OmanCables
الكابلات العمانية

AnnualReport

OMAN CABLES INDUSTRY (SAOG)

www.omancables.com

HIS MAJESTY SULTAN QABOOS BIN SAID

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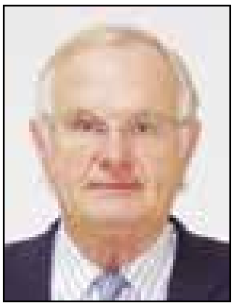
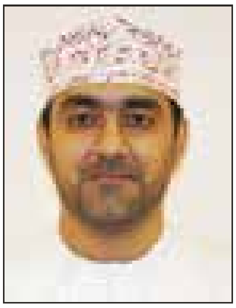
BOARD OF DIRECTORS

Fabio Ignazio Romeo
Chairman



Christian Raskin
Director



Mohamed Mustafa Al Lawati
Vice Chairman

Naji Salim Al Riyami
Director

Mr. Fabrizio Rutschmann
Director

Lara Hansen
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 30th 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

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

Operational Review

After a lackluster 2017, year 2018 started with steady increase in Oil prices, which dropped from OCT onwards. The price of copper which increased initially tapered down from mid-year. This halted the revival of GCC economies slowing down.

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 Net profit for the year.

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

Sales

We are pleased to report the 2018 sales revenues of RO 194.0 million for the Company as compared to RO 199.5 million in 2017. The sales of the Group were RO 247.0 million compared to RO 242.6 million in 2017.

The effect of the oil price levels is having an impact on the business sectors and the pressure on the sales value was felt in all markets and across the different segments. The Company is experiencing delay in payments from customers.

Profitability

The Operating Profit of the Company for the year 2018 was RO 10.9 million as compared to RO 10.4 million in 2017, an increase of 5%. The increase in profitability is attributable to vigorous cost control measures.

The net profit of the Group was RO 9.2 million compared to RO 6.9 million in 2017 an increase of 34%. The increase in group profitability is due to the company's Subsidiary, OAPIL recovering from loss reported in 2017 due to Force Majeure declared by its main supplier of input metal.

Subsidiary: Oman Aluminum Processing Industries LLC, Oman

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

The Company is now directly involved in the operations and management of OAPIL and is focusing on improving production efficiency and reducing cost.

For the year 2018, OAPIL has reported lower loss compared 2017. OAPIL results are consolidated with Oman Cables, the parent company, and are reported as Group results.

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

The operations of ACPL, are under control. The Company is exploring the possibility of growing ACPL operations.

Human Resources

Human Resources plays an important strategic role in the continuous development of the Company and employees are our business partners in this success.

As a response to changing market dynamics, the Group is continuously assessing its employee strength, performance and quality. Prysmian has given valuable input in this area by deputing highly experienced officials to the Parent Company. Three young Omanis have been selected for Prysmian Graduate Trainee Programme, which involves international education and work experience across Prysmian Plants.

Health Safety & Environment

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

Corporate Governance

The company has been following the high standards in the Corporate Governance since its inception. The Board has constituted three committees i.e. Audit Committee, Strategic Management Committee and the Nomination and Remuneration Committee.

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

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

Company has aligned its Corporate Governance with the latest Guidelines issued by Capital Market Authority of Oman and has conducted a Board Evaluation as required through an independent third party evaluator appointed by the shareholders in AGM held on 26 March 2017. In the same meeting the shareholders have approved to appoint Protifity co. to evaluate the board and present a report to the shareholders in the AGM meeting of 2020.

Corporate Social Responsibility

The Company believes that giving back to the community is extremely important. The company has grown manifolds, so has our commitment to the society.

The Company has implemented new initiative aimed towards young Omanis who are being trained at our plant and Prysmian plants worldwide.

Future Outlook

The countries in which the company's products are being marketed, have been facing a slowdown in their respective economies, mainly due to lower oil prices. The Company is gearing up to face the challenge in various ways. While maintaining the focus on existing markets the company is fine tuning its operations to continue to deliver exceptional value to its stakeholders.

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

Dividend:

The Board of Directors, during the board meeting held on 23 January 2019, reviewed the Company's annual accounts. Considering the guidelines issued by the Capital Market Authority, the liquidity requirements for the operational needs and the uninterrupted record of declaration of dividend, the Board members propose distributing a cash dividend to the Oman Cables Industry shareholders.

Taking into account the financial performance for the Board recommends to distribute dividend on paid-up capital, i.e. RO 0.045 baiza for each share with face value of RO 0.100 baiza, to the shareholders registered as on the date of Annual General Meeting.

Directors Remuneration

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

It may be noted that three board members one is representing Prysmian have waived off their portion of remuneration for 2017, in response to drop in 2017 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 Oman Cables Industry SAOG.

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

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

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

Mr. Fabio Romeo
Chairman
Oman Cables Industry (SAOG)

Date: 23 January 2019

Building a better working world

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

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRIES SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Oman Cables Industries SAOG (the "Company") as at and for the year ended 31 December 2018 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 2018. 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 2018 and does not extend to any financial statements of Oman Cables Industries SAOG, taken as a whole.

Ernst & Young LLC

Muscat
23 January 2019

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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 2018

Company's philosophy on Code of Corporate Governance

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

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

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

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

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

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

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

Board of Directors

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

The Board held seven meetings during the year; following are the relevant details of the Directors and meetings attendance as on 31 December 2018

Name	Designation	Category	No. of Board Meeting Attended	AGM attended
Fabio Ignazio Romeo	Chairman	Non-executive Non-independent	6	Yes
Mohamed Mustafa Al Lawati	Vice Chairman	Non-executive Non-Independent	7	Yes
Lara Caroline Mah-moud-Hansen	Director	Non-executive Independent	7	Yes
Naji Salim Al Riyami *	Director	Non-executive Independent	6	No
Christian Raskin	Director	Non-executive Independent	6	Yes
Michele Binda	Director	Non-executive Non-Independent	6	Yes
Fabrizio Rutschmann *	Director	Non-executive Non-Independent	6	Yes
Hamad Mohammad Al Wahaibi *	Director	Non-executive Independent	1	Yes

*For part of the year

Please note that the Company is applying the definition of independent directors as per the revised Code of Corporate Governance for Publicly Listed Companies announced by the Capital Market Authority in July 2015.

The following changes took place in the Board of directors during 2018:
In the Annual General Meeting held on 26 March 2018, Mr. Naji Salim Al Riyami was elected as a Director in place of Mr. Hamad Mohammad Al Wahaibi.

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

Name of Director	Designation in other Companies	Name of Company
Fabio Ignazio Romeo Chairman	Chief Strategy Officer 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 Mustafa Al Lawati.	- Assistant to Chairman - Director - Director	- Al-Saleh Group - Al-Saleh Mauritius - ASE India Pvt. Ltd
Lara Caroline Mahmoud-Hansen,	General Manager	Feed & Agricultural Suppliers Services Co. LLC
Naji Salim Al Riyami	Director	Majan Development SAOC
Christian Raskin	Director	EVS Belgium
Michele Binda	Executive Senior Legal Counsel	Prysmian SpA
Fabrizio Rutschmann	Chief Human Resources Officer	Prysmian Group

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

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

Mrs. Lara Caroline Mahmoud-Hansen has a Bachelor of Arts from the University of Wisconsin and Juris Doctor from Rutgers University, New Jersey. She has practiced Oman corporate and commercial law for 16 years, specializing in corporate governance. Mrs. Hansen was the principal external legal advisor to Oman Cables Industry SAOG from 1998 to 2011. She is currently an owner and the general manager of Feed & Agricultural Suppliers Services Co LLC.

Mr Naji Salim Al Riyami 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.

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

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

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

Company Management

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

- Ali Habaj is the Chief Executive Officer since July 2017. Ali is a seasoned professional with an experience of more than 25 Years in varied organizations. Mr. 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.

- Manoj M. Vaidya, Chief Financial Officer has experience of 36 years, of which 31 years at executive management levels. Responsible for Finance and Risk Management functions.

- Louis Dupreez, Chief Officer - Sales and Marketing has experience of 39 years in industry, of which 29 years at executive management levels. Responsible for Sales, Marketing and Customer Service.

