<br>Tourism Co SAOC |             | Oman Fiber Optics<br>Company SAOC |              | Fincorp Al Amal Fund |           | Total        |              |
|---------------------------------------------------|------------------------------------|-------------|-----------------------------------|--------------|----------------------|-----------|--------------|--------------|
|                                                   | RO                                 | RO          | RO                                | RO           | RO                   | RO        | RO           | RO           |
|                                                   | 2019                               | 2018        | 2019                              | 2018         | 2019                 | 2019      | 2019         | 2018         |
| Equity accounted investees                        |                                    |             |                                   |              |                      |           |              |              |
| <b>Summarised statement of financial position</b> |                                    |             |                                   |              |                      |           |              |              |
| Assets                                            |                                    |             |                                   |              |                      |           |              |              |
| Cash and bank balances                            | 858,647                            | 178,717     | 779,551                           | 786,770      | 687,068              | 454,938   | 2,325,266    | 1,420,425    |
| Investments                                       | 19,261,676                         | 19,480,737  | -                                 | 46,770       | 8,228,784            | 3,938,499 | 27,490,460   | 23,466,006   |
| Other assets                                      | 14,942,010                         | 14,120,301  | 30,844,827                        | 36,554,516   | 8,212                | 5,170     | 45,795,049   | 50,679,987   |
|                                                   | 35,062,333                         | 33,779,755  | 31,624,378                        | 37,388,056   | 8,924,064            | 4,398,607 | 75,610,775   | 75,566,418   |
| <b>Total liabilities</b>                          | (6,800,873)                        | (5,804,174) | (14,738,400)                      | (18,456,144) | (83,444)             | (45,063)  | (21,622,717) | (24,305,381) |
| <b>Net assets</b>                                 | 28,261,460                         | 27,975,581  | 16,885,978                        | 18,931,912   | 8,840,620            | 4,353,544 | 53,988,058   | 51,261,037   |
| Summarised statement of comprehensive income      |                                    |             |                                   |              |                      |           |              |              |
| Net revenue                                       | 3,599,620                          | 3,759,414   | 21,321,973                        | 28,119,984   | -                    | -         | 24,921,593   | 31,879,398   |
| Investment and other income                       | 275,645                            | 310,562     | 1,616                             | 26,311       | 548,884              | 471,509   | 826,145      | 808,382      |
| Expenses                                          | (3,521,425)                        | (3,570,902) | (20,541,914)                      | (25,828,998) | (198,643)            | (125,502) | (24,261,982) | (29,525,402) |
| Profit before tax                                 | 353,840                            | 499,074     | 781,675                           | 2,317,297    | 350,241              | 346,007   | 1,485,756    | 3,162,378    |
| Income tax                                        | (67,960)                           | (44,128)    | (663,074)                         | (351,309)    | -                    | -         | (731,034)    | (395,437)    |
| Profit after tax                                  | 285,880                            | 454,946     | 118,601                           | 1,965,988    | 350,241              | 346,007   | 754,722      | 2,766,941    |
| Other Comprehensive income                        | -                                  | -           | -                                 | -            | -                    | -         | -            | -            |
| Total comprehensive income                        | 285,880                            | 454,946     | 118,601                           | 1,965,988    | 350,241              | 346,007   | 754,722      | 2,766,941    |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

### Reconciliation of summarised financial information

Opening net assets at 1 January \*

Profit for the year

Adjustment on IFRS 9 adoption

Net units subscription

Dividend paid

**Closing net assets at 31 December**

**Interest in equity accounted investees**

Holding – in %

- in RO

Goodwill

Carrying value

Cost of investment

Dividend received

**Share of results**

|                                               | Oman Hotels and<br>Tourism Co SAOC |                   | Oman Fiber Optics Co<br>SAOC |                   | Fincorp Al Amal Fund |                  | Total             |                   |
|-----------------------------------------------|------------------------------------|-------------------|------------------------------|-------------------|----------------------|------------------|-------------------|-------------------|
|                                               | RO<br>2019                         | RO<br>2018        | RO<br>2019                   | RO<br>2018        | RO<br>2019           | RO<br>2018       | RO<br>2019        | RO<br>2018        |
| Opening net assets at 1 January *             | 22,689,232                         | 22,240,153        | 18,931,912                   | 16,878,287        | 4,353,544            | 3,968,131        | 45,974,688        | 43,086,571        |
| Profit for the year                           | 285,878                            | 454,946           | 118,601                      | 1,965,988         | 350,241              | 346,007          | 754,720           | 2,766,941         |
| Adjustment on IFRS 9 adoption                 | -                                  | (5,867)           | -                            | 87,637            | -                    | -                | -                 | 81,770            |
| Net units subscription                        | -                                  | -                 | -                            | -                 | 4,136,835            | 39,406           | 4,136,835         | 39,406            |
| Dividend paid                                 | -                                  | -                 | (2,164,535)                  | -                 | -                    | -                | (2,164,535)       | -                 |
| <b>Closing net assets at 31 December</b>      | <b>22,975,110</b>                  | <b>22,689,232</b> | <b>16,885,978</b>            | <b>18,931,912</b> | <b>8,840,620</b>     | <b>4,353,544</b> | <b>48,701,708</b> | <b>45,974,688</b> |
| <b>Interest in equity accounted investees</b> |                                    |                   |                              |                   |                      |                  |                   |                   |
| Holding – in %                                | 31.72                              | 31.72             | 20.97                        | 20.97             | 37                   | -                | -                 | -                 |
| - in RO                                       | 7,284,594                          | 7,193,906         | 3,540,645                    | 3,969,636         | 3,293,772            | -                | 14,119,011        | 11,163,542        |
| Goodwill                                      | 2,713,227                          | 2,713,227         | 991,381                      | 991,381           | -                    | -                | 3,704,608         | 3,704,608         |
| Carrying value                                | 9,997,821                          | 9,907,133         | 4,532,026                    | 4,961,017         | 3,293,771            | -                | 17,823,619        | 14,868,150        |
| Cost of investment                            | 5,328,367                          | 5,328,367         | 2,742,573                    | 2,742,573         | 3,444,974            | -                | 11,515,914        | 8,070,940         |
| Dividend received                             | -                                  | -                 | 453,859                      | -                 | -                    | -                | -                 | -                 |
| <b>Share of results</b>                       | <b>90,689</b>                      | <b>(6,331)</b>    | <b>24,868</b>                | <b>412,228</b>    | <b>(151,203)</b>     | <b>-</b>         | <b>(35,646)</b>   | <b>405,897</b>    |

\* Opening net assets of Oman Hotels and Tourism Company SAOC does not include RO 5,286,350 relating to a revaluation of the assets carried by the Company.



**NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS**  
for the year ended 31 December 2019

**10 Investment in subsidiaries**

|                                         | Holding % | Cost             | Impairment allowance | Revised cost     | Opening carrying value |                  | Share of results | Share of OCI    | IFRS 9 & 15 Adjustment |                    | Transfer to Associate | Impairment       | Transfer to Liabilities | Closing carrying value |
|-----------------------------------------|-----------|------------------|----------------------|------------------|------------------------|------------------|------------------|-----------------|------------------------|--------------------|-----------------------|------------------|-------------------------|------------------------|
|                                         |           |                  |                      |                  | RO                     | RO               |                  |                 | RO                     | RO                 |                       |                  |                         |                        |
| 31 December 2019                        |           |                  |                      |                  |                        |                  |                  |                 |                        |                    |                       |                  |                         |                        |
|                                         | -         | -                | -                    | -                | 2,997,739              | 447,234          | -                | -               | -                      | (3,444,973)        | -                     | -                | -                       | -                      |
| Majan Capital Fund                      |           |                  |                      |                  |                        |                  |                  |                 |                        |                    |                       |                  |                         |                        |
| Omani Euro Food Industries Company SAOG | 81        | 1,616,747        | 1,616,747            | -                | -                      | (240,116)        | -                | -               | -                      | -                  | -                     | -                | 240,116                 | -                      |
| The Financial Corporation Company SAOG  | 51        | 5,083,591        | 1,383,604            | 3,699,987        | 3,438,086              | 175,233          | -                | -               | -                      | -                  | -                     | -                | -                       | 3,613,319              |
|                                         |           | <u>6,700,338</u> | <u>3,000,351</u>     | <u>3,699,987</u> | <u>6,435,825</u>       | <u>382,351</u>   | <u>-</u>         | <u>-</u>        | <u>-</u>               | <u>(3,444,973)</u> | <u>-</u>              | <u>-</u>         | <u>240,116</u>          | <u>3,613,319</u>       |
| 31 December 2018                        |           |                  |                      |                  |                        |                  |                  |                 |                        |                    |                       |                  |                         |                        |
| Majan Capital Fund                      | 92        | 1,412,059        | -                    | 1,412,059        | 2,818,673              | 179,066          | -                | -               | -                      | -                  | -                     | -                | -                       | 2,997,739              |
| Omani Euro Food Industries Company SAOG | 81        | 1,616,747        | 1,616,747            | -                | -                      | (168,286)        | -                | -               | (11,335)               | -                  | -                     | -                | 179,621                 | -                      |
| The Financial Corporation Company SAOG  | 51        | 5,083,591        | 484,260              | 4,599,331        | 4,622,914              | (287,871)        | 2,387            | -               | -                      | -                  | -                     | (899,344)        | 179,621                 | 3,617,707              |
|                                         |           | <u>8,112,397</u> | <u>2,101,007</u>     | <u>6,011,390</u> | <u>7,441,587</u>       | <u>(277,091)</u> | <u>2,387</u>     | <u>(11,335)</u> | <u>-</u>               | <u>-</u>           | <u>-</u>              | <u>(899,344)</u> | <u>359,242</u>          | <u>6,615,446</u>       |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- The original cost of investment in FINCORP amounting to RO 5,083,591 includes goodwill of RO 1,383,604 which has been fully impaired and recognised in the statement of profit or loss in the previous years.
- The Parent Company pledged its investment in subsidiaries with commercial banks against credit facilities (notes 20 and 21).
- Impairment test on goodwill:

The key assumptions used in the estimation of value in use were as follows:

|                      | 2019 | 2018    |
|----------------------|------|---------|
| Discount rate        | Nil  | 14.3%   |
| Terminal Growth rate | Nil  | 2.00%   |
| Budgeted EBITA (RO)  | Nil  | 155,446 |

The discount rate was based on the Government bond rates issued by the Government in the money market and the same has been adjusted for risk premium. Five years of cash flows were included in the cash flow model. A long term growth rate has been determined as the lower of the nominal gross domestic product (GDP) of Sultanate of Oman.

- The Parent Company has issued a comfort letter to fund the operations of Omani Euro Foods Industries SAOG for 2019 and beyond till the subsidiary starts generating stable income stream.
- During the year, the subsidiary of the Company named, Majan Fund Capital was merge with one of the associates of the Parent Company named Fincorp. The investment in the Majan was disposed off at the NAV of RO 1.158 and subsequently recorded Al Amal Fund at the NAV of RO 1.128 under equity method in the financial statements of the Parent Company. However, no gain or loss was recognized as the total investment amounting to RO 3,444,973 at the date of transaction remained the same under swap agreement.



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

Set out below are the summarised financial information for the subsidiaries:

|                                                     | The Financial Corporation |                   | Majjan Capital Fund |                  | Omani Euro Food Industries Co SAOG |                  | Total             |                   |
|-----------------------------------------------------|---------------------------|-------------------|---------------------|------------------|------------------------------------|------------------|-------------------|-------------------|
|                                                     | RO<br>2019                | RO<br>2018        | RO<br>2019          | RO<br>2018       | RO<br>2019                         | RO<br>2018       | RO<br>2019        | RO<br>2018        |
| <b>Subsidiaries</b>                                 |                           |                   |                     |                  |                                    |                  |                   |                   |
| <b>Summarised statement of financial position</b>   |                           |                   |                     |                  |                                    |                  |                   |                   |
| Assets                                              |                           |                   |                     |                  |                                    |                  |                   |                   |
| Cash and bank balances                              | 1,154,006                 | 1,006,516         | -                   | 130,124          | 292,738                            | 495,575          | 1,446,744         | 1,632,215         |
| Investments                                         | 5,509,613                 | 7,597,242         | -                   | 3,142,939        | -                                  | -                | 5,509,613         | 10,740,181        |
| Other assets                                        | 2,223,871                 | 1,953,442         | -                   | 7,795            | 2,495,987                          | 2,491,770        | 4,719,858         | 4,453,007         |
| <b>Total assets</b>                                 | <b>8,887,490</b>          | <b>10,557,200</b> | <b>-</b>            | <b>3,280,858</b> | <b>2,788,725</b>                   | <b>2,987,345</b> | <b>11,676,215</b> | <b>16,825,403</b> |
| <b>Total liabilities</b>                            | <b>1,830,027</b>          | <b>1,166,738</b>  | <b>-</b>            | <b>37,035</b>    | <b>4,048,167</b>                   | <b>3,949,775</b> | <b>5,878,194</b>  | <b>5,153,548</b>  |
| <b>Net assets</b>                                   | <b>7,057,463</b>          | <b>9,390,462</b>  | <b>-</b>            | <b>3,243,823</b> | <b>(1,259,442)</b>                 | <b>(962,430)</b> | <b>5,798,021</b>  | <b>11,671,855</b> |
| <b>Share of non-controlling interest</b>            | <b>-</b>                  | <b>2,675,261</b>  | <b>-</b>            | <b>246,084</b>   | <b>(241,322)</b>                   | <b>(184,427)</b> | <b>(241,322)</b>  | <b>2,736,918</b>  |
| <b>Summarised statement of comprehensive income</b> |                           |                   |                     |                  |                                    |                  |                   |                   |
| Net revenue                                         | 354,376                   | 245,064           | -                   | -                | 131,040                            | 193,495          | 485,416           | 438,559           |
| Investment and other income                         | 1,224,959                 | 848,456           | -                   | 326,075          | 8,633                              | 4,213            | 1,233,592         | 1,178,744         |
| Expenses                                            | (827,049)                 | (1,509,414)       | -                   | (132,095)        | (436,685)                          | (405,887)        | (1,263,734)       | (2,047,396)       |
| (Loss) / profit before tax                          | 752,286                   | (415,894)         | -                   | 193,980          | (297,012)                          | (208,179)        | 455,274           | (430,093)         |
| Income tax                                          | 42,100                    | 65,776            | -                   | -                | -                                  | -                | 42,100            | 65,776            |
| (Loss) / profit after tax                           | 794,386                   | (350,118)         | -                   | 193,980          | (297,012)                          | (208,179)        | 497,374           | (364,317)         |
| (Loss) / profit attributable to Parent              | 342,262                   | (562,265)         | -                   | 193,980          | (297,012)                          | (208,179)        | 45,250            | (576,464)         |
| Other comprehensive income                          | -                         | 4,662             | -                   | -                | -                                  | -                | -                 | 4,662             |
| Total comprehensive (loss) / income                 | 794,386                   | (557,603)         | -                   | 193,980          | (297,012)                          | (208,179)        | 497,374           | (571,802)         |
| <b>Share of Non-Controlling Interest</b>            | <b>452,124</b>            | <b>212,147</b>    | <b>-</b>            | <b>14,914</b>    | <b>(56,896)</b>                    | <b>(39,893)</b>  | <b>395,228</b>    | <b>(187,168)</b>  |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 11 Financial assets at amortised cost

