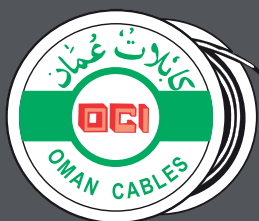
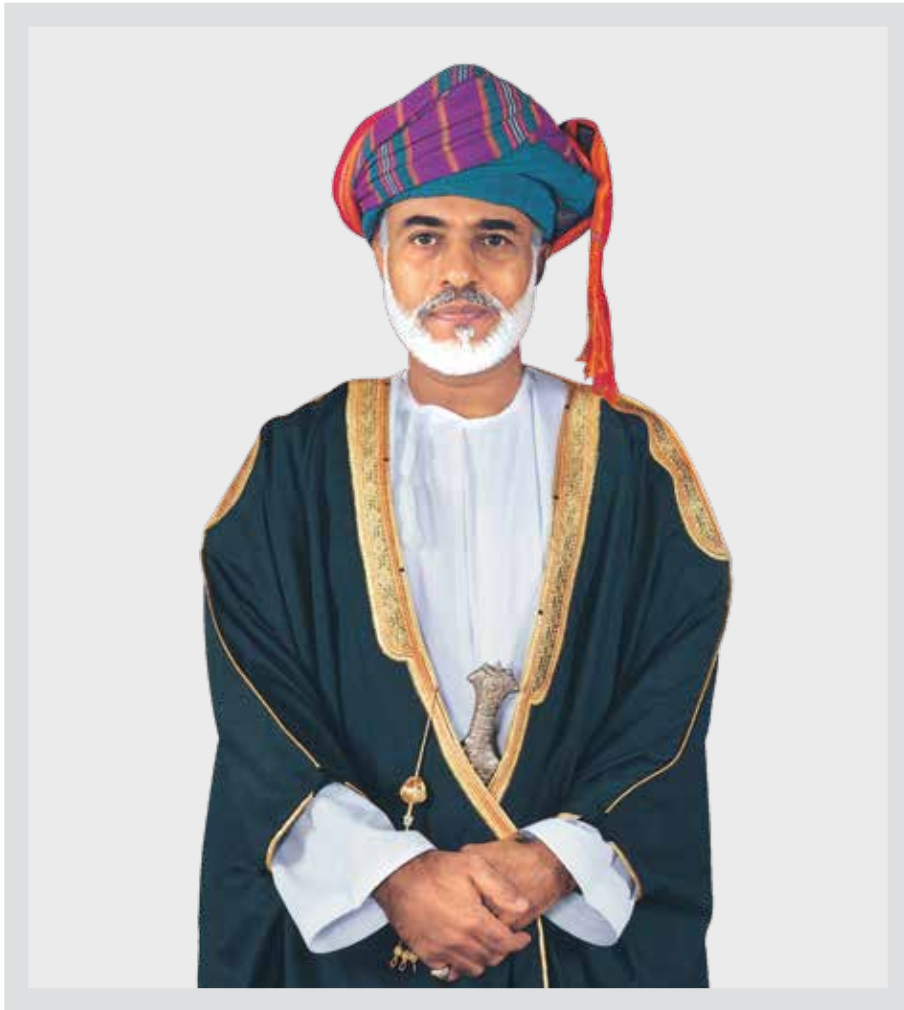


# OMAN CABLES INDUSTRY (SAOG)



شركة صناعة الكابلات العمانية ش.م.ع.ع.  
Oman Cables Industry (SAOG)

# ANNUAL REPORT 2016



**HIS MAJESTY SULTAN QABOOS BIN SAID**

# OUR VISION

We at Oman Cables Industry ensure that through our product offering, we remain the leader in our industry in quality and performance, exceeding the expectations of our customers and stakeholders.

# OUR MISSION

We continuously strive for excellence in all aspects of our business through the integration of sustainable business development and innovation, enhancing shareholder value and outstanding customer service.

# VALUES AND PRINCIPLES

- Build sustainable **growth** through innovation
- **Transparency** in all our actions
- Promoting an environment of open **communication** for all
- **Integrity** driven by **accountability**
- Continued integration of world class **quality** management
- **Safety** is not compromised
- Responsible corporate citizenship in compliance with **environmental** norms

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# BOARD OF DIRECTORS



**Fabio Ignazio Romeo**  
Chairman



**Christian Raskin**  
Director



**Lara Hansen**  
Vice Chairman



**Hamed Al Waheibi**  
Director



**Mahmut Tayfun Anik**  
Director



**Mohamed Al Lawati**  
Director



**Michele Binda**  
Director



# REPORT OF THE BOARD OF DIRECTORS

## To our valued shareholders

It gives me great pleasure to welcome you all on behalf of my colleagues and the Board of Directors of Oman Cables Industry to the 28th Annual General Meeting (AGM) of the company.

We are meeting here today at the Annual General Meeting today where the Board of Directors explains to the shareholders the achievements of the company for the year 2016. We hope to be able to sustain the successes achieved by the company over the years and the current year under review.

## Board of Directors

The following are the Board of Directors of the company:

1. Mr. Fabio Ignazio Romeo
2. Mrs. Lara Caroline Mahmoud-Hansen
3. Mr. Mohamed Al Lawati
4. Mr. Hamad Mohammad Al Wahaibi
5. Mr. Christian Raskin
6. Mr. Mahmut Tayfun Anik
7. Mr. Michele Binda

The Board and its committees, conducted various meetings and directed the company operations.

## Operational Review

In spite of the current market conditions Oman Cables have been able to maintain the volume. The Copper prices, the most important raw material in cables, were ranging lower during the year by 15% compared to 2015. This has affected the sales value.

The Company, due to its geographically spread markets and its diversified composition of the customer base, could maintain the volumes.

Important expansion of the facilities have been completed during the year and there was a continued focus on customer service and operational efficiencies.

Oman Cables Industry is actively looking for areas to collaborate for mutual benefit with its majority shareholder, being in the same business.

## Sales

We are pleased to report the 2016 sales revenues of RO 200.3 million for the parent company as compared to RO 231.5 million in 2015. The sales of the Group were RO 228.6 million compared to RO 283.5 million in 2015.

The sales value decrease in 2016 is largely attributable to the 15% decline of the copper rate in comparison to 2015. The volumes sold by the parent company in 2016 were equal to 2015.

The effect of the oil price levels is having an impact on the business sectors and the pressure on the sales value was felt in all markets and across the different segments. Several electrical utilities in and outside of Oman delayed the payments.

## Profitability

The net profit of the parent company for the year 2016 was RO 15.4 million as compared to RO 18.2 million in 2015, a decrease of 15.2%

The net profit of the Group was RO 15.3 million compared to RO 18.5 million in 2015 a decrease of 17.6%.

The decrease in profitability is due to the severe competition faced by the parent and subsidiary. In response to market pressure the company and subsidiary kept a tight control on overhead costs.

## Oman Aluminum Processing Industries LLC

Oman Cables Industry's subsidiary company, Oman Aluminum Processing Industries LLC (OAPIL) in Sohar, is a joint venture between Oman Cables with 51% share and Takamul Investment Company of Oman Oil with 49% share.

OAPIL is operating in the Aluminum business that is experiencing fierce competition and price pressure. The company continues to focus on the reduction of costs of production and control of the overheads. The management strategies applied are showing an increase in the production efficiencies.

During the year 2016, OAPIL has achieved lower sales and profits compared to 2015. The OAPIL financial results are consolidated with Oman Cables, the parent company, and are reported as Group results.

The Aluminum market worldwide is in turmoil and OAPIL had a challenging year. The Sales Revenues dropped strongly and the profitability was under severe pressure leading to a large drop in the Net Profit.

The year ahead is expected to continue to be challenging and no improvement of the overall market circumstances is expected.

## Human Resources

Human Resources plays an important strategic role in the continuous development of Oman Cables and employees are our business partners in this success. Ensuring our employees are equipped with the necessary technical & behavioural skills associated with their roles are always the main drive for excellence. Providing educational assistance for our resources to continue or complete their study has played a vital role in creating stability within the Omani workforce and increasing their qualification levels.

The management of Oman Cables are always striving for a better performance and better healthy sustainable working environment, and in line with that, in 2016 it extensively refurbished the existing canteen facilities and extended the free meal scheme to a larger number of employees and facilitated attractively priced food for all employees. This initiative was well received.

At Oman Cables we believe in “one company and one team” and this is in our values and we are proud of it. This has created an unparalleled value, continuous growth and sustainable performance that always achieve and exceed targets.

## Health Safety & Environment

Oman Cables is continuously striving to improve the Safety Awareness among its shop floor employees. Various actions are initiated so that all employees have been introduced to the Safety Awareness Programme. The lost time injury frequency rate (LTI) in the company is being actively monitored. The focus is on to have a safe working place with proper safety and health regulations.

As an encouragement to promote the awareness of safety and increase the safety at work and at home, fire extinguishers were distributed to all employees for their homes with Arabic and English manual leaflets illustrating how to use the fire extinguisher together with information on fire prevention.

## Corporate Governance

The company has been following the high standards in the Corporate Governance since its inception. The Board has constituted three committees i.e. Audit Committee, Strategic Management Committee and the Nomination and Remuneration Committee. Based on the importance of the strategy area the board realigns the strategy of the company in the “Strategic Management Committee”. The “Nomination and Remuneration Committee” is established in the first quarter of 2015 and assists and advises the Board on matters relating to the Chief Executive Officer and the top line management staff as well as on other essential matters relating to the Board of Directors.

The company has internal systems and manuals to assist the management in the day-to-day operations. These systems and manuals are reviewed and updated and are in line with statutory requirements while meeting the organizations goals that gives transparency to all transactions. These systems and manuals are in-line with Capital Market Authority regulations as a public listed company on the Muscat Securities Market.

Oman Cables shares the information with all stakeholders and public in general through regular publication of its quarterly and annual results in printed media, on the MSM website and on the company’s website.

Company has aligned its Corporate Governance with the latest Guidelines issued by Capital Market Authority of Oman.

## Corporate Social Responsibility

Oman Cables believes that giving back to the community is extremely important. The company has grown manifolds, so has our commitment to the society. The Oman Cables CSR program provides assistance to the various organizations that are dedicated to improve the quality of life for the less privileged in the society.

Oman Cables contributed in 2016, to different sectors of the community and society related to the cultural and social development and education sector in Oman. Youth sports and cultural events arising from its belief in the youth as the future for Oman have been able to take place with the help of the Corporate Social Responsibility program of the company.



The company intends to be in the forefront in this field with different CSR activities, movements and experiences around the world by applying an plan and policy to reflect the depth in partnership between the company and the community and exercise it in line with the needs of the community and society to help securing and providing what is the best for the community and society. The company will keep on working on its CSR activities to reach and cover different sectors of corporate social responsibility in the community and society.

## Future Outlook

The countries in which the company's products are being marketed, have been facing a slowdown in the respective economies due to low and uncertain oil prices and other factors. The company is gearing up to face the challenge in various ways. While maintaining the focus on existing markets the company is fine tuning its operations to deliver exceptional value to its customers

The management continuous to focus on the dynamic and competitive market for cables. The continued emphasis on operational excellence is an important factor to the continuous success of the company. The company has a strong management and a strong operational performance and will continue to strive on a strategy framework that focuses on the creation of long term value to all the stakeholders while ensuring sustainability in the operations.

The company has demonstrated another year of a satisfactory performance and a continued focus on operational excellence. Oman Cables invested further in the manufacturing capabilities, in marketing and in human resources to continue to deal with the market dynamics. Today Oman Cables is positioned favorably locally, regionally in the GCC and MENA region and in selected international markets.



## Dividend:

The Board of Directors, during the board meeting held on 25 January 2017, reviewed the company's annual accounts. Considering the guidelines issued by the Capital Market Authority, the liquidity requirements for the operational needs and the uninterrupted record of declaration of dividend, the Board members propose distributing a cash dividend to the Oman Cables Industry shareholders.

Taking into account the financial performance for the Board recommends to distribute dividend on paid-up capital, ie RO 0.085 baiza for each share with face value of RO 0.100 baiza, to the shareholders registered as on the date of Annual General Meeting.

The Board of Directors also recommends to the shareholders at the Annual General Meeting to approve the total Director's remuneration of RO 200,000 (including meeting attendance fees) to be paid to the Board of Directors, in recognition and appreciation of their efforts towards their responsibilities and for their continuous inputs, guidance and support to the management.

## Cooperation with Prysmian, Italy

The company has entered into discussions /MOU with Prysmian of Milan, Italy for the implementation of a SAP ERP system in the company, subject to the relevant approvals from the shareholders.

## **Enhancing Company Stake of 40% in Associated Cables Private Limited, India.**

Keeping in view the long term plans of the company, the company has successfully negotiated buying of remaining 60% stake from the other shareholders of ACPL- Viz Draka UK group Limited and Prysmian Treasury BV. The relevant regulatory approvals and the companies shareholder approval is being sought for this.

### **Conclusion**

We acknowledge with thanks to our local and global customers, business associates, the finance community, local communities and all other stakeholders for their continued support to Oman Cables.

Our special thanks go to all our employees and to the management for their consistent hard work and wholehearted commitment in delivering the objectives and in taking the company to greater heights. Oman Cables has trustworthy employees who are the reason for our success and it emphasizes the importance of all our people in the company.

Oman Cables acknowledges the great support extended by the Government of His Majesty Sultan Qaboos Bin Said, the Authorities in the Ministry of Commerce & Industry as well as all other Ministries and Government departments.

We wish the best for our beloved Oman to develop even more under the wise leadership of His Majesty Sultan Qaboos Bin Said by granting His Majesty with good health and longevity.

**Mr. Fabio Romeo**  
**Chairman**  
**Oman Cables Industry (SAOG)**

**Date: 25 January 2017**



# MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

## Industry Structure and Development

Oman Cables Industry (SAOG) develops, manufactures and markets a totally integrated variety of electrical cables and conductors for diverse applications, including medium voltage power cables, low voltage power and control cables, instrumentation cables, pilot cables, overhead power transmission line conductors and building wires.

The company offers cables with special features suitable for different types of application, environmental conditions or as per customer requirement. The manufacturing facilities are situated within the largest industrial complex in Muscat. Equivalent facilities are available in Sohar where the aluminum manufacturing facility is based.

