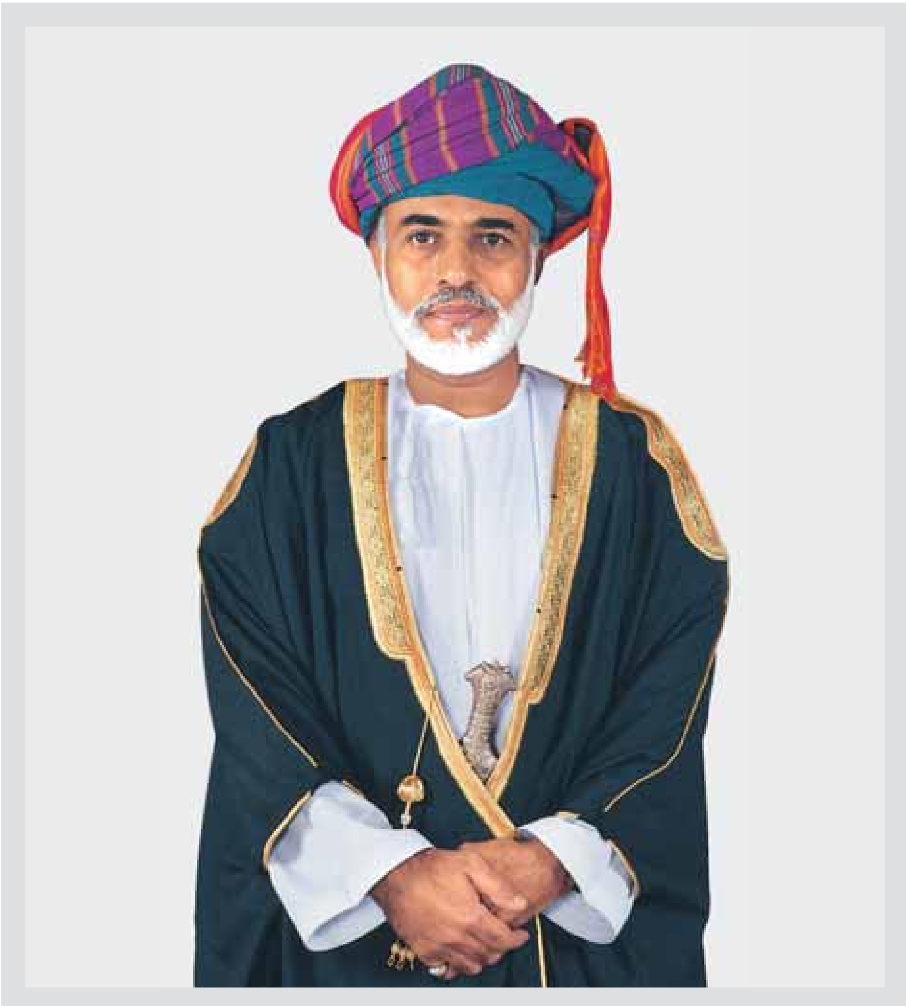
شركة صناعة الكابلات العمانية ش.م.ع.ع
Oman Cables Industry (SAOG)

ANNUAL REPORT 2017

www.omancables.com



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.

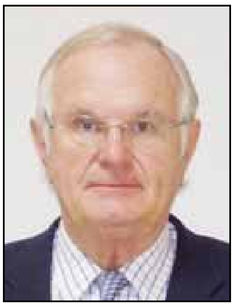
VALUES AND PRINCIPLES

- 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

CONTENTS

BOARD OF DIRECTORS

Fabio Ignazio Romeo
Chairman



Christian Raskin
Director

Lara Hansen
Vice Chairman

Hamed Bin Mohammed Al Waheibi
Director

Mr. Fabrizio Rutschmann
Director

Mohamed Bin Mustafa 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 29th 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 2017. 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 bin Mustafa Al Lawati
4. Mr. Hamad bin Mohammad Al Wahaibi
5. Mr. Christian Raskin
6. Mr. Michele Binda
7. Mr. Fabrizio Rutschmann

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 Sales level. The average Copper prices, the most important raw material in cables, were higher during the year by 19% compared to 2016. This has helped the sales value.

The company sold materially lower volumes during the year, due to current down turn in the market.

Important expansion of the facilities and of testing capabilities have been completed during the year. The company continues focus on customer service and operational efficiencies.

Oman Cables Industry is actively looking for areas to collaborate for mutual benefit with its majority shareholder.

Sales

We are pleased to report the 2017 sales revenues of RO 199.4 million for the parent company as compared to RO 200.2 million in 2016. The sales of the Group were RO 242.6 million compared to RO 228.6 million in 2016.

The sales value is maintained in 2017, is largely attributable to the 19% increase of the copper rate in comparison to 2016. The volumes sold by the parent company in 2017 were lower than 2016.

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. The Company is experiencing delay in payments from customers.

Profitability

The Operating Profit of the parent company for the year 2017 was RO 10.4 million as compared to RO 17.7 million in 2016, a decrease of 41%. The decrease in profitability is related to prevailing market conditions of shrinking market and under pressure profitability. The company is responding by vigorous cost control measures.

The net profit of the Group was RO 6.8 million compared to RO 15.3 million in 2016 a decrease of 55%. The company's Subsidiary, OAPIL has reported a loss, attributable mainly to effect of Force Majeure declared by its main supplier of input metal

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.

During the year 2017, OAPIL has reported loss due to the un-remunerative aluminum rod premiums and effect of disruption suffered due to Force Majeure declared by its main supplier of input aluminum.

The OAPIL financial results are consolidated with Oman Cables, the parent company, and are reported as Group results.

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.

As a response to changing market dynamics, OCI Board has instructed management to critically assess the employee numbers and performance and put in place, a restructuring plan, which was implemented by the Management in Q4 2017.

Health Safety & Environment

Oman Cables is continuously striving to improve the Safety Awareness among it shop floor employees. Various actions are initiated so that all employees have been introduced to the Safety Awareness

Program. 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.

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 and has conducted a Board Evaluation as required through an independent third party evaluator appointed by the shareholders in AGM held on 26 March 2017.

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 2017, 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.

Oman Cables proposes to undertake new initiative in education for youth Omanis for training and internship to be run by the Company.

Future Outlook

The countries in which the company's products are being marketed, have been facing a slowdown in the respective economies. Due to lower 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 continue to deliver exceptional value to its stakeholders.

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.

Dividend:

The Board of Directors, during the board meeting held on 17 January 2018, 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, i.e. RO 0.045 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 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.

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 completed acquiring 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 company's shareholder approval are completed and ACPL is now a 100% owned by Oman Cables

This will broaden OCI production base and as well as OCI offering to its customers.

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: 17 January 2018

Building a better working world

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PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRIES SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Oman Cables Industries SAOG (the "Company") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

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, other 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 Industries SAOG to be included in its annual report for the year ended 31 December 2017 and does not extend to any financial statements of Oman Cables Industries SAOG, taken as a whole.

Ernst & Young LLC

Muscat
17 January 2018

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

REPORT OF CORPORATE GOVERNANCE FOR 2017

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.

The Board held seven meetings during the year; following are the relevant details of the Directors and meetings attendance as on 31 December 2017

Name	Designation	Category	No. of Board Meeting Attended	AGM attended
Fabio Ignazio Romeo	Chairman	Non-executive Non-independent	7	Yes
Lara Caroline Mahmoud-Hansen	Vice Chairman	Non-executive Independent	7	Yes
Mohamed bin Mustafa Al Lawati	Director	Non-executive Non-Independent	7	No
Hamad bin Mohammad Al Wahaibi	Director	Non-executive Independent	6	No
Christian Raskin	Director	Non-executive Independent	5	Yes
Michele Binda	Director	Non-executive Non-Independent	7	No
Mahmut Tayfun Anik *	Director	Non-executive Non-Independent	2	Yes
Fabrizio Rutschmann *	Director	Non-executive Non-Independent	5	No

*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 2015.

The following changes took place in the Board of directors during 2017:

Draka Holding BV has changed its representation on OCI board of Directors on 25 April 2017 wherein Mr. Fabrizio Rutschmann has replaced Mr. Mahmut Tayfun Anik.

