

Notes

(forming part of the separate and consolidated financial statements)

1 Nature of operations

A'Sharqiya Investment Holding Co. SAOG (the "Parent Company") and its Subsidiary (together "the Group") are incorporated in the Sultanate of Oman. The Parent Company is a public joint stock company and is principally engaged in investment related activities. The shares of the Parent Company are listed on the Muscat Securities Market.

The Parent Company has an investment in a wholly owned subsidiary, Qalhat Real Estate Investments & Services LLC, a limited liability company incorporated in the Sultanate of Oman. The principal activities of the subsidiary are real estate investment and development and leasing and maintenance of real estate properties.

The details of the investment in the subsidiary are as follows:

Name of the subsidiary	Country of incorporation	Principal activity	Proportion of ownership interest at 31 December 2020 and 2019
Qalhat Real Estate Investments & Services LLC (QREIS)	Sultanate of Oman	Real estate investment, development, leasing and maintenance	100%

2 General information and statement of compliance with IFRSs

The Company is a Joint Stock Company registered in the Sultanate of Oman in accordance with the Commercial Companies Law of the Sultanate of Oman, 2019. The registered business address of the Company is P.O. Box 47, Al Harthy Complex, Postal Code 118, Sultanate of Oman.

The separate and consolidated financial statements of the Parent Company and the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

3 Adoption of new and revised standards

3.1 New standards adopted as at 1 January 2020

Some accounting pronouncements which have become effective from 1 January 2020 are as follows:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to References to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

These amendments do not have a significant impact on the Group's financial results or position.

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

At the date of authorisation of these separate and consolidated financial statements, several new, but not yet effective Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the separate and consolidated financial statements.

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4 Summary of accounting policies

4.1 Basis of preparation

The separate and consolidated financial statements have been prepared using the measurement bases specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

4.2 Impact of Covid-19

The existence of novel corona virus (Covid-19) was confirmed in early 2020. World Health Organisation characterised Covid-19 as a pandemic on 11 March 2020, thus negatively impacting global markets, disrupting supply chains, and changing social behaviours. Currently it is uncertain if Covid-19 will continue to disrupt global markets and what impact it will have on the Group's operation. As the situation is fluid and rapidly evolving, the management does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group and the management does not consider it to have a material impact as at 31 December 2020.

4.3 Basis of consolidation

The Group's financial statements incorporate the financial statements of the Parent Company and the entity controlled by the Parent Company up to the reporting date. Control is achieved where the Parent Company has the power over the investee, is exposed or has rights to variable return from its involvement with the investee and has the ability to use its power to affect its returns.

Entities are consolidated from the date on which control is transferred to the Parent Company and cease to be consolidated from the date on which control is transferred out of the Parent Company. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Parent Company gains control until the date when the Parent Company ceases to control the subsidiary. The Parent Company applies the acquisition method to account for business combinations in accordance with IFRS 3.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used into line with those used by the Parent Company.

All intercompany transactions, balances and gains or losses on transactions between group entities of the Parent Company are eliminated as part of the consolidation process.

In the Parent Company's separate financial statements, the investment in the subsidiary is carried at cost less impairment.

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquirer's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.4 Foreign currency translation

Functional and presentation currency

These separate and consolidated financial statements are presented in the Rial Omani (RO) which is also the functional currency of the Parent Company and the Group.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognised in the separate and consolidated statement of profit or loss and other comprehensive income.

In the separate and consolidated financial statements, all items and transactions of Group entities with a transaction currency other than the Rial Omani (the Group's presentation currency) were translated into the reporting currency. Assets and liabilities have been translated into the Rial Omani at the closing rate at the reporting date.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4.5 Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment) whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker ("CODM"), which is subject to risks and rewards that are different from those of other segments. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, make strategic decisions and has been identified collectively as the Board of Directors.

4.6 Revenue

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

Other income is recognized in the period in which entitlement is established.

4.7 Financial instruments

IFRS 9 Financial instruments

Recognition and initial measurement of financial instruments

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Group becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Classification and initial measurement of financial assets

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- fair value through other comprehensive income – debt instruments;
- fair value through other comprehensive income – equity instruments;
- fair value through profit or loss.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

- Business model test: The objective of the entity business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes); and
- Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model reflects how the Group manages the assets in order to generate cash flows. This is whether the Group objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Group in determining the business model for a Group of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows comprise of solely payment of principal and interest

Where the Group has a business model to collect contractual cash flows, the Group assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Group considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

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(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Financial assets at fair value through other comprehensive income

Equity instrument which are not held for trading or issued as contingent consideration in business combination, and for which the Group has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial Liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- The liabilities are part of Group financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement

Financial assets

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 the separate and consolidated statement of profit or loss. Any gain or loss on derecognition is recognised in the separate and consolidated statement of profit or loss and other comprehensive income.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income

a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the separate and consolidated statement of other comprehensive income. On derecognition, gains and losses accumulated in the separate and consolidated statement of other comprehensive income are reclassified to the profit or loss.