Achieving economies of scale combined with operational excellence is an important dynamic for success within the very competitive cable business environment. Copper conductor is the most dominant metal used in power cables however there is a trend towards aluminum cables in some market sectors. Oman Cables is carefully monitoring the partial substitution of copper with aluminum and is capable of processing both materials.

Oman Cables is a well-known internationally accredited power cable manufacturer and operates predominantly within the GCC region with an extensive distribution and office network throughout the region. Offices are based in Oman, the United Arab Emirates, Qatar and Saudi Arabia. Oman Cables is serving customers in the Utility, Construction, Oil, Gas and Petrochemical Industries, Mining, Transportation and Industrial manufacturing sector.

The company has positioned itself as a recognized power cable manufacturer following international standards and accreditations to ensure that the highest quality products are delivered to its customers on time. Through constantly researching the demands and trends within the different market sectors the company provides a specialized service for each customer's need.

During December 2015, the Prysmian Group, thru its wholly owned subsidiary, enhanced its stake from 34.78% to 51.17%. This stake increase by the Prysmian Group, which is the world's number one cable company as a leading provider of energy and telecom systems, has endorsed Oman Cables as a cable company with good potential. Through the year the company has been working together in different fields with the purpose to improve the Oman Cables product portfolio by introducing products and services and by expanding the customer base.

## Opportunities and Threats

The GCC region where the company is predominantly operating still continues to be a growth area for the cable products. In the medium term the oil related economic growth and demographics of the region will spur projects in the residential, commercial, infrastructure, oil and gas, power, and Industrial sectors. This will generate the demand for the company's cable products.



Oman Cables and the Prysmian Group, now has an opportunity to mutually tap into each other strengths and to have a successful commercial approach regionally and globally.

The effect of the cyclical downtrend in oil price levels is having a lingering impact on the business sectors. The uptick in the economic activity will take some time in spite of the recent stabilization of oil prices. Countries and businesses are adapting and realigning their budgets in line with their capital spend to the current levels of the main income revenue e.g. oil and gas. We observed that the market in general is affected by cancellations and projects are put on hold due to governmental budget deficits. This affects contractors which have to cancel orders and reduce their workforce. The delay of payments is felt in many markets. These effects

are strongly influencing the business within the GCC where payment terms, risk and negotiations took on a new approach.

The demand for cables in the region continue to attract many regional and international cable manufacturers creating a very competitive environment.

Oman Cables has plans and strategies in place to counter this thru market development and product diversification. The capabilities and positioning can be leveraged swiftly to seize the growth opportunities that may emerge for large projects or for an increase in the demand for power cables within its markets.

## Segment Performance

The approach of Oman Cables of operating in diverse markets with a varied product range and targeting a wide spectrum of consumers has served well for the company.

Oman Cables has performed well across all geographical segments and product categories in 2016. The company has developed a sustainable customer base within the various market sectors thru a combination of branch offices and associations spanning all markets. The company has managed to obtain and sustain a good market share at all main utilities within the region. Oman Cables have invested in the latest technology for manufacturing and testing. Oman Cables is firmly established with International EPC companies doing business within the MENA region. Projects have been executed successfully with adhering to stringent quality and delivery parameters.

The subsidiary company in Sohar, supplying aluminum products, has this year reduced its contribution to the Oman Cables results. The aluminum operation will continue to integrate with Oman Cables' strategic outlook.

## Outlook

In the short run, the lower oil prices, the volatile copper price and the geo-political situation is effecting the overall economic situation in the markets where Oman Cables operates. However there are indications that this situation may reverse slowly. The various measures being taken by the authorities to face this situation will start giving results and stabilize the economy.

Oman Cables expects to maintain its presence in the market and is well equipped to face the challenges based on operational excellence executed by a customer focused performance, efficient resource

utilization, managing the cost structure, perform a market driven expansion, and sound financial discipline.

The outlook for Oman Aluminum Industries LLC (OAPIL) is challenging and the aluminum market is facing a critical phase.

### Risk and Concerns

Oman Cables main markets were heavily influenced by the declining oil price. This may impact capital spend on major projects in the current year affecting the local economies and GDP. This may have a cascading effect on the demand for power cables. This coupled with the established capacity in the region may result in pressure on pricing.



The domestic market may remain active based on the government's spend as indicated in the State Budget for 2017. Oman Cables Industry will remain vigilant and ensure that supplying a superior product with competitive pricing is maintained.

Oman Cables Industry works carefully to monitor the developments in the potential countries for future business. The company strives to find the balance between the business opportunities and the potential risks involved and cautiously builds market confidence

### Internal Control Systems and their adequacy

The company has sound internal control systems and operating procedures in place. The operations are audited by a professional internal audit team, external statutory financial auditors and ISO auditors. Oman Cables is routinely audited in depth by multinational corporations as a part of their stringent pre-qualification processes and product approvals.

These audits include the compliance of the operational activities and Health, Safety and Environmental (HSE) aspects. Oman Cables Industry is driven by Corporate Governance through its strict ethical policies and emphasis on customer satisfaction.

### Expansion

During 2016, the company invested in programmes which resulted in the increase of the efficiency for the manufacturing of specific wires and cables. This includes the introduction of the latest technological systems and upgrades of machinery.

### Sales and Profitability

The operational performance of the Group for the last 5 years is as below:

	2012	2013	2014	2015	2016
Sales (RO' 000)	257,160	306,058	303,146	283,470	228,639
Profit after Tax (RO' 000)	11,908	16,886	17,718	18,507	15,254
Equity (RO' 000)	61,745	72,461	83,498	92,738	102,000
Dividend (%)	70%	88%	90%	90%	85%*

\*recommended by the Board of Directors

## Conclusion

Though 2016, has been a challenging year, Oman cables have responded with satisfactory results in terms of volumes and working capital management, in spite of difficult market circumstances. This was possible through the well planned and long term marketing efforts, utilization of production capacity and overall emphasis on operational excellence.

Oman Cables has shown consistent growth in performance. This is possible due to its excellent relationship and support of the prestigious customer base, other stakeholders and dedicated employees.

The Executive Management with the guidance of the Board of Directors is confident that the company is on a sound footing and will strive to improve its market position and stakeholder's value.

**Mr. Gert Hoefman**  
**Chief Executive Officer**  
**Oman Cables Industry (SAOG)**

**Date: 25 January 2017**

## TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. E/4/2015 dated July 22, 2015 with respect to the accompanying corporate governance report of **Oman Cables Industry SAOG** and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 4/2015 dated July 22, 2015 and CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 1, dated 18 March 2009. Our engagement was undertaken in accordance with the International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:

We found that the Company's corporate governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, the matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose, this report relates only to the accompanying corporate governance report of **Oman Cables Industry SAOG** to be included in its annual report for the year ended 31 December 2016 and does not extend to any financial statements of **Oman Cables Industry SAOG**, taken as a whole.

*Deloitte & Touche*



**Deloitte & Touche (M.E.) & Co. LLC**  
**Muscat, Sultanate of Oman**  
**25 January 2017**



## CORPORATE GOVERNANCE REPORT

### Company's philosophy on Code of Corporate Governance

Oman Cables Industry SAOG (OCI) is committed to adhere to the highest standards of Corporate Governance. OCI believes that the process of Corporate Governance enables it to control and direct the operations making it more efficient. Implementation of the Code of Corporate Governance protects all stakeholders of the company.

OCI's Corporate Governance Structure is based on the Code of Corporate Governance issued by Capital Market Authority (CMA).

The Directors and management of OCI adapts the following main pillars:

- Transparency regarding sharing of information with stakeholders
- Accountability towards stakeholders
- Fairness in dealing with all Stakeholders
- Responsibility to perform the duties with honesty and integrity
- Acting with prudence, care & diligence
- Placing the Company & community interests ahead of personal Interests

The Company's has applied the above principles through a combination of measures like:

- Instituting Internal Regulations and Operating Procedures - through the Human Resource Manual, Operations Manual for Finance, Sales and Marketing, Procurement and Supply Chain, documented Quality Management System and other policies
- Monitoring adherence to the Internal Regulations and Operating procedures through frequent internal checks, conducting Internal and external Audit, carrying out regular Quality System, allowing customers to conduct quality and compliance
- Regular management reviews and structured written reports by Management to the Board.
- Periodical communication with shareholders
- Adherence to the process of nomination and election of Directors laid down by CMA, thus ensuring that the Board is constituted of skilled Directors to oversee the company operations
- Ensuring the compliance with relevant laws and regulations.

The Company has set up Audit Committee Charter, Internal Audit Charter, Disclosure and Insider Trading Policy, Strategic Management Committee Charter all duly approved by the Board and which and are all based on the regulations of the CMA.



## Board of Directors

The Board of Directors is elected by the shareholders of the Company at the Annual General Meeting (AGM). The Board is elected for a three year term. The Board reports to the shareholders at the AGM. The Board comprises of seven Directors.

Following are the relevant details of the Directors as on 31 December 2016:

Name	Designation	Category	No. of Board Meeting Attended	AGM attended
Fabio Ignazio Romeo	Chairman	Non-executive Non-independent	8	Yes
Lara Caroline Mahmoud-Hansen	Vice Chairman	Non-executive Independent	8	Yes
Mohamed Al Lawati	Director	Non-executive Non-Independent	8	No
Hamad Mohammad Al Wahaibi*	Director	Non-executive Independent	6	NA
Christian Raskin	Director	Non-executive Independent	5	Yes
Mahmut Tayfun Anik	Director	Non-executive Non-Independent	7	Yes
Michele Binda*	Director	Non-executive Non-Independent	6	NA
Hussain Salman Al Lawati*	Director	Non-executive Non-independent	--	NA
Abdul Amir Saied Mohamed*	Director	Non-executive Independent	1	NA

\*For part of the year

Please note that the Company is applying the definition of independent directors as per the revised Code of Corporate Governance for Publicly listed Companies announced by the Capital Market Authority in July 2016.

The following changes took place in the Board of directors during 2016:

1. Mr. Hussain Salman Al Lawati resigned on 4 January 2016
2. Mr. Michele Binda was appointed as a temporary Director on 20 January 2016 and was later elected as a director in the Annual General Meeting held on 7 March 2016
3. On 28 March 2016, the Director's seat of Mr. Abdul Amir Bin Saied Bin Mohamed (Independent Director and Chairman of Audit Committee) was considered vacant in accordance with the applicable rules and principles of the Code of Corporate Governance due to a conflict arising from a first degree relation with a senior executive employee of the company. Mr. Hamad Mohammad Al Wahaibi was appointed as a temporary director on 14 April 2016 till the date of next Annual General Meeting.

The Board of Directors also hold the following positions in other Companies / Organisations:

Name of Director	Designation in other Companies	Name of Company
Fabio Ignazio Romeo <i>Chairman</i>	Chief Strategy Officer Director Director Director Director Member of the Comite de Controle Director Director Director Representative of Draka Holding B.V. Director Vice President Director Member of the Supervisory Board	Prysmian Group Centro Elettrotecnico Sperimentale Italiano Giacinto Motta S.p.A. Prysmian (China) Investment Co. Ltd Prysmian Angel Tianjin Cable Co. Ltd. Prysmian Tianjin Cable Co. Ltd. Prysmian Cables et Systemes France S.A.S. Prysmian Power Cables and Systems Canada Prysmian S.p.A. Draka Cableteq Asia Pacific Holding Pte. Ltd. Turk Prysmian Kablo ve Sistemleri A.S Prysmian Cables and Systems Ltd. Elkat Ltd. Prysmian Baosheng Cable Co. Ltd. Prysmian Netherlands Holding B.V.
Lara Caroline Mahmoud-Hansen, <i>Vice Chairman</i>	General Manager	Feed & Agricultural Suppliers Services Co. LLC
Mohamed Al Lawati <i>Director</i>	Chief Executive Officer	Al-Saleh Group
Hamad Mohammad Al Wahaibi* <i>Director</i>	Investment Manager Director Director Director	Ministry of Defense Pension Fund Galfar Engineering and Contracting Voltamp Energy National Bank of Oman
Christian Raskin <i>Director</i>	Director	EVS Belgium
Mahmut Tayfun Anik <i>Director</i>	Director - Joint Venture Management Director	Prysmian SpA Ravin Cables Ltd (India)
Michele Binda <i>Director</i>	Executive Senior Legal Counsel	Prysmian SpA

**Mr. Fabio Ignazio Romeo – Chairman** is the Senior Vice President Business Energy of Prysmian since July 2011. He did his graduation in Electronic Engineering from Milan's Polytechnic University in 1979, then obtained an M.S. and a Ph.D. in Electrical Engineering and Computer Sciences at the University of California in Berkeley. He began his career at Tema (ENI Group) as control expert for chemical plants, in 1982 he moved to Honeywell as a technical advisor to the Group's CEO. In 1989 he joined Magneti Marelli as Innovation Manager of the Electronics division, later becoming Director of the Electronics Systems division. In 2001 he moved to Pirelli Group, where he held the position of Director in charge of the Pirelli Tyre division's Truck business unit. In 2002 Dr. Romeo moved to the Energy Cable Sector where he has been appointed Utility Director, Sales and Marketing Director position he held until the current assignment.

**Mrs. Lara Caroline Mahmoud-Hansen – Vice Chairman and Independent Director** has a Bachelor of Arts from the University of Wisconsin and Juris Doctor from Rutgers University, New Jersey. She has practiced Oman corporate and commercial law for 15 years, specialising in corporate governance. Mrs Hansen was the principal external legal advisor to Oman Cables Industry SAOG from 1998 to 2011. She is currently an owner and the general manager of Feed & Agricultural Suppliers Services Co LLC.

**Mr. Mohamed Al Lawati - Director**, holds a Bachelor degree in Mechanical Engineering from University of Manchester, UK. He has 5 years engineering experience in Petroleum Development Oman (PDO). He has also held various positions in Oman Cables Industry SAOG for 5 years, latest as General Manager – Sales & Marketing and General Manager - Corporate Projects. Currently he is the CEO of Al-Saleh Group.

**Mr. Hamad Mohammad Al Wahaibi - Independent Director**, appointed by the Board of Directors as a temporary independent director till the coming general meeting of shareholders in 2017.