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

Name of Director	Designation in other Companies	Name of Company
Fabio Ignazio Romeo Chairman	Chief Strategy Officer	Prysmian Group
	Director	Centro Elettrotecnico Sperimentale Italiano Giacinto Motta S.p.A.
	Director	Prysmian (China) Investment Co. Ltd
	Member	Committee de Control Prysmian Cables et Systemes France S.A.S.
	Director	Prysmian Cables and Systems Canada S.p.A.
	Director	Prysmian S.p.A
	Director	Draka Cableteq Asia Pacific Holding Pte. Ltd.
	Director	Turk Prysmian Kablo ve Sistemleri A.S
	Director	Prysmian Cables and Systems Ltd.
	Vice Chairman	Elkat Ltd.
	Director & President	Alisea Corp.
	Director	Corporate Hangar S.r.l.
Lara Caroline Mahmoud-Hansen, Vice Chairman	General Manager	Feed & Agricultural Suppliers Services Co. LLC
Mohamed bin Mustafa Al Lawati Director	Chief Executive Officer	Al-Saleh Group
Hamad bin Mohammad Al Wahaibi Director	Investment Manager	Ministry of Defense Pension Fund
	Director	ACWA Power Company
	Director	Voltamp Energy
	Director	National Bank of Oman
Christian Raskin Director	Director	EVS Belgium
Michele Binda Director	Executive Senior Legal Counsel	Prysmian SpA
Fabrizio Rutschmann Director	Chief Human Resources Officer	Prysmian Group

Mr. Fabio Ignazio Romeo – Chairman (Non-Independent) 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 16 years, specializing 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 bin Mustafa Al Lawati – Non-Independent 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 bin Mohammad Al Wahaibi - Independent Director, has been a director of the company since April 2016. He is the Chairperson of the Audit Committee of the Board. He has 18 years of experience in the GCC markets. He has been a Director of Investment with the Ministry of Defense Pension Fund for the past five years. Mr. Al Wahaibi is also a member of the boards of ACWA Power Company, Voltamp Energy Company and National Bank of Oman.
Mr. Al Wahaibi holds a Masters of Business Administration (MBA) degree, specializing in Finance, and he is a Chartered Financial Analyst (CFA) Charter holder as well as Chartered Alternative Investment Analyst (CAIA) Charter holder.

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. Michele Binda – Non-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. Fabrizio Rutschmann – Non-Independent Director, graduate in Business Administration from Ca' Foscari University of Venice, with a specialization from SDA Bocconi University of Milan, Fabrizio Rutschmann began his career at the Electrolux Group, where he served in various Human Resources positions before becoming HR Director of one of Uni Credit's seven banks. Joining the Pirelli Group in 1999 as Human Resources Manager of the Tire Business Unit's Italian Division, Rutschmann became Pirelli's Chief HR Officer in 2006.Since June 2010, Rutschmann has been SVP Human Resources & Organization at Prysmian Group. He has over than 29 years of professional experience in leadership of human capital and change management.

Company Management

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

- Ali Saeed Al Habaj is the Chief Executive Officer since July 2017. Ali is a seasoned professional with an experience of more than 25 Years in varied organizations. Mr. AL Habaj has successfully headed and was instrumental in growing and expanding large manufacturing companies. Earlier, Mr. Ali Al Habaj was the Chief Executive Officer of Atyab Investments & Oman Flour Mills Co. SAOG. During his tenure through diversification initiatives he was instrumental in growing the Company three fold over 15 years to become one of the largest and most profitable Food Companies in Oman & the GCC region. Ali AL Habaj obtained his undergraduate degree from New Hampshire University in the States, MBA from Bristol University in UK and attended the Executive Management Program at Harvard Business School, United States.
- Manoj M. Vaidya, General Manager - Corporate Finance has experience of 35 years, of which 30 years at executive management levels. Responsible for Finance and Risk Management functions.
- Louis Dupreez, General Manager - Sales and Marketing has experience of 38 years in industry, of which 28 years at executive management levels. Responsible for Sales, Marketing and Customer Service.
- Ahmed Farooqui, General Manager - Procurement and Supply Chain has experience of 35 years in industry, of which 23 years at executive levels.
- Mohammed bin Hashim Al-Shahab, General Manager - Human Resources, Administration & Security has experience of 17 years, of which 8 years at executive levels
- Peter Theron, General Manager – Operations has experience more than 23 years
- Muhanned Al-Lawati, General Manager - Production has experience of 10 years, of which 6 years at executive levels
- Sajid Ali, General Manager - Information Technology has experience of 27 years, of which 19 years at executive levels
- Antony Douglas Falconer, General Manager - Cable Engineering and Development, has experience of 31 years, of which 22 years at executive levels.
- Jad Atallah, Head of Legal, Compliance & Governance, Company Secretary. Holds a master's degree in law, joined the company in 2010 and has experience of 13 years.
- Wael Coutry, Chief Risk and Processes. He joined the company during 2017, holds a university degree in accounting with extensive experience in the field of auditing. At the beginning of his career, he held several positions in some governmental bodies in the Sultanate.

Board Meetings held during the year:

During the year 2017, the company held seven Board Meetings on the following dates:
25 January 2017, 26 March 2017, 25 April 2017, 16 May 2017, 5 June 2017, 18 July 2017, and 17 October 2017.

In the meetings held on 16 May 2017, 5 June 2017 and 18 July 2017, a few Board members attended via video conferencing.

The meetings were coordinated by the Company secretary who was appointed as required by the applicable rules and regulations. The meetings were conducted with an agenda and proceedings were minted. 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 bin Mohammad Al Wahaibi	Chairman	8
Lara Caroline Mahmoud-Hansen	Member	8
Christian Raskin	Member	4
Mohamed bin Mustafa Al Lawati	Member	7

During the year 2017, Audit Committee met and conducted eight meetings on the following dates, 24 January 2017, 20 February 2017, 27 February 2017, 24 April 2017, 3 May 2017, 7 May 2017, 17 July 2017 and 12 October 2017.

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 Strategic Management Committee comprised of six members, three from the board of directors others from the executive management. The following are the members of the Strategic Management Committee:

Name	Designation	No. of meetings attended
Christian Raskin	Chairman	4
Fabio Ignazio Romeo	Member	3
Mohamed bin Mustafa Al Lawati	Member	4
Ali Saeed Al Habaj*	Member	1
Manoj M. Vaidya	Member	4
Louis Dupreez*	Member	1
Gert Hoefman*	Member	3

*For part of the year

During the year 2017, Strategic Management Committee conducted four meetings on the following dates, 24 January 2017, 24 April 2017, 17 July 2017 and 17 October 2017.

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 Nomination and Remuneration Committee comprised of three board members. The following Directors are the members of the Nomination and Remuneration Committee:

Name	Designation	No. of meetings attended
Lara Caroline Mahmoud-Hansen	Chairman	5
Mahmut Tayfun Anik*	Member	1
Michele Binda	Member	5
Fabrizio Rutschmann*	Member	4

*For part of the year

During the year 2017, the Nomination and Remuneration Committee conducted five meetings on the following dates, 23 January 2017, 23 April 2017, 5 June 2017, 29 August 2017 and 16 October 2017.

Process of nomination of the Directors

The Company follows the Commercial Companies Law, Code of Corporate Governance and the guidelines issued by 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 Nil (2016: 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 200,000 (2016: RO 197,800), the Directors have no other pecuniary relationship or transaction with the company. The total remuneration paid/accrued to the Board of Directors in 2017, 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 2017 is RO 648,223 (2016: RO 633,021), which includes RO 521,209 (2016: RO 520,328) as fixed component and RO 127,014 (2016: RO 112,693) linked to the performance in 2016. The severance notice period of all senior employees range from one to three months, with end of service benefits payable as per Omani Labor Law.

Measuring Board Performance

In accordance with the Fourth Principle of the Corporate Governance of Public Shareholding Companies issued by the Capital Market Authority, the annual general assembly meeting held on 26 March 2017 approved the criteria for measuring the performance of the Board of Directors of the company. Accordingly, an independent evaluator "Capital Advantage Consultants" was appointed to measure the performance of the Board according to the approved criteria in the said meeting which was completed successfully during 2017.

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 Labor Law.

Details of non-compliance by the Company
No fines were imposed by the Capital Market Authority (CMA) or Muscat Securities Market (MSM) during the last three financial 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. 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.

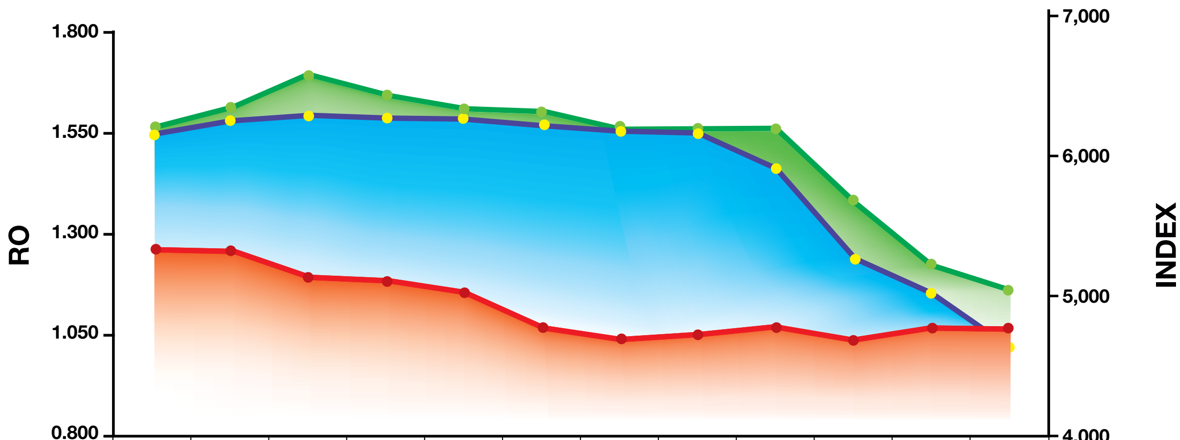
All relevant major events impacting the company are conveyed to the Capital Market Authority.

