His Majesty Sultan Haitham Bin Tarik

Late His Majesty Sultan Qaboos Bin Said

CONTENTS

BOARD OF DIRECTORS

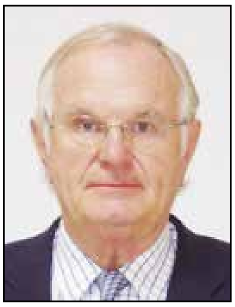
Fabio Ignazio Romeo
Chairman

Lara Hansen
Director

Mohamed Mustafa Al Lawati
Vice Chairman

Manal Said Al Ghazali
Director

Fabrizio Rutchmann
Director



Christian Raskin
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 SAOG (the Company) to its 31st Annual General Meeting (AGM). The performance of the Company and its subsidiaries (the Group) is below.

Board of Directors

The following are the Board of Directors of the Company:

1. Mr. Fabio Ignazio Romeo
2. Mr. Mohamed Mustafa Al Lawati
3. Mrs. Lara Caroline Mahmoud-Hansen
4. Mr. Naji Salim Al Riyami*
5. Mr. Christian Raskin
6. Mr. Michele Binda
7. Mr. Fabrizio Rutchmann
8. Mrs. Manal Said Al Ghazali*

* Part of the year

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

Operational Review

After a steady increase during 2018, oil prices dropped again at the end of year 2018. During the year 2019, even though oil prices came back to around $65 (per barrel) levels, it was not enough to avoid double digit decrease compared to 2018 as an average. The price of copper which decreased initially during the second and third quarter but regained in the last quarter. This slowed down the revival of GCC economies.

This has affected cable market in the region and increased the pressure on sales price and margins.

Your company responded to the market situation with vigorous efforts to protect the market share in terms of volume, defend the margins with increased focus on control of costs. Combination of these efforts resulted in the increase in gross profit margin for the year and avoided further deterioration of net profit.

During the year, with mutual cooperation between the Company and Prysmian, resulted in increased sales opportunity and operational cost control at the Company.

Sales

2019 sales revenues are RO 165.4 million for the Company as compared to RO 194.0 million in 2018. The sales of the Group were RO 210.1 million compared to RO 247.0 million in 2018.

The effect of the oil price levels is having an impact on all business sectors and the pressure on the sales value was felt in all markets and across the different segments. Slowdown in construction industry is affecting cable market severely. Company volumes are impacted by current market conditions.

Profitability

The Operating Profit of the Company for the year 2019 was RO 7.5 million as compared to RO 10.9 million in 2018, decrease of 31%. The decrease in profitability is mainly due to volume reduction, which is partially compensated by cost control initiatives.

The net profit of the Group was RO 7.2 million compared to RO 9.1 million in 2018 with a decrease of 21%. The decrease in Group profitability is due to the slowdown in construction industry and volume reduction consequently.

Subsidiary: Oman Aluminum Processing Industries LLC, Oman

Oman Aluminum Processing Industries LLC (OAPIL) in Sohar, was a joint venture between the Company with 51% share and Takamul Investment Company of Oman Oil with 49% share. The Company has concluded an agreement with Takamul Investment Company for their shares in OAPIL. We are pleased to inform you that OAPIL is now 100% owned by the Company.

During 2019, the Company became directly involved in the operations and management of OAPIL in order to improve production efficiency and to apply cost control activities.

After making losses in 2017 and 2018, improvements done by the Company management allowed OAPIL to report an income for year 2019. OAPIL results are consolidated with the Company and are reported as Group results.

Subsidiary: Associated Cables Private Limited, India (ACPL) (100% subsidiary)

The Company has increased focus on India market and has invested in growing ACPL operations. Such investment will add capabilities to produce new products and also capacity. The expansion plan is expected to be operative by March 2020.

Human Resources

Human Resources play a strategic role in the continuous development of the Group.

As a response to changing market dynamics, the Group is continuously promoting and developing its employee strength, performance and quality. Prysmian continued to support in this area by deputing highly experienced professionals to the Company.

Thymar ثمار Initiative – Omani Youth Development

Thymar initiative was launched in 2018 and this year we are pleased to announce that 10 Omani graduates were enrolled in this initiative which entail one year local and international training. Three young Omanis have been selected for Prysmian Graduate Trainee Programme of three years, which involves international education and work experience across Prysmian Plants.

Health Safety & Environment

The Group is continuously striving to improve safety awareness. All employees have been introduced to the Safety Awareness Program. The lost time injury frequency rate (LTI) continues to be actively monitored for the benefit of the employees and Company.

Corporate Governance

The Company continues to follow high standards in Corporate Governance. The Board has three committees: 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.

The Company 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.

Corporate Social Responsibility

The Company believes that giving back to the community is extremely important. As the Company has grown, so has its commitment to the society.

As part of the Corporate Social Responsibility effort, the Company has developed the Thymar initiative described above.

Future Outlook

The Gulf region in which the Group realize the large part of its operation is unlikely to face immediate recovery mainly due to dependence from oil prices. While maintaining the focus on existing markets the Group is streamlining its operations to continue to deliver value to its stakeholders.

The management continues to focus on the dynamic and competitive market for cables by enlarging the product portfolio with high value-added cables in order to differentiate its offering. The emphasis on operational excellence is an important factor to the success of the Group.

Dividend:

The Board of Directors, during its meeting of 23 January 2020, reviewed the Group'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 proposes distributing a cash dividend to the shareholders.

Taking into account the financial performance of the Group, the Board recommends to distribute dividend on paid-up capital, by 35 baiza per share equal to RO 3,139,500 to the shareholders registered as on the date of Annual General Meeting.

Directors Remuneration

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

It may be noted that three non-independent board members, being Prysmian employees, have waived off their portion of remuneration for 2018, in response to drop in business results.

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 the Company.

Our special thanks go to all our employees and to the management for their consistent hard work and wholehearted commitment to the Company. We consider our employees as fundamental to our success.

We extend our deepest condolences to His Majesty Sultan Haitham bin Tareq bin Taimur al Said, the Sultan of Oman, the Royal family and the people of the Sultanate of Oman on the passing of His Majesty Sultan Qaboos bin Said bin Taimur al Said. We pray to Allah the almighty that his soul rest in peace and is cherished in paradise.

We wish the best for our beloved Oman to further develop under the leadership of His Majesty Sultan Haitham bin Tariq bin Taimur in good health and longevity.

Mr. Fabio Romeo
Chairman
Oman Cables Industry (SAOG)

Date: 23 January 2020

EY
Building a better working world

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C.R. No. 1224013
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 2019 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 2019. 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 2019 and does not extend to any financial statements of Oman Cables Industries SAOG, taken as a whole.

Ernst & Young LLC

Muscat
23 January 2020

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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 2019

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 every three years by the shareholders of the Company at the Annual General Meeting (AGM). The Board was elected for a three-year term in the AGM held during March 2018. The Board reports to the shareholders at the AGM. The Board comprises of seven Directors.

The Board held six meetings during the year; following are the relevant details of the Directors and meetings attendance as on 31 December 2019

Name	Designation	Category	No. of Board Meeting Attended	AGM attended
Fabio Romeo	Chairman	Non-executive Non-independent	6	Yes
Mohamed Al Lawati	Vice Chairman	Non-executive Non-Independent	5	Yes
Lara Hansen	Director	Non-executive Independent	6	Yes
Christian Raskin	Director	Non-executive Independent	6	Yes
Fabrizio Rutschmann	Director	Non-executive Non-Independent	5	No
Michele Binda	Director	Non-executive Non-Independent	5	Yes
Naji Al Riyami *	Director	Non-executive Independent	6	Yes
Manal Al Ghazaliya *	Director	Non-executive Independent	--	NA

*For part of the year, PASI has replaced Mr. Naji Al Riyami by Mrs. Manal Al Ghazali as a representative in the BoD as of 5th of December 2019.

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 2019:

Ms. Manal Said Al Ghazaliya replaced Mr. Naji Salim Al Riyami as a Director with effect from 5 December 2019.

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

Name of Director	Designation in other Companies	Name of Company
Fabio Romeo Chairman	Chief Strategy Officer Director Director Director Director Director Director Vice Chairman Director	Prysmian Group Centro Elettrotecnico Sperimentale Italiano Giacinto Motta S.p.A. Prysmian (China) Investment Co. Ltd Prysmian Cables and Systems Canada S.p.A. Prysmian S.p.A Draka Cableteq Asia Pacific Holding Pte. Ltd. Prysmian Cables and Systems Ltd. Elkat Ltd. Corporate Hangar S.r.l.
Mohamed Al Lawati Vice Chairman	Asst. to Chairman Director Director Director	Al-Saleh Group Al-Saleh Mauritius ASE India Private Limited Kaanak India & Components Pvt. Ltd
Lara Hansen Director	General Manager	Feed & Agricultural Suppliers Services Co. LLC
Christian Raskin Director		
Michele Binda Director	Group Head of Legal Affairs	Prysmian SpA
Fabrizio Rutschmann Director	Chief Human Resource Officer	Prysmian Group
Naji Al Riyami* Director	Director	Majan Development SAOC
Manal Al Ghazali* Director	• Director - Internal Audit Dept. • Vice President	• Public Authority of Social Insurance (PASI) • Institute of Internal Auditors, Oman

*For part of the year

Profile of the Board of Directors and Executive Management

Mr. Fabio Romeo, Chairman, non-Independent

He is the Senior Vice President Business Energy of Prysmian since July 2011 and Chief Strategy Officer in the group. 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.

