# OMAN CABLES INDUSTRY (SAOG)

We Connect Your World

# ANNUAL REPORT 2014

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HIS MAJESTY SULTAN QABOOS BIN SAID

# OUR VISION

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

# OUR MISSION

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

# VALUES AND PRINCIPLES

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

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# BOARD OF DIRECTORS

**Mustafa Bin Mukhtar Bin Ali Al Lawati**
Chairman

**Frank Franciscus Dorjee***
Vice Chairman

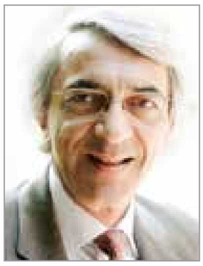
**Hussain Salman Al Lawati**
Director

**Maqbool Ali Salman**
Director

**Christian Raskin**
Director

**Fabio Ignazio Romeo**
Director

**K.K. Yeung**
Director



**Mahmud Tayfun Anik***
Director

** For part of the year*

# REPORT OF THE BOARD OF DIRECTORS

## To Our Valued Shareholders

With the grace and mercy of God, Allah (Subhanahu Wattalla), it gives me great pleasure to welcome you all on behalf of my colleagues and the Board of Directors of Oman Cables Industry to the 26th Annual General Meeting (AGM) of the company.

We are meeting here today at the Annual General Meeting where the Board of Directors explains to the shareholders the achievements of the company for the year 2014. We hope to be able to sustain the successes achieved by the company over the years and the current year under review.

## Board of Directors

Mr. Frank Dorjee, who was elected as Director during the Annual General meeting held on 19 March 2012 representing Draka Holding BV and elected as Vice Chairman at the Board of Directors meeting held on the 22 July 2012, was replaced on 12 November 2014 by Mr. Mahmut Tayfun Anik as the representative of Draka Holding BV, he has over 30 years of experience at various positions in the Prysmian Group. We wish to place on record our sincere appreciation of the services rendered by the outgoing Director and Vice Chairman.

## Company Recognition

During the year under review, the reputable research company Integer has confirmed Oman Cables Industry in their study as the number 2 cable company in the GCC according to sales for the year 2013.

## Operational Review

For Oman Cables Industry, the GCC markets are considered the home market, whereas Oman is our domestic market. Furthermore the company considers the MENA region as its market space with selected other export markets complementing the focus area.

The company had a successful year despite the challenges coming from intensified competition and volatile commodity markets, particularly metal prices where copper is an essential part of the raw material used in our cables.

The good results were achieved by continuous initiatives in several areas to remain a low cost manufacturer through our focus on continuous improvement, productivity enhancement, solving bottleneck processes and increasing efficiency with a view to improve the service to customers in an even better manner.

Oman Cables is a unique and well recognized company in the cable industry that differentiates itself from its competitors. OCI sees the possibilities to act proactively, earlier than its competitors and invests wisely in technical, engineering and quality aspects as it believes quality is the main factor in competitiveness to achieve customer satisfaction. These are inherent principals embedded in the company's operating philosophy which has further enhanced the customer confidence especially with international contracting companies (EPC's) who are working on large projects in infrastructure, oil & gas and other sectors in the GCC and MENA region. The local market demand for cable products remained robust throughout the year and we foresee continuing opportunities in the year ahead.

## Sales

We are pleased to report the 2014 Sales revenues of RO 253.2 million for the parent company as compared to RO 263.5 million in 2013. The sales of the Group were RO 303.1 million compared to RO 306.1 million in 2013.

The increase in sales volumes are attributable to increased market share, penetration into global markets, an enhanced product portfolio, wider product offering, new marketing sectors and an increased demand for the products in the local market due to the Government's continued expenditure on infrastructure development.

The sales has marginally decreased mainly because of a lower average copper rate in comparison to 2013.

## Profitability

The Net Profit of the company for the year 2014 was RO 16.8 million as compared to RO 15.8 million in 2013. The Net Profit of the Group was RO 17.7 million compared to RO 16.9 million in 2013 an increase of 4.9%.

The increase in profitability is primarily due to increase in contribution from the sales and reduction in cost of production and controlling of the overheads. Management strategies applied in the recent past resulting in reducing the overall cost apropos sales and production.

## Oman Aluminium Processing Industries LLC

Oman Cables Industry's subsidiary company, Oman Aluminium Processing Industries LLC (OAPIL), Sohar, is a joint venture between Oman Cables with 51% share and Takamul Investment Company of Oman Oil with 49% share. The year 2014 was the fourth full year of operation for OAPIL and we are pleased with its good progress on all aspects of the operation and the Board recognizes the efforts of the management.