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

Market price data

During the period 2017 the share price of RO 0.100 face value moved in the range of high of RO 1.700 to a low of RO 1.055. The share price closed as on 31 December 2017 at RO 1.135.

OCI SHARE PRICE V/S MSM 30 INDEX - 2017



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec
Low	1.570	1.505	1.610	1.600	1.600	1.585	1.570	1.570	1.480	1.270	1.190	1.055
High	1.575	1.605	1.700	1.650	1.600	1.615	1.570	1.570	1.570	1.400	1.250	1.100
Index	5,776	5,780	5,551	5,514	5,422	5,118	5,024	5,053	5,137	5,011	5,100	5,099

The distribution of Major Shareholding as on 31 December 2017 is as follows:

Shareholder	**% of Shares held of total**
Draka Holding BV	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 2017 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

Ernest and Young (EY) is the statutory auditors for the company. EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,700 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,500 partners and over 106,079 professionals. Globally, EY operates in more than 150 countries and employs 256,500 professionals in 728 offices. The Audit fee for the year 2017 is RO 13,000.

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.

Fabio Romeo
Chairman
17/1/2018

Ali Saeed Al Habaj
Chief Executive Officer
17/1/2018

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure and Development

Oman Cables Industry (SAOG) (OCI) develops, manufactures and markets a totally integrated variety of electrical cables and conductors. OCI product portfolio includes Medium voltage power cables, Low voltage power and control cables, Fire Resistant Cables, Instrumentation cables, Pilot cables, Overhead power transmission line conductors and Building wires.

The Cable Industry, in which OCI is present, is a part of Electrical Industry catering to Infrastructure sector of economy. Infrastructure development is long term, capital intensive and is dependent upon sources and strategy of governments, and growth of economy.

In the markets OCI operates, Copper is used in majority of power cables however there is a trend towards using aluminum in some market sectors. OCI is carefully monitoring the situation. OCI is capable of processing both materials.

There is trend towards consolidation in the Industry. Prysmian, number 1 cable company in world, owns a majority stake in OCI.

Opportunities and Threats

In the markets OCI operates, Infrastructure development is linked to Oil Prices and Govt. revenue. These market having favorable demography and growing population present a long term opportunity for Cable Industry
Oil prices which has seen the bottom in end 2015 have since, been on steady increase. Accordingly it is expected that, the shelved projects will start getting implemented as well as the austerity measures will be relooked at

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 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 first half of 2017 executing the orders received during 2016. The Oil price fall and its effect on shelving of new projects manifested fully in the second half of 2017, thru the intense competition due to shrinking market which eroded the profitability substantially.

The margin erosion which started in third quarter 2017, accelerated in fourth quarter of 2017 and is a serious challenge facing the company

OCI subsidiary, OAPIL, has this year reported loss due to disruption caused as effect of declaration of Force Majeure in August 2017 by Sohar Aluminum, the only supplier of input materials to OAPIL.

Outlook

While 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 it is hoped that this situation may reverse slowly. The various measures being taken by the authorities to face this situation may 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 2018. 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 2017, the company invested for capacity expansion for Fire Resistant cables and state of the art testing facilities for the same

Sales and Profitability

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

	2013	2014	2015	2016	2017
Sales (RO' 000)	306,058	303,146	283,470	228,639	242,632
Profit after Tax (RO' 000)	16,886	17,718	18,507	15,254	6,845
Equity (RO' 000)	72,461	83,498	92,738	102,000	100,057
Dividend (%)	88%	90%	90%	85%	45%*

*recommended by the Board of Directors

Conclusion

2017, has been a challenging year, Oman cables have responded with vigorous cost control efforts working capital management, to counter the difficult market circumstances. OCI has well planned long term marketing efforts for utilization of production capacity and overall emphasis on operational excellence.

Oman Cables performance 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. Ali Saeed Al Habaj
Chief Executive Officer
Oman Cables Industry (SAOG)

Date: 17 January 2018

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PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of Oman Cables Industry (SAOG) (the "Parent Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2017 and their respective financial performance and 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 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 financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Group and the Parent Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 25 January 2017.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for impaired debts for consolidated and separate financial statements The allowance for impaired debts against trade receivables requires the application of judgement and use of subjective assumptions by management as described in critical accounting estimates and judgements. These trade receivables are stated at amortised cost less an allowance for impaired debts. Given the materiality of the trade receivables to the financial statements, this was a key audit matter.	We obtained assurance over the appropriateness of management's assumptions and methods applied in calculating the allowance for impaired debts by: • Obtaining an update of the understanding of the process relating to the provision for impairment of trade receivables • Testing the underlying data used to determine the allowance for impaired debts. • Further, we selected a sample of trade receivable balances where a provision for impairment was recognised and understood the rationale behind management's judgements and assumptions. We verified that balances were overdue, analysed the customer's historical payment patterns and tested whether any post year-end payments had been received after the statement of financial position date. • Reviewing the historical allowance and the level of write-offs over the years. • Determining an independent expectation of allowance for impaired debts using relevant data and assumptions. Details regarding credit risk and the aging of trade receivables is set out in note 34 and note 10 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Inventory valuation for consolidated and separate financial statements The Group's inventory mainly consist of finished goods, raw materials, work in progress and consumables. Given the materiality to the financial statements, this was a key audit matter. Assessing the net realisable value of inventory is an area of significant judgement, in particular the estimation of provision for slow-moving and obsolete inventory is a critical accounting estimate and judgement.	We obtained assurance over the appropriateness of management's assumptions applied in calculating the net realisable value and allowance for slow moving and obsolete inventory by: • Assessing physical condition of inventory while attending the inventory count; • Assessing the ageing of inventories, inventory levels, consumption patterns and net realisable value to identify whether the inventory requires a write down. • 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. • Reviewing the historical inventory allowance and the level of inventory write-offs over the years. • Determining an independent expectation of slow moving and obsolete inventory using relevant data and assumptions. The nature of inventory and the movement in provision for is set out in note 9 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Derivative instruments and hedge accounting for consolidated and separate financial statements The Parent and the Group enters into derivative financial instrument contracts to manage its exposure to commodity price risk. Hedge accounting and the valuation of hedging instruments can involve management judgement and are subject to an inherent risk of error.	We obtained assurance over the appropriateness of management's assumptions applied in hedge accounting by: • Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; • Evaluating the appropriateness of management's hedge documentation and contracts; • Reviewing the assessment of hedge effectiveness; • Obtaining confirmation of year end derivative financial instruments from counterparties. These contracts are recorded at fair value and qualify for hedge accounting as disclosed in note 3 (accounting policies). These contracts give rise to derivative financial assets as disclosed in note 10 and 17 in the financial statements in accordance with IFRS.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Other information included in the Group's 2017 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2017 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2017 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, 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 management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are 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 those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, 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 expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence 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 financial statements or, if such disclosures 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (continued)

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes 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.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

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س ت: ١٢٢٤٠١٣
ص ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Philip Stanton
Muscat
17 January 2018

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of financial position at 31 December 2017