Mr. Mohamed Al Lawati, Vice Chairman, 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 assistance to the Chairman of Al-Saleh Group.

Mrs. Lara Hansen, 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 ١٦ 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. 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.

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 of the group in 2006 till 2010. Before that, between 2003 and 2006 he served as Chief HR of Latin America Operations of Telecom Italia Mobile (TIM) based in Rio de Janeiro. Within Pirelli he has also been General Manager of Pirelli Spain in 2009 and 2010. Currently Mr. Rutschmann is the Chief Human Resources at Prysmian Group. He has over than 31 years of professional experience in leadership of human capital and change management.

Mr. Michele Binda, non-Independent Director

Group Head of Legal Affairs at Prysmian SpA with extensive national and international experience in dealing with corporate and commercial legal affairs developed by working more than 15 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. Extensive knowledge and experience on competition laws.

Mr. Naji Al Riyami, Independent Director

Graduate in Accounting from Portsmouth University in UK. Mr. Al Riyami is a member of the Board of Directors of Majan Development Company SAOC. Mr. Al Riyami, since 2016, is the Head of Local Asset Management in the Public Authority for Social Insurance in the Sultanate of Oman. Prior to joining PASI in 2016, he was a Portfolio Manager at Bank Muscat Asset Management for 11 years and had worked at KPMG Oman as an Auditor earlier to that. He represents the Public Authority for

Social Insurance (PASI) on the company's board of directors. On December 5, 2019, PASI replaced Mr. Naji by designating Mrs. Manal Bint Saeed Al-Ghazali as a representative member on OCI board.

Mrs. Manal Al Ghazali, Independent Director

Manal Said Al Ghazali, Director of Internal Audit Department of Public Authority of Social Insurance, Sultanate of Oman with 18 years of rich experience in the Internal Audit profession has served reputed multinational organizations namely Bank Muscat and Orpic in Senior Positions. Manal graduated from the Sultan Qaboos University possesses in-depth knowledge in Accounting, Finance, Investment Management, and Information Systems. Manal is also a qualified member of the Association of Chartered Certified Accountants, a Certified Fraud Examiner and a Certified Information System Auditor.

Manal, Vice President of Institute of Internal Auditors, Sultanate of Oman had effectively aligned Internal Audit function to meet the requirements of the IIA standards at Bank Muscat, Orpic and PASI adopting state of art Audit management systems. Manal has been instrumental in effectively implementing Three lines of Defense Internal Control framework adopting the COSO framework at Orpic and at PASI. Manal acts as an independent member of in the Information Systems Committee, of PASI provides consulting services for implementing IT governance or continuous process improvement adopting COBIT 5 framework. Manal provides consulting advice to the Internal Control Committee on Fraud prevention and continuously enhance effectiveness of Internal Control at Public Authority of Social Insurance

Manal contributes to the society through her participation in various public forums that empower women economically and support their participation in sustainable development. Manal has participated in Oman Vision 2040 as a member of Governance team. Manal joined the company's board of directors on December 5, 2019, representing (PASI) instead of Mr. Naji bin Salem Al-Riyami.

Company Management

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

- Ali Habaj is the Chief Executive Officer since July 2017. Ali is a seasoned professional with an experience of more than 26 Years in varied organizations. Mr. Habaj has successfully headed and was instrumental in growing and expanding large manufacturing companies. Earlier, Mr. Ali 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 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.
- Ercan Gokdag, Chief Financial Officer has experience of 16 years, of which 12 years in cable industry with Prysmian Group. Earlier, he worked as CFO of Prysmian Denmark and CFO of Prysmian Turkey. At the moment, he takes responsibility as CFO of "Middle Ease Afriza and Turkey" MEAT Region.
- Ramon Pallares, Chief Production, Ramon has 30 years' experience on the cable industry (24 of them with Pirelli – Prysmian Group) covering international positions of Plant Manager, General Manager, Operations Director, Country Director and Chief Operational Officer at countries like Mexico, Chile, Germany, France, Italy, Czech Republic, China, Philippines, Brazil and now Oman.
- Antonio Chiantore, Chief Sales and Marketing with 29 years' experience in cable industry, covering international positions of Business and Sales Director, General Manager, Operation Director, Logistic Director.

- Muhanned Al-Lawati, Chief Production has experience of 12 years, of which 7 years at executive levels
- Jad Atallah, Chief - Legal & Governance, Company Secretary. Holds a PhD degree in law, joined the company in 2010 and has experience of 15 years.
- Wael Coutry, Chief - Processes and Digital. 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.
- Vitthal Sawant, Head- Technical, Experience of 16 years, of which 5 are at executive level. Responsible for R&D, New product development and Engineering functions; Inventor for 10 US Patents, Moved from legacy General Cable in 2019.
- Ilhan Ozturk, He is Electical Engineer graduated from Istanbul Technical University (1990-1994) and he has a Pre MBA-degree from Marmara Cagdas Egitimler Vakfi. He started his worklife in 1994 in cable sector and worked in different positions (Domestic Sales, Export Sales, Logistics and Inventory Management) till 2003. In 2003 he joined Prysmian Group as Key Account Manager. He managed Prysmian Turkey's export department in years 2010 & 2011 and has been nominated as Industrial, MMS & Oil and Gas Sales Director from 2011 on. In 2017 he has been promoted as Oil and Gas Regional Director for MENAT region, reporting to Prysmian Group Oil and Gas Core Cables Business Unit. From January 2019 on he is working as Oman Cables Regional Oil and Gas Director as well as Prysmian Group MEAT Region Oil and Gas Director.

Board Meetings held during the year

During the year 2019, the Company held six Board Meetings on the following dates:
23 January 2019, 18 March 2019, 15 April 2019, 23 July 2019, 25 October 2019 and 5 December 2019.

In the meetings held on 18 March 2019 and 5 December 2019, few Board members attended via Phone/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 minuted. Management reports were reviewed during the meeting. All related issues were also discussed regarding the operations of the company.

Committees of the Board of Directors

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

Audit Committee

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

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

Name	Designation	No. of meetings attended
Naji Al Riyami	Chairman - independent	6
Lara Hansen	Member - independent	6
Christian Raskin	Member - independent	5
Mohamed Al Lawati	Member – non-independent	5

During the year 2019, Audit Committee met and conducted six meetings on the following dates, 22 January 2019, 14 April 2019, 22 July 2019, 24 October 2019, 25 November 2019 and 4 December 2019.

The Committee carry out its functions in accordance with the policy approved by the Board in line with the resolutions issued by the Capital Market Authority. The Committee has reviewed the internal audit reports, enterprise risk management report 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. In accordance with the functions assigned to the Committee in accordance with the reference frame issued by the Board and in accordance with the resolutions issued by the Capital Market Authority in this regard.

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, four 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 Romeo	Member	4
Mohamed Al Lawati	Member	3
Fabrizio Ruschmann	Member	4
Ali Habaj	Member	4
Ercan Gokdag *	Member	3
Manoj M. Vaidya *	Member	1

*For part of the year

During the year 2019, Strategic Management Committee conducted four meetings on the following dates 22 January 2019, 14 April 2019, 22 July 2019 and 24 October 2019.

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 Hansen	Chairman	5
Michele Binda	Member	4
Fabrizio Rutschmann	Member	5

During the year 2019, the Nomination and Remuneration Committee conducted five meetings on the following dates, 21 January 2019, 25 February 2019, 27 March 2019, 21 July 2019 and 23 October 2019.

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**

In the Annual General Meeting the shareholders had approved the recommendation of the Board of Directors.

The Board of Directors proposed Director’s remuneration of RO 200,000 (2018: RO 200,000). The Directors have no other pecuniary relationship or transaction with the Company. The total remuneration paid/accrued to the Board of Directors in 2019, 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). Three directors (Mr. Fabio Romeo, Mr. Fabrizio Rutschmann and Mr. Michele Binda) forego their share of the year 2018 remuneration payable to them amounting to RO 82,540.

- **Operating Management Remuneration**

Salary and perquisites of the five top senior officers paid / accrued during the year 2019 is RO 820,103 (2018: RO 672,408), which includes RO 771,836 (2018: RO 627,408) as fixed component and RO 48,267 (2018: RO 45,000) linked to the performance in 2019. 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 2018 approved the criteria for measuring the performance of the Board of Directors of the company. Accordingly, an independent evaluator “Protiviti Co” was appointed to measure the performance of the Board according to the approved criteria in the said meeting and to present a performance report to the shareholders at the AGM meeting for the financial year ending 31 December 2020.