OAPIL continues to put great impetus on Health and Safety and creating an excellent work environment for its people and recorded no Loss of Time due to injury or accident throughout the year and we are proud of it. The management has dealt with challenges arisen in its Human Resources area and was able to maintain and increase the volume and productivity of the operation.

The demand for EC rods remains positive. An eventual expansion of the capacity remains on the agenda of the management and shareholders.

During the year 2014, OAPIL achieved higher sales compared to 2013. The OAPIL financial results are consolidated with Oman Cables, the parent company and are reported as Group results.

## Associated Cables Private Limited

Oman Cables Industry holds 40% share in Associated Cables Private Limited (ACPL). ACPL is a manufacturer of Instrumentation and specialityspecialty cables, situated in India. ACPL operations for the year have yielded positive results and 40% of the same have been incorporated in Oman Cable's financial statements.

## Human Resources

Human Resources is an essential part of Oman Cables's consistent development. Every employee's personal growth and professional competence are pertinent to achieve the Company's operational excellence plans. To ensure that every employee is comfortable at the work place to deliver their best potential, the company has introduced a new E-learning platform It's proven beyond the merit that success of a company depends on success of its people and our strategy is to grow on our strengths and our strength is our people.

The company is focusing on knowledge growth and has a dedicated Training and Development Programme to maintaining and retaining the talent, especially local Omani talent in the company. The management is continually focused and investing thorough different programme for Omanis and others viz., welfare programs, training and skill development of Graduate Engineers Trainees, induction programs, overseas deputation for skill updating and succession planning with an aim to built sustainability in the company.

At Oman Cables we work as "one company and one team" and we are proud that this concept has been built and nurtured by the management since inception that created an unparallel value and wealth to all the stakeholders.

## Health, Safety and Environment

During the year the Integrated Management System (IMS) has been introduced and implemented. New projects to improve the Safety Awareness are initiated so that all employees have been introduced to the Safety Awareness Programme. As an immediate consequence the lost time injury frequency rate (LTI) has dropped significantly adding to the concept to have a safe working place with proper safety and health regulations.

## Corporate Governance

The company has been following the best standards in the Corporate Governance since its inception. The Board has constituted two committees ie. Audit Committee and Strategic Management Committee. Based on the importance of the strategy area the board realigns the strategy of the company in the " Strategic Management Committee ".

Both committees are well structured and coordinating their responsibilities to mitigate the risk on the operations and to comply with statutory obligations of the company. The management is very cautious and evaluates the risk profile on a regular basis and pays great attention. The committees play a pivotal role in reviewing in detail such situations and recommend to the Board for appropriate decisions.

The company has internal systems and manuals to assist Management in the day-to-day operations. These systems and manuals are reviewed and updated as and when required and in-line with statutory requirements while meeting the organizations goals that gives transparency to all transactions and 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 and the company's website.

## Corporate Social Responsibility

Oman Cables believes that giving back to the community is extremely important. The company has grown manifolds, so has our commitment to the society. The company shares its wealth with the society through its Corporate Social Responsibility (CSR) program and Oman Cables is committed to make a difference to our local communities. Oman Cables CSR provides assistance to the various organizations that are dedicated to improve the quality of life for the less privileged in the society.

Oman Cables contributed in 2014 to different sectors of the community and society related to the cultural and social development, the help for the disabled in Oman. Also the environment society of Oman has been supported with their initiatives. Youth sports and cultural events, arising from its belief in the youth as the future for Oman, have been able to take place with the help of the Corporate Social Responsibility program of the company.

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

## Future Outlook

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

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

The positive developments achieved by the company indicate that the future for the company's products match with the targeted market demand.

## Dividend

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

Taking into account the financial performance for the Board recommends to distribute dividend on paid-up capital, ie RO 0.090 baiza for each share with face value of RO 0.100 baiza, to the shareholders registered as on the date of Annual General Meeting.

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

## Conclusion

We have faith in the management of Oman Cables and the three decades of growth history have proven that the company is able to create sustainable stakeholder wealth.

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

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

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

We pray to the Almighty to help 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. Mustafa Bin Mukhtar Bin Ali Al Lawati**

Chairman
Oman Cables Industry (SAOG)
Date: 14 January 2015

# MANAGEMENT DISCUSSIONS AND ANALYSIS REPORT

## Industry Structure and Development

Oman Cables Industry SAOG established itself as a prominent power cable manufacturer to supply the cable demand locally in the Sultanate of Oman and the surrounding GCC regions. Oman Cables Industry SAOG is a well-known international accredited power cable manufacturer which operates predominantly within the GCC region which is identified as their home market with an extensive distribution and office network throughout.