	Notes	Group 2017 RO	Parent Company 2017 RO	Group 2016 RO	Parent Company 2016 RO
ASSETS					
Non-current assets					
Property, plant and equipment	5	35,028,022	23,104,993	37,591,311	24,720,997
Investment in subsidiaries	6	-	3,187,547	-	2,226,660
Investment in an associate	6	-	-	567,690	567,690
Available-for-sale investments	7	162,889	162,889	230,017	230,017
Held-to-maturity investments	8	1,000,000	1,000,000	1,000,000	1,000,000
Total non-current assets		36,190,911	27,455,429	39,389,018	28,745,364
Current assets					
Inventories	9	29,451,451	23,199,458	28,683,750	25,271,518
Trade and other receivables	10	65,450,667	60,364,173	65,346,287	59,953,916
Due from related parties	31	4,314,555	4,314,555	174,858	174,140
Cash and bank balances	11	6,791,042	5,352,656	6,601,232	6,231,852
Total current assets		106,007,715	93,230,842	100,806,127	91,631,426
Total assets		142,198,626	120,686,271	140,195,145	120,376,790
EQUITY AND LIABILITIES					
Equity					
Share capital	12	8,970,000	8,970,000	8,970,000	8,970,000
Share premium	13	977,500	977,500	977,500	977,500
Legal reserve	14	4,445,333	2,990,000	4,445,333	2,990,000
General reserve	15	12,960,527	11,807,588	10,992,357	10,992,357
Retained earnings		67,737,771	68,109,184	70,200,489	68,396,603
Cumulative changes in fair values	17	671,928	680,260	1,132,075	1,132,053
Equity attributable to equity holders of the parent		95,763,059	93,534,532	96,717,754	93,458,513
Non-controlling interests		4,293,526	-	5,281,777	-
Total equity		100,056,585	93,534,532	101,999,531	93,458,513
Non-current liabilities					
Deferred tax liability	18	1,409,476	878,634	1,089,271	711,645
Employees end of service benefits	19	1,427,866	1,290,443	1,435,596	1,316,441
Total non-current liabilities		2,837,342	2,169,077	2,524,867	2,028,086
Current liabilities					
Trade and other payables	20	29,402,727	23,004,397	22,259,161	18,597,754
Due to related parties	31	3,924	454,353	-	813,373
Bank borrowings	21	8,324,128	10,288	9,619,910	3,500,000
Current maturities of term loans		-	-	1,625,116	-
Taxation	18	1,573,920	1,513,624	2,166,560	1,979,064
Total current liabilities		39,304,699	24,982,662	35,670,747	24,890,191
Total liabilities		42,142,041	27,151,739	38,195,614	26,918,277
Total equity and liabilities		142,198,626	120,686,271	140,195,145	120,376,790
Net assets per share	29	1.068	1.043	1.078	1.042

The financial statements were authorised for issue in accordance with a resolution of the directors on 17 January 2018

Chairman

Chief Executive Officer

The accompanying notes form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of income for the year ended 31 December 2017

	Notes	Group 2017 RO	Parent company 2017 RO	Group 2016 RO	Parent Company 2016 RO
Sales		**242,632,379**	**199,469,406**	228,639,250	200,270,813
Cost of sales	22	**(223,982,522)**	**(180,858,926)**	(200,041,245)	(174,802,266)
Gross profit		**18,649,857**	**18,610,480**	28,598,005	25,468,547
Other income	23	**112,326**	**55,857**	228,820	730,016
Administrative expenses	24	**(6,147,469)**	**(5,085,977)**	(6,079,909)	(4,890,475)
Selling and distribution expenses	25	**(3,929,763)**	**(3,071,892)**	(4,059,595)	(3,443,010)
Depreciation		**(193,901)**	**(112,678)**	(240,279)	(157,866)
Operating profit		**8,491,050**	**10,395,790**	18,447,042	17,707,212
Finance costs	26	**(609,526)**	**(330,751)**	(631,644)	(407,592)
Finance income		**61,549**	**57,464**	34,564	34,564
Share of results of an associate		**9,790**	**9,790**	29,556	29,556
Fair value adjustment on conversion of an associate to subsidiary	6	**(289,282)**	**(289,282)**	-	-
Profit before income tax		**7,663,581**	**9,843,011**	17,879,518	17,363,740
Income tax expense	18	**(1,799,078)**	**(1,690,699)**	(2,102,177)	(1,969,269)
Profit for the year		**5,864,503**	**8,152,312**	15,777,341	15,394,471
Attributable to:					
Equity holders of the parent		**6,844,727**	**8,152,312**	15,253,740	15,394,471
Non-controlling interests		**(980,224)**	**-**	523,601	-
		5,864,503	**8,152,312**	15,777,341	15,394,471
Basic and diluted earnings per share attributable to ordinary equity holders of the parent company	28	**0.076**	**0.091**	0.170	0.172
Gross profit margin		**7.69%**	**9.33%**	12.51%	12.72%
Net profit margin		**2.42%**	**4.09%**	6.90%	7.69%

The accompanying notes form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of comprehensive income for the year ended 31 December 2017

	Notes	Group 2017 RO	Parent Company 2017 RO	Group 2016 RO	Parent Company 2016 RO
Profit for the year		**5,864,503**	**8,152,312**	15,777,341	15,394,471
Other comprehensive (loss)/ income					
Items that may be reclassified subsequently to profit or loss:					
Net movement in hedging commodity future contracts		**(563,333)**	**(546,952)**	2,229,146	2,478,107
Exchange difference on foreign currency translation of subsidiary		**95,159**	**95,159**	(14,929)	(14,929)
Other comprehensive (loss)/ income for the year		**(468,174)**	**(451,793)**	2,214,217	2,463,178
Total comprehensive income for the year		**5,396,329**	**7,700,519**	17,991,558	17,857,649
Attributable to:					
Equity holders of the parent		**6,384,580**	**7,700,519**	17,589,948	17,857,649
Non-controlling interests		**(988,251)**	**-**	401,610	-
		5,396,329	**7,700,519**	17,991,558	17,857,649

The accompanying notes form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Statement of changes in equity for the year ended 31 December 2017

Group	Share capital RO	Share premium RO	Legal reserve RO	General reserve RO	Retained earnings RO	Cumulative changes in fair values RO	Equity attributable to equity holders of the parent RO	Non-controlling interests RO	Total RO
	Attributable to the equity holders of the Parent Company								
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 16)	-	-	-	-	(8,073,000)	-	(8,073,000)	(657,085)	(8,730,085)
Transfer to general reserve	-	-	-	1,539,447	(1,539,447)	-	-	-	-
Balance at 31 December 2016	**8,970,000**	**977,500**	**4,445,333**	**10,992,357**	**70,200,489**	**1,132,075**	**96,717,754**	**5,281,777**	**101,999,531**
Profit for the year	**-**	**-**	**-**	**-**	**6,844,727**	**-**	**6,844,727**	**(980,224)**	**5,864,503**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(460,147)**	**(460,147)**	**(8,027)**	**(468,174)**
Total comprehensive income	**-**	**-**	**-**	**-**	**6,844,727**	**(460,147)**	**6,384,580**	**(988,251)**	**5,396,329**
Acquisition of a subsidiary	**-**	**-**	**-**	**1,152,939**	**(867,714)**	**-**	**285,225**	**-**	**285,225**
Dividend for the year 2016 (note 16)	**-**	**-**	**-**	**-**	**(7,624,500)**	**-**	**(7,624,500)**	**-**	**(7,624,500)**
Transfer to general reserve	**-**	**-**	**-**	**815,231**	**(815,231)**	**-**	**-**	**-**	**-**
Balance at 31 December 2017	**8,970,000**	**977,500**	**4,445,333**	**12,960,527**	**67,737,771**	**671,928**	**95,763,059**	**4,293,526**	**100,056,585**

The accompanying notes form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Statement of changes in equity for the year ended 31 December 2017 (continued)

Parent Company	Share capital RO	Share premium RO	Legal reserve RO	General reserve RO	Retained earnings RO	Cumulative changes in fair values RO	Total RO
Balance at 1 January 2016	8,970,000	977,500	2,990,000	9,452,910	62,614,579	(1,331,125)	83,673,864
Profit for the year	-	-	-	-	15,394,471	-	15,394,471
Other comprehensive income	-	-	-	-	-	2,463,178	2,463,178
Total comprehensive income	-	-	-	-	15,394,471	2,463,178	17,857,649
Dividend for the year 2015 (note 16)	-	-	-	-	(8,073,000)	-	(8,073,000)
Transfer to general reserve	-	-	-	1,539,447	(1,539,447)	-	-
Balance at 31 December 2016	**8,970,000**	**977,500**	**2,990,000**	**10,992,357**	**68,396,603**	**1,132,053**	**93,458,513**
Profit for the year	**-**	**-**	**-**	**-**	**8,152,312**	**-**	**8,152,312**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(451,793)**	**(451,793)**
Total comprehensive income	**-**	**-**	**-**	**-**	**8,152,312**	**(451,793)**	**7,700,519**
Dividend for the year 2016 (note 16)	**-**	**-**	**-**	**-**	**(7,624,500)**	**-**	**(7,624,500)**
Transfer to general reserve	-	**-**	**-**	**815,231**	**(815,231)**	**-**	**-**
Balance at 31 December 2017	**8,970,000**	**977,500**	**2,990,000**	**11,807,588**	**68,109,184**	**680,260**	**93,534,532**

The accompanying notes form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of cash flows for the year ended 31 December 2017