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

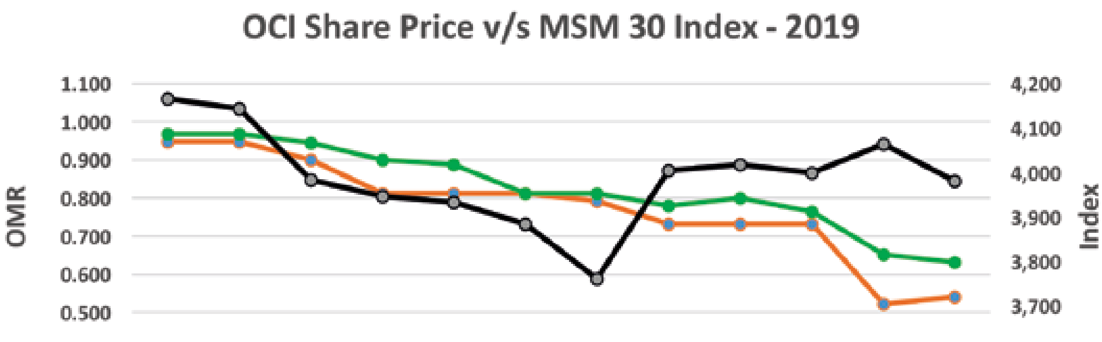
As required by Capital Market Authority, the Company publishes its quarterly, half yearly, three quarterly and yearly financial results in two local newspapers. The financial results are also uploaded on the website of Muscat Securities Market and on the company’s website www.omancables.com. Further 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 2019 the share price of RO 0.100 face value moved in the range of high of RO 0.968 to a low of RO 0.522. The share price closed as on 31 December 2019 at RO 0.540.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Low	0.948	0.948	0.900	0.812	0.812	0.812	0.792	0.732	0.732	0.732	0.522	0.540
High	0.968	0.968	0.944	0.900	0.888	0.812	0.812	0.780	0.800	0.764	0.652	0.632
Index	4,166	4,144	3,984	3,946	3,934	3,885	3,761	4,005	4,018	4,000	4,064	3,981

The distribution of Major Shareholding as on 31 December 2019 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 2019 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

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 7,000 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 4,889 partners and approximately 124,318 professionals. Globally, EY operates in more than 150 countries and employs 328,597 professionals in 700 offices. Please visit ey.com for more information about EY.

The audit fees for 2019 are RO 19,500.

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. In line with the Capital Market Authority (CMA) Decision 10/2018, International Professional Practices

Framework (IPPF) and the duly approved Engagement Letter, “External Quality Assessment of OCI’s Internal Audit Activity” was carried out by “Moore Stephens LLC (External Quality Assessor)”.

The External Quality Assessor has concluded that the Company’s Internal Audit Activity “Generally Conforms” to IPPF Standards and the local regulation of CMA’s Decision 10/2018 indicating that an internal audit activity has a charter, policies, and processes, and the execution and results of these are judged to be in conformance with the Standards and local regulatory requirements.

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

Ali Al Habaj
Chief Executive Officer

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure and Development

The Cable Industry is a part of Electrical Sector which serves to projects related to basic Infrastructure of commercial or residential nature, various industries, and Government utilities and other oil and gas projects. These projects tend to be capital intensive and thus are dependent on long term strategy, growth of economy and available financial resources.

Oman Cables Industry (SAOG) (OCI) develops, manufactures and markets 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.

In markets where OCI operates, Copper is the main material used in electrical cables. However, there is a recent trend towards using aluminum in some market sectors. OCI is carefully monitoring the situation and OCI has capable of processing both materials.

Cable Industry is very competitive and there are many manufactures in a region. Emerging trend is towards consolidation. Prysmian, the largest cable company in world, owns a majority stake in OCI.

Opportunities and Threats

In the GCC markets where OCI operates, cables supply is mainly linked to large projects which in turn is linked to oil prices and Government revenue. These market having favorable demography and growing population present a long term opportunity for Cable Industry.

Oil prices which had drop significantly by end 2015 have been on a steady increase during 2018, however since October 2018 the upward trend has been reversed. Early 2019 there was a small recovery, but not strong enough to reduce the pressure on GCC economies.

OCI and the Prysmian Group, are poised to build on mutually beneficial synergies and can tap into each other strengths have a successful commercial approach regionally and globally.

The demand for cables in the region continue to attract many regional and international cable suppliers creating a very competitive environment. OCI has plans and strategies in place to counter this through market development, product diversification and cost reduction. 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 catering to diverse markets with a varied product range serving 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 2019. The performance in the third quarter of 2019 was affected due to seasonality and lack of major projects. In the fourth quarter progress on major project business avoided further impact of slowdown in the market.

The margin erosion which was witnessed during 2017 and continued in 2018, has been reversed in 2019 with cost reduction projects.

OCI subsidiary, OAPIL, which has reported loss in 2017 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, has recovered partially in 2018. Performance of OAPIL has improved further in 2019 with higher profitability and better control on fixed costs.

Outlook

The lower oil prices, copper price and the geo-political situation is effecting the overall economic situation in the markets where OCI operates. However, it is hoped that this situation may reverse slowly.

OCI 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 due to pressure on premiums at global level.

Risk and Concerns

OCI main markets were heavily influenced by oil prices. Low oil prices may negatively impact capital spend on major projects in the current year thereby 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 stable as per the economic outlook. OCI will remain vigilant and ensure that supplying a superior product with competitive pricing is maintained.

OCI 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. OCI is also routinely audited 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.

Sales and Profitability

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

	2015	2016	2017	2018	2019
Sales (RO' 000)	283,470	228,639	242,258	247,011	210,079
Profit after Tax (RO' 000)	18,507	15,254	6,851	9,214	6,972
Equity (RO' 000)	92,738	101,908	99,978	102,723	103,735
Dividend (%)	90%	85%	45%	45%	35%*

*recommended by the Board of Directors

Conclusion

During 2019, the company and group has reported lower sales due to struggle in GCC markets but with better margins mainly due to efficiency projects and severe cost control on overheads. OCI has long term marketing plans for utilization of production capacity and overall emphasis on operational excellence, with synergies from Prysmian Group.

OCI 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 to improve its market position and increase stakeholder's value.

Mr. Ali Al Habaj

Chief Executive Officer

Oman Cables Industry (SAOG)

Date: 23 January 2020

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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 2019, 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 2019 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 - *Code of Ethics for Professional Accountants (including International Independence Standards)* (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.

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 Group is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of amounts aged greater than the credit terms extended to customers. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures are included in Note 10 to the financial report, which outlines the accounting policy for determining the allowance for doubtful debts and details of the period on period movement in gross and net trade receivables.	Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we: • Assessed the design and tested the operating effectiveness of relevant controls in relation to the granting of credit facilities, including credit checks; • Tested the aging of trade receivables for a sample of customer transactions; • Evaluated receipts after year-end to determine any remaining exposure at the date of the financial report; • Examined the Group's assessment of the customers' financial circumstances and ability to repay the debt and • Considered the customers' historical payment habits along with other macroeconomic information. We assessed appropriateness of the Group's provisioning policy applied which included: • Assessed whether the calculation was in accordance with IFSR 9 and comparing the Group's provisioning rates against historical collection data. • Checked appropriateness of opening balance adjustments mainly arising from impairment. We evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations. We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the financial report. Details regarding credit risk and the aging of trade receivables is set out in note 33 and note 10 of the 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*
Inventory valuation for consolidated and separate financial statements The Group's inventory mainly consists 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; • We involved EY internal valuation specialists to assist in with our audit of the valuation model, the price curves, and of unobservable inputs to the model and assessment of hedge effectiveness to ensure the accounting is in line to IFRS 9 financial instruments; • 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 of the financial statements. These contracts give rise to derivative financial assets as disclosed in note 9 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 2019 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 2019 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 2019 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, 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.

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, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

B. Hindy

Bassam Moustafa Hindy
Muscat
23 January 2020

ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Notes to the financial statements at 31 December 2019

	Notes	Group 2019 RO	Parent Company 2019 RO	Group 2018 RO	Parent Company 2018 RO
ASSETS					
Non-current assets					
Property, plant and equipment	5	29,735,718	19,272,115	31,740,112	20,976,725
Right-of-use assets	6	1,851,728	1,316,688	-	-
Investment in subsidiaries	7	-	6,387,547	-	3,187,547
Investment securities	8	1,181,535	1,168,909	1,286,294	1,234,059
Deferred tax assets	18	106,857	-	-	-
Total non-current assets		32,875,838	28,145,259	33,026,406	25,398,331
Current assets					
Inventories	9	24,604,187	20,337,411	25,152,083	20,858,157
Trade and other receivables	10	55,512,834	50,190,948	62,462,994	54,909,531
Due from related parties	31	6,328,565	6,247,350	1,892,452	1,625,837
Cash and bank balances	11	14,671,417	14,504,351	16,820,673	15,865,101
Total current assets		101,117,003	91,280,060	106,328,202	93,258,626
Total assets		133,992,841	119,425,319	139,354,608	118,656,957
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	14,529,949	13,377,010	13,887,042	12,734,103
Retained earnings		74,502,447	72,935,618	70,723,770	71,185,956
Cumulative changes in fair values	17	310,112	753,587	(714,826)	(902,851)
Equity attributable to equity holders of the parent		103,735,341	100,003,715	98,288,819	95,954,708
Non-controlling interests		-	-	4,434,661	-
Total equity		103,735,341	100,003,715	102,723,480	95,954,708
Non-current liabilities					
Deferred tax liability	18	1,193,970	868,889	1,278,841	802,113
Leases liability	6	1,736,628	1,234,409	-	-
Employees end of service benefits	19	1,374,931	1,258,775	1,318,029	1,195,534
Total non-current liabilities		4,305,529	3,362,073	2,596,870	1,997,647
Current liabilities					
Trade and other payables	20	18,108,467	11,700,250	26,929,959	18,322,703
Due to related parties	31	1,584,008	2,822,177	287,921	588,048
Bank borrowings	21	4,618,800	-	4,965,210	-
Leases liability	6	157,250	112,250	-	-
Taxation	18	1,483,446	1,424,854	1,851,168	1,793,851
Total current liabilities		25,951,971	16,059,531	34,034,258	20,704,602
Total liabilities		30,257,500	19,421,604	36,631,128	22,702,249
Total equity and liabilities		133,992,841	119,425,319	139,354,608	118,656,957
Net assets per share	29	1.156	1.115	1.096	1.070

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 23 January 2020.