Holds a Bachelor degree in trade and commerce and an MBA in finance

Investment Manager at Ministry of Defense Pension Fund

Director in Galfar Engineering and Constructing, Voltamp Energy and National Bank of Oman

Chartered Financial Analyst (CFA) Charterholder

Chartered Alternative Investment Analyst (CAIA) Charterholder

He has 16 years' experience in areas of investment, assets management and business development.

**Mr. Christian Raskin – Independent Director**, holds a Masters in Economics from the Catholic University of Leuven in Belgium and a Degree in Accountancy from St Mary institute in Liège. He was the co-founder of Zetus Industries for 9 years, later as Managing Director of Draka Holding until 2009. He was also the chairman of Europacable and Member of the board of ICF. He serves on the board of three private companies outside Oman.

**Mr. Mahmut Tayfun Anik – Director**, holds a BA degree in Business Administration from Bogazici University in Turkey. He has over 30 years of experience at various positions in the Prysmian Group.

**Mr. Michele Binda – Independent Director**, Executive senior legal counsel at Prysmian SpA with extensive national and international experience in dealing with corporate and commercial legal affairs developed by working more than 10 years as an in-house business lawyer. Specialized in contract drafting and negotiations, special projects (merger & acquisition, joint venture's establishment and management, EPC contracts, etc.) judicial and arbitral litigation management, corporate and intellectual property laws and compliance. He has extensive knowledge and experience on competition laws.

**Mr. Hussain Salman Al Lawati – Director**, (resigned from the Board of Directors of OCI on 4 January 2016), is the co-founder of Oman Cables in 1984. He has a rich Business experience of 52 years in the electrical and lighting Industry including 32 years in Oman Cables Industry where he held the position of the Vice Chairman and Managing Director from pre establishment stage in 1983 till 2012 and continued the Managing Director position till 25 July 2013. He has established a few electrical trading enterprises in Oman and UAE. He has developed the first Aluminum rod industry in Oman known as OAPIL, at Sohar (Oman Aluminum Processing Industries LLC) he was driving force and the Chairman of the company till early August 2013, further he is primer partner and Chairman of Bin Salman Group companies, the company is in electrical and lighting trading Business, besides property development and industrial investment.

On his social involvement, he was the first Chairman of the Omani Australian Business council till 2013 at the Oman Chamber of Commerce. He was holding a board member position in the Oman Chamber of Commerce from 1995 till 2003. He was the chairman for the Industrial Committee of the Oman Chamber Of Commerce for the period of eight years as well he was Member industrial Development at the Ministry

of Commerce and Industry from 1996 till 2003 and is continuing his contribution as an expertise member. He is also Chairman of Investment Group Development at the Public Authority for Investment Promotion and Export of the Government of Oman. He is also a member of the Omani Dutch Business council and a member of the Omani Tunisian Friendship Association. He was selected as finalist in 2012 for the prestigious Entrepreneur of the Year Award for the year 2011 conducted by Ernst & Young of Oman on 17 March 2012. He was also selected for coveted Global Omani of the Year 2012 award organized by AIWA.

**Mr. Abdul Amir Saied Mohamed, (Director till 28 March 2016)**, holds a Masters in Business Administration from the Oxford Brookes University, UK. He has also been a Member of the Association of Accounting Technicians since 1979. He worked for ten years as Deputy Chief Executive Officer at the State General Reserve Fund. He is a Director of Sembcorp Power and Water Co Salalah SAOG, Oman Fisheries Co. SAOG and Muscat Finance SAOG. He held Directorship of various public limited companies in the past, in and outside the Sultanate of Oman.

## Company Management

The names, designations, description of responsibilities in Oman Cables and brief profile of the Company Management personnel is as follows:

- Gert Hoefman is the Chief Executive Officer of the Company as of January 2013. He has over 25 years of experience in the cable business and worked with Prysmian at various executive management positions.
- Manoj M. Vaidya, General Manager - Corporate Finance has experience of 34 years, of which 29 years at executive management levels. Responsible for Finance and Risk Management functions.
- Louis Dupreez, General Manager - Sales and Marketing has experience of 37 years in industry, of which 27 years at executive management levels. Responsible for Sales, Marketing and Customer Service.
- Ahmed Farooqui, General Manager - Procurement and Supply Chain has experience of 34 years in industry, of which 22 years at executive levels.
- Mohammed Hashim Al-Shahab, General Manager - Human Resources, Administration & Security has experience of 16 years, of which 7 years at executive levels.
- Muhanned Al-Lawati, General Manager - Production has experience of 9 years, of which 5 years at executive levels.
- Sajid Ali, General Manager - Information Technology has experience of 26 years, of which 18 years at executive levels.
- Antony Douglas Falconer, General Manager - Cable Engineering and Development, has experience of 30 years, of which 21 years at executive levels.

## Board Meetings held during the year:

During the year 2016 the company held eight Board Meetings on the following dates:

20 January 2016, 14 April 2016, 20 April 2016, 14 July 2016, 18 October 2016, 19 October 2016, 22 November 2016 and 13 December 2016.

In the meetings held on 14 April 2016 and 22 November 2016, a few Board members attended via video conferencing.

The meetings were coordinated by the Board secretary who was appointed as required by the applicable rules and regulations. The meetings were conducted with an agenda and proceedings were minuted. Management reports were reviewed during the meeting. All related issues were also discussed regarding the operations of the company.

## Committees of the Board of Directors:

During the year, there were three committees of the Board which provided able support to the Board for carrying out its responsibilities. The Three committees and their main responsibilities are as follows:

### Audit Committee

In line with the regulations issued by the Capital Market Authorities, the company has formed an Audit Committee. The Audit Committee approves the audit plan for the year, reviews the report of Auditors, issues guidance to management and oversees that operating management is adhering to company policies.

The Audit Committee comprised of four Non-executive members including three Independent Directors:

Name	Designation	No. of meetings attended
Hamad Mohammad Al Wahaibi*	Chairman	3
Lara Caroline Mahmoud-Hansen	Member	4
Christian Raskin	Member	3
Mohamed Al Lawati	Member	4
Abdul Amir Saied Mohamed*	Chairman	1

\*For part of the year

During the year 2016, Audit Committee met and conducted four meetings on the following dates, 18 January 2016, 19 April 2016, 13 July 2016 and 17 October 2016.

The Committee has reviewed the internal audit reports, enterprise risk management report, draft whistleblowing policy, related party transactions, and new ERP system during the period. The Committee issued necessary guidance to the executive management. The Audit Committee reviewed the quarterly accounts before the same was put up to the Board of Directors for approval.

### Strategic Management Committee

The Board has constituted "Strategic Management Committee" to develop and oversight the company's strategic plan and to maintain a cooperative, interactive strategic planning process with management, including the identification and setting of strategic goals and expectations.

The following are the members of the Strategic Management Committee

Name	Designation	No. of meetings attended
Christian Raskin	Chairman	3
Fabio Ignazio Romeo	Member	4
Mohamed Al Lawati*	Member	3
Gert Hoefman	Member	4
Manoj M. Vaidya	Member	4

\*For part of the year

During the year 2016, Strategic Management Committee conducted four meetings on the following dates, 18 January 2016, 19 April 2016, 13 July 2016 and 18 October 2016.

The Committee reviewed market studies on different market segments and new markets as presented by the management. The Committee discussed strategic plans for the company.

## Nomination and Remuneration Committee

The Board constituted “Nomination and Remuneration Committee” to assist and advise the Board on matters relating to the remuneration of the Board, and the performance and remuneration of Executive management and Chief Executive Officer along with assisting on nomination of Directors and senior executive management.

The following Directors are the members of the Nomination and Remuneration Committee:

Name	Designation	No. of meetings attended
Lara Caroline Mahmoud-Hansen	Chairman	3
Mahmut Tayfun Anik	Member	3
Michele Binda*	Member	2
Abdul Amir Saied Mohamed*	Member	--

\*For part of the year

During the year 2016, the Nomination and Remuneration Committee conducted three meetings on the following dates, 19 January 2016, 18 April 2016 and 17 October 2016.

## Process of nomination of the Directors

The Company follows the guidelines issued by the Commercial Companies Law, Code of Corporate Governance and CMA in this regard. The Company has made efforts to have a Board with appropriate skills, experience and vision.

## Remuneration matters

### Director’s remuneration:

Apart from remuneration derived as “Sitting Fees” of RO 2,200 for (arrived at, in line with the Articles of Association of the company and as approved in the previous Annual General Meeting wherein the shareholders has approved the recommendation of the Board of Directors stating that from the last board and committees meetings held on 20 January 2016 and onward no sitting fees will be paid) Board Meetings and Audit Committee Meetings attended and the proposed Director’s remuneration of RO 197,800, the Directors have no other pecuniary relationship or transaction with the company. The total remuneration and sitting fees paid/accrued to the Board of Directors in 2016, is as per the maximum total limit prescribed by the Commercial Companies Law No. (4/1974) as amended by the Royal Decree No. (99/2005).

### Operating Management Remuneration:

Salary and perquisites of the five top senior officers paid / accrued during the year 2016 is RO 633,021 (2015: RO 576,601), which includes RO 520,328 (2015: RO 492,239) as fixed component and RO 112,693 (2015: RO 84,362) linked to the performance in 2015. The severance notice period of all senior employees range from one to three months, with end of service benefits payable as per Omani Labour Law.

## Employment Contract

The Company enters into a formal contract of employment with each employee and such contracts are in line with the regulation of Ministry of Manpower and Omani Labour Law.

## Details of non-compliance by the Company

There are no penalties imposed by Capital Market Authority or any other statutory authority; on the company regarding any matter, during the last three years.

## Means of Communication with Share Holders and Investors

As required by Capital Market Authority, the Company publishes its quarterly, half yearly, three quarterly and yearly financial results in two local newspapers. The financial results are also uploaded on the website of Muscat Securities Market and on the company's website [www.omancables.com](http://www.omancables.com). Further the Company also includes a statement in each of these reports that shareholders can obtain further details, if required, from the company registered office and such details are made available to any shareholder who requests for it. Besides this the company, at the end of each year, sends to all the shareholders, financiers and others who are associated with the Company, the Annual Financial Statements by post.

The company has appropriate disclosure policy and adequate procedures are in place to ensure implementation and monitoring of compliance of the policy

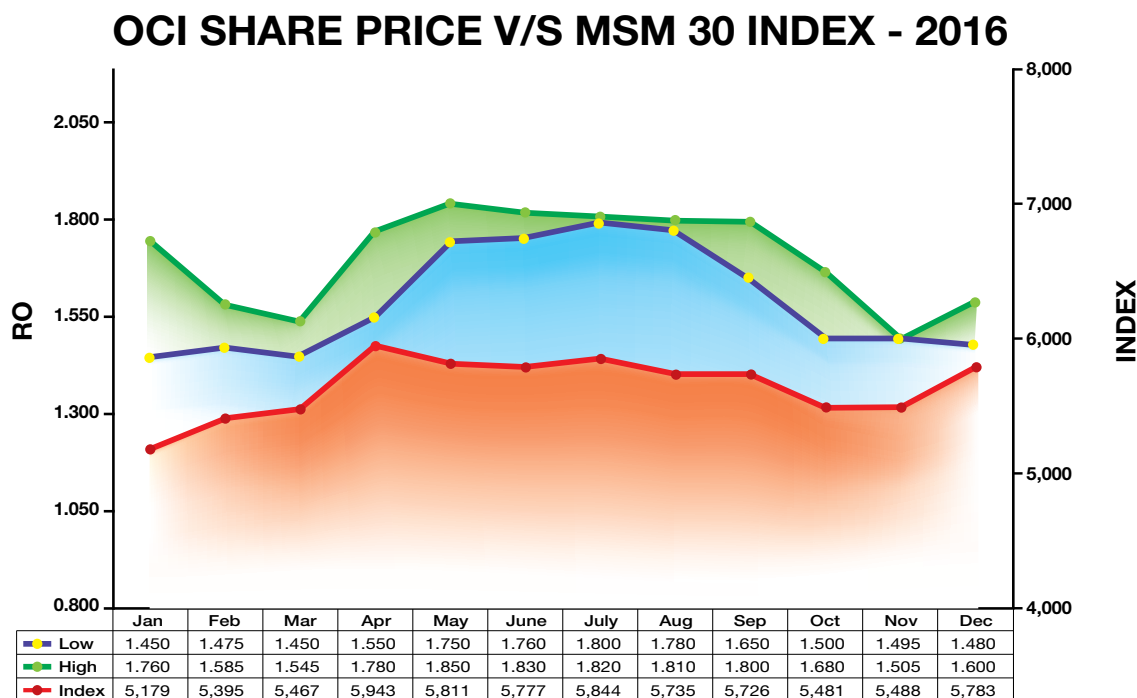
In regard to the Annual audited accounts, after the Annual General Meeting's approval, such financial statements are published in two local newspapers and submitted to Capital Market Authorities. This information is also posted on the Company's website.

All relevant major events impacting the company are conveyed to the Capital Market Authority.

The Annual Report contains a separate Management Discussion and Analysis report.

## Market price data

During the period 2016 the share price of RO 0.100 face value moved in the range of high of RO 1.850 to a low of RO 1.450. The share price as on 29 December 2016 was RO 1.575.



The distribution of Major Shareholding as on 31 December 2016 is as follows:

<b>Shareholder</b>	<b>% of Shares held of total</b>
Draka Holding NV .....	51.17%
Mustafa Mukhtar Ali Al Lawati .....	12.54%

The Company does not have any ADR/GDR/Warrants or any other Convertible Instruments as on 31 December 2016 and hence the likely impact on equity is Nil.

## **Areas of non-compliance of the provisions of Corporate Governance**

There are no areas in which the Company is non-compliant with the provisions of Code of Corporate Governance.

## **Profile of Statutory Auditors**

### **About Deloitte**

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte’s more than 220,000 professionals are committed to making an impact that matters.

### **About Deloitte & Touche (M.E.)**

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. Deloitte provides audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with more than 3,300 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings). It has also received numerous awards in the last few years which include best employer in the Middle East, best consulting firm, the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW), as well as the best CSR integrated organization.

The Audit fee for the year 2016 is RO 12,800 plus out of pocket expenses limited to RO 500.

## **Any other Aspects**

### **Internal Auditor**

In order to ensure the compliance with statutory regulations and internal controls, the company has a full time internal audit unit, to carry on an independent assessment and reports to Audit Committee.