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the separate and consolidated statement of 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 the separate and consolidated statement of other comprehensive income and are never reclassified to the separate and consolidated statement of profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the separate and consolidated statement of profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at amortized cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognized in the separate and consolidated statement of profit or loss account. Any gain or loss on derecognition is also recognized in the separate and consolidated statement of profit or loss.

Reclassification

Financial assets

The Group will only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Group operations and demonstrable to external parties.

If the Group determines that its business model has changed in a way that is significant to its operations, then it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

Financial liabilities

The Group determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the separate and consolidated statement of profit or loss.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the separate and consolidated statement of profit or loss.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is derecognised when:

- a) The rights to receive cash flows from the asset have expired; or
- b) The Group retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- c) The Group has transferred its rights to receive cash flows from the asset and either
 - (a) has transferred substantially all the risks and rewards, or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in the separate and consolidated statement of other comprehensive income is recognized in the separate and consolidated statement of profit or loss.

Any cumulative gain or loss recognized in the separate and consolidated statement of other comprehensive income in respect of equity instrument designated at fair value through other comprehensive is not recognized in the separate and consolidated statement of profit or loss on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

Derecognition (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the separate and consolidated statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the separate and consolidated statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognized amounts; and
- there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

IFRS 9 impairment model applies to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of other receivables and cash at bank.

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

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

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

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets 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.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

IFRS 9 Financial instruments (continued)

General approach

General approach is a three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Significant increase in credit risk

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 historical experience and informed credit assessment and including forward-looking information.

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 realizing security (if any is held) or based on the certain delinquency period (days past due).

Simplified approach

The Group applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the Group will be required to measure lifetime expected credit losses at all times.

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost 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.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.7 Financial instruments (continued)

Presentation of impairment

Loss allowance for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to financial assets are presented separately in the separate and consolidated statement of profit or loss and other comprehensive income.

4.8 Furniture and equipment

Furniture and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group. Furniture and equipment are subsequently measured using the cost model, cost less accumulated depreciation and impairment losses, if any.

Depreciation is recognised on straight-line to write down the cost less estimated residual value of furniture and equipment. The following useful lives are applied:

- Office equipment 2-5 years
- Furniture and fixtures 5 years

The depreciation method, assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains or losses arising on the disposal of furniture and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in separate and consolidated statement of profit or loss within other income or other expenses.

4.9 Impairment testing

Furniture and equipment and investment in a subsidiary are subject to impairment testing. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. The management of the Group has reviewed the assets of the Group and is of the opinion that no impairment has occurred to furniture and equipment and investment in a subsidiary.

Individual assets or cash-generating units with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.10 Income tax

Tax expense recognised in separate and consolidated statement of profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the balance sheet liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the Group's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 'Income Taxes' specifies limited exemptions.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at bank.

4.12 Share capital and dividends

Share capital represents the nominal value of shares that have been issued.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

4.13 Bank borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as interest expense in the separate and consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

4.14 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability in its separate and consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Notes

(forming part of the separate and consolidated financial statements)

4 Summary of accounting policies (continued)

4.14 Leases (continued)

Group as a lessee (continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.15 Employees' terminal benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the Oman Labour Law, 2003 and the Social Security Law, 1991.

Government of Oman Social Insurance Scheme (the Scheme)

The Group contributes to the Scheme for all Omani employees. The Scheme, which is a defined contributions retirement plan, is administered by the Government of Oman. The Group and Omani employees are required to make monthly contributions to the Scheme at 11.5% and 7% respectively, of gross salaries.

Non-Omani employee terminal benefits

The provision for end of service benefits for non-Omani employees is made in accordance with the requirements of the Oman Labour Law of 2003. Employees are entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years. This is an unfunded defined benefits retirement plan. Accrued non-Omani staff terminal benefits are payable on termination of employment.

Notes

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4 Summary of accounting policies (continued)

4.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain.

A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Long term provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

4.17 Significant management judgments in applying accounting policies and estimation uncertainty

When preparing the separate and consolidated financial statements management makes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant management judgments

The following are the judgements made by management in applying the accounting policies of the Group that have the most significant effect on the separate and consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that may have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2020, management assesses that the useful lives represent the expected utility of the assets to the Group. The carrying amounts are mentioned in Note 5.