Achieving economies of scale combined with operational excellence is an important dynamic for success within a very competitive environment. The developments in the energy industry have led to the optimization of metal usage in relation to electrical current carrying capacity. This resulted in enhancing the life span of cables by applying different insulation material properties and overall production efficiencies.

Oman Cables Industry (SAOG) develops, manufactures and markets a totally integrated variety of electrical cables and conductors for diverse applications, including medium voltage power cables, low voltage power and control cables, instrumentation cables, pilot cables, overhead power transmission line conductors and building wires. Copper conductor is the most dominant metal used in power cables however there is a trend towards aluminum cables in some market sectors.

The company has positioned itself as a recognized power cable manufacturer following international standards and accreditations to ensure that the highest quality product is delivered to its customers on time. We constantly research the demands and trends within the varying market sectors and provide a specialized service for each customer needs.

## Opportunities and Threats

The resilient economic growth within the GCC region has contributed to the capital spend of major project in the residential, commercial, infrastructure and oil and gas sectors. This has created an increased demand for power cable products and at the same time attracted many regional and international cable manufacturers bringing forth a more competitive environment.

Oman Cables Industry's balance sheet's inherent strength can be leveraged swiftly to seize the growth opportunities which may emerge for large projects or for an increase in the demand for power cables within its markets.

Following the economic downturn from 2008 and the slow pace of recovery within the world's economies, many international competitors flocked to the GCC region with various short term strategies to capture market share, resulting in pressure on profitability for sustainable companies such as Oman Cables Industry.

Oman Cables has demonstrated its capabilities in dealing with large international Engineering, Procurement and Construction (EPC) corporations and have succeeded in establishing long term arrangements. Despite volatilities in metal prices and low oil prices, Oman Cables is well positioned to manage their operations and customer demands accordingly.

## Segment Performance

Oman Cables Industry has developed a sustainable customer base within the various market sectors to ensure a constant geographical spread of its products.
Oman Cables has a comprehensive distribution network throughout the GCC which enables consumers to obtain Oman Cables products anywhere in the region.

The company managed to obtain a viable market share at all main utilities within the region. This is the result of investing and utilizing the latest technological equipment and materials with no comprise to quality. This is obviously followed by extreme testing and quality control of its products.

Oman Cables Industry sets itself apart by establishing a presence with blue chip international EPC companies doing business within the Middle East reliant on Oman Cables Industry's flexibility and accuracy to meet the strict demands of supply to prestigious projects.

Oman Cables Industry's subsidiary company supplying aluminum products contributed successfully to the success of Oman Cables' delivering the aluminum product demand to selected customers. This diversification will continue to integrate with Oman Cables' strategic outlook.

## Outlook

The projected outlook for the regional cable industry is optimistic compared to some global economies however, will be dependent on the capital spend from government entities. The main drivers within the region are the oil price, government subsidies and infrastructure development.

The company expects to maintain its presence in the market and to benefit from the continuous expenditure on infrastructural projects in the GCC combined with Oman Cables' competitive cost structure, expansion plans, sound financial position and a reliable customer base.

Oman Aluminum Processing Industries LLC (OAPIL), based in Sohar, a joint venture between Oman Cables Industry SAOG and Takamul Investment Company SAOC performed well and has made a positive contribution to the company's overall results.

## Risk and Concerns

The GCC economy may be influenced by the declining oil price. This may impact capital spend on major projects which are necessary to stimulate the local economies and GDP. This will have an effect on the demand for power cables. The manufacturing capacity in the region may exceed the demand which will result in diverse strategies putting pressure on pricing.

The domestic market remains active due to Oman's Government's infrastructure spend as indicated in the State Budget 2015. This may attract competitors from outside the GCC region. Oman Cables Industry will remain vigilant and ensure that the winning recipe by supplying a superior product with competitive pricing is maintained.

Oman Cables Industry works carefully to monitor the developments in potential countries for future business. Oman Cables strives to find the balance between the business opportunities and the potential risks involved and cautiously build 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 has routinely been audited in depth by multinational corporations as a part of their stringent pre-qualification process and product approvals.

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

## Expansion

During 2014, the company invested in expansion programmes which resulted in the increase of capacity for wires and cables and special projects initiatives. This includes the introduction of the latest technological systems and upgrades of machinery and construction of new factory buildings, which will form part of the 2015 expansion programme.