- Ramon Pallares - Chief Operating Officer, with 29 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.

- Muhanned Al-Lawati, Chief - Production has experience of 11 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 14 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.

Board Meetings held during the year:

During the year 2018, the company held seven Board Meetings on the following dates:
17 January 2018, 26 March 2018, 24 April 2018, 30 May 2018, 18 July 2018, 15 October 2018 and 15 November 2018.

In the meetings held on 15 October 2018 and 15 November 2018, a few Board members attended via video conferencing.

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

Committees of the Board of Directors:

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

Audit Committee

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

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

Name	Designation	No. of meetings attended
Naji Salim Al Riyami *	Chairman	5
Lara Caroline Mahmoud-Hansen	Member	6
Christian Raskin	Member	5
Mohamed Mustafa Al Lawati	Member	6
Hamad Mohammad Al Wahaibi *	Chairman	1

*Part of the year

During the year 2018, Audit Committee met and conducted six meetings on the following dates, 16 January 2018, 23 April 2018, 30 May 2018, 17 July 2018, 14 October 2018 and 15 November 2018.

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

Name	Designation	No. of meetings attended
Christian Raskin	Chairman	4
Fabio Ignazio Romeo	Member	3
Mohamed Mustafa Al Lawati	Member	4
Fabrizio Ruschmann*	Member	3
Ali Habaj	Member	4
Manoj M. Vaidya	Member	4
Louis Dupreez*	Member	2

*For part of the year

During the year 2018, Strategic Management Committee conducted four meetings on the following dates 16 January 2018, 23 April 2018, 17 July 2018 and 14 October 2018.

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

Nomination and Remuneration Committee

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

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

Name	Designation	No. of meetings attended
Lara Caroline Mahmoud-Hansen	Chairman	6
Michele Binda	Member	6
Fabrizio Rutschmann	Member	6

During the year 2018, the Nomination and Remuneration Committee conducted six meetings on the following dates, 16 January 2018, 15 February 2018, 23 April 2018, 16 July 2018, 13 October 2018 and 13 November 2018.

In the meetings held on 16 July 2018 and 13 November 2018, a few Board members attended via video conferencing.

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, stating that from the board and committee's meetings held on 20 January 2016 and onward no sitting fees will be paid.
The Board of Directors proposed Director's remuneration of RO 200,000 (2017: 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 2018, 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 forego their share of the remuneration payable to them amounting to RO 80,200.

Operating Management Remuneration:

Salary and perquisites of the five top senior officers paid / accrued during the year 2018 is RO 672,408 (2017: RO 648,223), which includes RO 627,408 (2017: RO 521,209) as fixed component and RO 45,000 (2017: RO 127,014) linked to the performance in 2017. 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 ended 31/12/2020.

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

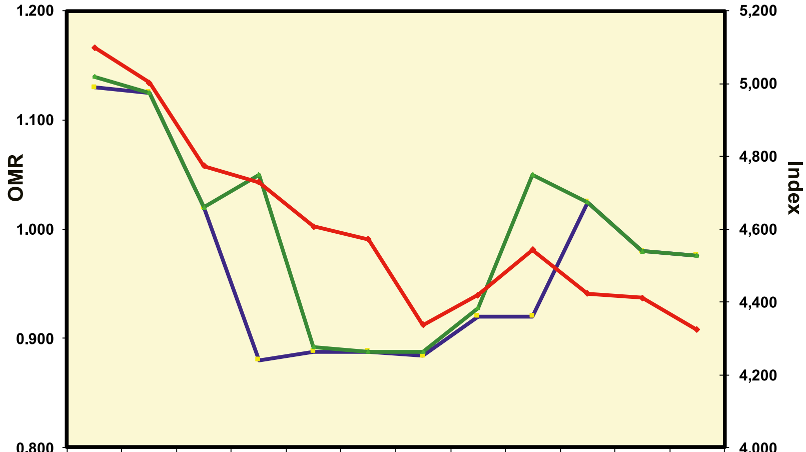
In regard to the Annual audited accounts, after the Annual General Meeting's approval, such financial statements are published in two local newspapers and submitted to Capital Market Authorities. This information is also posted on the Company's website.
All relevant major events impacting the company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

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

Market price data

During the period 2018 the share price of RO 0.100 face value moved in the range of high of RO 1.140 to a low of RO 0.880. The share price closed as on 31 December 2018 at RO 0.976.

OCI SHARE PRICE V/S MSM 30 INDEX - 2018



	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Low	1.130	1.125	1.020	0.880	0.888	0.888	0.884	0.920	0.920	1.025	0.980	0.976
High	1.140	1.125	1.020	1.050	0.892	0.888	0.888	0.928	1.050	1.025	0.980	0.976
Index	5,099	5,003	4,774	4,729	4,607	4,572	4,337	4,419	4,544	4,423	4,412	4,324

The distribution of Major Shareholding as on 31 December 2018 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 2018 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

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

The MENA practice of EY has been operating in the region since 1923 and employs over 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 4,600 partners and approximately 106,775 professionals. Globally, EY operates in more than 150 countries and employs 261,559 professionals in 110 offices. Please visit ey.com for more information about EY.
The audit fees for 2018 are RO 14,500.

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.

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
Date: 23 January 2019

MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

Industry Structure and Development

The Cable Industry is a part of Electrical Sector which caters to projects related to basic Infrastructure of commercial or residential nature, various Industries, and Government utilities and so on. These projects tend to be capital intensive and thus are dependent long term strategy, growth of economy and resultant 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 the markets OCI operates, Copper is the main material used in electrical cables. Recently there is a trend towards using aluminum in some market sectors. OCI is carefully monitoring the situation. OCI is capable of processing both materials.

Cable Industry is characterized by many players 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 linked to large projects and in turn are linked to Oil Prices and Govt. revenue. These market having favorable demography and growing population present a long term opportunity for Cable Industry

Oil prices which has seen the bottom in end 2015 have since, been on steady increase during 2018, however since October 2018 the upward trend has been reversed and the GCC economies which were looking up are now under pressure again.

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

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

Oman Cables has plans and strategies in place to counter this thru market development and product diversification and cost control. 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 2018. The slow rise in Oil price and its effect on not re starting shelved projects manifested fully in the third quarter of 2018. In the fourth quarter the slump in oil prices has further added to the pressure.

The margin erosion which was witnessed during 2017, is continuing 2018 and is a serious challenge facing the company

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. However the market for Aluminum rods continues to be remunerative.

Outlook

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

Oman Cables expects to maintain its presence in the market and is well equipped to face the challenges based on operational excellence executed by a customer focused performance, efficient resource utilization, managing the cost structure, perform a market driven expansion, and sound financial discipline.

The outlook for Oman Aluminum Industries LLC (OAPIL) is challenging

Risk and Concerns

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

The domestic market may remain active based on the government's spend as indicated in the State Budget for 2019. Oman Cables Industry will remain vigilant and ensure that supplying a superior product with competitive pricing is maintained.

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

Internal Control Systems and their adequacy

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

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

Sales and Profitability

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

	2014	2015	2016	2017	2018
Sales (RO' 000)	303,146	283,411	228,639	242,258	247,011
Profit after Tax (RO' 000)	17,718	18,507	15,254	6,851	9,214
Equity (RO' 000)	83,498	92,738	101,908	99,978	102,723
Dividend (%)	90%	90%	85%	45%	*45%

*recommended by the Board of Directors

Conclusion

During 2018, the company and group has reported improved profitability mainly due to vigorous cost control efforts, working capital management, OCI has well planned long term marketing efforts for utilization of production capacity and overall emphasis on operational excellence, with synergies from Prysmian Group.

Oman Cables performance is possible due to its excellent relationship and support of the prestigious customer base, other stakeholders and dedicated employees.