Notes

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4 Summary of accounting policies (continued)

4.17 Significant management judgement in applying accounting policies and estimation uncertainty (continued)

Impairment of equity investments

The Group follows the guidance of IFRS 9 to determine when a financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

Income tax

Uncertainties exist with respect to interpretation of the tax regulations and the amount of timing of future taxable income. Given the wide range of business relationship and nature of existing contractual agreements, differences arising between the actual result and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimate, for possible consequences of the finalisation of the tax assessment of the Group. The amount of such provision is based on various factors, such as experience of previous assessment and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Fair value for unquoted investments

The management estimates the fair value for unquoted investments by using valuation techniques as described in Note 7 to the separate and consolidated financial statements.

Covid-19

Due to the dynamic and evolving nature of Covid-19, limited recent experience of the economic and financial impacts of such a pandemic, and the short duration between the declaration of the pandemic and the preparation of these separate and consolidated financial statements, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future.

5 Furniture and equipment

Parent Company

	Office equipment RO	Furniture and fixtures RO	Total RO
Cost:			
At 1 January 2020	39,693	55,448	95,141
Additions during the year	1,030	100	1,130
At 31 December 2020	40,723	55,548	96,271
Depreciation:			
At 1 January 2020	27,815	54,648	82,463
Provided during the year	3,822	306	4,128
At 31 December 2020	31,637	54,954	86,591
Net book value:			
At 31 December 2020	9,086	594	9,680

Notes

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5 Furniture and equipment (continued)

For the comparative year the carrying amounts can be presented as follows:

	Office equipment RO	Furniture and fixtures RO	Total RO
Cost:			
At 1 January 2019	26,038	55,448	81,486
Additions during the year	13,655	-	13,655
At 31 December 2019	39,693	55,448	95,141
Depreciation:			
At 1 January 2019	25,940	54,359	80,299
Provided during the year	1,875	289	2,164
Balance 31 December 2019	27,815	54,648	82,463
Net book value:			
At 31 December 2019	11,878	800	12,678

Group

	Office equipment RO	Furniture and fixtures RO	Total RO
Cost:			
At 1 January 2020	41,164	56,820	97,984
Additions during the year	1,030	100	1,130
At 31 December 2020	42,194	56,920	99,114
Depreciation:			
At 1 January 2020	29,094	55,927	85,021
Provided during the year	3,866	350	4,216
At 31 December 2020	32,960	56,277	89,237
Net book value:			
At 31 December 2020	9,234	643	9,877

For the comparative year the carrying amounts can be presented as follows:

	Office equipment RO	Furniture and fixtures RO	Total RO
Cost:			
At 1 January 2019	27,509	56,820	84,329
Additions during the year	13,655	-	13,655
At 31 December 2019	41,164	56,820	97,984
Depreciation:			
At 1 January 2019	27,159	55,610	82,769
Provided in the year	1,936	316	2,252
At 31 December 2019	29,095	55,926	85,021
Net book value:			
At 31 December 2019	12,069	894	12,963

Notes

(forming part of the separate and consolidated financial statements)

6 Leases

Lease receivables

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Group investment in finance lease	-	-	11,034,875	12,058,507
Less: unearned finance income	-	-	(4,972,813)	(5,617,697)
Present value of minimum lease Receivables	-	-	6,062,062	6,440,810

Minimum lease receivables comprise of the following:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Not later than 1 year	-	-	1,051,164	1,023,633
Later than 1 year but not later than 5 years	-	-	3,538,907	4,377,664
Later than 5 years	-	-	6,444,804	6,657,210
	-	-	11,034,875	12,058,507

Present value of minimum lease receivables comprises of the following:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Not later than 1 year	-	-	467,747	378,748
Later than 1 year but not later than 5 years	-	-	2,120,480	2,543,137
Later than 5 years	-	-	3,473,835	3,518,925
	-	-	6,062,062	6,440,810
Unguaranteed residual value of the Project	-	-	69,500	69,500

The unguaranteed residual value of the project is based on a valuation study performed by an independent valuer.

QREIS has constructed a housing complex (the project) for the use of Oman LNG LLC (OLNG). The project was completed and handed over to OLNG during March 2002 under a finance lease arrangement. The lease agreement is for a period of twenty-three years from the date of hand over of the project. The internal rate of return (IRR) on lease receivables is 16% per annum (2019: 16% per annum).

The movement of unearned finance income on lease receivable during the year was as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
At 1 January	-	-	5,617,698	6,311,866
Recognised during the year	-	-	(644,885)	(694,168)
At 31 December	-	-	4,972,813	5,617,698

Lease liabilities

In 2000, the Group acquired a land from the Public Establishment for Industrial Estate (PEIE) for a period of 50 years on finance lease. The same land was given to OLNG for the period of 23 years, extendable to 50 years. The Group has recorded finance lease receivable and finance lease payable for the same land.