### Board of Directors Acknowledge that:

The company has all its systems and procedures formally documented and in place. The company has “Internal Regulations” separately compiled as per regulatory requirements. The Board of Directors have reviewed this manual and approved it. The “Internal Regulations” has all the necessary and prescribed procedures. The Board has reviewed these regulations.

The Board of Directors ensures that the financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority.

There are no material events affecting the continuation of the Company and its ability to continue its operations during the next financial year.



**Mr. Fabio Romeo**

**Chairman  
Oman Cables Industry (SAOG)**

*(Arabic version prevails over the English)*



**Mr. Gert Hoefman**

**Chief Executive Officer  
Oman Cables Industry (SAOG)**

## **Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary**

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### **Report on the audit of the consolidated financial statements**

#### **Opinion**

We have audited the consolidated financial statements of Oman Cables SAOG (the "Company"), and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements set out in pages 28 to 74 including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in Sultanate of Oman, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Independent auditor's report to the shareholders of  
Oman Cables Industry SAOG and its Subsidiary (continued)**

**Key audit matters (continued)**

<b>Key audit matters</b>	<b>How our audit addressed the key audit matters</b>
<p><i>Inventory valuation</i></p> <p>As disclosed in note 10 of the consolidated financial statements inventory of RO 28,683,750 is carried at lower of cost or net realizable value. We focused on this area because assessing net realizable value of inventory is an area of significant judgement, in particular with regards to the estimation of provisions for slow-moving and obsolete inventory as described in critical accounting estimates and judgements in note 4.</p>	<p>We obtained assurance over the appropriateness of management's assumptions applied in calculating the net realizable value and allowance for slow moving and obsolete inventory by:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation and operating effectiveness of key inventory controls;</li> <li>• Assessing physical condition of inventory while attending the inventory count;</li> <li>• Assessing the ageing of inventories, inventory levels, consumption patterns and net realisable value to identify whether the inventory requires a write down.</li> <li>• Considering write down of inventories to net realisable value, by comparing current estimated selling price obtained through a review of future market conditions, trends and selling price to the cost of inventories.</li> <li>• Reviewing the historical accuracy of inventory allowance and the level of inventory write-offs over the years.</li> <li>• Determining an independent expectation of slow moving and obsolete inventory using relevant data and assumptions.</li> </ul>

## Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary (continued)

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### Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p><i>Allowance for doubtful debts</i></p> <p>As disclosed in note 11 of the consolidated financial statements the Group's trade receivables amounts to RO 63,642,233 which are stated at amortized cost less an allowance for doubtful debts.</p> <p>We focused on this area because the allowance for doubtful debts against trade receivables requires the application of judgement and use of subjective assumptions by management as described in critical accounting estimates and judgements in note 4.</p>	<p>We obtained assurance over the appropriateness of management's assumptions and methods applied in calculating the allowance for doubtful debts by:</p> <ul style="list-style-type: none"> <li>• Evaluating the design and implementation and operating effectiveness of key controls;</li> <li>• Testing the underlying data used to determine the allowance</li> <li>• Reviewing the historical payments pattern for major balances, checking collections subsequent to reporting date and also considering correspondence with the respective customers with overdue balances.</li> <li>• Reviewing the historical accuracy of the allowance and the level of write-offs over the years.</li> <li>• Determining an independent expectation of allowance for doubtful debts using relevant data and assumptions.</li> </ul>
<p><i>Derivative instruments and hedge accounting</i></p> <p>Group enters into derivative financial instrument contracts to manage its exposure to commodity price risk. These contracts gave rise to derivative financial assets of RO 1,227,763 as at 31 December 2016 as disclosed in note 11.</p> <p>These contracts are recorded at fair value and qualify for hedge accounting as disclosed in note 3 (accounting policies).</p> <p>Hedge accounting and the valuation of hedging instruments can involve management judgement and are subject to an inherent risk of error.</p>	<p>Our procedures include:</p> <ul style="list-style-type: none"> <li>• Assessing the overall process related to derivative instruments and hedge accounting including internal risk management policies and procedures;</li> <li>• Evaluation of the design and implementation of key controls over hedge activities;</li> <li>• Evaluating the appropriateness of management's hedge documentation and contracts;</li> <li>• Evaluating the year end fair valuation of derivatives;</li> <li>• Reviewing the assessment of hedge effectiveness;</li> <li>• Obtaining confirmation of year end derivative financial instruments from counterparties.</li> </ul>

## **Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary (continued)**

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### **Other information**

The Board of Directors (the Board) is responsible for the other information. The other information comprises the Board of Directors Report, Management Discussion and Analysis Report and Corporate Governance Report, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Board of Directors for the consolidated financial statements**

The Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority, and for such internal control as the Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary (continued)**

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- Conclude on the appropriateness of the Board's use of the going concern basis of accounting and based on the audit evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary (continued)

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### Report on other legal and regulatory requirements

Further, we report that the consolidated financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority.

*Deloitte & Touche*

**Deloitte & Touche (M.E.) & Co. LLC**  
**Muscat, Sultanate of Oman**  
**25 January 2017**

*MD*  
**Signed by**  
**Mark David Dunn**  
**Partner**



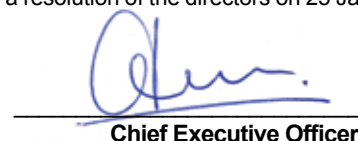
# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of financial position at 31 December 2016

	Notes	Group 2016 RO	Parent Company 2016 RO	Group 2015 RO	Parent Company 2015 RO
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	37,591,311	24,720,997	38,782,905	25,431,153
Investment in a subsidiary	6	-	2,226,660	-	2,226,660
Investment in an associate	7	567,690	567,690	553,063	553,063
Available-for-sale investments	8	230,017	230,017	119,067	119,067
Held-to-maturity investments	9	1,000,000	1,000,000	-	-
<b>Total non-current assets</b>		<b>39,389,018</b>	<b>28,745,364</b>	<b>39,455,035</b>	<b>28,329,943</b>
<b>Current assets</b>					
Held-to-maturity investments	9	-	-	1,251,204	1,251,204
Inventories	10	28,683,750	25,271,518	37,809,072	34,266,331
Trade and other receivables	11	65,346,287	59,953,916	72,146,321	64,510,379
Due from related parties	33	174,858	174,140	396,898	396,898
Cash and bank balances	12	6,601,232	6,231,852	2,485,416	2,193,260
<b>Total current assets</b>		<b>100,806,127</b>	<b>91,631,426</b>	<b>114,088,911</b>	<b>102,618,072</b>
<b>Total assets</b>		<b>140,195,145</b>	<b>120,376,790</b>	<b>153,543,946</b>	<b>130,948,015</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	13	8,970,000	8,970,000	8,970,000	8,970,000
Share premium	14	977,500	977,500	977,500	977,500
Legal reserve	15	4,445,333	2,990,000	4,445,333	2,990,000
General reserve	16	10,992,357	10,992,357	9,452,910	9,452,910
Retained earnings		70,200,489	68,396,603	64,559,196	62,614,579
Cumulative changes in fair values	18	1,132,075	1,132,053	(1,204,133)	(1,331,125)
Equity attributable to equity holders of the parent		96,717,754	93,458,513	87,200,806	83,673,864
Non-controlling interests		5,281,777	-	5,537,252	-
<b>Total equity</b>		<b>101,999,531</b>	<b>93,458,513</b>	<b>92,738,058</b>	<b>83,673,864</b>
<b>Non-current liabilities</b>					
Term loan	19	-	-	1,625,116	-
Deferred tax liability	20	1,089,271	711,645	1,107,160	710,338
Employee's end of service benefits	21	1,435,596	1,316,441	1,558,729	1,456,252
Total non-current liabilities		2,524,867	2,028,086	4,291,005	2,166,590
<b>Current liabilities</b>					
Trade and other payables	22	22,259,161	18,597,754	19,042,528	12,958,847
Due to related parties	33	-	813,373	197,126	848,797
Bank borrowings	23	9,619,910	3,500,000	33,138,118	29,096,668
Current maturities of term loans	19	1,625,116	-	1,625,120	-
Taxation	20	2,166,560	1,979,064	2,511,991	2,203,249
<b>Total current liabilities</b>		<b>35,670,747</b>	<b>24,890,191</b>	<b>56,514,883</b>	<b>45,107,561</b>
<b>Total liabilities</b>		<b>38,195,614</b>	<b>26,918,277</b>	<b>60,805,888</b>	<b>47,274,151</b>
<b>Total equity and liabilities</b>		<b>140,195,145</b>	<b>120,376,790</b>	<b>153,543,946</b>	<b>130,948,015</b>
<b>Net assets per share</b>	31	<b>1.078</b>	<b>1.042</b>	<b>0.972</b>	<b>0.933</b>

The consolidated financial statements were authorized for issue in accordance with a resolution of the directors on 25 January 2017.

  
Chairman

  
Chief Executive Officer

The accompanying notes form an integral part of these consolidated financial statements



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of profit or loss for the year ended 31 December 2016

	Notes	Group 2016 RO	Parent company 2016 RO	Group 2015 RO	Parent Company 2015 RO
Sales		228,639,250	200,270,813	283,470,465	231,486,089
Cost of sales	24	(200,041,245)	(174,802,266)	(248,314,501)	(205,253,138)
<b>Gross profit</b>		28,598,005	25,468,547	35,155,964	26,232,951
Other income	25	228,820	730,016	224,025	2,625,234
Administrative expenses	26	(6,079,909)	(4,890,475)	(6,223,206)	(4,817,559)
Selling and distribution expenses	27	(4,059,595)	(3,443,010)	(4,317,013)	(3,005,734)
Depreciation		(240,279)	(157,866)	(239,299)	(153,233)
<b>Operating profit</b>		18,447,042	17,707,212	24,600,471	20,881,659
Finance costs	28	(631,644)	(407,592)	(885,387)	(710,320)
Finance income		34,564	34,564	101,766	101,766
Share of results of an associate	7	29,556	29,556	688	688
Profit before income tax		17,879,518	17,363,740	23,817,538	20,273,793
Income tax expense	20	(2,102,177)	(1,969,269)	(2,474,633)	(2,122,948)
<b>Profit for the year</b>		15,777,341	15,394,471	21,342,905	18,150,845
<b>Attributable to:</b>					
Equity holders of the parent		15,253,740	15,394,471	18,506,792	18,150,845
Non-controlling interests		523,601	-	2,836,113	-
		15,777,341	15,394,471	21,342,905	18,150,845
<b>Basic and diluted earnings per share attributable to ordinary equity holders of the parent company</b>	30	0.170	0.172	0.206	0.202
<b>Gross profit margin</b>		12.51%	12.72%	12.40%	11.33%
<b>Net profit margin</b>		6.90%	7.69%	7.53%	7.84%

The accompanying notes form an integral part of these consolidated financial statements

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2016

	Notes	Group 2016 RO	Parent Company 2016 RO	Group 2015 RO	Parent Company 2015 RO
<b>Profit for the year</b>		15,777,341	15,394,471	21,342,905	18,150,845
<b>Other comprehensive (expense) / income</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Net movement in hedging commodity future contracts		2,229,146	2,478,107	(1,503,292 )	(880,364 )
Net movement in available-for-sale investments		-	-	(3,547)	(3,547)
Exchange difference on foreign currency translation of associate	7	(14,929)	(14,929)	(23,784)	(23,784)
<b>Other comprehensive income / (expense) for the year</b>		2,214,217	2,463,178	(1,530,623 )	(907,695 )
<b>Total comprehensive income for the year</b>		17,991,558	17,857,649	19,812,282	17,243,150
<b>Attributable to:</b>					
Equity holders of the parent		17,589,948	17,857,649	17,281,404	17,243,150
Non-controlling interests		401,610	-	2,530,878	-
		17,991,558	17,857,649	19,812,282	17,243,150

The accompanying notes form an integral part of these consolidated financial statements

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of changes in equity for the year ended 31 December 2016

### Attributable to the equity holders of the Parent Company

Group	Share capital	Share premium	Legal reserve	General reserve	Retained earnings	Cumulative changes in fair values	Total	Non-controlling interests	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Balance at 1 January 2015	8,970,000	977,500	4,009,764	7,637,825	56,376,058	21,255	77,992,402	5,505,374	83,497,776
Profit for the year	-	-	-	-	18,506,792	-	18,506,792	2,836,113	21,342,905
Other comprehensive expense	-	-	-	-	-	(1,225,388)	(1,225,388)	(305,235)	(1,530,623)
Total comprehensive income	-	-	-	-	18,506,792	(1,225,388)	17,281,404	2,530,878	19,812,282
Dividend for the year 2014 (note 17)	-	-	-	-	(8,073,000)	-	(8,073,000)	(2,499,000)	(10,572,000)
Transfer to legal and general reserve	-	-	435,569	1,815,085	(2,250,654)	-	-	-	-
Balance at 1 January 2016	8,970,000	977,500	4,445,333	9,452,910	64,559,196	(1,204,133)	87,200,806	5,537,252	92,738,058
Profit for the year	-	-	-	-	15,253,740	-	15,253,740	523,601	15,777,341
Other comprehensive income	-	-	-	-	-	2,336,208	2,336,208	(121,991)	2,214,217
Total comprehensive income	-	-	-	-	15,253,740	2,336,208	17,589,948	401,610	17,991,558
Dividend for the year 2015 (note 17)	-	-	-	-	(8,073,000)	-	(8,073,000)	(657,085)	(8,730,085)
Transfer to legal and general reserve	-	-	-	1,539,447	(1,539,447)	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>8,970,000</b>	<b>977,500</b>	<b>4,445,333</b>	<b>10,992,357</b>	<b>70,200,489</b>	<b>1,132,075</b>	<b>96,717,754</b>	<b>5,281,777</b>	<b>101,999,531</b>

The accompanying notes form an integral part of these consolidated financial statements