Chairman | **Chief Executive Officer**

The accompanying notes 1 to 35 form an integral part of these financial statements.

Statement of income for the year ended 31 December 2019

	Notes	Group 2019 RO	Parent company 2019 RO	Group 2018 RO	Parent Company 2018 RO
Sales		**210,079,037**	**165,390,463**	247,011,253	193,955,918
Cost of sales	22	**(192,588,720)**	**(150,333,457)**	(227,836,568)	(177,027,104)
Gross profit		**17,490,317**	**15,057,006**	19,174,685	16,928,814
Other income	23	**637,101**	**217,165**	209,080	102,911
Administrative expenses	24	**(6,450,410)**	**(5,571,385)**	(4,812,492)	(3,590,834)
Selling and distribution expenses	25	**(3,168,941)**	**(2,085,434)**	(3,426,343)	(2,447,159)
Depreciation		**(129,181)**	**(98,717)**	(145,728)	(99,047)
Operating profit		**8,378,886**	**7,518,635**	10,999,202	10,894,685
Finance costs	26 (a)	**(504,414)**	**(254,875)**	(632,350)	(306,253)
Finance income	26 (b)	**341,321**	**298,180**	434,706	394,047
Profit before income tax		**8,215,793**	**7,561,940**	10,801,558	10,982,479
Income tax expense	18	**(992,370)**	**(1,132,871)**	(1,667,564)	(1,717,330)
Profit for the year		**7,223,423**	**6,429,069**	9,133,994	9,265,149
Attributable to:					
Equity holders of the parent		**6,971,890**	**6,429,069**	9,214,465	9,265,149
Non-controlling interests		**251,533**	**-**	(80,471)	-
		7,223,423	**6,429,069**	9,133,994	9,265,149
Basic and diluted earnings per share attributable to ordinary equity holders of the parent company	28	**0.078**	**0.072**	0.103	0.103
Gross profit margin		**8.33%**	**9.10%**	7.76%	8.73%
Net profit margin		**3.44%**	**3.89%**	3.70%	4.78%

The accompanying notes 1 to 35 form an integral part of these financial statements.

Statement of comprehensive income for the year ended 31 December 2019

	Group 2019 RO	Parent Company 2019 RO	Group 2018 RO	Parent Company 2018 RO
Profit for the year	**7,223,423**	**6,429,069**	9,133,994	9,265,149
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss, net of tax:				
Net movement in hedging commodity future contracts, net of tax	**1,039,979**	**1,656,438**	(1,052,249)	(1,583,111)
Exchange difference on foreign currency translation of subsidiary, net of tax	**(15,041)**	**-**	(74,383)	-
Other comprehensive income (loss) for the year	**1,024,938**	**1,656,438**	(1,126,632)	(1,583,111)
Total comprehensive income for the year	**8,248,361**	**8,085,507**	8,007,362	7,682,038
Attributable to:				
Equity holders of the parent	**7,996,828**	**8,085,507**	7,827,711	7,682,038
Non-controlling interests	**251,533**	**-**	179,651	-
	8,248,361	**8,085,507**	8,007,362	7,682,038

The accompanying notes 1 to 35 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2019

Group	Share capital	Share premium	Legal reserve	General reserve	Retained earnings	Cumulative changes in fair values	Equity attributable to equity holders of the parent	Non-controlling interests	Total
	Attributable to the equity holders of the Parent Company								
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Balance at 1 January 2018	8,970,000	977,500	4,445,333	12,960,527	66,472,320	671,928	94,497,608	4,255,010	98,752,618
Profit for the year	-	-	-	-	9,214,465	-	9,214,465	(80,471)	9,133,994
Other comprehensive loss	-	-	-	-	-	(1,386,754)	(1,386,754)	260,122	(1,126,632)
Total comprehensive income	-	-	-	-	9,214,465	(1,386,754)	7,827,711	179,651	8,007,362
Dividend for the year 2017 (note 16)	-	-	-	-	(4,036,500)	-	(4,036,500)	-	(4,036,500)
Transfer to general reserve	-	-	-	926,515	(926,515)	-	-	-	-
Balance at 31 December 2018	8,970,000	977,500	4,445,333	13,887,042	70,723,770	(714,826)	98,288,819	4,434,661	102,723,480
Balance at 1 January 2019	8,970,000	977,500	4,445,333	13,887,042	70,723,770	(714,826)	98,288,819	4,434,661	102,723,480
Profit for the year	-	-	-	-	6,971,890	-	6,971,890	251,533	7,223,423
Other comprehensive Income	-	-	-	-	-	1,024,938	1,024,938	-	1,024,938
Total comprehensive income	-	-	-	-	6,971,890	1,024,938	7,996,828	251,533	8,248,361
Increase in investment in a subsidiary (note7)	-	-	-	-	1,486,194	-	1,486,194	(4,686,194)	(3,200,000)
Dividend for the year 2018 (note 16)	-	-	-	-	(4,036,500)	-	(4,036,500)	-	(4,036,500)
Transfer to general reserve	-	-	-	642,907	(642,907)	-	-	-	-
Balance at 31 December 2019	**8,970,000**	**977,500**	**4,445,333**	**14,529,949**	**74,502,447**	**310,112**	**103,735,341**	**-**	**103,735,341**

The accompanying notes 1 to 35 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2019 (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 2018	8,970,000	977,500	2,990,000	11,807,588	66,883,822	680,260	92,309,170
Profit for the year	-	-	-	-	9,265,149	-	9,265,149
Other comprehensive loss	-	-	-	-	-	(1,583,111)	(1,583,111)
Total comprehensive income	-	-	-	-	9,265,149	(1,583,111)	7,682,038
Dividend for the year 2017 (note 16)	-	-	-	-	(4,036,500)	-	(4,036,500)
Transfer to general reserve	-	-	-	926,515	(926,515)	-	-
Balance at 31 December 2018	8,970,000	977,500	2,990,000	12,734,103	71,185,956	(902,851)	95,954,708
Balance at 1 January 2019	**8,970,000**	**977,500**	**2,990,000**	**12,734,103**	**71,185,956**	**(902,851)**	**95,954,708**
Profit for the year	**-**	**-**	**-**	**-**	**6,429,069**	**-**	**6,429,069**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,656,438**	**1,656,438**
Total comprehensive income	**-**	**-**	**-**	**-**	**6,429,069**	**1,656,438**	**8,085,507**
Dividend for the year 2018 (note 16)	**-**	**-**	**-**	**-**	**(4,036,500)**	**-**	**(4,036,500)**
Transfer to general reserve	**-**	**-**	**-**	**642,907**	**(642,907)**	**-**	**-**
Balance at 31 December 2019	**8,970,000**	**977,500**	**2,990,000**	**13,377,010**	**72,935,618**	**753,587**	**100,003,715**

The accompanying notes 1 to 35 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2019

	Group 2019 RO	Parent Company 2019 RO	Group 2018 RO	Parent Company 2018 RO
Operating activities				
Cash receipt from sales	**215,938,493**	**166,670,917**	253,433,075	201,030,026
Cash paid towards cost of sales and expenses	**(207,384,103)**	**(158,354,005)**	(233,754,75)	(184,549,851)
Cash generated from operations	**8,554,390**	**8,316,912**	19,678,319	16,480,175
Interest received	**176,167**	**169,201**	61,215	55,866
Income tax paid	**(1,727,405)**	**(1,727,405)**	(1,519,375)	(1,513,624)
Directors' remuneration paid	**(117,490)**	**(117,490)**	(119,800)	(119,800)
Net cash flows from operating activities	**6,885,662**	**6,641,218**	18,100,359	14,902,617
Investing activities				
Purchase of property, plant and equipment	**(1,566,668)**	**(701,022)**	(353,680)	(315,512)
(Disposal)/Purchase of investment securities	**65,150**	**65,150**	(71,170)	(71,170)
Proceeds from disposal of property, plant and equipment	**25,185**	**14,185**	30,083	5,281
Movement in short term deposits	**433,469**	**-**	-	-
Additional contribution in a subsidiary	**(3,200,000)**	**(3,200,000)**	-	-
Net cash used in investing activities	**(4,242,864)**	**(3,821,687)**	(394,767)	(381,401)
Financing activities				
Dividends paid to equity holders of the parent	**(4,036,500)**	**(4,036,500)**	(4,036,500)	(4,036,500)
Payment of lease obligation	**(131,884)**	**(86,884)**	-	-
Short term loans received	**33,151,753**	**-**	36,296,070	-
Short term loans repaid	**(33,498,163)**	**-**	(39,644,700)	-
Interest paid	**(431,356)**	**(185,876)**	(623,350)	(300,165)
Net cash used in financing activities	**(4,946,150)**	**(4,309,260)**	(8,008,480)	(4,336,665)
Net change in cash and cash equivalents during the year	**(2,303,352)**	**(1,489,729)**	9,697,112	10,184,551
Net foreign exchange difference	**154,096**	**128,979**	342,807	338,181
Cash and cash equivalents at 1 January	**16,820,673**	**15,865,101**	6,780,754	5,342,368
Cash and cash equivalents at 31 December	**14,671,417**	**14,504,351**	16,820,673	15,865,101
Cash and cash equivalents at the end of the year comprise:				
Current accounts	**14,645,062**	**14,478,645**	16,768,385	15,815,995
Cash in hand	**26,355**	**25,706**	52,288	49,106
	14,671,417	**14,504,351**	16,820,673	15,865,101
	14,671,417	**14,504,351**	16,820,673	15,865,101

The accompanying notes 1 to 35 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 100% (2018: 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. On 5 December 2019 the "Company" acquired 49% shares making it a wholly owned subsidiary.