Lease liabilities are presented in the separate and consolidated statement of financial position as follows:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Current	-	-	14,285	2,182
Non-current	-	-	3,566,170	3,580,455
	-	-	3,580,455	3,582,637

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6 Leases (continued)

Lease liabilities (continued)

The Group has leased a land. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The Group is prohibited from selling or pledging the underlying leased assets as security.

	Minimum lease payments due			
	Within one year RO	2-5 years RO	After 5 years RO	Total RO
31 December 2020				
Lease payments	200,836	814,916	6,444,804	7,460,556
Finance cost	(186,551)	(737,781)	(2,955,769)	(3,880,101)
Net present values	14,285	77,135	3,489,035	3,580,455

The movement of future finance cost on lease payable during the year was as follows:

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	-	-	4,067,898	4,255,311
Recognised during the year	-	-	(187,797)	(187,413)
At 31 December	-	-	3,880,101	4,067,898

7 Investments at fair value

7.1 Financial assets at fair value through other comprehensive income

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	8,381,366	8,619,709	8,381,366	8,619,709
Additions during the year	216,657	257,693	216,657	257,693
Disposals during the year	(118,235)	(303,914)	(118,235)	(303,914)
Unrealised fair value gain/(loss)	758,312	(106,113)	758,312	(106,113)
	9,238,100	8,467,375	9,238,100	8,467,375
Provision for impairment	-	(86,009)	-	(86,009)
At 31 December 2020	9,238,100	8,381,366	9,238,100	8,381,366

Fair value through OCI financial assets can be analyzed as follows:

	Group	
	2020 RO	2019 RO
Local quoted:		
Banking and investments	1,502,484	837,111
Industrial	3,961,143	3,530,631
Services	1,672,191	1,734,626
Insurance	415,000	545,000
	7,550,818	6,647,368
Local unquoted:		
Education	841,297	815,886
Foreign quoted	845,985	918,112
Total	9,238,100	8,381,366

Notes

(forming part of the separate and consolidated financial statements)

7 Investments at fair value (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

At the end of the reporting period, details of the Group's investments in which the market value exceeds 10% of the market value of its total investment in financial assets at fair value through other comprehensive income portfolio are as follows:

	% of investment portfolio	Number of shares	Market value RO
31 December 2020			
Al Anwar Ceramic Tile Company SAOG	24.42	8,665,326	2,235,654
National Gas SAOG	18.85	12,066,356	1,725,489
Oman National Engineering & Investment Co. SAOG	16.16	14,649,018	1,479,551

	% of investment portfolio	Number of shares	Market value RO
31 December 2019			
National Gas SAOG	27.31	11,451,471	2,313,197
Oman National Engineering & Investment Co. SAOG	17.40	13,522,267	1,473,927

Financial assets at fair value through OCI amounting to RO 5,802,031 (2019: RO 4,892,929) are pledged with commercial banks as security against credit facilities.

Financial assets at fair value through OCI are denominated in the following currencies:

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Rial Omani	8,392,115	7,463,254	8,392,115	7,463,254
US Dollar	68,945	121,915	68,945	121,915
Euros	35,752	32,581	35,752	32,581
Norwegian Krone	30,472	49,246	30,472	49,246
Arab Emirates Dirham	375,588	449,123	375,588	449,123
Kuwaiti Dinar	335,228	265,247	335,228	265,247
	9,238,100	8,381,366	9,238,100	8,381,366

Details of the Group's investment in securities where market value of its holding equals to or exceeds 5% of the investee's share capital as at 31 December 2020 and 2019 are set out below:

	% of shareholding	Number of shares	Market value RO
31 December 2020			
Fair value through OCI financial assets – quoted			
National Gas SAOG	14.20	12,066,356	1,725,489
Oman National Gas Engineering & Investment Co. SAOG	12.21	14,649,018	1,479,551
Al-Jazeera Services SAOG	9.12	5,580,741	1,305,893
Vision Insurance	5.00	5,000,000	415,000
		37,296,115	4,925,933

	% of shareholding	Number of shares	Market value RO
31 December 2020			
Fair value through OCI financial assets - unquoted			
A' Sharqiya University	10	600,000	841,297

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(forming part of the separate and consolidated financial statements)

7 Investments at fair value (continued)

7.1 Financial assets at fair value through other comprehensive income (continued)

	% of shareholding	Number of shares	Market value RO
31 December 2019			
Fair value through OCI financial assets – quoted			
National Gas SAOG	14.31	11,451,471	2,313,197
Oman National Engineering & Investment Co. SAOG	12.29	13,522,267	1,473,927
Al-Jazeera Services SAOG	4.99	5,580,741	5,580,741
Vision Insurance SAOG	5.00	5,000,000	545,000

	% of shareholding	Number of shares	Market value RO
31 December 2019			
Fair value through OCI financial assets – unquoted			
A' Sharqiya University	10	600,000	815,886

Non-quoted investment in A' Sharqiya University has been valued using Discounted Cash Flow Method. Management has used discount rate of 14.03% to discount future cash flows and a growth rate of 5% has been assumed.