## Consolidated statement of changes in equity for the year ended 31 December 2016 (continued)

Parent Company	Share capital		Share premium		Legal reserve		General reserve		Retained earnings		Cumulative changes in fair values		Total	
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
<b>Balance at 1 January 2015</b>	8,970,000	977,500	2,990,000	7,637,825	54,351,819	(423,430)	74,503,714	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	18,150,845	-	18,150,845	-	-	-	-	-	-	18,150,845
Other comprehensive expense	-	-	-	-	-	(907,695)	(907,695)	-	-	-	-	-	-	(907,695)
Total comprehensive income	-	-	-	-	18,150,845	(907,695)	17,243,150	-	-	-	-	-	-	17,243,150
Dividend for the year 2014 (note 17)	-	-	-	-	(8,073,000)	-	(8,073,000)	-	-	-	-	-	-	(8,073,000)
Transfer to general reserve	-	-	-	1,815,085	(1,815,085)	-	-	-	-	-	-	-	-	-
<b>Balance at 1 January 2016</b>	<b>8,970,000</b>	<b>977,500</b>	<b>2,990,000</b>	<b>9,452,910</b>	<b>62,614,579</b>	<b>(1,331,125)</b>	<b>83,673,864</b>	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	15,394,471	-	15,394,471	-	-	-	-	-	-	15,394,471
Other comprehensive income	-	-	-	-	-	2,463,178	2,463,178	-	-	-	-	-	-	2,463,178
Total comprehensive income	-	-	-	-	15,394,471	2,463,178	17,857,649	-	-	-	-	-	-	17,857,649
Dividend for the year 2015 (note 17)	-	-	-	-	(8,073,000)	-	(8,073,000)	-	-	-	-	-	-	(8,073,000)
Transfer to general reserve	-	-	-	1,539,447	(1,539,447)	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2016</b>	<b>8,970,000</b>	<b>977,500</b>	<b>2,990,000</b>	<b>10,992,357</b>	<b>68,396,603</b>	<b>1,132,053</b>	<b>93,458,513</b>	-	-	-	-	-	-	-

The accompanying notes form an integral part of these consolidated financial statements

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of cash flows for the year ended 31 December 2016

	Group	Parent Company	Group	Parent Company
	2016	2016	2015	2015
	RO	RO	RO	RO
<b>Operating activities</b>				
Cash receipt from sales	238,276,936	206,467,434	284,719,647	236,510,388
Cash paid towards cost of sales and expenses	(194,672,264)	(164,306,503)	(256,413,612)	(211,809,780)
Cash generated from operations	43,604,672	42,160,931	28,306,035	24,700,608
Interest received	48,825	48,825	101,767	101,767
Income tax paid	(2,465,497)	(2,192,147)	(2,106,342)	(2,106,342)
Directors' remuneration and meeting attendance fees paid	(191,150)	(191,150)	(239,925)	(202,300)
<b>Net cash flows from operating activities</b>	<b>40,996,850</b>	<b>39,826,459</b>	<b>26,061,535</b>	<b>22,493,733</b>
<b>Investing activities</b>				
Purchase of property, plant and equipment	(2,489,418)	(1,824,048)	(4,486,983)	(2,491,414)
Purchase of available-for-sale investments	(110,950)	(110,950)	53,252	53,252
Purchase of held to maturity investments (net)	251,204	251,204	-	-
Proceeds from disposal of property, plant and equipment	27,248	27,248	68,791	66,629
<b>Net cash used in investing activities</b>	<b>(2,321,916)</b>	<b>(1,656,546)</b>	<b>(4,364,940)</b>	<b>(2,371,533)</b>
<b>Financing activities</b>				
Repayment of term loans	(1,625,116)	-	(1,625,120)	-
Dividends paid to equity holders of the parent	(8,073,000)	(8,073,000)	(8,073,000)	(8,073,000)
Dividend paid to non-controlling interest	(657,085)	-	(2,499,000)	-
Net movement in short term loans	(5,521,544)	(7,600,000)	4,139,180	1,252,430
Net movement in loans against trust receipts	(17,919,780)	(17,919,780)	(12,435,728)	(12,435,728)
Interest paid	(685,705)	(461,653)	(844,109)	(669,042)
<b>Net cash used in financing activities</b>	<b>(34,482,230)</b>	<b>(34,054,433)</b>	<b>(21,337,777)</b>	<b>(19,925,340)</b>
Net change in cash and cash equivalents during the year	4,192,704	4,115,480	358,818	196,860
Cash and cash equivalents at 1 January	2,408,528	2,116,372	2,049,710	1,919,512
<b>Cash and cash equivalents at 31 December</b>	<b>6,601,232</b>	<b>6,231,852</b>	<b>2,408,528</b>	<b>2,116,372</b>
<b>Cash and cash equivalents at the end of the year comprise:</b>				
Current accounts	6,553,386	6,186,789	2,451,686	2,164,550
Cash in hand	47,846	45,063	33,730	28,710
	6,601,232	6,231,852	2,485,416	2,193,260
Bank overdraft	-	-	(76,888)	(76,888)
	<b>6,601,232</b>	<b>6,231,852</b>	<b>2,408,528</b>	<b>2,116,372</b>

The accompanying notes form an integral part of these consolidated financial statements

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016

## 1. Legal status and principal activities

Oman Cables Industry SAOG (“the Company” or “the Parent Company”) is registered in the Sultanate of Oman as a public joint stock company. The company’s principal activity is the manufacture and sale of electrical cables and conductors.

The Company holds 51% shareholding in Oman Aluminium Processing Industries LLC (“the subsidiary”) which was incorporated in the Sultanate of Oman in the year 2008 and commenced its operations from July 2010.

## 2. Adoption of new and revised International Financial Reporting Standards (IFRS)

### 2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IAS 1 Presentation of Financial Statements relating to Disclosure initiative
- Amendments to IFRS 11 Joint arrangements relating to accounting for acquisitions of interests in joint operations
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relating to clarification of acceptable methods of depreciation and amortisation
- Amendments to IAS 27 Separate Financial Statements relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates and Joint Ventures relating to applying the consolidation exception for investment entities
- Annual Improvements to IFRSs 2012 – 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 Statement of Cash Flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 Foreign Currency Transactions and Advance Consideration The interpretation addresses foreign currency transactions or parts of transactions where:	1 January 2018
<ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul>	
Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 Insurance Contracts: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 Investment Property: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 2.2 New and revised IFRS in issue but not yet effective (continued)

Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- Impairment: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 2.2 New and revised IFRS in issue but not yet effective (continued)

### IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

1 January 2018

### IFRS 16 Leases

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

Effective date  
deferred indefinitely

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 2. Adoption of new and revised International Financial Reporting Standards (IFRS) (continued)

The Directors anticipate that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

The Directors anticipate that IFRS 15 and IFRS 9 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and that IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2019. The application of IFRS 15 and IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of revenue from contracts with customers and the Company's financial assets and financial liabilities and the application of IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its leases.

However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Company performs a detailed review.

## 3. Summary of significant accounting policies

### Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as promulgated by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The consolidated financial statements comply with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the disclosure requirements issued by the Capital Market Authority.

### Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and available-for-sale financial assets that have been measured at fair value.

### Basis of consolidation

The consolidated financial statements comprise those of Oman Cables Industry SAOG and its subsidiary as at 31 December each year. Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

Capital work in progress is not depreciated. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

	Years
Buildings	20
Plant and machinery	20
Electrical equipment and installations	10
Motor vehicles	4
Furniture, fixtures and fittings	4
Office equipment	4
Material handling equipment	10
Loose tools	10
Laboratory equipment	10

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Property, plant and equipment (continued)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

## Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks, respectively. At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

### *Cash flow Hedges*

The derivative financial instruments, which qualify for hedge accounting and meet the criteria for cash flow hedge are initially recognized at cost and are subsequently stated at fair market value. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cumulative changes in fair value reserve, while any ineffective position is recognized immediately in the statement of profit or loss. Subsequently the gains or losses recognized as other comprehensive income are transferred to the cost of inventories in the statement of profit or loss. Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity.

## Investment in a subsidiary

A subsidiary is a company in which the Group owns more than one half of the voting power or otherwise exercises control. The financial statements of the subsidiary are included in the consolidated financial statements. In the parent company's separate financial statements, the investment in the subsidiary is carried at cost less any impairment.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group's investment in its associates is accounted for under the equity method of accounting from the date on which the investee becomes an associate. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Profits and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

## Financial instruments

### Financial assets

#### *Initial recognition and measurement*

Financial assets are classified at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

#### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss, has two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a Group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Financial assets (continued)

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realized gain and loss are recognized in the statement of profit or loss.

### *Available-for-sale investments*

After initial recognition, investments which are classified “available-for-sale” are normally re-measured at fair value, unless fair value cannot be reliably determined in which case they are measured at cost less impairment. Fair value changes, are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On de-recognition or impairment the cumulative gain or loss previously reported as “cumulative changes in fair value” within equity, is included in the statement of profit or loss for the period.

### *Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold it to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs.

## De-recognition of financial instruments

### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is de-recognized when:

- the rights to receive cash flows from the asset have expired or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group’s continuing involvement in the asset.

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.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## De-recognition of financial instruments (continued)

### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

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

## Trade and other receivables

Trade and other receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

## Cash and cash equivalents

For the purpose of the Cash Flows Statement, cash and cash equivalents consists of cash and bank balances, net of outstanding bank overdrafts, and bank deposits with original maturities of three months or less.

## Impairment and un-collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value;
- (b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## **Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

### *Associates*

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the statement of profit or loss.

## **Dividend on ordinary shares**

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders.

## **Employee benefits**

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

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Provisions

Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably estimated. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

## Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest on loans is accounted on accrual basis.

## Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

## Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

### *Sales*

Revenue from the sale of goods net of sales commission and trade discount is recognised in the statement of profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

### *Interest*

Interest revenue is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts the estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### *Dividend*

Dividend revenue is recognised when the right to receive the dividend is established.

## Leases

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

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

## Foreign currency translation

The consolidated financial statements are presented in Rial Omani, which is the parent Company's and the subsidiary's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### *Translation of foreign operations*

Exchange differences arising on equity accounting of foreign associates are taken directly to the foreign currency translation reserve. Foreign currency translation reserve is recognized in equity under cumulative changes in fair value. On disposal of the foreign associate, such exchange differences are recognised in the statement of profit or loss as part of the profit or loss on sale. A write down of the carrying amount of a foreign operation does not constitute a disposal.

## Income tax

Taxation is provided for based on relevant tax laws of the respective countries in which the Group operates.

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 provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Income tax (continued)

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

## Directors' remuneration

The Parent Company follows the Commercial Companies Law 1974 (as amended), and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which they relate.

## 4. Critical accounting judgments and key sources of estimation uncertainty

The preparation of the financial statements, as per IFRS, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the period. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as held for trading, carried at fair value through profit or loss, or available-for-sale or held-to-maturity investments.

### *Fair values*

For investments and derivate financial instruments traded in organised financial markets, fair value is determined by reference to quoted market bid prices.

For unquoted equity investments, fair value is determined by reference to the market value of a similar investment or is based on expected discounted cash flows. Fair value cannot be reliably measured for certain unquoted foreign investments. Such investments are measured at cost.

The fair value of interest-bearing items is estimated based on discounted cash flows using interest rates for items with similar terms and risk characteristics.

## Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Key sources of estimation uncertainty (continued)

#### *Impairment of accounts receivable*

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

At the reporting date, Group trade receivables were RO 65,592,233 (2015: RO 72,675,972), and the provision for doubtful debts was RO 1,950,000 (2015: RO 1,850,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

#### *Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were RO 30,281,478 (2015: RO 39,475,542) and the provisions for slow moving and obsolete inventories of RO 1,642,000 (2015: RO 1,666,470) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

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

#### *Impairment of equity investments*

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment, which is critically evaluated by the Group on a case to case basis.

#### *Taxes*

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results 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 estimates, for possible consequences of finalisation of tax assessments of respective Group companies. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 5. Property, plant and equipment

Group	Buildings		Plant and machinery		Electrical equipment and installations		Motor vehicles		Furniture, fixtures and fittings		Office equipment		Material handling equipment		Loose tools		Laboratory equipment		Capital work in progress		Total		
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
<b>31 December 2016</b>																							
<b>Cost</b>																							
At 1 January 2016	15,237,169	39,530,413	2,404,460	287,938	724,710	1,432,030	2,919,817	502,876	2,373,843	1,380,053	66,793,309												
Additions	364,269	536,939	106,105	24,794	39,968	108,316	299,532	24,050	40,913	1,265,871	2,810,757												
Disposals	-	(527,342)	-	(23,000)	(8,050)	(725)	-	-	-	-	(559,117)												
Transfers	1,041,385	1,598,820	-	-	-	-	5,719	-	-	(2,645,924)	-												
<b>At 31 December 2016</b>	<b>16,642,823</b>	<b>41,138,830</b>	<b>2,510,565</b>	<b>289,732</b>	<b>756,628</b>	<b>1,539,621</b>	<b>3,225,068</b>	<b>526,926</b>	<b>2,414,756</b>	<b>-</b>	<b>69,044,949</b>												
<b>Depreciation</b>																							
At 1 January 2016	5,672,293	15,074,678	1,787,246	229,709	619,027	1,065,443	2,061,519	257,717	1,242,772	-	28,010,404												
Charge for the year	794,864	2,018,748	148,054	30,154	61,891	148,233	215,601	51,278	190,147	-	3,658,970												
Disposals	-	(184,039)	-	(22,999)	(7,986)	(712)	-	-	-	-	(215,736)												
<b>At 31 December 2016</b>	<b>6,467,157</b>	<b>16,909,387</b>	<b>1,935,300</b>	<b>236,864</b>	<b>672,932</b>	<b>1,212,964</b>	<b>2,277,120</b>	<b>308,995</b>	<b>1,432,919</b>	<b>-</b>	<b>31,453,638</b>												
<b>Carrying amount</b>																							
<b>At 31 December 2016</b>	<b>10,175,666</b>	<b>24,229,443</b>	<b>575,265</b>	<b>52,868</b>	<b>83,696</b>	<b>326,657</b>	<b>947,948</b>	<b>217,931</b>	<b>981,837</b>	<b>-</b>	<b>37,591,311</b>												
At 31 December 2015	<b>9,564,876</b>	<b>24,455,735</b>	<b>617,214</b>	<b>58,229</b>	<b>105,683</b>	<b>366,587</b>	<b>858,298</b>	<b>245,159</b>	<b>1,131,071</b>	<b>1,380,053</b>	<b>38,782,905</b>												

The property, plant and equipment of subsidiary is mortgaged against long term loan availed from a local commercial bank (note 19)