The Parent Company subscribed to the Participating Shares of a Company that extended “Murhabha Finance” to a school in UAE for a period of 6 years. On a back to back arrangement, this investment carries an average yield of 9% per annum and will mature in September 2023. The returns from these investments are accounted for as dividends.

(a) The movement in investment in financial asset at amortised cost during the year is as follows

|                               | <b>2019</b>      | 2018        | <b>2019</b>      | 2018        |
|-------------------------------|------------------|-------------|------------------|-------------|
|                               | <b>Group</b>     | Group       | <b>Parent</b>    | Parent      |
|                               | <b>RO</b>        | RO          | <b>RO</b>        | RO          |
| <b>As at 1 January</b>        | <b>2,142,060</b> | 3,343,299   | <b>2,142,060</b> | 3,343,299   |
| Purchases                     | -                | -           | -                | -           |
| Sales                         | -                | (1,156,505) | -                | (1,156,505) |
| Amortisation of placement fee | <b>(10,689)</b>  | (44,734)    | <b>(10,689)</b>  | (44,734)    |
| <b>As at 31 December</b>      | <b>2,131,371</b> | 2,142,060   | <b>2,131,371</b> | 2,142,060   |

- During the period, dividend earned on the above investment amounted to RO 184,994 (2018: RO 165,574).
- The said dividend received in advance from the Company

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2019

### 12 Property, plant and equipment

| Group                                      | Building         | Plant and machinery | Furniture and fixtures | Leasehold improvement | Office equipment | Vehicles       | Capital work in progress | Total             |
|--------------------------------------------|------------------|---------------------|------------------------|-----------------------|------------------|----------------|--------------------------|-------------------|
| Cost                                       | RO               | RO                  | RO                     | RO                    | RO               | RO             | RO                       | RO                |
| 1 January 2019                             | 1,309,724        | 5,817,288           | 613,299                | 76,326                | 152,947          | 243,874        | 3,309,544                | 11,523,002        |
| Additions                                  | -                | 17,046              | 347,204                | -                     | 81,415           | -              | 140,456                  | 586,121           |
| Disposals                                  | -                | -                   | (67,437)               | -                     | (36,785)         | -              | -                        | (104,222)         |
| Transfer to Building/Investment Properties | 345,000          | -                   | -                      | -                     | -                | -              | (3,450,000)              | (3,105,000)       |
| <b>31 December 2019</b>                    | <b>1,654,724</b> | <b>5,834,334</b>    | <b>893,066</b>         | <b>76,326</b>         | <b>197,577</b>   | <b>243,874</b> | <b>-</b>                 | <b>8,899,901</b>  |
| Accumulated depreciation                   |                  |                     |                        |                       |                  |                |                          |                   |
| 1 January 2019                             | 813,126          | 4,609,718           | 564,800                | 76,326                | 137,182          | 206,764        | -                        | 6,407,916         |
| Charge for the year                        | 31,623           | 113,573             | 42,763                 | -                     | 13,590           | 19,707         | -                        | 221,256           |
| Disposals                                  | -                | -                   | (67,437)               | -                     | (36,785)         | -              | -                        | (104,222)         |
| <b>31 December 2019</b>                    | <b>844,749</b>   | <b>4,723,291</b>    | <b>540,126</b>         | <b>76,326</b>         | <b>113,987</b>   | <b>226,471</b> | <b>-</b>                 | <b>6,524,950</b>  |
| <b>Net book value</b>                      | <b>809,975</b>   | <b>1,111,043</b>    | <b>352,940</b>         | <b>-</b>              | <b>83,590</b>    | <b>17,403</b>  | <b>-</b>                 | <b>2,374,951</b>  |
| Cost                                       |                  |                     |                        |                       |                  |                |                          |                   |
| 1 January 2018                             | 1,309,724        | 5,809,247           | 604,790                | 76,326                | 147,500          | 251,724        | 2,591,919                | 10,791,230        |
| Additions                                  | -                | 8,041               | 8,509                  | -                     | 5,447            | 7,650          | 717,625                  | 747,272           |
| Disposals                                  | -                | -                   | -                      | -                     | -                | (15,500)       | -                        | (15,500)          |
| <b>31 December 2018</b>                    | <b>1,309,724</b> | <b>5,817,288</b>    | <b>613,299</b>         | <b>76,326</b>         | <b>152,947</b>   | <b>243,874</b> | <b>3,309,544</b>         | <b>11,523,002</b> |
| Accumulated depreciation                   |                  |                     |                        |                       |                  |                |                          |                   |
| 1 January 2018                             | 787,253          | 4,496,630           | 543,423                | 76,326                | 131,940          | 188,419        | -                        | 6,223,991         |
| Charge for the year                        | 25,873           | 113,088             | 21,377                 | -                     | 5,242            | 33,845         | -                        | 199,425           |
| Disposals                                  | -                | -                   | -                      | -                     | -                | (15,500)       | -                        | (15,500)          |
| <b>31 December 2018</b>                    | <b>813,126</b>   | <b>4,609,718</b>    | <b>564,800</b>         | <b>76,326</b>         | <b>137,182</b>   | <b>206,764</b> | <b>-</b>                 | <b>6,407,916</b>  |
| <b>Net book value</b>                      | <b>496,598</b>   | <b>1,207,570</b>    | <b>48,499</b>          | <b>-</b>              | <b>15,765</b>    | <b>37,110</b>  | <b>3,309,544</b>         | <b>5,115,086</b>  |

(i) The property, plant and equipment of a subsidiary are mortgaged as security against Government loans and other term loans. The depreciation charge for the Group for the year has been included in cost of sales amounting to RO 145,710 (2018 - RO 142,490) and administration expenses RO 127,296 (2018- RO 56,935).