7.2 Financial assets carried at fair value through profit or loss

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	-	-	-	-
Addition during the year	116,914	-	116,914	-
Disposals during the year	(70,116)	-	(70,116)	-
Unrealised fair value gain/(loss)	(999)	-	(999)	-
Realised gain on disposals	12,640	-	12,640	-
At 31 December 2020	58,439	-	58,439	-

Financial assets at fair value through profit or loss as at 31 December 2020 are as follows:

	Number of shares	Market value RO
31 December 2020		
Intel Corporation	1,293	24,801
VM Ware Inc. Class A	457	24,678
Alibaba Group Holding Ltd.	100	8,960

The Group had no financial assets carried at fair value through profit or loss as at 31 December 2019.

8 Prepayments and other receivables

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Lease receivables	-	-	416,827	-
Prepayments	23,825	12,692	29,033	19,557
Other receivables	-	-	40,051	61,714
	23,825	12,692	485,911	81,271

Notes

(forming part of the separate and consolidated financial statements)

9 Cash and bank balances

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Cash at bank	407,144	553,140	854,905	971,268
Cash in hand	836	247	1,180	747
	407,980	553,387	856,085	972,015

There are no restrictions on the Group's bank balances.

10 Share capital

The authorized share capital comprises of 120,000,000 (2019: 120,000,000) ordinary shares of RO 0.100 (2019: RO 0.100) each. The issued and paid up capital comprises of 90,000,000 (2019: 90,000,000) shares of RO 0.100 (2019: RO 0.100) each.

Shareholders of the Parent Company who own 10% or more of the Parent Company's shares and the number of shares they hold are as follows:

	2020		2019	
	Number of shares	% Holding	Number of Shares	% Holding
Salim Said Hamad Fanah Al Aرامي	20,367,000	22.63	20,365,595	22.63
Al Siraj investment and projects Co. LLC	10,161,000	11.29	10,161,093	11.29

11 Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman 2019, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance amounts to at least one third of the value of paid-up share capital of the Parent Company and the Group based in Oman. This reserve is not available for distribution to shareholders. During the year, the Parent Company and the Group has transferred RO 14,749 and RO 14,749 (2019: RO 8,421 and RO 8,421) to the legal reserve.

12 Fair value reserve

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	(1,114,030)	(1,309,097)	(1,114,030)	(1,309,097)
Fair value reserve reversal upon disposal	20,937	258,074	20,937	258,074
Fair value gain on disposal	11,120	132,632	11,120	132,632
Net unrealized gain/(loss) on revaluation	758,312	(94,628)	758,312	(94,628)
Provision for impairment of investment	-	(86,009)	-	(86,009)
Deferred tax loss on provision for impairment of investment	-	(7,961)	-	(7,961)
Deferred tax on FVOCI investments	15,815	(7,041)	15,815	(7,041)
At 31 December	(307,846)	(1,114,030)	(307,846)	(1,114,030)

13 Staff terminal benefits

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
At 1 January	106,104	92,596	126,456	111,469
Charge for the year – staff costs	11,489	13,508	11,489	14,987
Charge for the year – maintenance costs	-	-	4,957	-
Paid during the year	(15,611)	-	(15,611)	-
At 31 December	101,982	106,104	127,291	126,456

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14 Trade and other payables

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Accrued expenses and other liabilities	42,890	61,312	82,590	102,249

15 Net assets per share

Net asset per share is calculated by dividing the net assets attributable to shareholders of the Group by the number of shares outstanding at the reporting date:

	Parent Company		Group	
	2020	2019	2020	2019
Net assets (RO)	9,183,654	8,662,701	12,937,540	12,035,289
Number of shares outstanding	90,000,000	90,000,000	90,000,000	90,000,000
Net Assets per share (RO)	0.102	0.096	0.144	0.134

16 Staff costs

	Parent Company		Group	
	31 December 2020 RO	31 December 2019 RO	31 December 2020 RO	31 December 2019 RO
Salaries and allowances	204,256	245,862	205,286	245,862
Staff terminal benefits	11,489	13,508	11,489	13,508
Other staff benefits	5,857	20,890	5,857	21,310
	221,602	280,260	222,632	280,680

17 General and administrative expenses

	Parent Company		Group	
	31 December 2020 RO	31 December 2019 RO	31 December 2020 RO	31 December 2019 RO
Directors' sitting fees	35,300	27,700	35,300	27,700
Rent	23,100	24,000	23,100	24,000
Fees and other charges	14,002	13,999	15,370	15,443
Professional fees	13,000	13,892	15,000	15,892
Insurance expenses	8,454	7,575	8,454	7,575
Annual general meeting expenses	7,500	5,300	7,500	5,300
Repair and maintenance	2,086	2,642	2,086	2,642
Advertising expenses	2,081	2,670	2,081	2,670
Telephone and postage	2,036	2,394	2,036	2,394
Water and electricity	1,673	1,900	1,673	1,900
Other expenses	28,574	19,657	29,095	19,733
	137,806	121,729	141,695	125,249