	Group 2017 RO	Parent Company 2017 RO	Group 2016 RO	Parent Company 2016 RO
Operating activities				
Cash receipt from sales	**240,915,917**	**194,478,106**	238,276,936	206,467,434
Cash paid towards cost of sales and expenses	**(226,371,377)**	**(180,404,045)**	(194,672,264)	(164,306,503)
Cash generated from operations	**14,544,540**	**14,074,061**	43,604,672	42,160,931
Interest received	**61,549**	**57,464**	48,825	48,825
Income tax paid	**(2,119,329)**	**(1,989,150)**	(2,465,497)	(2,192,147)
Directors' remuneration and meeting attendance fees paid	**(197,800)**	**(197,800)**	(191,150)	(191,150)
Net cash flows from operating activities	**12,288,960**	**11,944,575**	40,996,850	39,826,459
Investing activities				
Acquisition of a subsidiary	**(577,530)**	**(577,530)**	-	-
Purchase of property, plant and equipment	**(1,022,940)**	**(879,096)**	(2,489,418)	(1,824,048)
Purchase (disposal) of available-for-sale investments	**67,128**	**67,128**	(110,950)	(110,950)
Purchase of held to maturity investments (net)	**-**	**-**	251,204	251,204
Proceeds from disposal of property, plant and equipment	**23,426**	**18,070**	27,248	27,248
Net cash used in investing activities	**(1,509,916)**	**(1,371,428)**	(2,321,916)	(1,656,546)
Financing activities				
Repayment of term loans	**(1,625,116)**	**-**	(1,625,116)	-
Dividends paid to equity holders of the parent	**(7,624,500)**	**(7,624,500)**	(8,073,000)	(8,073,000)
Dividend paid by subsidiary	**-**	**-**	(657,085)	-
Net movement in short term loans	**(1,306,070)**	**(3,500,000)**	(5,521,544)	(7,600,000)
Net movement in loans against trust receipts	**-**	**-**	(17,919,780)	(17,919,780)
Interest paid	**(616,912)**	**(338,131)**	(685,705)	(461,653)
Net cash used in financing activities	**(11,172,598)**	**(11,462,631)**	(34,482,230)	(34,054,433)
Net change in cash and cash equivalents during the year	**(393,554)**	**(889,484)**	**4,192,704**	4,115,480
Cash and cash equivalents at 1 January	**7,174,308**	**6,231,852**	**2,408,528**	2,116,372
Cash and cash equivalents at 31 December	**6,780,754**	**5,342,368**	**6,601,232**	6,231,852
Cash and cash equivalents at the end of the year comprise:				
Current accounts	**6,762,763**	**5,324,755**	6,553,386	6,186,789
Cash in hand	**28,279**	**27,901**	47,846	45,063
	6,791,042	**5,352,656**	6,601,232	6,231,852
Bank overdrafts	**(10,288)**	**(10,288)**	-	-
	6,780,754	**5,342,368**	6,601,232	6,231,852

The accompanying notes form an integral part of these financial statements

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.

The Company held 40% shares in Associated Cables Private Limited, India ("the subsidiary") since 2009 and further acquired balance 60% shares on 5 December 2017. Hence ACPL became 100% subsidiary as at the reporting date. ACPL was registered in India in July 1973.

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

2.1 New and amended standards and interpretations to IFRS

For the year ended 31 December 2017, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
  - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

2.2 Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- IFRS 17 Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
  - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term
  - IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
  - IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
  - IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

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

2.2 Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach.

The Group has performed an assessment and concluded that the impact is not material as in majority of the Group's contracts with customers, sale of good is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any impact on the Group's revenue and profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

IFRS 16 Leases
The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less).

For lessors, there is little change to the existing accounting in IAS 17 Leases. Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.
In 2018, the Group will continue to assess the potential effect of IFRS 16 on its financial statements.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

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

2.2 Standards issued but not yet effective (continued)

(a) Classification – Based on the assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables, loans, investment in debt securities and investment in equity securities that are managed on a fair value basis.

The equity shares in non-listed companies are intended to be held for the foreseeable future. No impairment losses were recognised in profit or loss during prior periods for these investments. The Group will apply the option to present fair value changes in OCI, and, therefore, the application of IFRS 9 will not have a significant impact.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Group analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The debt instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under IFRS 9.

(b) Impairments -
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, cash at bank, loans and trade receivables, either on a 12-month or lifetime basis. The Group will apply the simplified approach and record lifetime expected losses on all trade receivables. Management has carried out an impairment anaylsis and have determined the impact to be not significant upon adoption of IFRS 9 from 1 January 2018.

(c) Hedge accounting
The Group determined that all existing hedge relationships that are currently designated in effective hedging relationships will continue to qualify for hedge accounting under IFRS 9. The Group has chosen not to retrospectively apply IFRS 9. As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 will not have a significant impact on Group’s financial statements.

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group’s financial statements.

3. Summary of significant accounting policies

Statement of compliance

The 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 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 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 financial statements comprise those of Oman Cables Industry SAOG and it's subsidiaries as at 31 December each year. Subsidiaries are all entities over which the Group exercises control. Control is achieved when the Group:

- 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 Group 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.

When the Group 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 Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group 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 Group gains control until the date when the Group ceases to control the subsidiary.

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

All intracompany 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

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

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 income 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 income 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.

3. Summary of significant accounting policies (continued)

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 recognised at cost and are subsequently stated at fair market value. The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income in the cumulative changes in fair value reserve, while any ineffective position is recognised immediately in the statement of income. Subsequently the gains or losses recognised as other comprehensive income are transferred to the cost of inventories in the statement of income. 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.

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 recognising 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.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (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 recognised in the statement of income.

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 income 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 income. The losses arising from impairment are recognised in the statement of income in finance costs.

Trade and other receivables

Trade and other receivables are stated at original invoice amount less an allowance for any uncollectible amounts. An estimate for impaired 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 statement of cash flows, 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 income. 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.

3. Summary of significant accounting policies (continued)

Financial instruments (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 income.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through statement of income, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

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.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

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-recognised 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 recognised 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.

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 income.

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.

3. Summary of significant accounting policies (continued)

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.

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.

Restructuring provisions

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the employees affected have been notified of the plan's main features.

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.

3. Summary of significant accounting policies (continued)

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.

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 Group financial statements are presented in Rial Omani, which is also the functional currency of the parent company.

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.

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the Group financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its statements of comprehensive income is translated at the weighted average exchange rates for the year. Exchange differences arising on equity accounting of foreign subsidiary are taken directly to the foreign currency translation reserve. Foreign currency translation reserve is recognised in equity under cumulative changes in fair value. On disposal of the foreign operations, such exchange differences are recognised in the statement of comprehensive income 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.

3. Summary of significant accounting policies (continued)

Income tax (continued)

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.

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.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

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 derivative 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.

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 66,223,590 (2016: RO 65,592,233), and the provision for doubtful debts was RO 1,867,674 (2016: RO 1,950,000). 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 31,186,451 (2016: RO 30,325,750) and the provisions for slow moving and obsolete inventories of RO 1,735,000 (2016: RO 1,642,000) 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.

4. Critical accounting judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

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.

5. Property, plant and equipment

Group 31 December 2017	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work in progress RO	Total RO
Cost											
At 1 January 2017	16,642,823	41,138,830	2,510,565	289,732	756,628	1,539,621	3,225,068	526,926	2,414,756	-	69,044,949
Additions	146,935	197,450	-	-	50,522	38,584	94,649	3,546	199,403	291,787	1,022,876
Acquisition of a subsidiary	205,408	1,271,934	-	17,688	8,802	38,365	-	-	-	-	1,542,197
Disposals	-	(18,385)	-	(75,000)	(7,472)	(58,154)	(142,934)	-	(702)	-	(302,647)
Transfers	128,710	163,077	-	-	-	-	-	-	-	(291,787)	-
At 31 December 2017	17,123,876	42,752,906	2,510,565	232,420	808,480	1,558,416	3,176,783	530,472	2,613,457	-	71,307,375
Depreciation											
At 1 January 2017	6,467,157	16,909,387	1,935,300	236,864	672,932	1,212,964	2,277,120	308,995	1,432,919	-	31,453,638
Charge for the year	891,598	2,299,670	128,677	29,223	50,618	118,042	214,341	54,665	193,767	-	3,980,601
Acquisition of a subsidiary	127,488	964,495	-	12,715	7,946	31,848	-	-	-	-	1,144,492
Disposals	-	(18,049)	-	(74,998)	(7,389)	(55,664)	(142,577)	-	(701)	-	(299,378)
At 31 December 2017	7,486,243	20,155,503	2,063,977	203,804	724,107	1,307,190	2,348,884	363,660	1,625,985	-	36,279,353
Carrying amount											
At 31 December 2017	9,637,633	22,597,403	446,588	28,616	84,373	251,226	827,899	166,812	987,472	-	35,028,022
At 31 December 2016	10,175,666	24,229,443	575,265	52,868	83,696	326,657	947,948	217,931	981,837	-	37,591,311

The property, plant and equipment of a subsidiary was mortgaged against a long term loan availed from a local commercial bank which was fully repaid in December 2017.