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

Mr. Ali Habaj
Chief Executive Officer
Oman Cables Industry (SAOG)
Date: 23 January 2019

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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 2018, 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 2018 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

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)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td> 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.
The Group has adopted International Financial Reporting Standards - IFRS 9 Financial Instruments, effective from 1 January 2018. As a result, a forward-looking expected loss impairment model was applied by the Group. The adjustment made to the Group's retained earnings upon transition to IFRS 9 as of 1 January 2018 for trade receivables amounted to RO 1,225,362.
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 2.1 and Note 9 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. </td>
<td> 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 from 1 January 2018, 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 9 of the financial statements. </td></tr>
</table>

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

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Inventory valuation for consolidated and separate financial statements The Group's inventory mainly consist of finished goods, raw materials, work in progress and consumables. Given the materiality to the financial statements, this was a key audit matter. Assessing the net realisable value of inventory is an area of significant judgement, in particular the estimation of provision for slow-moving and obsolete inventory is a critical accounting estimate and judgement.	We obtained assurance over the appropriateness of management's assumptions applied in calculating the net realisable value and allowance for slow moving and obsolete inventory by: • Assessing physical condition of inventory while attending the inventory count; • Assessing the ageing of inventories, inventory levels, consumption patterns and net realisable value to identify whether the inventory requires a write down. • Considering write down of inventories to net realisable value, by comparing current estimated selling price obtained through a review of future market conditions, trends and selling price to the cost of inventories. • Reviewing the historical inventory allowance and the level of inventory write-offs over the years. • Determining an independent expectation of slow moving and obsolete inventory using relevant data and assumptions. The nature of inventory and the movement in provision for is set out in note 8 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.

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 8 and 16 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 2018 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 2018 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 2018 Annual Report after the date of our auditor's report:

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young LLC

P Stanton

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Philip Stanton
Muscat
23 January 2019

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of financial position at 31 December 2018

	Notes	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO Restated*	Parent Company 2017 RO	Group 1 January 2017 RO Restated*
ASSETS						
Non-current assets						
Property, plant and equipment	5	31,740,112	20,976,725	35,028,022	23,104,993	37,591,311
Investment in subsidiaries	6	-	3,187,547	-	3,187,547	567,690
Investment securities	7	1,286,294	1,234,059	1,162,889	1,162,889	1,230,017
Total non-current assets		33,026,406	25,398,331	36,190,911	27,455,429	39,389,018
Current assets						
Inventories	8	25,152,083	20,858,157	30,536,801	23,199,458	29,382,246
Trade and other receivables	9	62,462,994	54,909,531	64,286,711	60,364,173	64,556,445
Due from related parties	30	1,892,452	1,625,837	4,314,555	4,314,555	174,858
Cash and bank balances	10	16,820,673	15,865,101	6,791,042	5,352,656	6,601,232
Total current assets		106,328,202	93,258,626	105,929,109	93,230,842	100,714,781
Total assets		139,354,608	118,656,957	142,120,020	120,686,271	140,103,799
EQUITY AND LIABILITIES						
Equity						
Share capital	11	8,970,000	8,970,000	8,970,000	8,970,000	8,970,000
Share premium	12	977,500	977,500	977,500	977,500	977,500
Legal reserve	13	4,445,333	2,990,000	4,445,333	2,990,000	4,445,333
General reserve	14	13,887,042	12,734,103	12,960,527	11,807,588	10,992,357
Retained earnings		70,723,770	71,185,956	67,697,682	68,109,184	70,153,903
Cumulative changes in fair values	16	(714,826)	(902,851)	671,928	680,260	1,132,075
Equity attributable to equity holders of the parent		98,288,819	95,954,708	95,722,970	93,534,532	96,671,168
Non-controlling interests		4,434,661	-	4,255,010	-	5,237,017
Total equity		102,723,480	95,954,708	99,977,980	93,534,532	101,908,185
Non-current liabilities						
Deferred tax liability	17	1,278,841	802,113	1,409,476	878,634	1,089,271
Employees end of service benefits	18	1,318,029	1,195,534	1,427,866	1,290,443	1,435,596
Total non-current liabilities		2,596,870	1,997,647	2,837,342	2,169,077	2,524,867
Current liabilities						
Trade and other payables	19	26,929,959	18,322,703	29,402,726	23,004,397	22,259,161
Due to related parties	30	287,921	588,048	3,924	454,353	-
Bank borrowings	20	4,965,210	-	8,324,128	10,288	9,619,910
Current maturities of term loans		-	-	-	-	1,625,116
Taxation	17	1,851,168	1,793,851	1,573,920	1,513,624	2,166,560
Total current liabilities		34,034,258	20,704,602	39,304,698	24,982,662	35,670,747
Total liabilities		36,631,128	22,702,249	42,142,040	27,151,739	38,195,614
Total equity and liabilities		139,354,608	118,656,957	142,120,020	120,686,271	140,103,799
Net assets per share	28	1.096	1.070	1.067	1.043	1.077

* The group has restated previous year balances. Please refer note 36 for details.

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 23 January 2019

Chairman **Chief Executive Officer**

The accompanying notes 1 to 36 form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of income for the year ended 31 December 2018

	Notes	Group 2018 RO	Parent company 2018 RO	Group 2017 RO Restated	Parent Company 2017 RO
Sales		**247,011,253**	**193,955,918**	242,258,265	199,469,406
Cost of sales	21	**(227,836,568)**	**(177,027,104)**	(223,595,667)	(180,858,926)
Gross profit		**19,174,685**	**16,928,814**	18,662,598	18,610,480
Other income	22	**209,080**	**102,911**	112,326	55,857
Administrative expenses	23	**(4,812,492)**	**(3,590,834)**	(6,147,469)	(5,085,977)
Selling and distribution expenses	24	**(3,426,343)**	**(2,447,159)**	(3,929,763)	(3,071,892)
Depreciation		**(145,728)**	**(99,047)**	(193,901)	(112,678)
Operating profit		**10,999,202**	**10,894,685**	8,503,791	10,395,790
Finance costs	25 (a)	**(632,350)**	**(306,253)**	(690,448)	(407,137)
Finance income	25 (b)	**434,706**	**394,047**	142,471	133,850
Share of results of an associate		**-**	**-**	9,790	9,790
Fair value adjustment on conversion of an associate to subsidiary		**-**	**-**	(289,282)	(289,282)
Profit before income tax		**10,801,558**	**10,982,479**	7,676,322	9,843,011
Income tax expense	17	**(1,667,564)**	**(1,717,330)**	(1,799,078)	(1,690,699)
Profit for the year		**9,133,994**	**9,265,149**	5,877,244	8,152,312
Attributable to:					
Equity holders of the parent		**9,214,465**	**9,265,149**	6,851,225	8,152,312
Non-controlling interests		**(80,471)**	**-**	(973,981)	-
		9,133,994	**9,265,149**	5,877,244	8,152,312
Basic and diluted earnings per share attributable to ordinary equity holders of the parent company	27	**0.103**	**0.103**	0.076	0.091
Gross profit margin		**7.76%**	**8.73%**	7.70%	9.33%
Net profit margin		**3.70%**	**4.78%**	2.43%	4.09%

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of comprehensive income for the year ended 31 December 2018

	Group 2018 RO	Parent Company 2018 RO	Group 2017 RO Restated	Parent Company 2017 RO
Profit for the year	**9,133,994**	**9,265,149**	5,877,244	8,152,312
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Net movement in hedging commodity future contracts	**(1,052,249)**	**(1,583,111)**	(563,333)	(546,952)
Exchange difference on foreign currency translation of subsidiary	**(74,383)**	**-**	95,159	95,159
Other comprehensive loss for the year	**(1,126,632)**	**(1,583,111)**	(468,174)	(451,793)
Total comprehensive income for the year	**8,007,362**	**7,682,038**	5,409,070	7,700,519
Attributable to:				
Equity holders of the parent	**7,827,711**	**7,682,038**	6,391,078	7,700,519
Non-controlling interests	**179,651**	**-**	(982,008)	-
	8,007,362	**7,682,038**	5,409,070	7,700,519

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of changes in equity for the year ended 31 December 2018

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 2017	8,970,000	977,500	4,445,333	10,992,357	70,200,489	1,132,075	96,717,754	5,281,777	101,999,531
Adjustment related to restatement (Note 36)	-	-	-	-	(46,587)	-	(46,587)	(44,759)	(91,346)
Profit for the year	-	-	-	-	6,851,225	-	6,851,225	(973,981)	5,877,244
Other comprehensive loss	-	-	-	-	-	(460,147)	(460,147)	(8,027)	(468,174)
Total comprehensive income	-	-	-	-	6,804,638	(460,147)	6,344,491	(1,026,767)	5,317,724
Acquisition of a subsidiary	-	-	-	1,152,939	(867,714)	-	285,225	-	285,225
Dividend for the year 2016	-	-	-	-	(7,624,500)	-	(7,624,500)	-	(7,624,500)
Transfer to general reserve	-	-	-	815,231	(815,231)	-	-	-	-
Balance at 31 December 2017*	8,970,000	977,500	4,445,333	12,960,527	67,697,682	671,928	95,722,970	4,255,010	99,977,980
Transition adjustment on initial application of IFRS 9 (Note 2.1)	-	-	-	-	(1,225,362)	-	(1,225,362)	-	(1,225,362)
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 15)	-	-	-	-	(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**

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated.