The Company holds 100% (2018: 100%) shareholding in Associated Cables Private Limited, India ('the subsidiary') which was registered in India in July 1973. 40% shares are being held since 2009 and balance 60% shares were acquired on 5 December 2017.

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

2.1 New and amended standards and interpretations

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty Over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan, Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
    - ➢ IFRS 3 Business Combinations – Previously held interests in a joint operation
    - ➢ IFRS 11 Joint Arrangements – Previously held interests in a joint operation
    - ➢ IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
    - ➢ IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation

The above standards, other than IFRS 16, do not have an impact on the financial statements of the parent and the Group. The Group did not adopt any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

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

2.1 New and amended standards and interpretations (continued)

IFRS 16 Leases (continued)

Nature of effect of adoption of IFRS 16:
Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Practical expedients:
The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Impact on transition
As at 1 January 2019, the Group recorded right-of-use assets of RO 1,949,187 and lease liabilities of RO 1,949,187 with an impact on retained earnings of RO Nil. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 5.6% at 1 January 2019.

Reconciliation with operating lease commitments
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	RO
Operating lease commitments as at 31 December 2018	3,195,690
Weighted average incremental borrowing rate as at 1 January 2019	5.6%
Discounted operating lease commitments as at 1 January 2019	1,980,914
Less:	
Commitments relating to short-term leases	31,727
Lease liabilities as at 1 January 2019	1,949,187

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

2.1 New and amended standards and interpretations (continued)

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing and estimates this not to have a significant impact on the financial statement.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Group.

Annual improvements 2015 – 2017 Cycle
IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

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

2.1 New and amended standards and interpretations (continued)

Annual improvements 2015 – 2017 Cycle (continued)

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.
Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IFRS 3: *Definition of a Business*

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: *Definition of Material*

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant 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 Standard (IFRS) and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended and the Capital Market Authority.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

Basis of preparation

The principal accounting policies of the group applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently applied to both the years presented in these consolidated financial statements, except for the changes in accounting policies described under Note 2.1.

The financial statements are prepared under the historical cost convention and have been presented in Rial Omani, which is the functional and presentation currency of the Group.

Basis of consolidation

The financial statements comprise those of Oman Cables Industry SAOG and its 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.

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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.

3. Summary of significant accounting policies (continued)

Property, plant and equipment(continued)

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3. Summary of significant accounting policies (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.

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

a) Classification of financial assets
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

a) Classification of financial assets (continued)

(1) Financial assets at amortised cost:
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(a) Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward

(b) SPPI test
As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

a) Classification of financial assets (continued)

(2) Financial assets at fair value through other comprehensive income (FVOCI):

(i) Debt instruments at FVOCI

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss. This category only contains units of Oman fixed income fund.

ii) Equity instruments at FVOCI

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Group have no equity instruments at FVOCI.

b) Impairment of financial assets

The Group's follows a forward-looking expected credit loss (ECL) approach for impairment losses for financial assets. the Group is required to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses on trade receivables and contract assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment is 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

3. Summary of significant accounting policies (continued)

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.

Dividend on ordinary shares

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

Revenue recognition

Revenue from contracts with customers
The Group's principal activity is manufacturing and selling electrical cables, conductors and aluminum rods.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of electrical cables
Revenue from sale of electrical cables is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit terms are 30 to 90 days upon delivery/receipt.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration.

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Warranty obligations
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Contract balances

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

Trade receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

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

Leases – Policy before 1 January 2019

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.

Leases – Policy after 1 January 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. Summary of significant accounting policies (continued)

Leases – Policy after 1 January 2019 (continued)

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease costs for the period ended 31 December 2019 relating to the right-of-use assets amounting to RO 97,909 are included under depreciation expenses.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense 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.

3. Summary of significant accounting policies (continued)

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.

On consolidation, the assets and liabilities of foreign operations are translated at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions.

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

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

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

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.

3. Summary of significant accounting policies (continued)

Directors' remuneration

The Parent Company follows the Commercial Companies Law (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 it relates.

4. Critical accounting judgments and key sources of estimation uncertainties

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 financial assets
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset payments of principal and interest on the principal amount are solely outstanding.

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 uncertainties

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

At the reporting date, Group trade receivables were RO 56,342,837 (2018: RO 63,908,774), and the allowance for expected credit losses was RO 3,585,324 (2018: RO 2,508,212). Any difference between the amounts actually collected 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 uncertainties (continued)

Key sources of estimation uncertainties (continued)

Impairment of financial assets (continued)
At the reporting date, Group fair value through other comprehensive income (debt) were RO 168,909 (2018: RO 234,059), and the allowance for expected credit losses was not material. 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 26,367,243 (2018: RO 26,704,374) and the provisions for slow moving and obsolete inventories of RO 1,763,056 (2018: RO 1,552,291) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

Leases – Estimating the incremental borrowing rate
The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit ratings).

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

Significant judgement in determining the lease term of contracts with renewal and termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

Provision for expected credit losses of trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables and contracts assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivable were RO 56,342,837 (2018:RO 63,908,774), and the provision for expected credit losses was RO 3,585,324 (2018: RO 2,508,212). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

5. Property, plant and equipment

Group 31 December 2019	Buildings	Plant and machinery	Electrical equipment & installations	Motor vehicles	Furniture, fixtures & fittings	Office equipment	Material handling Equipment	Loose tools	Laboratory equipment	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost										
At 1 January 2019	17,127,877	42,765,754	2,510,565	277,412	794,880	1,573,440	3,140,497	531,673	2,649,294	71,371,392
Additions	69,902	922,349	4,180	-	21,108	102,885	249,692	-	196,552	1,566,668
Disposals	(42,113)	(145,530)	-	(92,428)	(217,882)	(192,536)	(159,853)	(34,039)	-	(884,381)
At 31 December 2019	17,155,666	43,542,573	2,514,745	184,984	598,106	1,483,789	3,230,336	497,634	2,845,846	72,053,679
Depreciation										
At 1 January 2019	8,258,477	22,180,595	2,190,465	217,749	738,075	1,323,737	2,484,008	403,120	1,835,054	39,631,280
Charge for the year	783,862	2,080,867	129,041	20,804	25,924	82,453	207,214	30,395	192,496	3,553,056
Disposals	(42,559)	(142,441)	-	(92,426)	(217,290)	(188,521)	(149,112)	(34,026)	-	(866,375)
At 31 December 2019	8,999,780	24,119,021	2,319,506	146,127	546,709	1,217,669	2,542,110	399,489	2,027,550	42,317,961
Carrying amount										
At 31 December 2019	8,155,886	19,423,552	195,239	38,857	51,397	266,120	688,226	98,145	818,296	29,735,718
At 31 December 2018	8,869,400	20,585,159	320,100	59,663	56,805	249,703	656,489	128,553	814,240	31,740,112

5. Property, plant and equipment (continued)

Group 31 December 2018	Buildings	Plant and machinery	Electrical equipment & installations	Motor vehicles	Furniture, fixtures and fittings	Office equipment	Material handling equipment	Loose tools	Laboratory equipment	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost										
At 1 January 2018	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
Additions	15,850	98,910	-	52,192	7,777	90,183	51,730	1,201	35,837	353,680
Disposals	(11,849)	(86,062)	-	(7,200)	(21,377)	(75,159)	(88,016)	-	-	(289,663)
At 31 December 2018	17,127,877	42,765,754	2,510,565	277,412	794,880	1,573,440	3,140,497	531,673	2,649,294	71,371,392
Depreciation										
At 1 January 2018	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
Charge for the year	784,082	2,110,088	126,488	21,144	33,522	89,158	195,884	39,460	209,069	3,608,895
Disposals	(11,848)	(84,996)	-	(7,199)	(19,554)	(72,611)	(60,760)	-	-	(256,968)
At 31 December 2018	8,258,477	22,180,595	2,190,465	217,749	738,075	1,323,737	2,484,008	403,120	1,835,054	39,631,280
Carrying amount										
At 31 December 2018	8,869,400	20,585,159	320,100	59,663	56,805	249,703	656,489	128,553	814,240	31,740,112
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