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

Group 31 December 2015	Buildings		Plant and machinery		Electrical equipment and installations		Motor vehicles		Furniture, fixtures and fittings		Office equipment		Material handling equipment		Loose tools		Laboratory equipment		Capital work in progress		Total			
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO		
Cost																								
At 1 January 2015	14,467,172	38,484,276	2,394,960	282,293	692,855	1,234,164	2,752,740	398,772	2,335,323	130,672	63,173,227													
Additions	784,232	1,014,132	9,500	14,395	50,803	97,755	265,469	104,104	101,228	2,045,365	4,486,983													
Disposals	(14,235)	(633,307)	-	(8,750)	(18,948)	(30,561)	(98,392)	-	(62,708)	-	(866,901)													
Transfers	-	665,312	-	-	-	130,672	-	-	-	(795,984)	-													
At 31 December 2015	15,237,169	39,530,413	2,404,460	287,938	724,710	1,432,030	2,919,817	502,876	2,373,843	1,380,053	66,793,309													
Depreciation																								
At 1 January 2015	4,909,262	13,612,996	1,606,187	206,513	565,269	958,420	1,969,988	189,543	1,099,529	-	25,117,707													
Charge for the year	773,187	1,982,122	181,059	31,946	70,526	136,883	189,918	68,174	205,949	-	3,639,764													
Disposals	(10,156)	(520,440)	-	(8,750)	(16,768)	(29,860)	(98,387)	-	(62,706)	-	(747,067)													
At 31 December 2015	5,672,293	15,074,678	1,787,246	229,709	619,027	1,065,443	2,061,519	257,717	1,242,772	-	28,010,404													
Carrying amount																								
At 31 December 2015	<b>9,564,876</b>	<b>24,455,735</b>	<b>617,214</b>	<b>58,229</b>	<b>105,683</b>	<b>366,587</b>	<b>858,298</b>	<b>245,159</b>	<b>1,131,071</b>	<b>1,380,053</b>	<b>38,782,905</b>													
At 31 December 2014	<b>9,557,910</b>	<b>24,871,280</b>	<b>788,773</b>	<b>75,780</b>	<b>127,586</b>	<b>275,744</b>	<b>782,752</b>	<b>209,229</b>	<b>1,235,794</b>	<b>130,672</b>	<b>38,055,520</b>													

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

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

Parent Company 31 December 2016	Buildings		Plant and machinery		Electrical equipment and installations		Motor vehicles		Furniture, fixtures and fittings		Office equipment		Material handling equipment		Loose tools		Laboratory equipment		Capital work- in-progress		Total		
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	
<b>Cost</b>																							
At 1 January 2016	10,657,804	28,432,944	1,502,816	201,161	559,052	955,033	2,557,383	242,693	2,240,994	1,380,053	48,729,933												
Additions	46,955	280,705	68,395	24,794	35,453	95,910	283,497	4,894	38,913	1,265,871	2,145,387												
Disposals	-	(527,342)	-	(23,000)	(8,050)	(725)	-	-	-	-	(559,117)												
Transfers	1,041,385	1,598,820	-	-	-	-	5,719	-	-	(2,645,924)	-												
<b>At 31 December 2016</b>	<b>11,746,144</b>	<b>29,785,127</b>	<b>1,571,211</b>	<b>202,955</b>	<b>586,455</b>	<b>1,050,218</b>	<b>2,846,599</b>	<b>247,587</b>	<b>2,279,907</b>	<b>-</b>	<b>50,316,203</b>												
<b>Depreciation</b>																							
At 1 January 2016	4,636,434	12,527,399	1,301,204	193,449	483,553	820,453	1,977,557	189,694	1,169,037	-	23,298,780												
Charge for the year	550,491	1,374,609	56,209	9,871	50,779	97,216	178,879	21,565	172,543	-	2,512,162												
Disposals	-	(184,039)	-	(22,999)	(7,986)	(712)	-	-	-	-	(215,736)												
<b>At 31 December 2016</b>	<b>5,186,925</b>	<b>13,717,969</b>	<b>1,357,413</b>	<b>180,321</b>	<b>526,346</b>	<b>916,957</b>	<b>2,156,436</b>	<b>211,259</b>	<b>1,341,580</b>	<b>-</b>	<b>25,595,206</b>												
<b>Carrying amount</b>																							
At 31 December 2016	6,559,219	16,067,158	213,798	22,634	60,109	133,261	690,163	36,328	938,327	-	24,720,997												
At 31 December 2015	6,021,370	15,905,545	201,612	7,712	75,499	134,580	579,826	52,999	1,071,957	1,380,053	25,431,153												

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

Parent Company 31 December 2015	Buildings		Plant and machinery		Electrical equipment and installations		Motor vehicles		Furniture, fixtures and fittings		Office equipment		Material handling equipment		Loose tools		Laboratory equipment		Capital work- in-progress		Total			
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO		
Cost																								
At 1 January 2015	10,587,983	28,305,462	1,493,316	201,161	546,473	934,148	2,571,696	2,209,895	242,693	2,209,895	-	-	-	-	-	-	-	-	-	-	-	-	47,092,827	
Additions	84,056	95,477	9,500	-	27,684	51,446	84,079	93,807	-	93,807	-	-	-	-	-	-	-	-	-	-	-	-	2,491,414	
Disposals	(14,235)	(633,307)	-	-	(15,105)	(30,561)	(98,392)	(62,708)	-	(62,708)	-	-	-	-	-	-	-	-	-	-	-	-	(854,308)	
Transfers	-	665,312	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
At 31 December 2015	10,657,804	28,432,944	1,502,816	201,161	559,052	955,033	2,557,383	2,240,994	242,693	2,240,994	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	1,380,053	48,729,933	
Depreciation																								
At 1 January 2015	4,070,326	11,589,044	1,210,309	181,639	443,981	761,387	1,913,882	1,044,618	144,651	1,044,618	-	-	-	-	-	-	-	-	-	-	-	-	21,359,837	
Charge for the year	576,264	1,458,795	90,895	11,810	52,497	88,926	162,062	187,125	45,043	187,125	-	-	-	-	-	-	-	-	-	-	-	-	2,673,417	
Disposals	(10,156)	(520,440)	-	-	(12,925)	(29,860)	(98,387)	(62,706)	-	(62,706)	-	-	-	-	-	-	-	-	-	-	-	-	(734,474)	
At 31 December 2015	4,636,434	12,527,399	1,301,204	193,449	483,553	820,453	1,977,557	1,169,037	189,694	1,169,037	-	-	-	-	-	-	-	-	-	-	-	-	23,298,780	
Carrying amount																								
At 31 December 2015	<b>6,021,370</b>	<b>15,905,545</b>	<b>201,612</b>	<b>7,712</b>	<b>75,499</b>	<b>134,580</b>	<b>579,826</b>	<b>1,071,957</b>	<b>52,999</b>	<b>1,071,957</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>1,380,053</b>	<b>25,431,153</b>	
At 31 December 2014	<b>6,517,657</b>	<b>16,716,418</b>	<b>283,007</b>	<b>19,522</b>	<b>102,492</b>	<b>172,761</b>	<b>657,814</b>	<b>1,165,277</b>	<b>98,042</b>	<b>1,165,277</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,732,990</b>	



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 6. Investment in a subsidiary

	% Holding	Activity	Year of incorporation	2016 Parent Company	2015 Parent Company
Oman Aluminium Processing Industries LLC (OAPIL) (Incorporated in Oman)	51%	Manufacture of aluminium rods and overhead conductors	2008	2,226,660	2,226,660

The Parent Company has 51% shareholding in Oman Aluminum Processing Industries LLC (OAPIL). The Subsidiary commenced its commercial operations from July 2010.

The statement of profit or loss of the Group has been made after consolidating the OAPIL accounts and the 49% share of profit of RO 523,601 (2015: RO 2,836,113) has been shown as non-controlling interests in consolidated statement of profit or loss.

The following further notes apply:

- Investment in OAPIL has been set off against the capital and reserves of the subsidiary in the consolidated financial statements.
- The Board of Directors of the Parent Company believes that no impairment has arisen in the investment in OAPIL.

## 7. Investment in an associate

Name of the associate	2016 Group and Parent Company			2015 Group and Parent Company		
	% Holding	Carrying value	Cost	% Holding	Carrying value	Cost
		RO	RO		RO	RO
Associated Cables Private Limited, India (ACPL)	40%	567,690	-	40%	553,063	-

The associate company registered in India, is in the business of manufacturing and selling of electrical power cables, control cables and instrumentation cables.

During the year 2006, the Parent Company had acquired 35% stake and in 2009 an additional 5% stake in the associate at consideration of Nil. This acquisition was in accordance with the terms of the commercial understanding agreement with Draka Holding NV, the associate company's major shareholder.

The carrying value of the investment in an associate is as follows:

	2016		2015	
	Group	Parent Company	Group	Parent Company
	RO	RO	RO	RO
At 1 January	553,063	553,063	576,159	576,159
Share of profit / fair value changes of associate	29,556	29,556	688	688
Effect of foreign currency translation	(14,929)	(14,929)	(23,784)	(23,784)
<b>At 31 December</b>	<b>567,690</b>	<b>567,690</b>	<b>553,063</b>	<b>553,063</b>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 7. Investment in an associate (continued)

The share of results is based on the unaudited financial statements of the associate as at 31 December 2016. The associate company prepares audited financial statements at 31 March each year.

The summarised financial position of the associate as at reporting date is as follows:

	2016 RO	2015 RO
Associate's statement of financial position:		
Current assets	1,354,612	1,366,578
Non-current assets	374,106	383,060
Current liabilities	(275,108)	(328,202)
Non-current liabilities	(34,388)	(38,773)
Net assets	<u>1,419,222</u>	<u>1,382,663</u>
Associate's revenue and profit:		
Revenue	<u>2,626,245</u>	<u>2,717,205</u>
Profit	<u>73,890</u>	<u>1,721</u>
Carrying amount of investment	<u>567,690</u>	<u>553,063</u>

## 8. Available-for-sale investments

	2016		2015	
	Group and Parent Company		Group and Parent Company	
	Market value RO	Cost RO	Market value RO	Cost RO
Unquoted investments (refer note (a) below)	<u>230,017</u>	<u>230,017</u>	<u>119,067</u>	<u>119,067</u>
Marketable securities listed on the Muscat Securities Market	-	510	-	510
	<u>230,017</u>	<u>230,527</u>	<u>119,067</u>	<u>119,577</u>

(a) During the year, the Company invested RO 110,950 (2015: refund of RO 49,375) in units of Oman Fixed Income Fund.

(b) Movements in cumulative changes in fair values arising from available-for-sale investments are as follows:

	2016 Group and Parent company RO	2015 RO
Net realised loss reclassified to the statement of profit or loss on disposals	-	(92)

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 9. Held-to-maturity investments

Held-to-maturity investments comprise Development Bonds Issue No. 51 issued by Central Bank of Oman for Government of Sultanate of Oman in December 2016. The bonds are for a period of 10 years with a fixed interest rate of 5.5% per annum. In the previous year Held-to-maturity investments comprised bonds issued by a commercial bank in the Sultanate of Oman matured in May 2016. The bonds earned a fixed interest rate of 8% per annum.

## 10. Inventories

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Raw materials	4,749,436	4,457,055	9,951,814	9,825,084
Spares, consumables and scrap	3,497,060	2,273,774	3,627,571	2,617,976
Finished goods	18,675,683	17,100,530	18,600,537	16,717,456
	<b>26,922,179</b>	<b>23,831,359</b>	32,179,922	29,160,516
Work-in-progress	2,982,378	2,628,966	3,894,371	3,314,566
Goods in transit	421,193	421,193	3,401,249	3,401,249
	<b>30,325,750</b>	<b>26,881,518</b>	39,475,542	35,876,331
Less: provision for slow moving and obsolete items	(1,642,000)	(1,610,000)	(1,666,470)	(1,610,000)
	<b>28,683,750</b>	<b>25,271,518</b>	37,809,072	34,266,331

Raw materials include an amount of RO 610,181 for Parent Company and RO 611,709 for Group (2015 – Parent Company RO 2,906,460, Group RO 2,728,140), which represents the net settlement amount of derivative financial instruments designated as hedge for the procurement of raw materials required to meet the future executable sales orders as on 31 December 2016.

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

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
At the beginning of the year	1,666,470	1,610,000	1,410,000	1,410,000
Add: Net provision for the year	(24,470)	-	256,470	200,000
	<b>1,642,000</b>	<b>1,610,000</b>	1,666,470	1,610,000

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 11. Trade and other receivables

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Trade receivables	65,592,233	60,258,531	72,675,972	65,499,216
Less: allowance for credit losses	(1,950,000)	(1,900,000)	(1,850,000)	(1,800,000)
	<b>63,642,233</b>	<b>58,358,531</b>	70,825,972	63,699,216
Advances	217,815	186,272	745,237	667,827
Derivatives designated and effective as hedging instruments carried at fair value (Note 18)	1,227,763	1,227,722	249,002	-
Other receivables and prepayments	258,476	181,391	326,110	143,336
	<b>65,346,287</b>	<b>59,953,916</b>	<b>72,146,321</b>	<b>64,510,379</b>

Movements in the allowance for impairment of receivables were as follows:

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
At the beginning of the year	1,850,000	1,800,000	1,400,000	1,400,000
Add: charge for the year	100,000	100,000	450,000	400,000
	<b>1,950,000</b>	<b>1,900,000</b>	<b>1,850,000</b>	<b>1,800,000</b>

The Company offers credit to its customers, after which trade receivables are considered to be past due. At the reporting date, gross trade receivables amounting to RO 1,900,000 for Parent Company and RO 1,950,000 for Group (2015- Parent Company RO 1,800,000 and Group RO 1,850,000) were assessed as impaired by the management, for which allowance for credit losses has been established.