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- (ii) The Parent Company has created a legal mortgage amounting to RO 2,600,000 relating to the head office building in favour of a commercial bank in Oman against the term loan sanctioned for the construction.

| Parent Company                               |                | Furniture and<br>fixtures | Leasehold<br>improvements | Office<br>equipment | Vehicles       | Capital work in<br>progress | Total            |
|----------------------------------------------|----------------|---------------------------|---------------------------|---------------------|----------------|-----------------------------|------------------|
| Cost                                         | Building<br>RO | RO                        | RO                        | RO                  | RO             | RO                          | RO               |
| 1 January 2019                               | -              | 87,506                    | 76,326                    | 49,908              | 163,641        | 3,309,544                   | 3,686,925        |
| Additions                                    | -              | 331,975                   | -                         | 80,333              | -              | 140,456                     | 552,764          |
| Disposals                                    | -              | (67,437)                  | -                         | (36,785)            | -              | -                           | (104,222)        |
| Transfer to Building / Investment Properties | 345,000        | -                         | -                         | -                   | -              | (3,450,000)                 | (3,105,000)      |
| <b>31 December 2019</b>                      | <b>345,000</b> | <b>352,044</b>            | <b>76,326</b>             | <b>93,456</b>       | <b>163,641</b> | <b>-</b>                    | <b>1,030,467</b> |
| Accumulated depreciation                     |                |                           |                           |                     |                |                             |                  |
| 1 January 2019                               | -              | 87,492                    | 76,326                    | 47,877              | 134,132        | -                           | 345,827          |
| Charge for the year                          | 5,750          | 27,730                    | -                         | 9,648               | 17,795         | -                           | 60,923           |
| Disposals                                    | -              | (67,437)                  | -                         | (36,785)            | -              | -                           | (104,222)        |
| <b>31 December 2019</b>                      | <b>5,750</b>   | <b>47,785</b>             | <b>76,326</b>             | <b>20,740</b>       | <b>151,927</b> | <b>-</b>                    | <b>302,528</b>   |
| <b>Net book value</b>                        | <b>339,250</b> | <b>304,259</b>            | <b>-</b>                  | <b>72,716</b>       | <b>11,714</b>  | <b>-</b>                    | <b>727,939</b>   |
| Cost                                         |                |                           |                           |                     |                |                             |                  |
| 1 January 2018                               | -              | 87,506                    | 76,326                    | 48,710              | 179,141        | 2,591,919                   | 2,983,602        |
| Additions                                    | -              | -                         | -                         | 1,198               | -              | 717,625                     | 718,823          |
| Disposals                                    | -              | -                         | -                         | -                   | (15,500)       | -                           | (15,500)         |
| <b>31 December 2018</b>                      | <b>-</b>       | <b>87,506</b>             | <b>76,326</b>             | <b>49,908</b>       | <b>163,641</b> | <b>3,309,544</b>            | <b>3,686,925</b> |
| Accumulated depreciation                     |                |                           |                           |                     |                |                             |                  |
| 1 January 2018                               | -              | 87,453                    | 76,326                    | 46,152              | 120,934        | -                           | 330,865          |
| Charge for the year                          | -              | 39                        | -                         | 1,725               | 28,698         | -                           | 30,462           |
| Disposals                                    | -              | -                         | -                         | -                   | (15,500)       | -                           | (15,500)         |
| <b>31 December 2018</b>                      | <b>-</b>       | <b>87,492</b>             | <b>76,326</b>             | <b>47,877</b>       | <b>134,132</b> | <b>-</b>                    | <b>345,827</b>   |
| <b>Net book value</b>                        | <b>-</b>       | <b>14</b>                 | <b>-</b>                  | <b>2,031</b>        | <b>29,509</b>  | <b>3,309,544</b>            | <b>3,341,098</b> |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 13 Investment properties

The investment properties relating to a Group are stated at cost. The market value of these properties as at 31 December 2019 amounted to RO 3,270,000 and is valued by an external agency.

The movement in the investment properties is as follows:

|                                     | 2019<br>Group<br>RO | 2018<br>Group<br>RO |
|-------------------------------------|---------------------|---------------------|
| <b>1 January</b>                    | <b>335,000</b>      | 335,000             |
| Transfer from Capital WIP (note 12) | <b>3,105,000</b>    | -                   |
| Less: Depreciation                  | <b>(51,750)</b>     | -                   |
| Less: Impairment charged            | <b>(35,000)</b>     | -                   |
| <b>31 December</b>                  | <b>3,353,250</b>    | 335,000             |

|                                     | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|-------------------------------------|----------------------|----------------------|
| <b>1 January</b>                    | -                    | -                    |
| Transfer from Capital WIP (note 12) | <b>3,105,000</b>     | -                    |
| Less: Depreciation                  | <b>(51,750)</b>      | -                    |
| Less: Impairment charged            | -                    | -                    |
| <b>31 December</b>                  | <b>3,053,250</b>     | -                    |

#### 14 Deferred tax assets

- (a) Deferred tax is calculated on all material temporary differences under the liability method using a principal tax rate of 15 % (2018 - 15%). The deferred tax asset recognised in the Group's statement of financial position is related to following:

|                                                           | 1 January<br>2019<br>RO | Credited /<br>(charged) to<br>statement of<br>comprehensive<br>income<br>RO | 31<br>December<br>2019<br>RO |
|-----------------------------------------------------------|-------------------------|-----------------------------------------------------------------------------|------------------------------|
| <b>Group</b>                                              |                         |                                                                             |                              |
| <b>31 December 2019</b>                                   |                         |                                                                             |                              |
| Tax effect of accelerated tax depreciation                | (792)                   | (677)                                                                       | (1,469)                      |
| Tax effect of investments                                 | (50,150)                | 50,150                                                                      | -                            |
| Tax effect of losses                                      | 260,687                 | 13,603                                                                      | 274,290                      |
| Tax effect of change in fair value of investment property | 14,454                  | (14,454)                                                                    | -                            |
| Movement through equity                                   | 4662                    | (4662)                                                                      | -                            |
| Tax effect of provisions                                  | 29,562                  | (1,860)                                                                     | 27,703                       |
|                                                           | <b>258,423</b>          | <b>42,100</b>                                                               | <b>300,524</b>               |
| <b>31 December 2018</b>                                   |                         |                                                                             |                              |
| Tax effect of accelerated tax depreciation                | (2,113)                 | 1,320                                                                       | (793)                        |
| Tax effect of investments                                 | (18,956)                | (31,193)                                                                    | (50,149)                     |
| Tax effect of losses                                      | 196,970                 | 63,717                                                                      | 260,687                      |
| Tax effect of change in fair value of investment property | 14,454                  | -                                                                           | 14,454                       |
| Movement through equity                                   | -                       | -                                                                           | 4,662                        |
| Tax effect of provisions                                  | (2,370)                 | 31,932                                                                      | 29,562                       |
|                                                           | <b>187,985</b>          | <b>65,776</b>                                                               | <b>258,423</b>               |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 15 Share capital

|                                                  | 2019<br>RO        | 2018<br>RO        |
|--------------------------------------------------|-------------------|-------------------|
| Authorised – 200,000,000 shares of RO 0.100 each | <u>20,000,000</u> | <u>20,000,000</u> |
| Issued – 121,875,000 shares of RO 0.100 each     | <u>12,187,500</u> | <u>12,187,500</u> |

Shareholders of the Parent Company who own 10% or more of the shares, whether in their name, or through a nominee account, and the number of shares they hold are as follows:

|                                     | %     | 2019<br>Number of<br>shares | 2018<br>Number of<br>shares |
|-------------------------------------|-------|-----------------------------|-----------------------------|
| Abu Dhabi Investment Company, UAE   | 30.00 | <u>36,562,500</u>           | 36,562,500                  |
| Al Khonji Investments LLC and Group | 17.44 | <u>21,257,653</u>           | <u>21,257,653</u>           |

#### 16 Legal reserve

In accordance with the Commercial Companies Law of Oman, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Parent Company's paid-up share capital. This reserve is not available for distribution.

#### 17 Revaluation reserve

In accordance with the Group policy, the items of property, plant and equipment of the Group and the Parent Company have been stated at cost less accumulated depreciation and any impairment in these financial statements. In case where an associate or a subsidiary of the Group carry any items of property, plant and equipment at a revalued amount in their respective stand-alone financial statements, the Group's share of the revaluation surplus or loss is not accounted for in these consolidated financial statements.

The Group's share of revaluation surplus or loss on property, plant and equipment of its subsidiaries or equity accounted investees, not accounted for in these financial statements in accordance with the Group's policy, is as follows:

|                            | 2019<br>Group<br>RO | 2018<br>Group<br>RO |
|----------------------------|---------------------|---------------------|
| Subsidiaries               | <u>601,121</u>      | 638,326             |
| Equity accounted investees | <u>1,676,981</u>    | <u>1,676,981</u>    |
|                            | <u>2,278,102</u>    | <u>2,315,307</u>    |

#### 18 Bank overdrafts

|                        | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|------------------------|---------------------|---------------------|----------------------|----------------------|
| Banks in Oman (note a) | <u>1,341,686</u>    | 510,084             | <u>348,257</u>       | 486,922              |
| Banks in UAE (note b)  | <u>1,468,527</u>    | <u>1,436,530</u>    | <u>1,468,527</u>     | <u>1,436,530</u>     |
|                        | <u>2,810,213</u>    | <u>1,946,614</u>    | <u>1,816,784</u>     | <u>1,923,452</u>     |



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- (a) The Group and the Parent Company's Rial Omani overdraft facilities carry effective annual interest rates ranging from 5.5 % to 6 % (2018 – 5.5% to 6%) per annum. The loans are secured by pledge over the Parent Company's certain financial assets and investments in equity accounted investees and subsidiaries (note 7, 9 and 10).
- (b) The Group and The Parent Company's UAE Dirham overdraft facilities carry effective annual interest rate ranging from 4.87% to 5.61 % (2018 – 4.87% to 5.61%) per annum. The loan is secured by pledge over the Parent Company's certain financial assets and investments in equity accounted investees and subsidiaries (note 7, 9 and 10).

#### 19 Trade and other payables

|                                            | 2019             | 2018             | 2019             | 2018             |
|--------------------------------------------|------------------|------------------|------------------|------------------|
|                                            | Group            | Group            | Parent           | Parent           |
|                                            | RO               | RO               | RO               | RO               |
| Accounts payable                           | 148,222          | 156,194          | 10,924           | 58,770           |
| Other payables and accruals                | 1,452,753        | 1,214,233        | 1,524,174        | 1,092,264        |
| Provision for income tax                   | -                | 7,614            | -                | -                |
| Due to related parties                     | 7,614            | 31,045           | -                | 5,027            |
| Employees' end of service benefit (note a) | 278,115          | 514,582          | 156,770          | 372,846          |
| Unclaimed dividend                         | 92,424           | 92,573           | 92,424           | 92,573           |
| Due to Directors                           | 47,414           | 42,940           | 30,000           | 21,900           |
| Interest payable                           | -                | 23,684           | 35,749           | 23,684           |
| Contract liabilities                       | 10,308           | 5,750            | -                | -                |
|                                            | <b>2,036,850</b> | <b>2,088,615</b> | <b>1,850,041</b> | <b>1,667,064</b> |

- (a) The movements for employees end of service benefits for the year is as follows:

|                               | 2019           | 2018           | 2019           | 2018           |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | Group          | Group          | Parent         | Parent         |
|                               | RO             | RO             | RO             | RO             |
| 1 January                     | 514,582        | 481,482        | 372,846        | 331,652        |
| Charge for the year (note 25) | 57,893         | 64,308         | 37,151         | 41,194         |
| Paid during the year          | (294,360)      | (31,208)       | (253,227)      | -              |
| 31 December                   | <b>278,115</b> | <b>514,582</b> | <b>156,770</b> | <b>372,846</b> |

#### 20 Term loans

|                        | 2019              | 2018              | 2019              | 2018              |
|------------------------|-------------------|-------------------|-------------------|-------------------|
|                        | Group             | Group             | Parent            | Parent            |
|                        | RO                | RO                | RO                | RO                |
| Banks in Oman (note a) | 10,138,855        | 11,474,896        | 10,138,855        | 11,474,896        |
| Banks in UAE (note b)  | 568,472           | 761,257           | 568,472           | 761,257           |
|                        | <b>10,707,327</b> | <b>12,236,153</b> | <b>10,707,327</b> | <b>12,236,153</b> |

- (a) The Group and the Parent Company's Rial Omani term loans carry effective annual interest rates ranging from 3.75 % to 5.50 % (2018 – 3.75% to 5.50%) per annum.
- (b) The Group and the Parent Company's UAE Dirham term loans carry effective annual interest rates ranging from 4.87% to 5.61 % (2018 – 4.87% to 5.61%) per annum.