5. Property, plant and equipment (continued)

Parent Company 31 December 2019	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	Total RO
Cost										
At 1 January 2019	12,002,214	30,022,127	1,571,211	192,947	615,098	1,036,928	2,807,504	251,271	2,500,793	51,000,093
Additions	58,185	176,093	-	-	20,058	88,933	161,201	-	196,552	701,022
Disposals	(42,113)	(138,998)	-	(44,849)	(217,744)	(188,744)	(159,853)	(34,039)	-	(826,340)
At 31 December 2019	12,018,286	30,059,222	1,571,211	148,098	417,412	937,117	2,808,852	217,232	2,697,345	50,874,775
Depreciation										
At 1 January 2019	6,281,263	16,436,998	1,424,708	134,841	566,669	919,497	2,308,670	243,083	1,707,639	30,023,368
Charge for the year	537,975	1,375,400	31,644	19,246	23,890	55,581	168,938	1,326	173,622	2,387,622
Disposals	(42,104)	(135,909)	-	(44,846)	(217,154)	(184,729)	(149,562)	(34,026)	-	(808,330)
At 31 December 2019	6,777,134	17,676,489	1,456,352	109,241	373,405	790,349	2,328,046	210,383	1,881,261	31,602,660
Carrying amount										
At 31 December 2019	5,241,152	12,382,733	114,859	38,857	44,007	146,768	480,806	6,849	816,084	19,272,115
At 31 December 2018	5,720,951	13,585,129	146,503	58,106	48,429	117,431	498,834	8,188	793,154	20,976,725

5. Property, plant and equipment (continued)

Parent Company 31 December 2018	Buildings	Plant and machinery	Electrical equipment and installations	Motor vehicles	Furniture, fixtures and fittings	Office equipment	Material handling equipment	Loose tools	Laboratory equipment	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost										
At 1 January 2018	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
Additions	15,850	73,277	-	52,192	7,671	87,569	51,730	1,201	26,022	315,512
Disposals	(11,849)	(82,102)	-	(7,200)	(21,377)	(75,159)	(40,665)	-	-	(238,352)
At 31 December 2018	12,002,214	30,022,127	1,571,211	192,947	615,098	1,036,928	2,807,504	251,271	2,500,793	51,000,093
Depreciation										
At 1 January 2018	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
Charge for the year	531,136	1,417,659	32,553	8,845	28,500	61,702	159,041	8,265	190,835	2,438,536
Disposals	(11,848)	(81,234)	-	(7,199)	(19,554)	(72,611)	(40,662)	-	-	(233,108)
At 31 December 2018	6,281,263	16,436,998	1,424,708	134,841	566,669	919,497	2,308,670	243,083	1,707,639	30,023,368
Carrying amount										
At 31 December 2018	5,720,951	13,585,129	146,503	58,106	48,429	117,431	498,834	8,188	793,154	20,976,725
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

Leases

	2019 Group Land right-of-use	2019 Parent Land right-of-use
At 1 January 2019	1,949,187	1,385,987
Depreciation (note 22)	(97,909)	(69,299)
Others	450	-
At 31 December 2019	1,851,728	1,316,688

	2019 Group Lease liability	2019 Parent Lease liability
At 1 January 2019	1,949,187	1,385,987
Finance cost (note 26)	101,941	72,922
Payments	(131,884)	(86,884)
Others	(25,366)	(25,366)
At 31 December 2019	1,893,878	1,346,659
Current portion	157,250	112,250
Non-current portion	1,736,628	1,234,409
	1,893,878	1,346,659

The Group has leased land for factory premises. Leases of lands generally have lease term between 15 to 20 years. The Group's obligations under its leases secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Parent Company has leased land for factory premises, at Rusayl, from the Public Establishment from Industrial Estates (PEIE), under agreements that expire over periods ranging up to 30 September 2036. 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.

The following are the amounts recognised in statement of income:

	2019 Group RO	2019 Parent RO
Depreciation expense of rights-of-use assets (Note 22)	97,909	69,299
Interest expense on lease liabilities (Note 26)	101,941	72,922
Expense relating to short term lease	31,727	-
Total amount recognized in profit or loss	231,577	142,221

7. Investment in subsidiaries

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

	2019			2018		
	Group and Parent Company			Group and Parent Company		
Name of the subsidiary	**% Holding**	**Carrying value RO**	**Cost RO**	% Holding	Carrying value RO	Cost RO
Oman Aluminium Processing Industries LLC	100%	**5,426,660**	**4,366,000**	51%	2,226,660	2,226,660

The Parent Company has acquired 51% stake in 2008 and an additional 49% shares in Oman Aluminum Processing Industries (OAPIL) on 5 December 2019 making it a wholly owned subsidiary for a purchase consideration of RO 3,200,000. The Subsidiary was incorporated in Oman in 2008 and commenced commercial operations from July 2010. This subsidiary manufacture aluminum 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 profit of RO 251,533 (2018: loss of RO 80,471) 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)

	2019			2018		
	Group and Parent Company			Group and Parent Company		
Name of the subsidiary	**% Holding**	**Carrying value RO**	**Cost RO**	% Holding	Carrying value RO	Cost RO
Associated Cables Private Limited, India	**100%**	**960,887**	**577,530**	100%	960,887	577,530

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

The statement of profit or loss of the Group has been made after consolidating the financial statements of ACPL share of profit of RO 32,439 (2018: Profit of RO 23,432) 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 ACPL.

8. Investment Securities

Disclosed in the statement of financial position as follows:

	2019		2018	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Amortised costs (note b)	**1,012,626**	**1,000,000**	1,052,235	1,000,000
Investments at fair value through other comprehensive income (note a)	**168,909**	**168,909**	234,059	234,059
	1,181,535	**1,168,909**	1,286,294	1,234,059

(a) Investments at fair value through other comprehensive income (Debt instruments)

	2019 Group and Parent Company		2018 Group and Parent Company	
	Market value	**Cost**	Market value	Cost
	RO	**RO**	RO	RO
Unquoted investments (refer note below)	**168,909**	**168,909**	234,059	234,059
	168,909	**168,909**	234,059	234,059

During the year, the Group received capital contribution (net) RO 65,150 (2018: net investment of RO 71,170) in units of Oman Fixed Income Fund.

(b) Amortised Cost

Investments at amortised costs 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, 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

	2019		2018	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Raw materials	**7,202,586**	**6,814,267**	6,514,291	5,848,571
Spares, consumables and scrap	**3,851,059**	**2,447,778**	3,632,957	2,191,381
Finished goods	**11,398,728**	**10,514,857**	14,406,237	13,048,296
	22,452,373	**19,776,902**	24,553,485	21,088,248
Work-in-progress	**2,129,227**	**1,918,869**	1,653,257	1,149,874
Goods in transit	**1,785,643**	**143,931**	497,632	122,326
	26,367,243	**21,839,702**	26,704,374	22,360,448
Less: provision for slow moving and obsolete items	**(1,763,056)**	**(1,502,291)**	(1,552,291)	(1,502,291)
	24,604,187	**20,337,411**	25,152,083	20,858,157

Raw materials include an amount of RO 1,374,712 for Parent Company and RO 1,278,974 for Group (2018 – Parent Company RO 693,101 and Group RO 829,986), 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 2019.

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

	2019		2018	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At the beginning of the year	**1,552,291**	**1,502,291**	1,735,000	1,710,000
Net provision for the year	**210,765**	**-**	(182,709)	(207,709)
	1,763,056	**1,502,291**	1,552,291	1,502,291

10. Trade and other receivables

	2019 Group RO	2019 Parent Company RO	2018 Group RO	2018 Parent Company RO
Trade receivables	**56,342,837**	**51,190,741**	63,908,774	56,859,232
Less: allowance for credit losses	**(3,585,324)**	**(3,486,780)**	(2,508,212)	(2,409,668)
	52,757,513	**47,703,961**	61,400,562	54,449,564
Advances	**924,720**	**841,660**	289,503	246,427
Derivatives designated and effective as hedging instruments carried at fair value (note 17)	**1,046,410**	**1,046,410**	514,518	-
Other receivables and Prepayments	**784,191**	**598,917**	258,411	213,540
	55,512,834	**50,190,948**	62,462,994	54,909,531

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

	2019 Group RO	2019 Parent Company RO	2018 Group RO	2018 Parent Company RO
At the beginning of the year	**2,508,212**	**2,409,668**	1,867,674	1,817,674
Adjustment on initial application of IFRS 9	**-**	**-**	1,225,002	1,225,362
Add: Charge for the year (note 24)	**1,077,335**	**1,077,112**	(583,849)	(633,368)
Less: Written off for the year	**(223)**	**-**	(615)	-
	3,585,324	**3,486,780**	2,508,212	2,409,668

The Group 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 3,486,780 for Parent Company and RO 3,585,324 for Group (2018- Parent Company RO 2,409,668 and Group RO 2,508,212) were assessed as impaired by the management, for which allowance for credit losses has been established.