5. Property, plant and equipment (continued)

Group 31 December 2016	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work in progress RO	Total RO
Cost											
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)	-
At 31 December 2016	16,642,823	41,138,830	2,510,565	289,732	756,628	1,539,621	3,225,068	526,926	2,414,756	-	69,044,949
Depreciation											
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)
At 31 December 2016	6,467,157	16,909,387	1,935,300	236,864	672,932	1,212,964	2,277,120	308,995	1,432,919	-	31,453,638
Carrying amount At 31 December 2016	10,175,666	24,229,443	575,265	52,868	83,696	326,657	947,948	217,931	981,837	-	37,591,311
At 31 December 2015	9,564,876	24,455,735	617,214	58,229	105,683	366,587	858,298	245,159	1,131,071	1,380,053	38,782,905

5. Property, plant and equipment (continued)

Parent Company

31 December 2017	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work-in-progress RO	Total RO
Cost											
At 1 January 2017	11,746,144	29,785,127	1,571,211	202,955	586,455	1,050,218	2,846,599	247,587	2,279,907	-	50,316,203
Additions	123,359	93,948	-	-	49,821	29,358	92,774	2,483	195,566	291,787	879,096
Disposals	-	(11,200)	-	(55,000)	(7,472)	(55,058)	(142,934)	-	(702)	-	(272,366)
Transfers	128,710	163,077	-	-	-	-	-	-	-	(291,787)	-
At 31 December 2017	11,998,213	30,030,952	1,571,211	147,955	628,804	1,024,518	2,796,439	250,070	2,474,771	-	50,922,933
Depreciation											
At 1 January 2017	5,186,925	13,717,969	1,357,413	180,321	526,346	916,957	2,156,436	211,259	1,341,580	-	25,595,206
Charge for the year	575,050	1,393,801	34,742	7,872	38,766	66,040	176,432	23,559	175,925	-	2,492,187
Disposals	-	(11,197)	-	(54,998)	(7,389)	(52,591)	(142,577)	-	(701)	-	(269,453)
At 31 December 2017	5,761,975	15,100,573	1,392,155	133,195	557,723	930,406	2,190,291	234,818	1,516,804	-	27,817,940
Carrying amount											
At 31 December 2017	6,236,238	14,930,379	179,056	14,760	71,081	94,112	606,148	15,252	957,967	-	23,104,993
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

5. Property, plant and equipment (continued)

Parent Company 31 December 2016	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work-in-progress RO	Total RO
Cost											
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)	-
At 31 December 2016	11,746,144	29,785,127	1,571,211	202,955	586,455	1,050,218	2,846,599	247,587	2,279,907	-	50,316,203
Depreciation											
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)
At 31 December 2016	5,186,925	13,717,969	1,357,413	180,321	526,346	916,957	2,156,436	211,259	1,341,580	-	25,595,206
Carrying amount											
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

6. Investment in subsidiaries

a. Oman Aluminium Processing Industries LLC (OAPIL), (Incorporated in Oman)

	2017			2016		
	Group and Parent Company			Group and Parent Company		
Name of the subsidiary	**% Holding**	**Carrying value**	**Cost**	% Holding	Carrying value	Cost
		RO	**RO**		RO	RO
Oman Aluminium Processing industries LLC)	**51%**	**2,226,660**	**2,226,660**	51%	2,226,660	2,226,660

The Parent Company has a 51% shareholding in Oman Aluminum Processing Industries LLC (OAPIL). The Subsidiary was incorporated in Oman in 2008 and commenced commercial operations from July 2010. This subsidiary manufactures aluminium rods and overhead conductors.

The statement of profit or loss of the Group has been made after consolidating the financial statements of OAPIL and the 49% share of Loss of RO 980,224 (2016: Profit of RO 523,601) has been shown as non-controlling interests in consolidated statement of profit or loss.

The Board of Directors of the Parent Company believes that no impairment has arisen in the investment in OAPIL.

b. Associated Cables Private Limited, India (ACPL) (Incorporated in India)

	2017			2016		
	Group and Parent Company			Group and Parent Company		
Name of the subsidiary	**% Holding**	**Carrying value**	**Cost**	% Holding	Carrying value	Cost
		RO	**RO**		RO	RO
Associated Cables Private Limited, India (ACPL)	**100%**	**960,887**	**577,530**	40%	567,690	-

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

The Parent Company had acquired a 35% stake in 2006 and an additional 5% stake in 2009 and was accounted for as an associate in the 2016 financial statements of the Group. On 5 December 2017, the Parent Company acquired an additional 60% stake, making it a wholly owned subsidiary from that date. Upon acquisition, the parent company's carrying value in the associate was compared with 40% share of fair value as of that date and an amount of RO 289,292 was recognised in the statement of income as fair value adjustment on conversion of an associate to subsidiary.

6. Investment in subsidiaries (continued)

The fair value of the identifiable assets and liabilities of ACPL as at the date of acquisition were:

	2017 RO
Inventories	186,710
Trade receivables	320,406
Cash and cash equivalents	600,819
Other current assets	16,839
Fixed Assets	77,833
Total Assets	**1,202,603**
Current liabilities	
Trade payables	160,194
Other payables	25,697
Long term provisions	14,947
Deferred tax liability	40,882
Total Liabilities	**241,720**
Net Assets	**960,887**
Purchase consideration for 60% of the shares	**960,887**

The net assets recognised in the financial statements are based upon the assessment by an independent valuer as on 5 December 2017.

The Board of Directors of the Parent Company believes that no impairment has arisen in the investment in ACPL.

7. Available-for-sale investments

	2017 Group and Parent Company		2016 Group and Parent Company	
	Market value RO	Cost RO	Market value RO	Cost RO
Unquoted investments (refer note (a) below)	162,889	162,889	230,017	230,017
Marketable securities listed on the Muscat Securities Market	-	510	-	510
	162,889	163,399	230,017	230,527

During the year, the Company got a net refund of RO 67,128 (2016: investment of RO 110,950) in units of Oman Fixed Income Fund.

8. 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 2017. The bonds earned a fixed interest rate of 8% per annum.

9. Inventories

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Raw materials	5,335,448	2,873,432	4,749,436	4,457,055
Spares, consumables and scrap	4,286,957	2,961,741	3,497,060	2,273,774
Finished goods	17,429,018	15,766,919	18,675,683	17,100,530
	27,051,423	21,602,092	26,922,179	23,831,359
Work-in-progress	3,683,859	2,856,197	2,982,378	2,628,966
Goods in transit	451,169	451,169	421,193	421,193
	31,186,451	24,909,458	30,325,750	26,881,518
Less :provision for slow moving and obsolete items	(1,735,000)	(1,710,000)	(1,642,000)	(1,610,000)
	29,451,451	23,199,458	28,683,750	25,271,518

Raw materials are netted of with an amount of RO 2,203,157 for Parent Company and RO 2,448,817 for Group (2016 – Parent Company RO 610,181 and Group RO 611,709), 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 2017.

9. Inventories (continued)

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

	2017 Group RO	2017 Parent Company RO	2016 Group RO	2016 Parent Company RO
At the beginning of the year	**1,642,000**	**1,610,000**	1,666,470	1,610,000
Add: Net provision for the year	**93,000**	**100,000**	(24,470)	-
	1,735,000	**1,710,000**	1,642,000	1,610,000

10. Trade and other receivables

	2017 Group RO	2017 Parent Company RO	2016 Group RO	2016 Parent Company RO
Trade receivables	**66,223,590**	**61,147,595**	65,592,233	60,258,531
Less: allowance for credit losses	**(1,867,674)**	**(1,817,674)**	(1,950,000)	(1,900,000)
	64,405,916	**59,329,921**	63,642,233	58,358,531
Advances	**189,106**	**185,736**	217,815	186,272
Derivatives designated and effective as hedging instruments carried at fair value (Note 17)	**702,998**	**702,998**	1,227,763	1,227,722
Other receivables and prepayments	**202,647**	**145,518**	258,476	181,391
	65,450,667	**60,364,173**	65,346,287	59,953,916

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

	2017 Group RO	2017 Parent Company RO	2016 Group RO	2016 Parent Company RO
At the beginning of the year	**1,950,000**	**1,900,000**	1,850,000	1,800,000
Add: charge for the year	**200,000**	**200,000**	100,000	100,000
Less:-Written off for the year	**(282,326)**	**(282,326)**	-	-
	1,867,674	**1,817,674**	1,950,000	1,900,000

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 1,817,674 for Parent Company and RO 1,867,674 for Group (2016- Parent Company RO 1,900,000 and Group RO 1,950,000) were assessed as impaired by the management, for which allowance for credit losses has been established.