Notes

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18 Taxation

The Group is subject to income tax at the rate of 15% on the taxable income in accordance with the Income Tax Law of the Sultanate of Oman.

a) Recognised in the separate and consolidated statement of comprehensive income and presented in the separate and consolidated statement of financial position

	2020 RO	2019 RO
Parent Company		
Current tax:	-	-
Current year	10,149	-
	10,149	-

	2020 RO	2019 RO
Group		
Current tax:		
Income Tax	77,437	74,088
Taxation	77,437	74,088

The relationship between the expected tax and the reported tax expense in the separate and consolidated statement of profit or loss can be reconciled as follows:

	Parent Company	
	31 December 2020 RO	31 December 2019 RO
Profit before tax	157,635	84,205
Add:		
Accounting depreciation	4,128	2,164
Disallowed expenses	285,190	298,577
Unrealized foreign exchange gain	-	132
Gain on PE fund-charged to retained earning	38,220	-
Interest and finance expenses	2,112	1,585
	487,285	386,663
Less:		
Tax depreciation	(4,128)	(2,164)
Loss on PE fund-charged to retained earning	-	(3,521)
Loss on Abraaj fund charged to retained earning	-	(144,183)
Dividend income on listed shares -non-taxable	(415,496)	(364,147)
Taxable profit/(loss)	67,661	(127,352)
Tax rate	15%	15%
Income tax for the year	10,149	-

Notes

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18 Taxation (continued)

b) Deferred tax

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 15% (31 December 2019: 15%). The net deferred tax in the separate and consolidated statement of financial position and deferred tax (charge)/credit in the separate and consolidated statement of profit or loss is attributable to the following items:

	1 January 2020 RO	Credited to OCI RO	31 December 2020 RO
Parent Company			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	38,652	15,815	54,467

Group			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	38,652	15,815	54,467

	1 January 2019 RO	Charged to OCI and RE RO	31 December 2019 RO
Parent Company			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	53,654	(15,002)	38,652

Group			
Deferred tax asset			
Fair value changes in investments carried at FVOCI	53,654	(15,002)	38,652

c) Current status of tax assessments

The Parent Company's tax assessments for the years 2013 to 2017 have not been finalised by the Secretariat General for taxation. However, the management believes that additional taxation liability likely to arise on the completion of the assessments for the above years, if any, will not be material to the Group's financial position at the end of the reporting period.

19 Related party transactions and balances

The Group and the Parent Company enter into transactions with shareholders, with entities over which certain Directors have significant influence and with senior management. The Parent Company also transacts with subsidiary in the ordinary course of business.

	Parent Company		Group	
	2020 RO	2019 RO	2020 RO	2019 RO
Amount due to a subsidiary	697,458	412,300	-	-

Amount due to a subsidiary carries interest at the rate of 7% p.a.

The Parent Company has an amount due to a subsidiary, QREIS, amounting to RO 697,458 (2019: RO 412,300) at year end, which comprises of various payments made by the subsidiary on behalf of the Parent Company. The balance is unsecured, bears no interest and has no fixed repayment term.

a) Transactions with related parties during the year were as follows:

	Group	
	31 December 2020	31 December 2019
Interest income from a subsidiary	-	985
Management charges from a subsidiary	60,000	60,000

Notes

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19 Related party transactions and balances (continued)

b) Sitting fees and remuneration:

	Parent Company		Group	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RO	RO	RO	RO
Directors' sitting fees	35,300	27,700	35,300	27,700

c) Key management compensation:

	Parent Company		Group	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RO	RO	RO	RO
Salaries and other short-term benefits	113,908	145,800	113,908	145,800
End of service benefits	10,268	10,730	10,268	10,730
	124,176	156,530	124,176	156,530

20 Basic and diluted earnings per share

The earnings per share has been derived by dividing the net profit for the year attributable to shareholders of the Parent Company by the weighted average number of shares outstanding. As there are no dilutive potential shares, the diluted earnings per share are identical to the basic earnings per share.

	Parent Company		Group	
	2020	2019	2020	2019
	RO	RO	RO	RO
Weighted average number of shares outstanding	90,000,000	90,000,000	90,000,000	90,000,000
Profit attributable to shareholders (RO)	147,486	84,205	528,784	504,036
Basic and diluted earnings per share (RO)	0.002	0.001	0.006	0.006

21 Segment information of the Group

The Investment Committee makes the strategic resource allocations on behalf of the Group. The Group has determined the operating segments based on the reports reviewed by the Investment Committee that makes strategic decisions.