The accompanying notes 1 to 36 form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of changes in equity for the year ended 31 December 2018 (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 2017	8,970,000	977,500	2,990,000	10,992,357	68,396,603	1,132,053	93,458,513
Profit for the year	-	-	-	-	8,152,312	-	8,152,312
Other comprehensive income	-	-	-	-	-	(451,793)	(451,793)
Total comprehensive income	-	-	-	-	8,152,312	(451,793)	7,700,519
Dividend for the year 2016 (note 15)	-	-	-	-	(7,624,500)	-	(7,624,500)
Transfer to general reserve	-	-	-	815,231	(815,231)	-	-
Balance at 31 December 2017*	8,970,000	977,500	2,990,000	11,807,588	68,109,184	680,260	93,534,532
Transition adjustment on initial application of IFRS 9 (Note 2.1)	-	-	-	-	**(1,225,362)**	-	**(1,225,362)**
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/(loss)	**-**	**-**	**-**	**-**	**9,265,149**	**(1,583,111)**	**7,682,038**
Dividend for the year 2017	**-**	**-**	**-**	**-**	**(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**

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated.

The accompanying notes 1 to 36 form an integral part of these financial statements

OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Statement of cash flows for the year ended 31 December 2018

	Group 2018 RO	**Parent Company 2018 RO**	Group 2017* RO	Parent Company 2017* RO
Operating activities				
Cash receipt from sales	**253,433,075**	**201,030,026**	240,915,917	194,478,106
Cash paid towards cost of sales and expenses	**(233,754,756)**	**(184,549,851)**	(226,371,377)	(180,404,045)
Cash generated from operations	**19,678,319**	**16,480,175**	14,544,540	14,074,061
Interest received	**61,215**	**55,866**	61,549	57,464
Income tax paid	**(1,519,375)**	**(1,513,624)**	(2,119,329)	(1,989,150)
Directors' remuneration paid	**(119,800)**	**(119,800)**	(197,800)	(197,800)
Net cash flows from operating activities	**18,100,359**	**14,902,617**	12,288,960	11,944,575
Investing activities				
Purchase of property, plant and equipment	**(353,680)**	**(315,512)**	(1,022,940)	(879,096)
(Disposal)/Purchase of investment securities	**(71,170)**	**(71,170)**	67,128	67,128
Proceeds from disposal of property, plant and equipment	**30,083**	**5,281**	23,426	18,070
Acquisition of a subsidiary	**-**	**-**	(577,530)	(577,530)
Net cash used in investing activities	**(394,767)**	**(381,401)**	(1,509,916)	(1,371,428)
Financing activities				
Dividends paid to equity holders of the parent	**(4,036,500)**	**(4,036,500)**	(7,624,500)	(7,624,500)
Net movement in short term loans	**(3,348,630)**	**-**	(1,306,070)	(3,500,000)
Interest paid	**(280,543)**	**38,017**	(616,912)	(338,131)
Repayment of term loans	**-**	**-**	(1,625,116)	-
Net cash used in financing activities	**(7,665,673)**	**(3,998,483)**	(11,172,598)	(11,462,631)
Net change in cash and cash equivalents during the year	**10,039,919**	**10,522,733**	(393,554)	(889,484)
Cash and cash equivalents at 1 January	**6,780,754**	**5,342,368**	7,174,308	6,231,852
Cash and cash equivalents at 31 December	**16,820,673**	**15,865,101**	6,780,754	5,342,368
Cash and cash equivalents at the end of the year comprise:				
Current accounts	**16,768,385**	**15,815,995**	6,762,763	5,324,755
Cash in hand	**52,288**	**49,106**	28,279	27,901
	16,820,673	**15,865,101**	6,791,042	5,352,656
Bank overdrafts	**-**	**-**	(10,288)	(10,288)
	16,820,673	**15,865,101**	6,780,754	5,342,368

*The Group has initially applied IFRS 15 and IFRS 9 at 1 January 2018. Under the transition method chosen, comparative information has not been restated.

The accompanying notes 1 to 36 form an integral part of these financial statements

1. Legal status and principal activities

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

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

The Company held 40% shares in Associated Cables Private Limited, India ("the subsidiary") since 2009 and further acquired balance 60% shares on 5 December 2017 making it a wholly owned subsidiary. ACPL was registered in India in July 1973.

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

2.1 New and amended standards and interpretations to IFRS

For the year ended 31 December 2018, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2018.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions
- IAS 40 (amendments) Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Amendments to IFRS 1 Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures

The adoption of these standards and interpretations has not resulted in any major changes to the Group's accounting policies except IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial instruments" whose effects on the Group's consolidated financial statements are mentioned below:

IFRS 15 — Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group's adoption of IFRS 15 under modified retrospective method had no material impact on the consolidated financial statements of the Group.

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

2.1 New and amended standards and interpretations to IFRS (continued)

IFRS 9 — Financial Instruments
The Group has adopted IFRS 9 - Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarised below:

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. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost have been replaced by:

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and
(3) Financial assets carried at fair value through profit or loss (FVTPL)

(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 Company'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.

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

2.1 New and amended standards and interpretations to IFRS (continued)

IFRS 9 — Financial Instruments (continued)

a) Classification of financial assets (continued)

(1) Financial assets at amortised cost (continued):

(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.

(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 includes debt instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its debt instruments at FVOCI. Debt instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Group's debt instruments were classified as AFS financial assets.

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.

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

2.1 New and amended standards and interpretations to IFRS (continued)

IFRS 9 — Financial Instruments (continued)

a) Classification of financial assets (continued)

(3) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. The Group does not have financial assets at fair value through profit or loss.

b) Impairment of financial assets

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group 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. 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.

c) Hedge accounting

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 did not have a significant impact on the Group's consolidated financial statements.

d) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

a) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and fair value reserve as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

2.1 New and amended standards and interpretations to IFRS (continued)

IFRS 9 — Financial Instruments (continued)

d) Transition (continued)

b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets as measured at FVOCI.

Impact of adopting IFRS 9

The adoption of this change in accounting policy has reduced the retained earnings as at 1 January 2018 by RO 1,225,362 as follows:

	Retained earnings RO
Closing balance at 31 December 2017 as reported	**67,697,682**
Impact on recognition of ECL on trade receivables:	
ECL under IFRS 9 for trade receivables at amortised cost	**(1,225,362)**
Impact on reclassification and re-measurement:	
Re-measurement of investment securities (equity) from available-for-sale to FVOCI	**-**
Re-measurement of financial asset at amortised cost	**-**
Total transition adjustment on adoption of IFRS 9 as at 1 January 2018	**(1,225,362)**
Adjusted opening balance as at 1 January 2018	**66,472,320**

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

2.1 New and amended standards and interpretations to IFRS (continued)

IFRS 9 — Financial Instruments (continued)

d) Transition (continued)

Classification of financial assets on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's consolidated financial assets as at 1 January 2018. There is no transition impact of IFRS 9 financial instruments in the subsidiaries.

	Original classification (IAS 39)	*New classification (IFRS 9)*	*Original Carrying amount*	*Re-measurement – ECL*	*Re-measurement - Others*	*New carrying amount*
			RO'000	*RO'000*	*RO'000*	*RO'000*
Financial assets						
Bank balances and cash	Loans and receivables	Amortised cost	6,791	-	-	6,791
Trade, related parties and other receivables (excluding advances and prepayments)	Loans and receivables	Amortised cost	67,506	(1,226)	-	66,280
Investment securities – Available For Sale	AFS	FVOCI	162	-	-	162
Investment securities – Held to maturity	Held to maturity	Amortised cost	1,000	-	-	1,000
Total Financial assets			**75,459**	**(1,226)**	**-**	**74,233**

The adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

Judgments, estimates and assumptions
In the process of applying the Group's accounting policies, management has made the following judgments, which has the most significant effect in the amounts recognised in the consolidated financial statements:

Classification of financial assets - policy applicable from 1 January 2018
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Impairment of financial assets at amortised cost - policy applicable from 1 January 2018
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.