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

(c) The maturity period of the term loans is as follows:

|                     | <b>2019</b>       | 2018       | <b>2019</b>       | 2018       |
|---------------------|-------------------|------------|-------------------|------------|
|                     | <b>Group</b>      | Group      | <b>Parent</b>     | Parent     |
|                     | <b>RO</b>         | RO         | <b>RO</b>         | RO         |
| Due within one year | <b>7,268,453</b>  | 7,785,640  | <b>7,268,453</b>  | 7,785,640  |
| Due after one year  | <b>3,438,874</b>  | 4,450,513  | <b>3,438,874</b>  | 4,450,513  |
|                     | <b>10,707,327</b> | 12,236,153 | <b>10,707,327</b> | 12,236,153 |

(d) The movement in term loans during the period is as follows:

|                         | <b>2019</b>        | 2018        | <b>2019</b>        | 2018        |
|-------------------------|--------------------|-------------|--------------------|-------------|
|                         | <b>Group</b>       | Group       | <b>Parent</b>      | Parent      |
|                         | <b>RO</b>          | RO          | <b>RO</b>          | RO          |
| 1 January               | <b>12,236,153</b>  | 12,126,588  | <b>12,236,153</b>  | 12,126,588  |
| Availed during the year | <b>318,140</b>     | 6,494,805   | <b>318,140</b>     | 6,494,805   |
| Repaid during the year  | <b>(1,846,966)</b> | (6,385,240) | <b>(1,846,966)</b> | (6,385,240) |
|                         | <b>10,707,327</b>  | 12,236,153  | <b>10,707,327</b>  | 12,236,153  |

(e) The term loan is secured against pledge of certain assets (note 7, 9 and 12)

#### 21 Loans from Governments

|                                               | <b>2019</b>        | 2018        | <b>2019</b>        | 2018        |
|-----------------------------------------------|--------------------|-------------|--------------------|-------------|
|                                               | <b>Group</b>       | Group       | <b>Parent</b>      | Parent      |
|                                               | <b>RO</b>          | RO          | <b>RO</b>          | RO          |
| Loans from Governments availed by:            |                    |             |                    |             |
| -The Parent Company                           | <b>15,000,000</b>  | 15,000,000  | <b>15,000,000</b>  | 15,000,000  |
| -Omani Euro Food Industries Co SAOG           | <b>3,653,000</b>   | 3,653,000   | <b>-</b>           | -           |
|                                               | <b>18,653,000</b>  | 18,653,000  | <b>15,000,000</b>  | 15,000,000  |
| Less: deferred Government grants relating to: |                    |             |                    |             |
| -The Parent Company                           | <b>(2,462,000)</b> | (2,915,000) | <b>(2,462,000)</b> | (2,915,000) |
| -Omani Euro Food Industries Co SAOG           | <b>(122,000)</b>   | (197,975)   | <b>-</b>           | -           |
|                                               | <b>(2,584,000)</b> | (3,112,975) | <b>(2,462,000)</b> | (2,915,000) |
|                                               | <b>16,069,000</b>  | 15,540,025  | <b>12,538,000</b>  | 12,085,000  |

(i) The maturity period of the loan from Government is as follows:

|                    | <b>2019</b>       | 2018       | <b>2019</b>       | 2018       |
|--------------------|-------------------|------------|-------------------|------------|
|                    | <b>Group</b>      | Group      | <b>Parent</b>     | Parent     |
|                    | <b>RO</b>         | RO         | <b>RO</b>         | RO         |
| Within 1 year      | <b>6,153,000</b>  | 1,932,000  | <b>2,500,000</b>  | -          |
| Within 1 - 2 years | <b>2,500,000</b>  | 475,000    | <b>2,500,000</b>  | -          |
| Within 2 - 5 years | <b>7,500,000</b>  | 11,246,000 | <b>7,500,000</b>  | 10,000,000 |
| Over 5 years       | <b>2,500,000</b>  | 5,000,000  | <b>2,500,000</b>  | 5,000,000  |
| Total              | <b>18,653,000</b> | 18,653,000 | <b>15,000,000</b> | 15,000,000 |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- (a) In 2001, the Parent Company received interest free loans of RO 7,500,000 each from the Government of Oman and UAE. The loan is repayable in 6 annual instalments commencing from 2020.
- (b) The loans obtained by Omani Euro Food Industries Co. SAOG are arranged through a bank on behalf of the Government of Oman and carry an interest of 3% per annum, net of subsidy. These are secured against a first ranking legal mortgage over all present and future assets of the subsidiary. The fair value is ascertained using interest rate at the inception of loan, at interest rate of 9.5% per annum.

#### 22 Interest income

|                   | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|-------------------|---------------------|---------------------|----------------------|----------------------|
| Interest on bonds | 25,095              | 44,046              | -                    | 2,283                |
| Others            | 35,077              | 1,706               | 35,077               | 1,706                |
|                   | <u>60,172</u>       | <u>45,752</u>       | <u>35,077</u>        | <u>3,989</u>         |

#### 23 Gross profit on sale of food products

The gross profit on sale of food products arrived at as follows:

|               | 2019<br>Group<br>RO | 2018<br>Group<br>RO |
|---------------|---------------------|---------------------|
| Sales         | 1,404,717           | 1,477,008           |
| Cost of sales | (1,273,677)         | (1,283,513)         |
| Gross profit  | <u>131,040</u>      | <u>193,495</u>      |

#### 24 Other income

|                         | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|-------------------------|---------------------|---------------------|----------------------|----------------------|
| Fee for fund management | 36,523              | 28,477              | 10,264               | 28,477               |
| Miscellaneous income    | 10,170              | 12,589              | 1894                 | 535                  |
|                         | <u>46,693</u>       | <u>41,066</u>       | <u>12,158</u>        | <u>29,012</u>        |