The Investment Committee considers the business as two sub-portfolios. These sub-portfolios consist of investments and leasing.

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.

Notes

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21 Segment information of the Group (continued)

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

	Investment RO	Leasing RO	Total RO
At 31 December 2020			
Segment revenue			
Lease income	-	644,885	644,885
Dividend income	446,215	-	446,215
Other income	17,410	56,505	73,915
Total segment income	463,625	701,390	1,165,015
Segment expenses			
Staff costs	(221,602)	(1,030)	(222,632)
Finance cost on lease payable	-	(187,797)	(187,797)
General and administrative expenses	(137,806)	(3,889)	(141,695)
Other finance costs	(2,454)	-	(2,454)
Depreciation	(4,128)	(88)	(4,216)
Taxation	(10,149)	(67,288)	(77,437)
Total segment expenses	(376,139)	(260,092)	(636,231)
Total profit	87,486	441,298	528,784

	Investment RO	Leasing RO	Total RO
Segment assets include:			
Furniture and equipment	9,680	197	9,877
Capital work in progress	-	46,730	46,730
Deferred tax assets	54,467	-	54,467
Investments at fair value through other comprehensive income	9,238,100	-	9,238,100
Investments at fair value through profit or loss	58,439	-	58,439
Lease receivables	-	5,594,315	5,594,315
Current portion of lease receivable	-	467,747	467,747
Prepayments and other receivables	23,825	462,086	485,911
Cash and cash equivalents	407,980	448,105	856,085
Total segment assets	9,792,491	7,019,180	16,811,671
Segment liabilities include:			
Finance lease payable	-	3,566,170	3,566,170
Employees' end of service benefits	101,982	25,309	127,291
Current portion of finance lease	-	14,285	14,285
Trade and other payables	42,890	39,700	82,590
Income tax payable	16,507	67,288	83,795
Total segment liabilities	161,379	3,712,752	3,874,131

Notes

(forming part of the separate and consolidated financial statements)

21 Segment information of the Group (continued)

For the comparative year, segment information can be presented as follows:

	Investment RO	Leasing RO	Total RO
At 31 December 2019			
Segment revenue			
Lease income	-	694,168	694,168
Dividend income	420,360	-	420,360
Other income	8,925	52,177	61,102
Total segment income	429,285	746,345	1,175,630
Segment expenses			
Staff costs	(280,260)	(420)	(280,680)
Finance cost on lease payable	-	(187,413)	(187,413)
General and administrative expenses	(121,729)	(3,520)	(125,249)
Other finance costs	(1,912)	-	(1,912)
Depreciation	(2,164)	(88)	(2,252)
Taxation	-	(74,088)	(74,088)
Total segment expenses	(406,065)	(265,529)	(671,594)
Total profit	23,220	480,816	504,036

	Investment RO	Leasing RO	Total RO
Segment assets include:			
Furniture and equipment	12,678	285	12,963
Deferred tax assets	38,652	-	38,652
Investments at fair value through other comprehensive income	8,381,366	-	8,381,366
Lease receivables	-	6,062,062	6,062,062
Current portion of Lease receivable	-	378,748	378,748
Prepayments and other receivables	12,692	68,579	81,271
Cash and cash equivalents	553,387	418,628	972,015
Total segment assets	8,998,775	6,928,302	15,927,077
Segment liabilities include:			
Finance lease payable	-	3,580,455	3,580,455
Employees' end of service benefits	106,104	20,352	126,456
Current portion of finance lease	-	2,182	2,182
Trade and other payables	61,312	40,937	102,249
Income tax payable	6,358	74,088	80,446
Total segment liabilities	173,774	3,718,014	3,891,788

22 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks including market risk (foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the Board of Directors.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange and interest rates affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Notes

(forming part of the separate and consolidated financial statements)

22 Financial risk management (continued)

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 is exposed to price risk with respect to its investments. The Group limits market risk by maintaining a selective and strategic portfolio and by regular monitoring of the market. In addition, the Group monitors actively the key factors that affect stock market movements.

Impact on the Group's equity due to quoted equity securities held and classified as fair value through other comprehensive income and profit or loss.