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

2.2 Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2018:

- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Amendments to IFRS 9: Prepayments features with negative compensation
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle (issued in December 2017)
  - IFRS 3 Business Combinations
  - IFRS 11 Joint Arrangements
  - IAS 23 Borrowing Costs
  - IAS 12 Income Taxes

Management does not expect that the adoption of the above new and amended standards and the interpretation to a standard will have a significant impact on the Group's consolidated financial statements, except for the IFRS 16 "Leases" whose effects on the Group's consolidated financial statements are explained below.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).

Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

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

2.2 Standards issued but not yet effective (continued)

IFRS 16 Leases (continued)

Transition to IFRS 16
The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below.

This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2019 when the Group adopts IFRS 16.

Lease in which the Group is a lessee
The Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities (see note 32). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous as described in Note 32. Instead, the Group will include the payments due under the lease in its lease liability.

Based on the information currently available, the Group estimates that it will recognise right of use assets approximately amounting to RO 2,100,000 and lease liabilities approximately amounting to RO 2,000,000 as at 1 January 2019 with an impact on the retained earnings approximately amounting to RO 150,000 as the Group plans to follow the modified retrospective transition method for initial application of IFRS 16 and will recognise the right-of-use assets based at the present value of the remaining lease rentals from 1 January 2019.

No significant impact is expected for the Group’s finance leases.

Lease in which the Group is a lessor
The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group expects no significant impact in which group is a lessor.

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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.

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.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Property, plant and equipment

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

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

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

As IFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of IFRS 9 did not have a significant impact on the Group's consolidated financial statements.

Financial instruments - Policy before 1 January 2018 (Refer Note 2.1 for policy applicable after 1 January 2018)

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

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments – Policy before 1 January 2018 (Refer Note 2.1 for policy applicable after 1 January 2018) (continued)

Financial assets (continued)

Subsequent measurement (continued)
These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments and realized gain and loss are recognised in the statement of income.

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

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

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

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

Impairment and un-collectability of financial assets

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

(a) For assets carried at fair value, impairment is the difference between cost and fair value;

(b) For assets carried at cost, impairment is the difference between cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

3. Summary of significant accounting policies (continued)

Financial instruments - Policy before 1 January 2018 (Refer Note 2.1 for policy applicable after 1 January 2018) (continued)

Impairment of non-financial assets

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

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

Financial liabilities

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

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

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

Borrowings

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

Accounts payable and accruals

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

3. Summary of significant accounting policies (continued)

Financial instruments - Policy before 1 January 2018 (Refer Note 2.1 for policy applicable after 1 January 2018) (continued)

De-recognition of financial instruments

Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a Group of similar financial assets) is de-recognised when:

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

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

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

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

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of income.

Inventories

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

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

3. Summary of significant accounting policies (continued)

Dividend on ordinary shares

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

Restructuring provisions

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

Revenue recognition – Policy applicable from 1 January 2018

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, conductors and aluminum rods
Revenue from sale of electrical cables, conductors and aluminum rods 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 – Policy applicable from 1 January 2018 (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 in note 2.1.

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.

Revenue recognition – Policy before 1 January 2018
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

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

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

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

3. Summary of significant accounting policies (continued)

Leases

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

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

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

Borrowing costs

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

Foreign currency translation

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

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

As at the reporting date, the assets and liabilities of group entities are translated into the functional currency of the Group financial statements (the Rial Omani) at the rate of exchange ruling at the reporting date and its statements of comprehensive income is translated at the weighted average exchange rates for the year. Exchange differences arising on equity accounting of foreign subsidiary are taken directly to the foreign currency translation reserve. Foreign currency translation reserve is recognised in equity under cumulative changes in fair value. On disposal of the foreign operations, such exchange differences are recognised in the statement of comprehensive income as part of the profit or loss on sale. A write down of the carrying amount of a foreign operation does not constitute a disposal.

Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. Summary of significant accounting policies (continued)

Income tax (continued)

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

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

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

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

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

Fair value measurement of financial instruments

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

Directors' remuneration

The Parent Company follows the Commercial Companies Law 1974 (as amended), and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to the statement of profit or loss in the year to which 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 investments –applied before 1 January 2018

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

For estimates and assumptions applicable on classification of investments after 1 January 2018, refer note 2.1.

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 accounts receivable - applied before 1 January 2018

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

For estimates and assumptions on the impairment of accounts receivables applicable after 1 January 2018, refer note 2.1.

At the reporting date, Group trade receivables were RO 63,908,774 (2017: RO 65,059,634), and the provision for doubtful debts was RO 2,508,212 (2017: RO 1,867,674).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.

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

Key sources of estimation uncertainties (continued)

Impairment of inventories (continued)
At the reporting date, gross inventories were RO 26,704,374 (2017: RO 32,271,801) and the provisions for slow moving and obsolete inventories of RO 1,552,291 (2017: RO 1,735,000) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

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

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

5. Property, plant and equipment

Group 31 December 2018	Buildings	Plant and machinery	Electrical equipment & installations	Motor vehicles	Furniture, fixtures & fittings	Office equipment	Material handling equipment	oose 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

Notes to the financial statements at 31 December 2018 (continued)

5. Property, plant and equipment (continued)

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

5. Property, plant and equipment (continued)

Parent Company 31 December 2018	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 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

Notes to the financial statements at 31 December 2018 (continued)

5. Property, plant and equipment (continued)

Parent Company 31 December 2017	Buildings	Plant and machinery	Electrical equipment and installations	Motor vehicles	Furniture, fixtures and fittings	Office equipment	Material handling equipment	Loose tools	Laboratory equipment	Capital work-in-progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost											
At 1 January 2017	11,746,144	29,785,127	1,571,211	202,955	586,455	1,050,218	2,846,599	247,587	2,279,907	-	50,316,203
Additions	123,359	93,948	-	-	49,821	29,358	92,774	2,483	195,566	291,787	879,096
Disposals	-	(11,200)	-	(55,000)	(7,472)	(55,058)	(142,934)	-	(702)	-	(272,366)
Transfers	128,710	163,077	-	-	-	-	-	-	-	(291,787)	-
At 31 December 2017	11,998,213	30,030,952	1,571,211	147,955	628,804	1,024,518	2,796,439	250,070	2,474,771	-	50,922,933
Depreciation											
At 1 January 2017	5,186,925	13,717,969	1,357,413	180,321	526,346	916,957	2,156,436	211,259	1,341,580	-	25,595,206
Charge for the year	575,050	1,393,801	34,742	7,872	38,766	66,040	176,432	23,559	175,925	-	2,492,187
Disposals	-	(11,197)	-	(54,998)	(7,389)	(52,591)	(142,577)	-	(701)	-	(269,453)
At 31 December 2017	5,761,975	15,100,573	1,392,155	133,195	557,723	930,406	2,190,291	234,818	1,516,804	-	27,817,940
Carrying amount											
At 31 December 2017	6,236,238	14,930,379	179,056	14,760	71,081	94,112	606,148	15,252	957,967	-	23,104,993
At 31 December 2016	6,559,219	16,067,158	213,798	22,634	60,109	133,261	690,163	36,328	938,327	-	24,720,997

6. Investment in subsidiaries

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

Name of the subsidiary	**2018** Group and Parent Company % Holding	**2018** Carrying value RO	**2018** Cost RO	2017 Group and Parent Company % Holding	2017 Carrying value RO	2017 Cost RO
Oman Aluminium Processing industries L.L.C	**51%**	**2,226,660**	**2,226,660**	51%	2,226,660	2,226,660

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

The statement of profit or loss of the Group has been made after consolidating the financial statements of OAPIL and the 49% share of loss of RO 80,471 (2017: loss of RO 973,981) 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)

Name of the subsidiary	**2018** Group and Parent Company % Holding	**2018** Carrying value RO	**2018** Cost RO	2017 Group and Parent Company % Holding	2017 Carrying value RO	2017 Cost RO
Associated Cables Private Limited, India (ACPL)	**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 23,432 (2017: Loss of RO 302,191) 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.