Group	Total RO	Impaired RO	Neither past due nor impaired RO	Less than 3 months RO	Past due but not impaired		
					3 to 6 months RO	6 to 12 months RO	More than 1 year RO
<b>2016</b>	<b>65,592,233</b>	<b>1,950,000</b>	<b>49,020,562</b>	<b>10,559,281</b>	<b>380,728</b>	<b>2,077,082</b>	<b>1,604,580</b>
2015	72,675,972	1,850,000	59,841,330	7,368,211	2,440,984	1,175,447	-
<b>Parent</b>							
<b>2016</b>	<b>60,258,531</b>	<b>1,900,000</b>	<b>44,261,395</b>	<b>10,264,472</b>	<b>227,689</b>	<b>2,000,395</b>	<b>1,604,580</b>
2015	65,499,126	1,800,000	52,898,755	7,184,030	2,440,984	1,175,447	-

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Notes to the consolidated financial statements at 31 December 2016 (continued)

At the reporting date 50% of Parent Company's trade receivables are due from 7 customers (2015- 50% from 10 customers). Trade receivables amounting to RO 44,261,395 for (2015- RO 52,898,755) are neither past due nor impaired and are estimated as collectible based on historical experience. 35% (2015 - 43%) of the trade receivables are secured against letters of Credit, bank guarantees or other credit risk cover.

### 12. Cash and bank balances

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Cash in hand	47,846	45,063	33,730	28,710
Cash at bank – current and call accounts	6,553,386	6,186,789	2,451,686	2,164,550
	<b>6,601,232</b>	<b>6,231,852</b>	<b>2,485,416</b>	<b>2,193,260</b>

### 13. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2015 - 120,000,000 shares of 100 baisa each).

The Parent Company's issued and fully paid up share capital comprises 89,700,000 shares of 100 baisa each (2015 - 89,700,000 shares of 100 baisa each).

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

	2016		2015	
	No of shares held	%	No of shares held	%
Draka Holding NV	<b>45,899,610</b>	<b>51.17</b>	45,899,610	51.17
Mustafa Mukhtar Ali Al Lawati	<b>11,247,040</b>	<b>12.54</b>	11,247,040	12.54

### 14. Share premium

Share premium represents the excess of amounts received over the nominal value of shares issued to shareholders during 1998.

### 15. Legal reserve

As required by Article 106 of the Commercial Companies Law of 1974 of Sultanate of Oman, 10% of the net profit of the Group has to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of issued share capital of the Group.

The Group has discontinued such transfers as the reserve has reached the statutory minimum of one third of the capital.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 16. General reserve

This reserve represents a distributable reserve initially created at 31 December 2001, to address any impact of unforeseen events in view of the Parent Company's growing operations. 10 % (2015 - 10%) of the net profit of the Parent Company has been transferred to this reserve during the year. The transfer is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## 17. Dividend per share

During the year, dividends of 90 baisa (2015: 90 baisa) per share totalling RO 8,073,000 (2015: RO 8,073,000) relating to the year 2015 were declared and paid.

The Board of Directors have recommended a dividend of 85 baisa (2015: 90 baisa) per share for the year 2016 amounting to RO 7,624,500 (2015: RO 8,073,000), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

## 18. Cumulative changes in fair values

The following summarises the cumulative changes in fair values as of reporting date:

	2016		2015	
	Group	Parent Company	Group	Parent Company
	RO	RO	RO	RO
Unrealised gain relating to:				
Hedging commodity and currency forward / future contracts (Net) maturing within 12 months	1,227,744	1,227,722	(1,123,393)	(1,250,385)
Fair value of investments available-for-sale	(510)	(510)	(510)	(510)
Others	(95,159)	(95,159)	(80,230)	(80,230)
	<u>1,132,075</u>	<u>1,132,053</u>	<u>(1,204,133)</u>	<u>(1,331,125)</u>

Any positive or negative fair value adjustments of commodity future contracts designated as cash flow hedges will be included in the subsequent period on the maturity of the contracts, as cost of inventories and ultimately as cost of sales in the statement of profit or loss.

The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,227,763 (2015 – RO (1,001,383)) is mainly on account of differences between the original values of the future commodity contracts entered into by the Group in the normal course of business and the market value of these contracts as at the reporting date attributable to equity holders of the parent company. RO 19 (2015 – RO (122,011)) attributable to non-controlling interest is disclosed separately in statement of changes in equity as a component of non-controlling interests.

The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,227,722 (2015 - RO (1,250,385)) is mainly on account of differences between the original values of the future commodity contracts entered into by the Parent Company in the normal course of business and the market value of these contracts as at the reporting date.

The reported fair value changes on account of commodity future contracts mentioned above, does not have an impact on the year 2016 profitability, as it relates to the cost of purchase in the year 2017.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 19. Term loans

	Group RO	2016 Parent Company RO	Group RO	2015 Parent Company RO
Non-current liabilities				
Loans from commercial banks	-	-	1,625,116	-
Current liabilities				
Loans from commercial banks	<b>1,625,116</b>	-	1,625,120	-
Total term loans	<b>1,625,116</b>	-	<b>3,250,236</b>	-

The subsidiary company had initially drawn a US\$ denominated loan equivalent of RO 9,750,718 (2015: RO 9,750,718) out of the sanctioned loan amount of RO 12,900,000 as at the reporting date. The balance drawn portion of the loan shown above is repayable in two equal half yearly instalments of RO 812,558 upto the year 2017. The loan carries an interest rate of LIBOR plus fixed margin.

The term loan is secured by:

- a first ranking legal mortgage over the existing and future lease hold (leasehold rights) and building at Sohar
- a first ranking commercial mortgage on plant and machinery and other assets registered with the Ministry of Commerce and Industry
- endorsement of insurance policy

The following further note applies:

The maturity profile of the non-current portion of term loans based on the remaining period to maturity from the reporting date is as follows:

	Group RO	2016 Parent Company RO	Group RO	2015 Parent Company RO
Within 1 year	<b>1,625,116</b>	-	1,625,116	-
Between 2 and 5 years	-	-	1,625,116	-
	<b>1,625,116</b>	-	<b>3,250,236</b>	-

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 20. Taxation

### Statement of profit or loss

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Current year income tax charge	2,120,066	1,967,962	2,502,439	2,193,697
<b>Deferred tax:</b>				
Relating to origination and reversal of temporary differences	(17,889)	1,307	(27,806)	(70,749)
Income tax expense reported in the statement of profit or loss	<u>2,102,177</u>	<u>1,969,269</u>	<u>2,474,633</u>	<u>2,122,948</u>

### Statement of financial position

Current liability				
Current year	2,120,066	1,967,962	2,502,439	2,193,697
Previous year	46,494	11,102	9,552	9,552
	<u>2,166,560</u>	<u>1,979,064</u>	<u>2,511,991</u>	<u>2,203,249</u>

### Non-current liability

Deferred tax liability:				
At 1 January	1,107,160	710,338	1,134,966	781,087
Movement for the year	(17,889)	1,307	(27,806)	(70,749)
<b>At 31 December</b>	<u>1,089,271</u>	<u>711,645</u>	<u>1,107,160</u>	<u>710,338</u>

Deferred tax is allocated to following items.

	1 January 2016	Charge for the year	31 December 2016
	RO	RO	RO
<b>Group</b>			
Tax effect of depreciation	1,114,628	(17,889)	1,096,739
Tax effect of provisions	(7,468)	-	(7,468)
	<u>1,107,160</u>	<u>(17,889)</u>	<u>1,089,271</u>

	1 January 2016	Charge for the year	31 December 2016
	RO	RO	RO
<b>Parent</b>			
Tax effect of depreciation	1,119,538	13,307	1,132,845
Tax effect of provisions	(409,200)	(12,000)	(421,200)
	<u>710,338</u>	<u>1,307</u>	<u>711,645</u>



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 20. Taxation (continued)

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense:

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Profit before income tax	<b>17,879,518</b>	<b>17,363,740</b>	23,817,538	20,273,793
Income tax as per rates mentioned below	<b>2,141,942</b>	<b>2,080,049</b>	2,854,505	2,429,255
Income exempt from tax	<b>(61,893)</b>	-	(425,248)	-
Tax effect of items deductible / non-deductible for tax purpose	<b>40,017</b>	<b>(112,087)</b>	73,182	(235,558)
Deferred tax	<b>(17,889)</b>	<b>1,307</b>	(27,806)	(70,749)
Net tax expense	<b>2,102,177</b>	<b>1,969,269</b>	2,474,633	2,122,948

The tax rate applicable to the Parent Company is 12% (2015: 12%). For the purpose of determining the tax expense for the year ended 31 December 2016, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expenses. After giving effect to these adjustments, the average effective tax rate is estimated to be 11.8% (2015: 10.4%). The difference between the applicable tax rates of 12% (2015: 12%) and the effective tax rate of 11.8% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Assessments of the Parent Company with the tax department have been completed up to the year 2012.

In accordance with the Ministerial Decision number 25/2011, the subsidiary company is exempt from income tax for a period of five years from 26 July 2010. From 27 July 2015 the Company is subject to income tax at 12%. The Company has applied for the renewal of extension for an additional period of five years which is still pending with the Secretariat General of Taxation (SGT) as on the reporting date. The Company has nevertheless provided for current taxation on prudent basis. Tax assessments of the subsidiary for the years 2008 to 2015 have not yet been finalized with the tax department. The Management believes that, any additional tax liability likely to arise on the completion of the assessments of the above year would not be material to the financial position of the Group at the reporting date.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 21. End of service benefits

Movement in the liability towards end of service benefits recognised in the statement of financial position is as follows:

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
		RO		RO
At 1 January	1,558,729	1,456,252	1,428,290	1,355,291
Accrued during the year	226,512	193,812	218,994	183,376
Employees' end of service benefits paid	(349,645)	(333,623)	(88,555)	(82,415)
<b>At 31 December</b>	<b>1,435,596</b>	<b>1,316,441</b>	<b>1,558,729</b>	<b>1,456,252</b>

## 22. Trade and other payables

Trade payables	16,823,658	14,067,909	12,547,172	7,841,712
Other payables	517,289	266,355	601,149	348,437
Derivatives designated and effective as hedging instruments carried at fair value (Note 18)	-	-	1,250,385	1,250,385
Accruals	4,918,214	4,263,490	4,643,822	3,518,313
	<b>22,259,161</b>	<b>18,597,754</b>	<b>19,042,528</b>	<b>12,958,847</b>

## 23. Bank borrowings

Overdrafts	-	-	76,888	76,888
Loans against trust receipts	-	-	17,919,780	17,919,780
Short term loans	9,619,910	3,500,000	15,141,450	11,100,000
	<b>9,619,910</b>	<b>3,500,000</b>	<b>33,138,118</b>	<b>29,096,668</b>

The Parent Company avails short-term loans from commercial banks for a period ranging up to 180 days (2015 – 180 days). Bank borrowings carry interest at commercial rates.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 24. Cost of sales

	2016		2015	
	Group	Parent Company	Group	Parent Company
	RO	RO	RO	RO
Cost of materials consumed	186,390,318	164,199,054	233,982,881	194,940,331
Employee costs	5,606,344	4,965,921	5,548,628	4,621,996
Depreciation	3,418,691	2,354,296	3,400,465	2,520,184
Stores, consumables, repairs and maintenance	2,319,601	1,473,996	2,769,413	1,291,248
Electricity and water	1,206,521	825,203	1,285,999	881,253
Provision for slow moving inventories (note 10)	(24,470)	-	256,470	200,000
Land lease rent	130,821	85,821	130,821	85,821
Loss on sale of property, plant and equipment	-	-	53,206	53,206
Other direct costs	993,419	897,975	886,618	659,099
	<b>200,041,245</b>	<b>174,802,266</b>	<b>248,314,501</b>	<b>205,253,138</b>

## 25. Other income

Insurance claim	28,530	21,355	13,074	13,074
Gain on sale of property, plant and equipment	5,207	5,207	2,162	-
Dividend from subsidiary	-	683,904	-	2,601,000
Miscellaneous income	195,083	19,550	208,789	11,160
	<b>228,820</b>	<b>730,016</b>	<b>224,025</b>	<b>2,625,234</b>

## 26. Administrative expenses

Employee costs	3,957,197	3,094,614	4,168,402	3,327,808
Insurance	223,002	159,619	150,959	150,959
Allowance for credit losses	100,000	100,000	450,000	400,000
Directors' remuneration	197,800	197,800	188,950	188,950
Directors' meeting attendance fees	2,200	2,200	82,871	11,050
Legal and professional charges	307,119	211,613	286,519	83,286
Repairs and maintenance	153,525	141,901	141,405	120,550
Communication	92,855	53,442	106,833	61,796
Travelling	68,468	26,444	79,090	44,676
Printing and stationery	47,193	46,316	53,874	47,248
Contributions to local organizations	100,000	100,000	100,000	100,000
Vehicle running and Maintenance	48,545	23,646	50,032	17,971
Service charges	6,000	6,000	6,000	6,000
Employee claim settlement	557,190	557,190	-	-
Other sundry expenses	218,815	169,690	358,271	257,265
	<b>6,079,909</b>	<b>4,890,475</b>	<b>6,223,206</b>	<b>4,817,559</b>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 27. Selling and distribution expenses

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Marketing and freight	2,446,667	2,084,239	2,610,510	1,700,129
Employee costs	1,195,408	1,032,831	1,154,940	960,814
Advertisement and sales promotion	279,876	216,817	394,006	210,025
Travelling	137,644	109,123	157,557	134,766
	<b>4,059,595</b>	<b>3,443,010</b>	<b>4,317,013</b>	<b>3,005,734</b>

## 28. Financing costs

Financing cost	814,791	564,269	950,701	775,634
Less: foreign currency translation	(183,147)	(156,677)	(65,314)	(65,314)
	<b>631,644</b>	<b>407,592</b>	<b>885,387</b>	<b>710,320</b>

## 29. Employee costs

Salaries	4,277,885	3,067,166	4,101,819	2,798,222
Other benefits	5,891,219	5,525,752	6,224,719	5,658,500
Contributions to defined retirement plan for Omani employees	363,333	306,636	326,438	270,520
Increase in liability for unfunded defined benefit retirement plan	226,512	193,812	218,994	183,376
	<b>10,758,949</b>	<b>9,093,366</b>	<b>10,871,970</b>	<b>8,910,618</b>

## 30. Basic earnings per share

The basic earnings per share is calculated by dividing the net profit of the Group and Parent Company for the year attributable to the shareholders of the Parent Company, by the weighted average number of shares outstanding during the year.

	2016		2015	
	Group	Parent Company	Group	Parent Company
Net profit for the year (RO)	15,253,740	15,394,471	18,506,792	18,150,845
Weighted average number of shares outstanding during the year	89,700,000	89,700,000	89,700,000	89,700,000
Basic earnings per share (RO)	0.170	0.172	0.206	0.202

As the Group and Parent Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 31. Net assets per share

Net assets per share, is calculated by dividing the equity attributable to the shareholders of the Group and Parent Company at the reporting date by the number of shares outstanding.