#### 25 Staff costs

|                                    | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Salaries and benefits              | 1,620,099           | 1,888,562           | 978,005              | 1,118,534            |
| Employees' end of service benefits | 57,893              | 64,308              | 37,151               | 41,194               |
| Post employees benefits            | 27,010              | 65,170              | 27,010               | 29,369               |
|                                    | <u>1,705,002</u>    | <u>2,018,040</u>    | <u>1,042,166</u>     | <u>1,189,097</u>     |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 26 Administrative expenses

|                                    | 2019           | 2018           | 2019           | 2018           |
|------------------------------------|----------------|----------------|----------------|----------------|
|                                    | Group          | Group          | Parent         | Parent         |
|                                    | RO             | RO             | RO             | RO             |
| Depreciation                       | 127,296        | 56,935         | 112,673        | 30,462         |
| Other expenses                     | 118,118        | 97,153         | 52,256         | 15,248         |
| Legal and professional fees        | 102,480        | 85,516         | 52,554         | 44,379         |
| Directors' sitting fees            | 73,150         | 133,600        | 20,000         | 28,100         |
| Rent expense                       | 67,711         | 97,629         | 31,711         | 54,269         |
| Advertisement and promotion        | 66,589         | 48,708         | 4,970          | 17,452         |
| Repairs and maintenance            | 55,237         | 40,915         | 23,008         | 13,529         |
| Securities market fees and charges | 48,205         | 51,306         | 24,238         | 24,941         |
| Postage, fax and telephone         | 32,491         | 34,790         | 11,846         | 13,409         |
| Traveling expenses                 | 23,763         | 50,584         | 19,564         | 41,446         |
| Project development expenses       | 21,917         | 42,493         | 21,917         | 42,493         |
| Electricity and water charges      | 16,633         | 12,207         | 10,208         | 4,239          |
| Insurance expenses                 | 15,089         | 16,243         | 5,923          | 5,937          |
| General meeting expenses           | 14,642         | 23,777         | 14,642         | 23,577         |
|                                    | <u>783,321</u> | <u>791,856</u> | <u>405,510</u> | <u>359,481</u> |

#### 27 Investment related expenses

|                                   | 2019          | 2018           | 2019          | 2018          |
|-----------------------------------|---------------|----------------|---------------|---------------|
|                                   | Group         | Group          | Parent        | Parent        |
|                                   | RO            | RO             | RO            | RO            |
| Brokerage expenses                | 13,448        | 9,609          | 7,116         | 3,277         |
| Amortisation of placement charges | 10,690        | 44,734         | 10,690        | 44,734        |
| Portfolio management expenses     | -             | 73,052         | 9,975         | 16,948        |
|                                   | <u>24,138</u> | <u>127,395</u> | <u>27,781</u> | <u>64,959</u> |

#### 28 Taxation

- The tax authorities in Oman follow the legal entity concept. There is no concept of Group taxation in Oman.
- The tax assessment for the Parent Company has been completed up to the tax year 2016.
- For the year 2019, no provision for taxation is required to be recognised in the financial statements of the Parent, since the investment income is not taxable under the Tax Laws of Sultanate of Oman.
- For Omani Euro Food Industries Company SAOG, no provision for taxation has been made as this subsidiary incurred losses in the current and earlier years.
- FINCORP has recognised a deferred tax asset amounting to RO 300,524 (2018 - RO 258,423) as at 31 December 2019 and the same is calculated on all material temporary differences under the liability method using a principal tax rate of 15%. Consequently an amount of RO 42,100 (2018 - RO 65,776) has been recognised in the income statement.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 29 Trust accounts

One of the subsidiary's fiduciary activities consist of investment management activities conducted as trustee and manager for a number of investment funds and individuals. The aggregate amounts of customers' securities held with the subsidiary under trust account agreements or under safe custody are as follows:

|                                  | <b>2019</b>      | 2018       |
|----------------------------------|------------------|------------|
|                                  | <b>Group</b>     | Group      |
|                                  | <b>RO</b>        | RO         |
| Amounts held in:                 |                  |            |
| Non-discretionary trust accounts | <b>2,943,327</b> | 4,544,882  |
| Discretionary trust accounts     | <b>4,544,188</b> | 5,519,946  |
|                                  | <b>7,487,515</b> | 10,064,828 |

#### 30 Earnings per share

Basic and dilutive earnings per share calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year is as follows:

|                                                                              | <b>2019</b>        | 2018        | <b>2019</b>        | 2018        |
|------------------------------------------------------------------------------|--------------------|-------------|--------------------|-------------|
|                                                                              | <b>Group</b>       | Group       | <b>Parent</b>      | Parent      |
|                                                                              | <b>RO</b>          | RO          | <b>RO</b>          | RO          |
| Net Profit for the year attributable to equity holders of the Parent Company | <b>322,108</b>     | 18,745      | <b>322,108</b>     | 18,745      |
| Weighted average number of shares outstanding during the year                | <b>121,875,000</b> | 121,875,000 | <b>121,875,000</b> | 121,875,000 |
| Earnings per share                                                           | <b>0.0026</b>      | 0.0002      | <b>0.0026</b>      | 0.0002      |

#### 31 Net assets per share

|                      | <b>2019</b>       | 2018       | <b>2019</b>       | 2018       |
|----------------------|-------------------|------------|-------------------|------------|
|                      | <b>Group</b>      | Group      | <b>Parent</b>     | Parent     |
|                      | <b>RO</b>         | RO         | <b>RO</b>         | RO         |
| Net assets           | <b>20,596,341</b> | 20,274,233 | <b>20,596,341</b> | 20,274,233 |
| Net assets per share | <b>0.169</b>      | 0.166      | <b>0.169</b>      | 0.166      |

#### 32 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties represent subsidiaries, associated companies, major shareholders, directors and key management personnel of the Parent Company, and companies of which they are principal owners. Pricing policies and terms of these transactions are approved by the Parent Company's management.

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

- (a) Transactions with related parties included in the income statement are as follows:

|                                         | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|-----------------------------------------|---------------------|---------------------|----------------------|----------------------|
| Sales and income                        |                     |                     |                      |                      |
| -Through associated companies           | 60,948              | -                   | -                    | -                    |
| -Through subsidiary companies           | -                   | -                   | 1,743,997            | 650,721              |
| -Major shareholders                     | 532,525             | -                   | -                    | -                    |
| -Directors and key management personnel | -                   | 238,507             | -                    | -                    |
| -Other related parties                  | 67,600              | 101,679             | 67,600               | -                    |
|                                         | <u>661,073</u>      | <u>340,186</u>      | <u>1,811,597</u>     | <u>650,721</u>       |
| Purchases and expenses                  |                     |                     |                      |                      |
| - Through subsidiary companies          | -                   | -                   | 395,500              | 312,301              |
| -Directors and key management personnel | 1,072,737           | 622,459             | 675,650              | 305,966              |
| - Other related parties                 | 600                 | 168,542             | 600                  | -                    |
|                                         | <u>1,073,337</u>    | <u>791,001</u>      | <u>1,071,750</u>     | <u>618,267</u>       |

- (b) Amounts due from related parties are as follows:

|                      | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|----------------------|---------------------|---------------------|----------------------|----------------------|
| Subsidiary companies | 1,656               | -                   | 1,656                | -                    |
| Other                | -                   | 346,206             | -                    | 346,206              |
|                      | <u>1,656</u>        | <u>346,206</u>      | <u>1,656</u>         | <u>346,206</u>       |

- (c) Amounts due to related parties are as follows:

|           | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|-----------|---------------------|---------------------|----------------------|----------------------|
| Directors | 39,540              | 42,940              | 30,000               | 21,900               |
| Others    | 7,614               | 31,045              | -                    | 5,027                |
|           | <u>47,154</u>       | <u>73,985</u>       | <u>30,000</u>        | <u>26,927</u>        |