10. Trade and other receivables (continued)

					Past due but not impaired		
Group	Total RO	Impaired RO	Not due RO	Less than 3 months RO	3 to 6 months RO	6 to 12 months RO	More than 1 year RO
2019	**56,342,837**	**3,585,324**	**46,262,680**	**5,847,033**	**452,638**	**195,162**	**-**
2018	63,908,774	2,508,212	56,117,123	2,817,671	743,254	396,195	1,326,319
Parent							
2019	**51,190,741**	**3,486,780**	**41,529,386**	**5,812,715**	**350,811**	**11,049**	**-**
2018	56,859,232	2,409,668	50,157,244	2,056,702	646,327	262,972	1,326,319

The range of expected credit loss for the Group and parent company is in the range of 0.004%- 100% (2018: 0.1%-50%).

At the reporting date 50% of Parent Company's trade receivables are due from 7 customers (2018- 50% from 10 customers). Trade receivables amounting to RO 41,529,386 for (2018– RO 50,157,244) are neither past due nor impaired and are estimated as collectible based on historical experience 36% (2018 – 49%) of the trade receivables are secured against letters of Credit, bank guarantees or other credit risk cover. The company does not hold any other collateral as security.

11. Cash and bank balances

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Cash in hand	**26,355**	**25,706**	52,288	49,106
Cash at bank – current and call accounts	**14,645,062**	**14,478,645**	16,768,385	15,815,995
	14,671,417	**14,504,351**	16,820,673	15,865,101

Cash and bank balances are denominated in Rial Omani and with commercial banks in Oman.

12. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2018 - 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 (2018 - 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:

	2019		2018	
	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 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% (2018 - 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 45 baisa (2018: 45 baisa) per share totalling RO 4,036,500 (2018: RO 4,036,500) relating to the year 2018 were declared and paid.

The Board of Directors have recommended a dividend of 35 baisa (2018: 45 baisa) per share for the year 2019 amounting to RO 3,139,500 (2018: RO 4,036,500), 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:

	2019		2018	
	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	**400,042**	**754,097**	(639,933)	(902,341)
Fair value of investments through other comprehensive income	**(510)**	**(510)**	(510)	(510)
Foreign currency translation of a subsidiary	**(89,420)**	**-**	(74,383)	-
	310,112	**753,587**	(714,826)	(902,851)

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.

17. Cumulative changes in fair values (continued)

Group
The cumulative changes in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,046,410 included in trade and other receivables (note 10) and RO 197,871 (note 20) included in trade and other payables (2018 – RO 514,518 included in trade and other receivables and RO 902,341 included in trade and other payables) 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. Balance of Nil (2018 – RO 252,116) attributable to non-controlling interest is disclosed separately in statement of changes in equity as a component of non-controlling interests.

Parent
The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,046,410 included in trade and other receivables (2018 – RO (902,341)) included in trade and other payables 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 2019 profitability, as it relates to the cost of purchase in the year 2019.

18. Taxation

	2019		2018	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Statement of profit or loss				
Current year income tax charge	**1,262,691**	**1,358,408**	1,768,864	1,764,516
Prior year income tax charge	**-**	**-**	29,335	29,335
Deferred tax:				
Relating to origination and reversal of temporary differences	**(270,321)**	**(225,537)**	(130,635)	(76,521)
Income tax expense reported in the statement of profit or loss	**992,370**	**1,132,871**	1,667,564	1,717,330

Statement of financial position	**2019**		2018	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
Current liability				
Current year	**1,483,446**	**1,424,854**	1,821,833	1,764,516
Previous year	**-**	**-**	29,335	29,335
	1,483,446	**1,424,854**	1,851,168	1,793,851

18. Taxation (continued)

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Non-current assets				
Deferred tax assets:				
At 1 January	**-**	**-**	-	-
Movement for the year	**106,857**	**-**	-	-
At 31 December	**106,857**	**-**	-	-
Non-current liability				
Deferred tax liability:				
At 1 January	**1,278,841**	**802,113**	1,409,476	878,634
Movement for the year	**(84,871)**	**66,776**	(130,635)	(76,521)
At 31 December	**1,193,970**	**868,889**	1,278,841	802,113

The deferred tax liability comprises the following temporary differences:

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Tax effect of depreciation	**1,658,952**	**1,324,937**	1,858,614	1,388,907
Tax effect of provisions	**(464,982)**	**(456,048)**	(579,773)	(586,794)
	1,193,970	**868,889**	1,278,841	802,113

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

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Profit before income tax	**8,215,793**	**7,561,940**	10,801,558	10,982,479
Income tax as per rates mentioned below	**1,232,369**	**1,134,291**	1,620,234	1,647,372
Income exempt from tax	**-**	**-**	27,138	-
Tax effect of items deductible/non-deductible for tax purpose	**30,322**	**224,117**	150,827	146,479
Deferred tax	**(270,321)**	**(225,537)**	(130,635)	(76,521)
Net tax expense	**992,370**	**1,132,871**	1,667,564	1,717,330

18. Taxation (continued)

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 15% (2018: 15%). For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Parent Company
The tax rate applicable to the Parent Company is 15% (2018: 15%). For the purpose of determining the tax expense for the year ended 31 December 2019, 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 14.98% (2018: 15.4%).The difference between the applicable tax rates of 15% (2018: 15%) and the effective tax rate of 14.98% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Assessments of the Parent Company with the tax department have been completed up to the year 2015.

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. 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 37.3% (2018: 44.6%). Assessments with the tax department have been completed up to the year financial year 2013-14 (assessment year: 2014-15).

19. Employees end of service benefits

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

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
At 1 January	**1,318,029**	**1,195,534**	1,427,866	1,290,443
Accrued during the year (Note 27)	**266,538**	**240,109**	218,899	188,530
Employees' end of service benefits paid	**(209,636)**	**(176,868)**	(328,736)	(283,439)
At 31 December	**1,374,931**	**1,258,775**	1,318,029	1,195,534

20. Trade and other payables

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Trade payables	13,219,031	8,104,889	21,763,866	14,214,149
Other payables	969,998	376,723	397,428	80,288
Derivatives designated, and effective as hedging instruments carried at fair value (Note 17)	197,871	-	902,341	902,341
Accruals	3,721,567	3,218,638	3,866,324	3,125,925
	18,108,467	11,700,250	26,929,959	18,322,703

21. Bank borrowings

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Short term loans	4,618,800	-	4,965,210	-
	4,618,800	-	4,965,210	-

During the period, the Group availed short-term loans from commercial banks for a period ranging up to 90 days (2018 – 90 days). Bank borrowings carry interest at commercial rates.

22. Cost of sales

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Cost of materials consumed	179,646,931	140,871,320	215,113,040	167,688,104
Employee costs	5,164,990	4,540,275	5,260,927	4,496,776
Depreciation	3,423,875	2,288,905	3,463,167	2,339,489
Amortization of right of use assets (Note 6)	97,909	69,299	-	-
Electricity and water	1,540,062	971,908	1,646,854	1,004,563
Stores, consumables, repairs and maintenance	1,659,835	995,919	1,515,550	974,160
Land lease rent	-	-	157,007	112,007
Provision for slow moving inventories (note 9)	210,765	-	(182,709)	(207,709)
Other direct costs	844,353	595,831	862,732	619,714
	192,588,720	150,333,457	227,836,568	177,027,104

23. Other income

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Insurance claim	**407,642**	**35,727**	3,819	3,819
Gain on sale of property, plant and equipment	**7,178**	**(3,822)**	929	38
Miscellaneous income	**222,281**	**185,260**	204,332	99,054
	637,101	**217,165**	209,080	102,911

24. Administrative expenses

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Employee costs	**4,131,694**	**3,533,247**	3,854,567	3,038,377
Legal and professional charges	**274,421**	**182,003**	565,540	393,945
Insurance	**129,412**	**127,791**	235,967	153,335
Repairs and maintenance	**223,438**	**213,843**	187,047	171,174
Travelling	**117,755**	**82,759**	122,927	96,798
Directors' remuneration	**117,490**	**117,490**	119,800	119,800
Contributions to local organization	**100,000**	**100,000**	100,110	100,000
Communication	**103,646**	**52,113**	92,708	50,110
Other sundry expenses	**128,832**	**42,542**	29,820	37,187
Printing and stationery	**33,750**	**29,848**	51,913	48,302
Vehicle running and Maintenance	**12,637**	**12,637**	35,942	15,174
Allowance for credit losses (note 10)	**1,077,335**	**1,077,112**	(583,849)	(633,368)
	6,450,410	**5,571,385**	4,812,492	3,590,834

25. Selling and distribution expenses

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Marketing and freight	**1,978,045**	**1,081,510**	2,113,191	1,343,997
Employee costs	**974,315**	**825,959**	1,049,780	878,079
Advertisement and sales promotion	**109,088**	**70,472**	173,431	150,215
Travelling	**107,493**	**107,493**	89,941	74,868
	3,168,941	**2,085,434**	3,426,343	2,447,159

26. Finance costs and Finance Income

a) Finance costs (net)

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Interest expenses	**199,507**	**2,491**	409,298	199,996
Bank charges	**202,966**	**179,462**	223,052	106,257
Interest on lease liabilities (Note 6)	**101,941**	**72,922**	-	-
	504,414	**254,875**	632,350	306,253

Finance costs relate to bank borrowings (note 21).

The interest paid reflected in the cash flows is as below.