7. Investment Securities

Disclosed in the statement of financial position as follows:

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Available for sale – Non current	-	-	162,889	162,889
Held-to-maturity investment	-	-	1,000,000	1,000,000
Amortised costs (note b)	1,052,235	1,000,000	-	-
Investments at fair value through other comprehensive income (note a)	234,059	234,059	-	-
	1,286,294	**1,234,059**	1,162,889	1,162,889

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

	2018 Group and Parent Company Market value RO	2018 Group and Parent Company Cost RO	2017 Group and Parent Company Market value RO	2017 Group and Parent Company Cost RO
Unquoted investments (refer note below)	234,059	234,059	162,889	162,889
Marketable securities listed on the Muscat Securities Market	-	510	-	510
	234,059	**234,569**	162,889	163,399

During the year, the Group invested (net) RO 71,170 (2017: net refund of RO 67,128) 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.

8. Inventories

	2018		2017		1 January 2017
	Group	**Parent Company**	Group (Restated)	Parent Company	Group (Restated)
	RO	**RO**	RO	RO	RO
Raw materials	**6,514,291**	**5,848,571**	5,335,448	2,873,432	4,749,436
Spares, consumables and scrap	**3,632,957**	**2,191,381**	4,286,956	2,961,741	3,497,060
Finished goods	**14,406,237**	**13,048,296**	18,514,369	15,766,919	19,374,179
	24,553,485	**21,088,248**	28,136,773	21,602,092	27,620,675
Work-in-progress	**1,653,257**	**1,149,874**	3,683,859	2,856,197	2,982,378
Goods in transit	**497,632**	**122,326**	451,169	451,169	421,193
	26,704,374	**22,360,448**	32,271,801	24,909,458	31,024,246
Less :provision for slow moving and obsolete items	**(1,552,291)**	**(1,502,291)**	(1,735,000)	(1,710,000)	(1,642,000)
	25,152,083	**20,858,157**	30,536,801	23,199,458	29,382,246

Raw materials includes an amount of RO 829,986 for Parent Company and RO 693,101 for Group (2017 – Parent Company RO 2,203,157 and Group RO 2,448,817), 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 2018.

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

	2018		2017	
	Group	**Parent Company**	Group	Parent Company
	RO	**RO**	RO	RO
At the beginning of the year	**1,735,000**	**1,710,000**	1,642,000	1,610,000
Net provision for the year	**(182,709)**	**(207,709)**	93,000	100,000
	1,552,291	**1,502,291**	1,735,000	1,710,000

9. Trade and other receivables

	2018 Group	2018 Parent Company	2017 Group	2017 Parent Company	1 January 2017 Group Restated
	RO	RO	RO	RO	RO
Trade receivables	**63,908,774**	**56,859,232**	65,059,634	61,147,595	64,802,391
Less: allowance for credit losses	**(2,508,212)**	**(2,409,668)**	(1,867,314)	(1,817,674)	(1,950,000)
	61,400,562	**54,449,564**	63,192,320	59,329,921	62,852,391
Advances	**289,503**	**246,427**	189,106	185,736	217,815
Derivatives designated and effective as hedging instruments carried at fair value (Note 16)	**514,518**	**-**	702,998	702,998	1,227,763
Other receivables and Prepayments	**258,411**	**213,540**	202,287	145,518	258,476
	62,462,994	**54,909,531**	64,286,711	60,364,173	64,556,445

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

	2018 Group	2018 Parent Company	2017 Group	2017 Parent Company
	RO	RO	RO	RO
At the beginning of the year	**1,867,674**	**1,817,674**	1,950,000	1,900,000
Adjustment on initial application of IFRS 9 (Note 2.1)	**1,225,002**	**1,225,362**	-	-
Add: charge for the year	**(583,849)**	**(633,368)**	199,640	200,000
Less:-Written off for the year	**(615)**	**-**	(282,326)	(282,326)
	2,508,212	**2,409,668**	1,867,314	1,817,674

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 2,409,668 for Parent Company and RO 2,508,212 for Group (2017- Parent Company RO 1,817,674 and Group RO 1,867,314) were assessed as impaired by the management, for which allowance for credit losses has been established.

9. Trade and other receivables (continued)

Group	Total RO	Impaired RO	Neither past due nor impaired RO	Past due but not impaired: Less than 3 months RO	3 to 6 months RO	6 to 12 months RO	More than 1 year RO
2018	**63,908,774**	**2,508,212**	**56,117,123**	**2,817,671**	**743,254**	**396,195**	**1,326,319**
2017	65,059,634	1,867,314	54,044,791	8,098,360	329,154	423,405	296,610
Parent							
2018	**56,859,232**	**2,409,668**	**50,157,244**	**2,056,702**	**646,327**	**262,972**	**1,326,319**
2017	61,147,595	1,817,674	50,360,053	8,098,360	329,154	245,744	296,610

The range of expected credit loss for the Group and parent company is in the range of 0.06%- 50% (2017: 0.15%-50%).

At the reporting date 50% of Parent Company's trade receivables are due from 10 customers (2017- 50% from 9 customers). Trade receivables amounting to RO 50,157,244 for (2017– RO 50,360,053) are neither past due nor impaired and are estimated as collectible based on historical experience 49% (2017 – 46%) 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.

10. Cash and bank balances

	2018 Group RO	**2018 Parent Company RO**	2017 Group RO	2017 Parent Company RO
Cash in hand	**52,288**	**49,106**	28,279	27,901
Cash at bank – current and call accounts	**16,768,385**	**15,815,995**	6,762,763	5,324,755
	16,820,673	**15,865,101**	6,791,042	5,352,656

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

11. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2017 - 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 (2017 - 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:

	2018 No of shares held	**2018 %**	2017 No of shares held	2017 %
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

12. Share premium

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

13. Legal reserve

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

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

14. 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% (2017 - 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.

15. Dividend per share

During the year, dividends of 45 baisa (2017: 85 baisa) per share totalling RO 4,036,500 (2017: RO 7,624,500) relating to the year 2017 were declared and paid.

The Board of Directors have recommended a dividend of 45 baisa (2017: 45 baisa) per share for the year 2018 amounting to RO 4,036,500 (2017: RO 4,036,500), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

16. Cumulative changes in fair values

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

	2018		2017	
	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	**(639,933)**	**(902,341)**	672,438	680,770
Fair value of investments available-for-sale	**(510)**	**(510)**	(510)	(510)
Others	**(74,383)**	**-**	-	-
	(714,826)	**(902,851)**	671,928	680,260

16. Cumulative changes in fair values (continued)

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

The cumulative changes in fair value relating to the unrealised gain / loss in commodity future contracts of RO (387,819) (2017 – RO 686,658) is mainly on account of differences between the original values of the future commodity contracts entered into by the Group in the normal course of business and the market value of these contracts as at the reporting date attributable to equity holders of the parent company. RO 252,116 (2017 – RO (8,007)) attributable to non-controlling interest is disclosed separately in statement of changes in equity as a component of non-controlling interests.

The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO (902,341) (2017 - RO 702,998) 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 2018 profitability, as it relates to the cost of purchase in the year 2018.

17. Taxation

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Statement of profit or loss				
Current year income tax charge	**1,851,168**	**1,764,516**	1,573,920	1,513,624
Prior year income tax charge	**29,335**	**29,335**	10,086	10,086
Deferred tax:				
Relating to origination and reversal of temporary differences	**(212,939)**	**(76,521)**	215,072	166,989
Income tax expense reported in the statement of profit or loss	**1,667,564**	**1,717,330**	1,799,078	1,690,699
Statement of financial position				
Current liability				
Current year	**1,821,833**	**1,764,516**	1,573,920	1,513,624
Previous year	**29,335**	**29,335**	-	-
	1,851,168	**1,793,851**	1,573,920	1,513,624
Non-current liability				
Deferred tax liability:				
At 1 January	**1,409,476**	**878,634**	1,089,271	711,645
Movement for the year	**(130,635)**	**(76,521)**	320,205	166,989
At 31 December	**1,278,841**	**802,113**	1,409,476	878,634

17. Taxation (continued)

Deferred tax is related to the following items.