- (d) The remuneration of directors and other members of key management during the year was as follows

|                          | 2019<br>Group<br>RO | 2018<br>Group<br>RO | 2019<br>Parent<br>RO | 2018<br>Parent<br>RO |
|--------------------------|---------------------|---------------------|----------------------|----------------------|
| Directors' sitting fees  | 73,150              | 133,600             | 20,000               | 28,100               |
| Directors' remuneration  | 30,000              | 33,900              | 30,000               | 21,900               |
|                          | <u>103,150</u>      | <u>167,500</u>      | <u>50,000</u>        | <u>50,000</u>        |
| Key management personnel |                     |                     |                      |                      |
| - Short-term benefits    | 969,587             | 1,087,866           | 625,650              | 655,280              |
|                          | <u>969,587</u>      | <u>1,087,866</u>    | <u>625,650</u>       | <u>655,280</u>       |

## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 33 Segmental information

Management has determined the operating segments based on the reports reviewed by the Investment Committee that are used to make strategic decisions.

The Investment Committee considers the business as two sub-portfolios. These sub-portfolios consist of investments in Oman and in United Arab Emirates.

The reportable operating segments derive their income by seeking investments/funds to achieve targeted returns consummate with an acceptable level of risk within each portfolio. These returns consist of interest, dividends and gains on the appreciation in value of investments.

There were no transactions between reportable segments.

The segment information provided to Investment Committee for the reportable segments is as follow:

The Group operates in the investment industry. The Group's operating revenues arise primarily from investment activities. The Group operates in two geographic locations; the Sultanate of Oman and the United Arab Emirates. The analysis of income, expenses, profit and assets and liabilities is based primarily upon the location of the branch responsible for reporting the results.

|                                                    | Oman             |               | UAE              |                  | Total          |                  |
|----------------------------------------------------|------------------|---------------|------------------|------------------|----------------|------------------|
|                                                    | 2019<br>RO       | 2018<br>RO    | 2019<br>RO       | 2018<br>RO       | 2019<br>RO     | 2018<br>RO       |
| <b>Group</b>                                       |                  |               |                  |                  |                |                  |
| <b>A: Segment Results</b>                          |                  |               |                  |                  |                |                  |
| Sales                                              | 1,404,717        | 1,477,008     | -                | -                | 1,404,717      | 1,477,008        |
| Less: cost of sales                                | (1,273,677)      | (1,283,513)   | -                | -                | (1,273,677)    | (1,283,513)      |
| Gross profit                                       | 131,040          | 193,495       | -                | -                | 131,040        | 193,495          |
| Investment revenue                                 | 2,160,278        | 3,840,713     | 1,613,893        | 351,018          | 3,774,171      | 4,191,731        |
| Interest revenue                                   | 60,172           | 44,058        | -                | 1,694            | 60,172         | 45,752           |
| Management fees                                    | 96,741           | 88,196        | -                | -                | 96,741         | 88,196           |
| Corporate finance income                           | -                | 1,200         | -                | -                | -              | 1,200            |
| Brokerage revenue                                  | 197,375          | 135,443       | -                | -                | 197,375        | 135,443          |
| Other income                                       | 120,806          | 41,066        | -                | -                | 120,806        | 41,066           |
| Share of results of equity accounted investees     | (117,983)        | 405,897       | -                | -                | (117,983)      | 405,897          |
| Total income                                       | 2,648,429        | 4,750,068     | 1,613,893        | 352,712          | 4,262,322      | 5,102,780        |
| Interest expense                                   | (472,621)        | (426,638)     | (319,411)        | (310,836)        | (792,032)      | (737,474)        |
| Depreciation and amortisation                      | (126,870)        | (55,722)      | (426)            | (45,947)         | (127,296)      | (101,669)        |
| Impairment of                                      |                  |               |                  |                  |                |                  |
| - receivables                                      | (13,870)         | (146,162)     | -                | -                | (13,870)       | (146,162)        |
| - goodwill and investments                         | (10,723)         | (1,302,235)   | -                | -                | (10,723)       | (1,302,235)      |
| Other expenses                                     | (2,257,321)      | (2,793,229)   | (147,153)        | (156,268)        | (2,404,474)    | (2,949,497)      |
| <b>Reportable segment Profit/(loss) before tax</b> | <b>(232,976)</b> | <b>26,082</b> | <b>1,146,903</b> | <b>(160,339)</b> | <b>913,927</b> | <b>(134,257)</b> |
| <b>B: Segment Assets:</b>                          |                  |               |                  |                  |                |                  |
| Investment in equity accounted investees           | 19,704,887       | 14,868,150    | -                | -                | 19,704,887     | 14,868,150       |
| Other investments                                  | 21,893,981       | 30,287,490    | 5,269,538        | 4,651,828        | 27,163,519     | 34,939,318       |
| Other assets                                       | 11,047,001       | 10,058,804    | 117,986          | 1,346,379        | 11,164,987     | 11,405,183       |
| Total assets                                       | 52,645,869       | 55,214,444    | 5,387,524        | 5,998,207        | 58,033,393     | 61,212,651       |
| Segment liabilities                                | 24,523,027       | 25,033,160    | 9,711,196        | 9,891,222        | 34,234,223     | 34,924,382       |



## NOTES TO THE CONSOLIDATED AND THE PARENT COMPANY FINANCIAL STATEMENTS

### for the year ended 31 December 2019

#### 34 Commitments and contingencies

##### (a) Capital commitments

|                       | <b>Group &amp; Parent</b> |         |
|-----------------------|---------------------------|---------|
|                       | <b>2019</b>               | 2018    |
|                       | <b>RO</b>                 | RO      |
| Building construction | <b>48,716</b>             | 501,135 |

##### (b) Guarantees:

|                 | <b>Group</b>   |         |
|-----------------|----------------|---------|
|                 | <b>2019</b>    | 2018    |
|                 | <b>RO</b>      | RO      |
| Bank guarantees | <b>329,850</b> | 329,100 |

|                                              | <b>Parent</b>  |         |
|----------------------------------------------|----------------|---------|
|                                              | <b>2019</b>    | 2018    |
|                                              | <b>RO</b>      | RO      |
| Bank guarantee for investment license in UAE | <b>314,850</b> | 314,100 |

##### (c) Contingencies

A labour case has been lodged by a former employee against the Company amounting to RO 1,006,000. The case is pending in the Primary Court of Muscat for adjudication. The Company, based on independent legal advice, expects to win the case; therefore it is not anticipated to have a material impact on the Company's income or financial condition.

#### 35 Reclassification of prior year figures

Certain corresponding figures presented for comparative purposes in the separate and consolidated statement of profit or loss have been reclassified to conform the revised presentation adopted during the year in these separate and consolidated financial statements.