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Interest expenses	**199,507**	**2,491**	409,298	199,996
Bank charges	**202,966**	**179,462**	223,052	106,257
Accrual (reversal)	**28,883**	**3,923**	(9,000)	(6,088)
Interest paid	**431,356**	**185,876**	623,350	300,165

b) Finance income

	2019		2018	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Foreign currency translation	**154,096**	**128,979**	342,807	338,181
Interest from bond (note 7b)	**55,000**	**55,000**	55,000	55,000
Other finance income	**132,225**	**114,201**	36,899	866
	341,321	**298,180**	434,706	394,047

27. Employee costs

	2019 Group RO	2019 Parent Company RO	2018 Group RO	2018 Parent Company RO
Salaries	**4,041,057**	**2,837,068**	4,278,455	2,988,403
Other benefits	**5,631,401**	**5,533,611**	5,301,879	4,925,379
Contributions to defined retirement plan for Omani employees	**332,003**	**288,693**	366,041	310,920
Employees end of service benefits (Note 19)	**266,538**	**240,109**	218,899	188,530
	10,270,999	**8,899,481**	10,165,274	8,413,232

28. Basic and diluted 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.

	2019 Group	2019 Parent Company	2018 Group	2018 Parent Company
Net profit for the year (RO)	**6,971,890**	**6,429,069**	9,214,465	9,265,149
Weighted average number of shares outstanding during the year	**89,700,000**	**89,700,000**	89,700,000	89,700,000
Basic and diluted earnings per share (RO)	**0.078**	**0.072**	0.103	0.103

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.

	2019 Group	2019 Parent Company	2018 Group	2018 Parent Company
Net assets (RO)	**103,735,341**	**100,003,715**	98,288,819	95,954,708
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)	**1.156**	**1.115**	1.096	1.070

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.

31. Related party transactions

The Group has entered into transactions with Shareholders, 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:

	2019			2018		
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	**6,125,167**	**4,168,551**	**-**	9,807,488	81,676	-
	6,125,167	**4,168,551**	**-**	9,807,488	81,676	-
Parent Company						
Shareholders	**6,125,167**	**4,168,551**	**-**	9,807,488	81,676	-
Subsidiaries	**74,406**	**2,951,145**	**-**	-	2,510,442	-
	6,199,573	**7,119,696**	**-**	9,807,488	2,592,118	-

Compensation of key management personnel
The key management personnel compensation for the year comprises:

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Short term employment benefits	**1,157,011**	**891,218**	1,314,224	853,847
End of service benefits	**50,253**	**33,937**	56,486	42,243
Directors' remuneration	**117,490**	**117,490**	119,800	119,800
	1,324,754	**1,042,645**	1,490,510	1,015,890

Apart from specific bonus provisions to certain top management, the Group 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.

31. Related party transactions(continued)

Compensation of key management personnel (continued)

Directors' remuneration

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Fabio Lgnazio Romeo	**27,158**	**27,158**	26,102	26,102
Mohamed Al Lawati	**28,720**	**28,720**	29,840	29,840
Lara Carolin Mahmoud Hansen	**30,804**	**30,804**	30,774	30,774
Hamad Mohammad Al Wahabi	**-**	**-**	6,333	6,333
Naji Bin Salim Al Riyami	**26,673**	**26,673**	21,637	21,637
Manal Said Al Ghazaliya	**1,526**	**1,526**	-	-
Christian Raskin	**29,762**	**29,762**	28,906	28,906
Michele Binda	**26,637**	**26,637**	27,503	27,503
Fabrizio Rutschman	**28,720**	**28,720**	28,905	28,905
	200,000	**200,000**	200,000	200,000

Directors remuneration includes an amount of RO 82,510 (2018: RO 80,200) as three directors waived their share of directors' remuneration.

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Amounts due from related parties				
Other related parties	**6,328,565**	**6,247,350**	1,892,452	1,625,837
Amounts due to related parties:				
Other related parties	**1,065,488**	**2,223,900**	266,625	21,296
Subsidiaries	**518,520**	**598,277**	21,296	566,752
	1,584,008	**2,822,177**	287,921	588,048

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 six related parties (2018 - three 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

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Capital commitments	**804,490**	**390,791**	345,216	285,940
Letters of credit	**14,748,879**	**8,588,879**	15,949,244	11,329,244

Contingencies

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Letters of guarantee	**12,873,812**	**12,462,296**	12,772,973	12,446,123

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 28,427,181 (2018: RO 29,067,433).

33. 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 deals with banks with satisfactory credit rating and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

33. Financial instruments and related risk management (continued)

Exposure to credit risk

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

	2019		2018	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Trade receivables	**56,342,837**	**51,190,741**	63,908,774	56,859,232
Other receivables	**1,971,130**	**1,888,070**	804,021	246,427
Bank balances	**14,645,062**	**14,478,645**	16,768,385	15,815,995
	72,959,029	**67,557,456**	81,481,180	72,921,654

The company sells its products to large number of customers. Its 5 largest customers account 39.7% of outstanding accounting receivable at 31 December 2019 (2018: 31.22%)

Changes in liabilities arising from financing activities

	1 January 2019 RO	**Cash flows RO**	**Changes in fair value RO**	**Other RO**	**31 December 2019 RO**
Current lease liabilities (Note 6)	**289,134**	**(131,884)**	**-**	**-**	**157,250**
Short term loans	**4,965210**	**(346,410)**	**-**	**-**	**4,618,800**
Non-current lease liabilities (Note 6)	**1,660,053**	**-**	**-**	**76,575**	**1,736,628**
Derivatives	**902,341**	**-**	**(704,560)**	**-**	**197,781**
	7,816,738	**478,294**	**(704,560)**	**76,575**	**6,710,459**

	1 January 2018 RO	Cash flows RO	Changes in fair value RO	Other RO	31 December 2018 RO
Short term loans	8,313,840	(3,348,630)	-	-	4,965,210
Derivatives	38,568	-	863,773	-	902,341
	8,352,408	(3,348,630)	863,773	-	5,867,551

33. Financial instruments and related risk management (continued)

Market risk

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

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

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

The group has short term loans of RO 4,618,800 and for every 0.5% change in interest rate, the impact on the statement of profit or loss will be approximate to RO 20,500 (2018 – RO 21,500) 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. As the Omani Rial is pegged to the US Dollar and major GCC currencies, balances in these currencies 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 weaken or strengthens against the Omani Rials with all other variables held constant.

	Change in Euro rate	Effect on profit before tax
	RO	RO
2019	+5%	**(41,764)**
	-5%	**41,764**
2018	+5%	**(15,000)**
	-5%	**15,000**

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.

33. Financial instruments and related risk management (continued)

Market risk (continued)

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 affect 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.

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**
2019					
Trade and other payables	**11,334,515**	**44,687**	**321,048**	**-**	**11,700,250**
Amount due to related parties	**2,256,708**	**507,417**	**58,052**	**-**	**2,822,177**
Lease liabilities	**-**	**-**	**112,250**	**1,234,409**	**1,346,659**
	13,591,223	**552,104**	**491,350**	**1,234,409**	**15,869,086**
2018					
Trade and other payables	16,492,945	237,289	1,592,469	-	18,322,703
Amount due to related parties	376,389	200,546	11,113	-	588,048
	16,869,334	437,835	1,603,582	-	18,910,751

33. Financial instruments and related risk management (continued)

Liquidity risk (continued)

Group	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
2019					
Trade and other payables	**17,355,730**	**397,222**	**355,515**	**-**	**18,108,467**
Amount due to related parties	**1,018,539**	**507,417**	**58,052**	**-**	**1,584,008**
Lease liabilities	**-**	**-**	**157,250**	**1,736,628**	**1,893,878**
	18,374,269	**904,639**	**570,817**	**1,736,628**	**21,586,353**
2018					
Trade and other payables	24,596,728	411,731	1,921,500	-	26,929,959
Short term loan	4,965,210	-	-	-	4,965,210
	29,561,938	411,731	1,921,500	-	31,895,169

34. 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.

The fair values of financial instruments are not materially different from their carrying values as of the reporting date.

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.

As at 31 December, the Group had investments at fair value thorough other comprehensive income as described in note 7 and are under level 3 fair value measurement category.

34. Fair values of financial instruments

Fair value hierarchy (continued)

Assets measured at fair value

2019	**Total RO**	**Level 1 RO**	**Level 2 RO**	**Level 3 RO**
Parent Company				
Fair value through other comprehensive income (Note 8A)	**168,909**	**-**	**168,909**	**-**
Commodity forward contract (Note 10)	**1,046,410**	**-**	**1,046,410**	**-**
Group				
Fair value through other comprehensive income (Note 8A)	**168,909**	**-**	**168,909**	**-**
Commodity forward contract (net) (Note 10 & 20)	**848,539**	**-**	**848,539**	**-**
2018				
Parent Company				
Fair value through other comprehensive income (Note 8A)	234,059	-	234,059	-
Commodity forward contract (Note 20)	(902,341)	-	(902,341)	-
Group				
Fair value through other comprehensive income (Note 8A)	234,059	-	234,059	-
Commodity forward contract (net) (Note 17)	(639,935)	-	(639,935)	-

During the reporting years ended 31 December 2019 and 31 December 2018, 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.

35. 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 2019 and 31 December 2018.