10. Trade and other receivables (continued)

Group	Total RO	Impaired RO	Neither past due nor impaired RO	Past due but not impaired: Less than 3 months RO	3 to 6 months RO	6 to 12 months RO	More than 1 year RO
2017	**66,223,590**	**1,867,674**	**55,208,747**	**8,098,360**	**329,154**	**423,405**	**296,160**
2016	65,592,233	1,950,000	49,020,562	10,559,281	380,728	2,077,082	1,604,580
Parent							
2017	**61,147,595**	**1,817,674**	**50,360,053**	**8,098,360**	**329,154**	**245,744**	**296,610**
2016	60,258,531	1,900,000	44,261,395	10,264,472	227,689	2,000,395	1,604,580

At the reporting date 50% of Parent Company's trade receivables are due from 9 customers (2016- 50% from 7 customers). Trade receivables amounting to RO 50,360,053 for (2016– RO 44,261,395) are neither past due nor impaired and are estimated as collectible based on historical experience. 46% (2016 – 35%) of the trade receivables are secured against letters of Credit, bank guarantees or other credit risk cover.

11. Cash and bank balances

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Cash in hand	**28,279**	**27,901**	47,846	45,063
Cash at bank – current and call accounts	**6,762,763**	**5,324,755**	6,553,386	6,186,789
	6,791,042	**5,352,656**	6,601,232	6,231,852

12. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2016 - 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 (2016 - 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:

	2017		2016	
	No of shares held	**%**	No of shares held	%
Draka Holding NV	**45,899,610**	**51.17**	45,899,610	51.17
Mustafa Mukhtar Ali Al Lawati	**11,247,040**	**12.54**	11,247,040	12.54

13. Share premium

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

14. 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.

15. 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 % (2016 - 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.

16. Dividend per share

During the year, dividends of 85 baisa (2016: 90 baisa) per share totalling RO 7,624,500 (2016: RO 8,073,000) relating to the year 2016 were declared and paid.

The Board of Directors have recommended a dividend of 45 baisa (2016: 85 baisa) per share for the year 2017 amounting to RO 4,036,500 (2016: RO 7,624,500), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

17. Cumulative changes in fair values

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

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Unrealised gain relating to:				
Hedging commodity and currency forward / future contracts (Net) maturing within 12 months	**672,438**	**680,770**	1,227,744	1,227,722
Fair value of investments available-for-sale	**(510)**	**(510)**	(510)	(510)
Others	**-**	**-**	(95,159)	(95,159)
	671,928	**680,260**	1,132,075	1,132,053

17. Cumulative changes in fair values (continued)

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 686,658 (2016 – RO 1,227,763) 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 (8,007) (2016 – RO 19)) 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 702,998 (2016 - RO 1,227,722) 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 2017 profitability, as it relates to the cost of purchase in the year 2017.

18. Taxation

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Statement of profit or loss				
Current year income tax charge	**1,573,920**	**1,513,624**	2,120,066	1,967,962
Prior year income tax charge	**10,086**	**10,086**	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	**215,072**	**166,989**	(17,889)	1,307
Income tax expense reported in the statement of profit or loss	**1,799,078**	**1,690,699**	2,102,177	1,969,269
Statement of financial position				
Current liability				
Current year	**1,573,920**	**1,513,624**	2,120,066	1,967,962
Previous year	**-**	**-**	46,494	11,102
	1,573,920	**1,513,624**	2,166,560	1,979,064
Non-current liability				
Deferred tax liability:				
At 1 January	**1,089,271**	**711,645**	1,107,160	710,338
Movement for the year	**320,205**	**166,989**	(17,889)	1,307
At 31 December	**1,409,476**	**878,634**	1,089,271	711,645

18. Taxation (continued)

Deferred tax is allocated to following items.

	1 January 2017 RO	Charge for the year RO	31 December 2017 RO
Group			
Tax effect of depreciation	**1,096,739**	**312,737**	**1,409,476**
Tax effect of provisions	**(7,468)**	**7,468**	**-**
	1,089,271	**320,205**	**1,409,476**

	1 January 2017 RO	Charge for the year RO	31 December 2017 RO
Parent			
Tax effect of depreciation	**1,132,845**	**169,640**	**1,302,485**
Tax effect of provisions	**(421,200)**	**(2,651)**	**(423,851)**
	711,645	**166,989**	**878,634**

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

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Profit before income tax	**7,663,581**	**9,843,011**	17,879,518	17,363,740
Income tax as per rates mentioned below	**1,145,037**	**1,476,452**	2,141,942	2,080,049
Income exempt from tax	**326,915**	**-**	(61,893)	-
Tax effect of items deductible / non-deductible for tax purpose	**6,921**	**47,258**	40,017	(112,087)
Deferred tax	**320,205**	**166,989**	(17,889)	1,307
Net tax expense	**1,799,078**	**1,690,699**	2,102,177	1,969,269

Parent Company

The tax rate applicable to the Parent Company is 15% (2016: 12%). For the purpose of determining the tax expense for the year ended 31 December 2017, 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 23.5% (2016: 11.8%).The difference between the applicable tax rates of 15% (2016: 12%) and the effective tax rate of 23.5% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible and the increase in tax rate by 3%. 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 2015.

18. Taxation (continued)

Subsidiaries

Oman Aluminum Processing Industries LLC
In accordance with the Ministerial Decision number 25/2011, the subsidiary company OAPIL is exempt from income tax for a period of five years from 26 July 2010. From 27 July 2016 the Company is subject to income tax at 15%. 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 2016 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.

Associated Cables Pvt Ltd
The tax rate applicable is 25.75% (2016: 30.9%). Assessments with the tax department have been completed up to the year financial year 2013-14 (assessment year: 2014-15).

19. End of service benefits

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

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
At 1 January	**1,435,596**	**1,316,441**	1,558,729	1,456,252
Accrued during the year	**234,379**	**200,287**	226,512	193,812
Employees' end of service benefits paid	**(242,109)**	**(226,285)**	(349,645)	(333,623)
At 31 December	**1,427,866**	**1,290,443**	1,435,596	1,316,441

20. Trade and other payables

Trade payables	**23,588,716**	**18,739,122**	16,823,658	14,067,909
Other payables	**982,931**	**486,179**	517,289	266,355
Derivatives designated and effective as hedging instruments carried at fair value (Note 17)	**38,568**	**22,228**	-	-
Accruals	**4,792,512**	**3,756,868**	4,918,214	4,263,490
	29,402,727	**23,004,397**	22,259,161	18,597,754

21. Bank borrowings

Overdrafts	**10,288**	**10,288**	-	-
Short term loans	**8,313,840**	**-**	9,619,910	3,500,000
	8,324,128	**10,288**	9,619,910	3,500,000

During the period, the Parent Company availed short-term loans from commercial banks for a period ranging up to 180 days (2016 – 180 days). Bank borrowings carry interest at commercial rates.

22. Cost of sales

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Cost of materials consumed	**209,981,578**	**170,168,535**	186,390,318	164,199,054
Employee costs	**5,617,970**	**4,920,335**	5,606,344	4,965,921
Depreciation	**3,747,622**	**2,379,509**	3,418,691	2,354,296
Electricity and water	**1,895,313**	**1,305,112**	1,206,521	825,203
Stores, consumables, repairs and maintenance	**1,835,464**	**1,328,198**	2,319,601	1,473,996
Land lease rent	**134,562**	**89,562**	130,821	85,821
Provision for slow moving inventories (note 9)	**93,000**	**100,000**	(24,470)	-
Other direct costs	**677,013**	**567,675**	993,419	897,975
	223,982,522	**180,858,926**	200,041,245	174,802,266

23. Other income

Insurance claim	**20,678**	**20,678**	28,530	21,355
Gain on sale of property, plant and equipment	**20,512**	**15,156**	5,207	5,207
Dividend from subsidiary	**-**	**-**	-	683,904
Miscellaneous income	**71,136**	**20,023**	195,083	19,550
	112,326	**55,857**	228,820	730,016

24. Administrative expenses

Employee costs	**4,481,302**	**3,747,156**	3,957,197	3,094,614
Legal and professional charges	**392,794**	**295,399**	307,119	211,613
Insurance	**211,083**	**153,049**	223,002	159,619
Repairs and maintenance	**200,335**	**189,297**	153,525	141,901
Allowance for credit losses	**200,000**	**200,000**	100,000	100,000
Directors' remuneration	**200,000**	**200,000**	197,800	197,800
Contributions to local organizations	**100,000**	**100,000**	100,000	100,000
Communication	**94,857**	**49,274**	92,855	53,442
Travelling	**80,898**	**56,672**	68,468	26,444
Printing and stationery	**36,917**	**34,851**	47,193	46,316
Vehicle running and Maintenance	**20,292**	**17,283**	48,545	23,646
Employee claim settlement	**-**	**-**	557,190	557,190
Directors' meeting attendance fees	**-**	**-**	2,200	2,200
Other sundry expenses	**128,991**	**42,996**	224,815	175,690
	6,147,469	**5,085,977**	6,079,909	4,890,475