	1 January 2018 RO	Charge for the year RO	31 December 2018 RO
Group			
Tax effect of depreciation	**1,409,476**	**(130,633)**	**1,278,843**
	1,409,476	**(130,633)**	**1,278,843**

	1 January 2018 RO	Charge for the year RO	31 December 2018 RO
Parent			
Tax effect of depreciation	**1,302,485**	**(18,876)**	**1,283,609**
Tax effect of provisions	**(423,851)**	**(57,643)**	**(481,494)**
	878,634	**(76,519)**	**802,115**

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

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Profit before income tax	**10,801,558**	**10,982,479**	7,676,322	9,843,011
Income tax as per rates mentioned below	**1,615,734**	**1,647,372**	1,145,037	1,476,452
Income exempt from tax	**27,138**	**-**	326,915	-
Tax effect of items deductible/non-deductible for tax purpose	**155,327**	**146,479**	6,921	47,258
Deferred tax	**(130,635)**	**(76,521)**	320,205	166,989
Net tax expense	**1,667,564**	**1,717,330**	1,799,078	1,690,699

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% (2017: 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 % (2017: 15%). For the purpose of determining the tax expense for the year ended 31 December 2018, 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 15.4% (2017: 23.5%).The difference between the applicable tax rates of 15% (2017: 15%) and the effective tax rate of 15.4% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible and the increase in tax rate by 3%. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.
Assessments of the Parent Company with the tax department have been completed up to the year 2015.

17. Taxation (continued)

Subsidiaries

Oman Aluminum Processing Industries LLC
In accordance with the Ministerial Decision number 25/2011, the subsidiary company OAPIL is exempt from income tax for a period of five years from 26 July 2010. From 27 July 2016 the Company is subject to income tax at 15%. The Company has applied for the renewal of extension for an additional period of five years which is still pending with the Secretariat General of Taxation (SGT) as on the reporting date. The Company has nevertheless provided for current taxation on prudent basis. Tax assessments of the subsidiary for the years 2008 to 2016 have not yet been finalized with the tax department. The Management believes that, any additional tax liability likely to arise on the completion of the assessments of the above year would not be material to the financial position of the Group at the reporting date.

Associated Cables Pvt Ltd
The tax rate applicable is 44.6% (2017: 25.75%). Assessments with the tax department have been completed up to the year financial year 2013-14 (assessment year: 2014-15).

18. Employees end of service benefits

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

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
At 1 January	**1,427,866**	**1,290,443**	1,435,596	1,316,441
Accrued during the year	**229,158**	**188,530**	234,379	200,287
Employees' end of service benefits paid	**(338,995)**	**(283,439)**	(242,109)	(226,285)
At 31 December	**1,318,029**	**1,195,534**	1,427,866	1,290,443

19. Trade and other payables

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Trade payables	**21,763,866**	**14,214,149**	23,588,715	18,739,122
Other payables	**397,428**	**80,288**	982,931	486,179
Derivatives designated and effective as hedging instruments carried at fairvalue (Note 16)	**902,341**	**902,341**	38,568	22,228
Accruals	**3,866,324**	**3,125,925**	4,792,512	3,756,868
	26,929,959	**18,322,703**	29,402,726	23,004,397

20. Bank borrowings

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Overdrafts	**-**	**-**	10,288	10,288
Short term loans	**4,965,210**	**-**	8,313,840	-
	4,965,210	**-**	8,324,128	10,288

During the period, the Parent Company availed short-term loans from commercial banks for a period ranging up to 90 days (2017 – 180 days). Bank borrowings carry interest at commercial rates.

21. Cost of sales

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Cost of materials consumed	**215,113,040**	**167,688,104**	209,594,723	170,168,535
Employee costs	**5,260,927**	**4,496,776**	5,617,970	4,920,335
Depreciation	**3,463,167**	**2,339,489**	3,747,622	2,379,509
Electricity and water	**1,646,854**	**1,004,563**	1,895,313	1,305,112
Stores, consumables, repairs and maintenance	**1,515,550**	**974,160**	1,835,464	1,328,198
Land lease rent	**157,007**	**112,007**	134,562	89,562
Provision for slow moving inventories (note 8)	**(182,709)**	**(207,709)**	93,000	100,000
Other direct costs	**862,732**	**619,714**	677,013	567,675
	227,836,568	**177,027,104**	223,595,667	180,858,926

22. Other income

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Insurance claim	**3,819**	**3,819**	20,678	20,678
Gain on sale of property, plant and equipment	**929**	**38**	20,512	15,156
Miscellaneous income	**204,332**	**99,054**	71,136	20,023
	209,080	**102,911**	112,326	55,857

23. Administrative expenses

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Employee costs	**3,854,567**	**3,038,377**	4,481,302	3,747,156
Legal and professional charges	**565,540**	**393,945**	392,794	295,399
Insurance	**235,967**	**153,335**	211,083	153,049
Repairs and maintenance	**187,047**	**171,174**	200,335	189,297
Travelling	**122,927**	**96,798**	80,898	56,672
Directors' remuneration	**119,800**	**119,800**	200,000	200,000
Contributions to local organizations	**100,110**	**100,000**	100,000	100,000
Communication	**92,708**	**50,110**	94,857	49,274
Other sundry expenses	**79,339**	**37,187**	128,991	42,996
Printing and stationery	**51,913**	**48,302**	36,917	34,851
Vehicle running and Maintenance	**35,942**	**15,174**	20,292	17,283
Allowance for credit losses	**(633,368)**	**(633,368)**	200,000	200,000
	4,812,492	**3,590,834**	6,147,469	5,085,977

24. Selling and distribution expenses

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Marketing and freight	**2,113,191**	**1,343,997**	2,472,734	1,877,493
Employee costs	**1,049,780**	**878,079**	1,111,810	918,610
Advertisement and sales promotion	**173,431**	**150,215**	198,034	151,187
Travelling	**89,941**	**74,868**	147,185	124,602
	3,426,343	**2,447,159**	3,929,763	3,071,892

25. Finance costs and Finance Income

a) Finance costs (net)

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Finance costs	**632,350**	**306,253**	690,448	407,137
	632,350	**306,253**	690,448	407,137

Finance costs relate to bank borrowings (note 20).

25. Finance costs and Finance Income (continued)

b) Finance income

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Foreign currency translation	**342,807**	**338,181**	80,922	76,386
Interest from bond (note 7b)	**55,000**	**55,000**	55,000	55,000
Other finance income	**36,899**	**866**	6,549	2,464
	434,706	**394,047**	142,471	133,850

26. Employee costs

	2018 Group RO	2018 Parent Company RO	2017 Group RO	2017 Parent Company RO
Salaries	**4,278,455**	**2,988,403**	4,435,833	3,193,066
Other benefits	**5,301,879**	**4,925,379**	6,163,568	5,863,786
Contributions to defined retirement plan for Omani employees	**366,041**	**310,920**	379,908	328,962
Increase in liability for unfunded defined benefit retirement plan	**218,899**	**188,530**	231,773	200,287
	10,165,274	**8,413,232**	11,211,082	9,586,101

27. Basic earnings per share

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

	2018 Group	2018 Parent Company	2017 Group	2017 Parent Company
Net profit for the year (RO)	**9,214,465**	**9,265,149**	6,851,225	8,152,312
Weighted average number of shares outstanding during the year	**89,700,000**	**89,700,000**	89,700,000	89,700,000
Basic earnings per share (RO)	**0.103**	**0.103**	0.076	0.091

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.

28. 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.

	2018		2017	
	Group	Parent Company	Group	Parent Company
Net assets (RO)	98,288,819	95,954,708	95,722,970	93,534,532
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)	1.096	1.070	1.067	1.043

29. 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.