Security per currency	2020		2019	
	Change in market price %age	Change in fair value RO	Change in market price %age	Change in fair value RO
Omani Rial	5	419,606	5	373,163
US Dollars	5	6,369	5	10,760
Euros	5	1,788	5	1,629
Norwegian Krone	5	1,524	5	2,462
UAE Dirham	5	18,779	5	22,456
Kuwaiti Dinar	5	16,761	5	13,262
		464,827		423,732

Foreign Currency risk

Foreign exchange risk is the risk that any foreign currency position taken by the Group may be adversely affected due to volatility in exchange rates.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to US Dollars, UAE Dirhams, Euros, Kuwaiti Dinar and Norwegian Kroner. The foreign currency transactions being either in US Dollars or in currencies linked to US Dollar (UAE Dirhams), the management believes that should these currencies weaken or strengthen against the Rial Omani there would be an insignificant or no impact on the pre-tax profits as US Dollar is pegged to Riyal Omani. The management further believes that the impact of Euro, Kuwaiti Dinar and Norwegian Krone weaken or strengthen against the Rial Omani by 1% would be insignificant impact on the pre-tax profits as lesser volume of transactions.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As at 31 December 2020, the Group is not exposed to any interest rate risk as it does not have any financial instrument subject to variable interest rate.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk is managed through Group risk management policies and procedures. For banks, only independently rated parties with a rating from reputed credit agency are accepted.

Notes

(forming part of the separate and consolidated financial statements)

22 Financial risk management (continued)

Credit risk (continued)

The Group continuously monitors the credit quality based on performance of its customers. The Group's policy is to deal with only credit worthy counter parties. The credit term range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers performance of its collection in terms of collection received from them. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Impairment of financial assets

The Group has following types of financial assets that are subject to the expected credit loss model:

- Cash at bank; and
- Other receivables.

Although, cash at bank and other receivables are subject to the impairment requirements of IFRS 9, but the identified impairment loss was not significant.

As of the reporting date, none of the financial assets are past due or impaired. The maximum exposure of the Group to the credit risk is equivalent to the carrying amount of the financial assets.

The Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the reporting date, as summarised below:

	Parent Company		Group	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	RO	RO	RO	RO
Other receivables	-	-	456,878	61,714
Cash at bank	407,144	553,140	854,905	971,268
	407,144	553,140	1,311,783	1,032,982

Liquidity risk

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

In accordance with prudent risk management, the Board of Directors aim to maintain sufficient cash and an adequate amount of committed credit facilities.

Parent Company

	Carrying amount	Less than one year	More than 1 year
	RO	RO	RO
31 December 2020			
Trade and other payables	42,890	42,890	-
Amount due to a subsidiary	697,458	697,458	-
	740,348	740,348	-

	Carrying amount	Less than one year	More than 1 year
	RO	RO	RO
31 December 2019			
Trade and other payables	61,312	61,312	-
Amount due to a subsidiary	412,300	412,300	-
	473,612	473,612	-

Notes

(forming part of the separate and consolidated financial statements)

22 Financial risk management (continued)

Liquidity risk (continued)

Group

	Carrying amount RO	Less than one year RO	More than 1 year RO
31 December 2020			
Trade and other payables	82,590	82,590	-
	82,590	82,590	-

	Carrying amount RO	Less than one year RO	More than 1 year RO
31 December 2019			
Trade and other payables	102,249	102,249	-
	102,249	102,249	-

23 Fair value measurement

Financial assets and financial liabilities measured at fair value in the separate and consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (that is, unobservable inputs)

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The following table shows the Levels within the hierarchy of financial assets measured at fair value on a recurring basis at 31 December 2020 and 2019.

Parent

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial asset – 31 December 2020				
Equity investment at FVOCI:				
Quoted investments	8,396,803	-	-	8,396,803
Unquoted investments	-	-	841,297	841,297
	8,396,803	-	841,297	9,238,100

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial asset – 31 December 2019				
Equity investment at FVOCI:				
Quoted investments	7,565,480	-	-	7,565,480
Unquoted investments	-	-	815,886	815,886
	7,565,480	-	815,886	8,381,366

Notes

(forming part of the separate and consolidated financial statements)

23 Fair value estimation (continued)

Group

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial asset – 31 December 2020				
Equity investment at FVOCI:				
Quoted investments	8,396,803	-	-	8,396,803
Unquoted investments	-	-	841,297	841,297
	8,396,803	-	841,297	9,238,100

Group

	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
Financial asset – 31 December 2019				
Equity investment at FVOCI:				
Quoted investments	7,565,480	-	-	7,565,480
Unquoted investments	-	-	815,886	815,886
	7,565,480	-	815,886	8,381,366

Measurement of fair value of financial instruments

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. The finance team reports directly to the chief executive officer (CEO) and to the audit committee. Valuation processes and fair value changes are discussed among the audit committee and the valuation team at least every year, in line with the Group's annual reporting dates.

24 Commitments

At 31 December 2020, the Group has investment commitments amounting to RO 181,687 (2019: RO 170,678).

25 Capital management policies and procedures

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide an adequate return to the shareholders by pricing products and services commensurately with the level of risk.

26 Events after reporting period

No adjusting or significant non-adjusting events have occurred after the reporting period.