25. Selling and distribution expenses

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Marketing and freight	**2,472,734**	**1,877,493**	2,446,667	2,084,239
Employee costs	**1,111,810**	**918,610**	1,195,408	1,032,831
Advertisement and sales promotion	**198,034**	**151,187**	279,876	216,817
Travelling	**147,185**	**124,602**	137,644	109,123
	3,929,763	**3,071,892**	4,059,595	3,443,010

26. Financing costs

Financing cost	**690,448**	**407,137**	814,791	564,269
Less: foreign currency translation	**(80,922)**	**(76,386)**	(183,147)	(156,677)
	609,526	**330,751**	631,644	407,592

27. Employee costs

Salaries	**4,435,833**	**3,193,066**	4,277,885	3,067,166
Other benefits	**6,163,568**	**5,863,786**	5,891,219	5,525,752
Contributions to defined retirement plan for Omani employees	**379,908**	**328,962**	363,333	306,636
Increase in liability for unfunded defined benefit retirement plan	**231,773**	**200,287**	226,512	193,812
	11,211,082	**9,586,101**	10,758,949	9,093,366

28. 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.

	2017		2016	
	Group	**Parent Company**	Group	Parent Company
Net profit for the year (RO)	**6,844,727**	**8,152,312**	15,253,740	15,394,471
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)	**0.076**	**0.091**	0.170	0.172

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.

29. 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.

	2017		2016	
	Group	**Parent Company**	Group	Parent Company
Net assets (RO)	**95,763,059**	**93,534,532**	96,717,754	93,458,513
Number of shares outstanding at the reporting date	**89,700,000**	**89,700,000**	89,700,000	89,700,000
Net assets per share (RO)	**1.068**	**1.043**	1.078	1.042

30. 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.

30. Segmental reporting (continued)

Geographic information

Revenues from external customers

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Oman	**113,550,114**	**108,629,316**	111,730,826	107,018,756
Middle East and North Africa (MENA)	**80,612,393**	**75,066,188**	87,126,908	81,899,923
Others	**48,469,872**	**15,773,902**	29,781,516	11,352,134
	242,632,379	**199,469,406**	228,639,250	200,270,813

31. 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.

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

	2017			2016		
Group	**Sales and other income RO**	**Purchases and other expenses RO**	**Others RO**	Sales and other income RO	Purchase and other expenses RO	Others RO
Shareholders	**4,822,571**	**12,393**	**-**	779,214	6,468	-
Associated Companies	**-**	**-**	**-**	-	2,241,308	-
	4,822,571	**12,393**	**-**	779,214	2,247,776	-
Parent Company						
Shareholders	**4,822,571**	**12,393**	**-**	779,214	6,468	-
Subsidiary	**-**	**4,024,733**	**-**	683,904	2,315,248	-
Associated Companies	**-**	**-**	**-**	-	2,241,308	-
	4,822,571	**4,037,126**	**-**	1,463,118	4,563,024	-

During the year, Company has acquired 60% holding in ACPL with a purchase consideration of RO 577,530 paid to the major shareholder (note 6).

31. Related party transactions (continued)

Compensation of key management personnel

The key management personnel compensation for the year comprises:

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Short term employment benefits	1,574,945	911,908	1,549,335	871,880
End of service benefits	49,240	32,240	63,938	44,419
Directors' meeting attendance fees	-	-	2,200	2,200
Directors' remuneration	200,000	200,000	197,800	197,800
	1,824,185	1,144,148	1,813,273	1,116,299

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.

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Amounts due from related parties				
Other related parties	4,314,555	4,314,555	174,858	174,140
Amounts due to related parties:				
Other related parties	3,924	3,924	-	-
Subsidiary	-	450,429	-	813,373
	3,924	454,353	-	813,373

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 three related parties (2016 - five 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.

32. Commitments and contingent liabilities

Commitments

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Capital commitments	101,803	101,803	656,628	637,668
Letters of credit	14,922,569	12,228,269	16,521,183	11,902,383

Contingencies

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Letters of guarantee	17,499,364	17,172,514	17,782,408	17,547,559

As at reporting date, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise from the commitments given by the bank on behalf of the Group amounting to RO 32,523,736(2016: RO 34,960,219).

33. Operating 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:

	2017		2016	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Less than one year	130,825	85,825	130,825	85,825
Between one and five years	588,728	408,728	676,343	496,343
More than five years	1,444,326	949,326	1,587,196	1,047,196
	2,163,879	1,443,879	2,394,364	1,629,364

34. 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.

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:

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Trade receivables	**66,223,590**	**61,147,595**	65,592,233	60,258,531
Other receivables	**892,104**	**888,734**	1,445,578	1,413,994
Bank balances	**6,762,763**	**5,324,755**	6,553,386	6,186,789
	73,878,457	**67,361,084**	73,591,197	67,859,314

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.

34. Financial instruments and related risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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 42,000 (2016 – RO 57,000) 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.

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.

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.

34. Financial instruments and related risk management (continued)

Liquidity risk (Continued)

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**
2017					
Trade and other payables	**21,647,274**	**395,954**	**961,169**	**-**	**23,004,397**
Short term loan	**-**	**-**	**-**	**-**	**-**
Amount due to related parties	**326,023**	**121,303**	**7,027**	**-**	**454,353**
	21,973,297	**517,257**	**968,196**	**-**	**23,458,750**
2016					
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
	18,745,301	2,690,373	1,475,453	-	22,911,127

Group					
2017					
Trade and other payables	**26,750,240**	**1,691,318**	**961,169**	**-**	**29,402,727**
Term loans	**-**	**-**	**-**	**-**	**-**
Short term loan	**8,313,840**	**-**	**-**	**-**	**8,313,840**
	35,064,080	**1,691,318**	**961,169**	**-**	**37,716,567**
2016					
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
	26,888,110	4,328,064	2,288,013	-	33,504,187

35. 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**			
	2017		2016		**2017**		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO	**Group RO**	**Parent Company RO**	Group RO	Parent Company RO
Financial assets								
Trade and other receivables	**65,450,667**	**60,364,173**	65,346,287	59,953,916	**65,450,667**	**60,364,173**	65,346,287	59,953,916
Available for sale investments	**162,889**	**162,889**	230,017	230,017	**162,889**	**162,889**	230,017	230,017
Held to maturity investments	**1,000,000**	**1,000,000**	1,000,000	1,000,000	**1,000,000**	**1,000,000**	1,000,000	1,000,000
Due from related parties	**4,314,555**	**4,314,555**	174,858	174,140	**4,314,555**	**4,314,555**	174,858	174,140
Cash and bank balances	**6,791,042**	**5,352,656**	6,601,232	6,231,852	**6,791,042**	**5,352,656**	6,601,232	6,231,852
	77,719,153	**71,194,273**	73,352,394	67,589,925	**77,719,153**	**71,194,273**	73,352,394	67,589,925
Financial liabilities								
Trade and other payables	**29,402,727**	**23,004,397**	22,259,161	18,597,754	**29,402,727**	**23,004,397**	22,259,161	18,597,754
Due to related parties	**3,924**	**454,353**	-	813,373	**3,924**	**454,353**	-	813,373
Bank borrowings	**8,324,128**	**10,288**	9,619,910	3,500,000	**8,324,128**	**10,288**	9,619,910	3,500,000
Term loans	**-**	**-**	1,625,116	-	**-**	**-**	1,625,116	-
	37,730,779	**23,469,038**	33,504,187	22,911,127	**37,730,779**	**23,469,038**	33,504,187	22,911,127

35. 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 2017, 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 2017, 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.

35. Fair values of financial instruments (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
2017	**RO**	**RO**	**RO**	**RO**
Parent Company				
Available-for-sale investments	**162,889**	**-**	**162,889**	**-**
Commodity forward contract	**680,770**	**-**	**680,770**	**-**
Group				
Available-for-sale investments	**162,889**	**-**	**162,889**	**-**
Commodity forward contract	**672,437**	**-**	**672,437**	**-**
2016				
Parent Company				
Available-for-sale investments	230,017	-	230,017	-
Commodity and currency forward contract	1,227,722	-	1,227,722	-
Group				
Available-for-sale financial assets	230,017	-	230,017	-
Commodity and currency forward contract	1,227,744	-	1,227,744	-

During the reporting years ended 31 December 2017 and 31 December 2016, 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.

36. 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 2017 and 31 December 2016.