Revenues from external customers

	2018		2017	
	Group RO	Parent Company RO	Group RO	Parent Company RO
Oman	79,846,613	74,865,496	113,550,114	108,629,316
Middle East and North Africa (MENA)	115,806,328	102,632,372	80,612,393	75,066,188
Others	51,358,312	16,458,050	48,095,758	15,773,902
	247,011,253	193,955,918	242,258,265	199,469,406

30. 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:

	2018			2017		
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	**9,807,488**	**81,676**	**-**	4,822,571	12,393	-
	9,807,488	**81,676**	**-**	4,822,571	12,393	-
Parent Company						
Shareholders	**9,807,488**	**81,676**	**-**	4,822,571	12,393	-
Subsidiaries	**-**	**2,510,442**	**-**	-	4,024,733	-
	9,807,488	**2,592,118**	**-**	4,822,571	4,037,126	-

Compensation of key management personnel

The key management personnel compensation for the year comprises:

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Short term employment benefits	**1,314,224**	**853,847**	1,574,945	911,908
End of service benefits	**56,486**	**42,243**	49,240	32,240
Directors' remuneration	**119,800**	**119,800**	200,000	200,000
	1,490,510	**1,015,890**	1,824,185	1,144,148

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.

30. Related party transactions (continued)

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Amounts due from related parties				
Other related parties	**1,892,452**	**1,625,837**	4,314,555	4,314,555
Amounts due to related parties:				
Other related parties	**266,625**	**21,296**	3,924	3,924
Subsidiaries	**21,296**	**566,752**	-	450,429
	287,921	**588,048**	3,924	454,353

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

At the reporting date, the entire due from related parties is due from three related parties (2017 - five related party). Amounts due from related parties are neither past due nor impaired and are estimated as collectible based on historical experience. There has been no impairment assessed on dues from related parties and accordingly no allowance for credit losses against these dues has been considered necessary.

31. Commitments and contingent liabilities

Commitments

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Capital commitments	**345,216**	**285,940**	101,803	101,803
Letters of credit	**15,949,244**	**11,329,244**	14,922,569	12,228,269

Contingencies

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Letters of guarantee	**12,772,973**	**12,446,123**	17,499,364	17,172,514

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 29,067,433 (2017: RO 32,523,736).

32. Operating leases

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

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

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Less than one year	**131,884**	**86,884**	130,825	85,825
Between one and five years	**645,160**	**465,160**	588,728	408,728
More than five years	**1,304,611**	**854,611**	1,444,326	949,326
	2,081,655	**1,406,655**	2,163,879	1,443,879

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 seeks to limit its credit risk with respect to banks by only dealing with reputable banks and with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

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:

	2018		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Trade receivables	**63,908,774**	**56,859,232**	65,059,634	61,147,595
Other receivables	**804,021**	**246,427**	892,104	888,734
Bank balances	**16,768,385**	**15,815,995**	6,762,763	5,324,755
	81,481,180	**72,921,654**	72,714,501	67,361,084

Market risk

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

Interest rate risk

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

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

For every 0.5% change in interest rate, the impact on the statement of profit or loss will be approximate to RO 21,500 (2017 – RO 42,000) based on the level of borrowing at the reporting date.

Foreign currency risk

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

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

Commodity price risk

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

33. Financial instruments and related risk management (continued)

Market risk (continued)

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

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

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

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
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**
2017					
Trade and other payables	21,647,274	395,954	961,169	-	23,004,397
Amount due to related parties	326,023	121,303	7,027	-	454,353
	21,973,297	517,257	968,196	-	23,458,750
Group					
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**
2017					
Trade and other payables	26,750,240	1,691,317	961,169	-	29,402,726
Short term loan	8,313,840	-	-	-	8,313,840
	35,064,080	1,691,317	961,169	-	37,716,566

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. Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	Carrying amount				**Fair Value**			
	2018		2017		**2018**		2017	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO	**Group RO**	**Parent Company RO**	Group RO	Parent Company RO
Financial assets								
Trade and other receivables	**62,462,994**	**54,909,531**	64,286,711	60,364,173	**62,462,994**	**54,909,531**	64,286,711	60,364,173
Investment securities	**1,286,294**	**1,234,059**	1,162,889	1,162,889	**1,286,294**	**1,234,059**	1,162,889	1,162,889
Due from related parties	**1,892,452**	**1,625,837**	4,314,555	4,314,555	**1,892,452**	**1,625,837**	4,314,555	4,314,555
Cash and bank balances	**16,820,673**	**15,865,101**	6,791,042	5,352,656	**16,820,673**	**15,865,101**	6,791,042	5,352,656
	82,462,413	**73,634,528**	76,555,197	71,194,273	**82,462,413**	**73,634,528**	76,555,197	71,194,273
Financial liabilities								
Trade and other payables	**26,929,959**	**18,322,703**	29,402,726	23,004,397	**26,929,959**	**18,322,703**	29,402,726	23,004,397
Due to related parties	**287,921**	**588,048**	3,924	454,353	**287,921**	**588,048**	3,924	454,353
Bank borrowings	**4,965,210**	**-**	8,324,128	10,288	**4,965,210**	**-**	8,324,128	10,288
	32,183,090	**18,910,751**	37,730,778	23,469,038	**32,183,090**	**18,910,751**	37,730,778	23,469,038

34. Fair values of financial instruments (continued)

Fair values (continued)

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2018, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.
- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.
- Fair value of investment securities is derived from quoted market prices in active markets, if available.
- Fair value of investment securities financial assets is disclosed in note 7.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.
- As at 31 December 2018, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

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

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

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

34. Fair values of financial instruments (continued)

Fair value hierarchy (continued)

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.

Assets measured at fair value	**Total**	**Level 1**	**Level 2**	**Level 3**
2018	**RO**	**RO**	**RO**	**RO**
Parent Company				
Fair value through profit or loss (Note 7)	**234,059**	**-**	**234,059**	**-**
Commodity forward contract	**(902,341)**	**-**	**(902,341)**	**-**
Group				
Fair value through profit or loss (Note 7)	**234,059**	**-**	**234,059**	**-**
Commodity forward contract	**(639,935)**	**-**	**(639,935)**	**-**
2017				
Parent Company				
Fair value through profit or loss (Note 7)	162,889	-	162,889	-
Commodity and currency forward contract	680,770	-	680,770	-
Group				
Fair value through profit or loss (Note 7)	162,889	-	162,889	-
Commodity and currency forward contract	672,437	-	672,437	-

During the reporting years ended 31 December 2018 and 31 December 2017, 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 2018 and 31 December 2017.

36. Restatement of prior year comparatives

The corresponding figures for the years ended 2017 and 2016 presented for comparative purposes have been restated to rectify the errors arising from incorrect recording of sales in the financial statements of Oman Aluminium Processing Industries LLC which is a subsidiary of the Parent Company. This restatement was carried out as per the requirements of IAS 8 - Accounting Policies, Changes in the Accounting Estimates and Errors.

As a result of the above error in the subsidiary financial statements, the Group's financial statements for the year ended 31 December 2017 and 2016 have been restated. Effects of prior year adjustment on the financial statements for the year ended 31 December 2017 and 31 December 2016 for each line item are as follows:

	Originally reported RO	Effect of prior period error RO	As Restated RO
31 December 2017			
Statement of profit or loss and other comprehensive income			
Sales	242,632,379	(374,114)	242,258,265
Cost of sales	(223,982,522)	386,855	(223,595,667)
Profit/(Loss) for the year	18,649,857	12,741	18,662,598
Total comprehensive Profit/(loss) for the year	18,649,857	12,741	18,662,598
Statement of financial position			
Inventories	29,451,451	1,085,350	30,536,801
Trade and other receivables	65,450,667	(1,163,956)	64,286,711
Retained earnings	67,737,771	(40,089)	67,697,682
Total equity	100,056,585	(78,605)	99,977,980
Basic earnings per share	0.0763	-	0.0763
Net Assets per share	1.0675	(0.0004)	1.0671
1 January 2017			
Statement of financial position			
Inventories	28,683,750	698,496	29,382,246
Trade and other receivables	65,346,287	(789,842)	64,556,445
Retained earnings	70,200,489	(46,586)	70,153,903
Total equity	101,999,531	(91,346)	101,908,185
Basic earnings per share	0.170	(0.001)	0.169
Net Assets per share	1.0777	(0.005)	1.0772

As there is no change in the 1 January 2017 parent figures, only the Group Restated column for 1 January 2017 has been included in the statement of financial position.