	2016		2015	
	Group	Parent Company	Group	Parent Company
Net assets (RO)	<u>96,717,754</u>	<u>93,458,513</u>	<u>87,200,806</u>	<u>83,673,864</u>
Number of shares outstanding at the reporting date	<u>89,700,000</u>	<u>89,700,000</u>	<u>89,700,000</u>	<u>89,700,000</u>
Net assets per share (RO)	<u>1.078</u>	<u>1.042</u>	<u>0.972</u>	<u>0.933</u>

## 32. Segmental reporting

Management has determined the operating segments based on the reports reviewed by the key decision makers (Board of directors) that are used to make strategic decisions. The Group is engaged in one business segment which is manufacturing and sale of electrical cables and conductors as per different specifications based on market requirements. A substantial portion of the products are sold for use within Middle East and North Africa (MENA) and international markets.

### Geographic information

Revenues from external customers

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Oman	<u>111,730,826</u>	<u>107,018,756</u>	<u>121,667,472</u>	<u>115,904,418</u>
Middle East and North Africa (MENA)	<u>87,126,908</u>	<u>81,899,923</u>	<u>128,195,664</u>	<u>100,972,409</u>
Others	<u>29,781,516</u>	<u>11,352,134</u>	<u>33,607,329</u>	<u>14,609,262</u>
	<u>228,639,250</u>	<u>200,270,813</u>	<u>283,470,465</u>	<u>231,486,089</u>

## 33. Related party transactions

The Group has entered into transactions with Directors and entities in which certain Directors of the Parent Company and the subsidiary have an interest. In the ordinary course of business, the Group sells goods to related parties and procures goods and services from related parties. These transactions are entered into on terms and conditions, which the Directors believe could be obtained on an arms' length basis from independent third parties.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 33. Related party transactions (continued)

During the year the related party transactions, which are subject to shareholders' approval at the forthcoming Annual General Meeting, are as follows:

Group	2016			2015		
	Sales and other income RO	Purchases and other expenses RO	Others RO	Sales and other income RO	Purchase and other expenses RO	Others RO
Associated Companies	-	2,241,308	-	-	1,845,914	-
Shareholders	779,214	6,468	-	568,364	-	-
	<u>779,214</u>	<u>2,247,776</u>	<u>-</u>	<u>568,364</u>	<u>1,845,914</u>	<u>-</u>
<b>Parent Company</b>						
Associated companies	-	2,241,308	-	-	1,845,914	-
Shareholders	779,214	6,468	-	568,364	-	-
Subsidiary	683,904	2,315,248	-	2,638,150	1,801,307	-
	<u>1,463,118</u>	<u>4,563,024</u>	<u>-</u>	<u>3,206,514</u>	<u>3,647,221</u>	<u>-</u>

## Compensation of key management personnel

The key management personnel compensation for the year comprises:

	2016		2015	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Short term employment benefits	1,549,335	871,880	1,448,739	749,600
End of service benefits	63,938	44,419	55,404	35,867
Directors' meeting attendance fees	2,200	2,200	11,050	11,050
Directors' remuneration	197,800	197,800	260,771	188,950
	<u>1,813,273</u>	<u>1,116,299</u>	<u>1,775,964</u>	<u>985,467</u>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 33. Related party transactions (continued)

Apart from specific bonus provisions to certain top management, the Company makes an overall provision for employees' bonus each year. Of the amounts so provided in the previous year, amounts paid to key management personnel are included in short term employment benefits. The Directors' remuneration and employees' end of service benefits are included under other payables.

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
	RO	RO	RO	RO
<b>Amounts due from related parties</b>				
Other related parties	<u>174,858</u>	<u>174,140</u>	<u>396,898</u>	<u>396,898</u>
<b>Amounts due to related parties:</b>				
Other related parties	-	-	197,126	197,126
Subsidiary	-	<u>813,373</u>	-	<u>651,671</u>
	<u>-</u>	<u>813,373</u>	<u>197,126</u>	<u>848,797</u>

The amounts due from and due to related parties are on normal terms of credit and consideration to be settled in cash. There have been no guarantees given in respect of amounts due from or due to related parties.

At the reporting date, the entire due from related parties is due from five related parties (2015 - four related party). Amounts due from related parties are neither past due nor impaired and are estimated as collectible based on historical experience. There has been no impairment assessed on dues from related parties and accordingly no allowance for credit losses against these dues has been considered necessary.

## 34. Commitments and contingent liabilities

### Commitments

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
	RO	RO	RO	RO
Capital commitments	<u>656,628</u>	<u>637,668</u>	<u>1,237,090</u>	<u>988,240</u>
Letters of credit	<u>16,521,183</u>	<u>11,902,383</u>	<u>16,695,932</u>	<u>8,587,051</u>

### Contingencies

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
	RO	RO	RO	RO
Letters of guarantee	<u>17,782,408</u>	<u>17,547,559</u>	<u>14,409,507</u>	<u>14,263,461</u>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 35. Leases

The Parent Company has leased land for factory premises, at Rusayl, from the Public Establishment for Industrial Estates (PEIE), under agreements that expire over periods ranging up to 30 September 2036. Payment of lease rentals to PEIE in respect of the plot that expires on 22 June 2026 commenced on 2 June 2012 as the lease rentals until that date will be set off against certain amounts due to the Parent Company for having developed the land. The subsidiary has entered into a lease agreement on 6 January 2009 in respect of the land used for factory premises, which is valid until 5 January 2034.

At the reporting date future minimum lease commitments under non-cancellable operating leases were as follows:

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
		RO		RO
Less than one year	130,825	85,825	130,825	85,825
Between one and five years	676,343	496,343	658,816	478,816
More than five years	1,587,196	1,047,196	1,725,162	1,140,162
	<b>2,394,364</b>	<b>1,629,364</b>	<b>2,514,803</b>	<b>1,704,803</b>

## 36. Financial instruments and related risk management

The Group's principal financial liabilities other than derivatives, comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finances for the Group's operations. The Group principal financial assets comprise loans, trade and other receivables, and cash and short-term deposits that arrive directly from its operations. The Group also holds available-for-sale investments, held to maturity investments and enters into derivative transactions.

The Group's activities expose it to various financial risks, primarily being, credit risk, market risk (including currency risk, interest rate risk, and price risk) and liquidity risk. The Group's risk management is carried out internally in accordance with the policies approved by the Board of Directors.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables.

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.



# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 36. Financial instruments and related risk management (continued)

### Exposure to credit risk

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

	2016		2015	
	Group	Parent	Group	Parent
	RO	Company	RO	Company
		RO		RO
Trade receivables	65,592,233	60,258,531	72,675,972	65,499,216
Other receivables	1,445,578	1,413,994	994,239	667,827
Bank balances	6,553,386	6,186,789	2,451,686	2,164,550
	<u>73,591,197</u>	<u>67,859,314</u>	<u>76,121,897</u>	<u>68,331,593</u>

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits, available-for-sale investments, and derivative financial instruments.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term bank deposits, held to maturity investments, bank borrowings and term loans). The management manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities.

For every 0.5% change in interest rate, the impact on the statement of profit or loss will be approximate to RO 57,000 (2015 – RO 182,000) based on the level of borrowing at the reporting date.

#### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a derivative financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euros, Pound sterling and all GCC currencies.

The majority of the Group's financial assets and financial liabilities are either denominated in local currency viz. Rial Omani or currencies pegged with Rial Omani. Term loan is due in US Dollars. As the Omani Rial is pegged to the US Dollar, balances in US Dollars are not considered to represent significant currency risk Hence the management believes that there would not be a material impact on the profitability if these foreign currencies weakens or strengthens against the Omani Rials with all other variables held constant.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 36. Financial instruments and related risk management (continued)

### Commodity price risk

The Group is affected by the volatility of certain commodities. Its operating activities require the ongoing purchase and manufacturing of electric cables and therefore require a continuous supply of Copper, Aluminium, and Lead. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

To manage metal price fluctuation risk, the management uses futures contracts to hedge any significant risks arising from fluctuations in metal prices. Future contracts have maturities of less than one year after the reporting date. Hence the management believes that there would not be a material impact on the profitability if these commodity prices weakens or strengthens.

### Equity price risk

The Group is exposed to price risk related to quoted investments held by the Group and traded in organized financial markets. To manage its price risk arising from investments in equity, the management continuously monitors the market and the key factors that effect stock market movements. The management believes that the impact of price fluctuation on the quoted investments will not be material considering the amount of quoted investments at the reporting date. At the reporting date the Group's exposure to equity price risk is insignificant.

## 36. Financial instruments and related risk management

### Liquidity risk

The Group maintains sufficient and approved bank credit limits to meet its obligations as they fall due for payment and is therefore not subjected to significant liquidity risk.

The table below summarizes the maturities of the Group and Parent Company's undiscounted financial liabilities based on contractual payment dates.

Parent Company	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
<b>2016</b>					
Trade and other payables	16,757,514	364,787	1,475,453	-	18,597,754
Short term loan	1,500,000	2,000,000	-	-	3,500,000
Amount due to related parties	487,787	325,586	-	-	813,373
	<u>18,745,301</u>	<u>2,690,373</u>	<u>1,475,453</u>	-	<u>22,911,127</u>
<b>2015</b>					
Trade and other payables	11,561,385	84,114	1,313,348	-	12,958,847
Short term loan	11,100,000	-	-	-	11,100,000
Overdraft	76,888	-	-	-	76,888
Loans against trust receipts	1,854,207	16,065,573	-	-	17,919,780
Amount due to related parties	473,869	374,928	-	-	848,797
	<u>25,066,349</u>	<u>16,524,615</u>	<u>1,313,348</u>	-	<u>42,904,312</u>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 36. Financial instruments and related risk management (continued)

Group	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
<b>2016</b>					
Trade and other payables	19,268,200	1,515,508	1,475,453	-	22,259,161
Term loans	-	812,556	812,560	-	1,625,116
Short term loan	7,619,910	2,000,000	-	-	9,619,910
	<u>26,888,110</u>	<u>4,328,064</u>	<u>2,288,013</u>	<u>-</u>	<u>33,504,187</u>
<b>2015</b>					
Trade and other payables	16,602,775	1,126,405	1,313,348	-	19,042,528
Term loans	-	812,560	812,560	1,625,116	3,250,236
Short term loan	15,141,450	-	-	-	15,141,450
Overdraft	76,888	-	-	-	76,888
Loans against trust receipts	1,854,207	16,065,573	-	-	17,919,780
Amount due to related parties	197,126	-	-	-	197,126
	<u>33,872,446</u>	<u>18,004,538</u>	<u>2,125,908</u>	<u>1,625,116</u>	<u>55,628,008</u>

### 37. Fair values of financial instruments

#### Fair values

Financial instruments comprise financial asset, financial liabilities and derivatives. Financial assets consist of bank balances, receivables and available-for-sale investments. Financial liabilities consist of term loans and trade and other payables. Derivatives relates to forward currency and commodity hedging contracts. Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying amount				Fair Value			
	2016		2015		2016		2015	
	Group RO	Parent Company	Group RO	Parent Company	Group RO	Parent Company	Group RO	Parent Company
<b>Financial assets</b>								
Trade and other receivables	65,346,287	59,953,916	72,146,321	64,510,379	65,346,287	59,953,916	72,146,321	64,510,379
Available for sale investments	230,017	230,017	119,067	119,067	230,017	230,017	119,067	119,067
Held to maturity investments	1,000,000	1,000,000	1,251,204	1,251,204	1,000,000	1,000,000	1,251,204	1,251,204
Due from related parties	174,858	174,140	396,898	396,898	174,858	174,140	396,898	396,898
Cash and bank balances	6,601,232	6,231,852	2,485,416	2,193,260	6,601,232	6,231,852	2,485,416	2,193,260
	<b>73,352,394</b>	<b>67,589,925</b>	<b>76,398,906</b>	<b>68,470,808</b>	<b>73,352,394</b>	<b>67,589,925</b>	<b>76,398,906</b>	<b>68,470,808</b>
<b>Financial liabilities</b>								
Trade and other payables	22,259,161	18,597,754	19,042,528	12,958,847	22,259,161	18,597,754	19,042,528	12,958,847
Due to related parties	-	813,373	197,126	848,797	-	813,373	197,126	848,797
Bank borrowings	9,619,910	3,500,000	33,138,118	29,096,668	9,619,910	3,500,000	33,138,118	29,096,668
Term loans	1,625,116	-	3,250,236	-	1,625,116	-	3,250,236	-
	<b>33,504,187</b>	<b>22,911,127</b>	<b>55,628,008</b>	<b>42,904,312</b>	<b>33,504,187</b>	<b>22,911,127</b>	<b>55,628,008</b>	<b>42,904,312</b>

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## 37. Fair values of financial instruments (continued)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.
- Fair value of unquoted available-for-sale financial assets is disclosed in note 8.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- As at 31 December 2016, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

### Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016 (continued)

## Fair value hierarchy (continued)

As at 31 December, the Group had unquoted available for sale investments which are carried at cost as described in note 13 and are under level 3 fair value measurement category.

## Assets measured at fair value

	Total	Level 1	Level 2	Level 3
	RO	RO	RO	RO
<b>2016</b>				
<b>Parent Company</b>				
Available-for-sale investments	230,017	-	230,017	-
Commodity forward contract	1,227,722	-	1,227,722	-
<b>Group</b>				
Available-for-sale investments	230,017	-	230,017	-
Commodity forward contract	1,227,744	-	1,227,744	-
<b>2015</b>				
<b>Parent Company</b>				
Available-for-sale investments	119,067	-	119,067	-
Commodity and currency forward contract	(1,250,385)	-	(1,250,385)	-
<b>Group</b>				
Available-for-sale financial assets	119,067	-	119,067	-
Commodity and currency forward contract	(1,123,394)	-	(1,123,394)	-

During the reporting years ended 31 December 2016 and 31 December 2015, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 38. Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and benefit other stake holders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business.

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. The Group is not subject to externally imposed capital requirements.

The capital structure of the Group comprises of the share capital, legal and other reserves and retained earnings. There has been no change in the Group's objectives, policies or process during the year ended 31 December 2016 and 31 December 2015.