## Sales and Profitability

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

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|---|---|---|---|---|
| Sales (RO' 000) | 200,885 | 272,304 | 257,160 | 306,058 | 303,146 |
| Profit after Tax (RO' 000) | 8,165 | 6,874 | 11,908 | 16,886 | 17,718 |
| Equity (RO' 000) | 46,899 | 52,058 | 61,745 | 72,461 | 83,498 |
| Dividend (%) | 40% | 40% | 70% | 88% | 90%* |

*recommended

## Conclusion

The financial year end of 2014 has been earmarked to be one of the best performing years pertaining to profitability. This was possible through the utilization of Oman Cables Industry's production capacity throughout all the product groups with a sustainable profit contribution. The emphasis on operational excellence throughout Oman Cables management contributed to the performance and outcome.

Oman Cables has shown consistent growth and yearly performance. This was indicative of 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 to consistently improve its market position and shareholder value.

### Mr. Gert Hoefman

Chief Executive Officer
Oman Cables Industry (SAOG)
Date: 14 January 2015

Deloitte.

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**TO THE SHAREHOLDERS OF**
**OMAN CABLES INDUSTRY SAOG**

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. 16/2003 dated 29 December 2003 with respect to the accompanying corporate governance report of **Oman Cables Industry SAOG** and its application of corporate governance practices in accordance with CMA Code of Corporate Governance issued under circular No. 11/2002 dated 3 June 2002 as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decisions no. 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:

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

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

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, 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 Industry SAOG** to be included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of **Oman Cables Industry SAOG**, taken as a whole.

Deloitte & Touche

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**Deloitte & Touche (M.E.) & Co. LLC**
**Muscat, Sultanate of Oman**
**14 January 2015**


# CORPORATE GOVERNANCE REPORT

## Company's philosophy on Code of Corporate Governance

The Board of Directors of Oman Cables Industry (SAOG) are committed to the highest standards of Corporate Governance. The provisions of the Code of Corporate Governance for Muscat Securities Market (MSM) listed Companies, issued by Capital Market Authority (CMA) have been followed by the Company.

Key elements of good corporate governance adopted by Oman Cables include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, transparency, mutual respect, commitment to the organization, and fairness among various parties.

The directors and management of the Company has developed a model of governance that aligns the values of the Company and the model is evaluated periodically for its effectiveness. The senior executives of Oman Cables conduct themselves honestly and ethically, especially concerning actual or apparent conflicts of interest, and disclosure in financial reports.

The Company's ensures good Corporate Governance through a combination of measures like:

- Instituting Internal Regulations and Operating Procedures through the Human Resource Manual, Operations Manual for Finance, Marketing and Procurement, documented Quality Management System and other policies; with objective of ensuring effective Internal Controls
- Monitoring adherence to the Internal Regulations and Operating procedures through frequent internal checks, conducting Internal Audit, submission of report to Audit Committee comprising of Board Member, carrying out regular ISO Audits on documentation 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, Risk Committee Charter duly approved by the Board and which and are all based on the regulations of CMA.

## Board of Directors

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

Following are the relevant details of the Directors as on 31 December 2014:

| Name | Designation | Category | No. of Board Meeting Attended | AGM attended |
|---|---|---|---|---|
| Mustafa Mukhtar Ali Al Lawati | Chairman | Non-executive Non-independent | 4 | Yes |
| Hussain Salman Al Lawati | Director | Non-executive Non-independent | 4 | Yes |
| Maqbool Ali Salman | Director | Non-executive Independent | 4 | Yes |
| Christian Raskin | Director | Non-executive Independent | 4 | Yes |
| Fabio Ignazio Romeo | Director | Non-executive Non-independent | 3 | No |
| Kwok Ki Yeung | Director | Non-executive Independent | 4 | No |
| Mr. Mahmut Tayfun Anik * | Director | Non-executive Non-Independent | - | N/A |
| Frank Franciscus Dorjee * | Vice Chairman | Non-executive Non-independent | 2 | Yes |

*For part of the year

Please note that the Company is applying the definition of independent directors as amended by CMA circular (14/2012) issued on 24 October 2012.

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

| Name of Director | Designation in other Company | Name of Company |
|---|---|---|
| Mustafa Mukhtar Ali Al Lawati<br>Chairman | Chairman | Al Saleh Group |
| Hussain Salman Al Lawati<br>Director | Member<br>Member<br>Proprietor | Bin Salman Electrical & Lighting<br>Jenfel LLC,<br>Bin Salman Investments |
| Maqbool Ali Salman<br>Director | Vice Chairman & Managing Director<br>Member | Al Hassan Engineering Co. SAOG<br>Al Hassan Electrical LLC |
| Christian Raskin<br>Director | | NA |
| Fabio Ignazio Romeo<br>Director | Chief Strategy Officer<br>Director<br><br>Director<br>Director<br>Director<br>Member of the Comite de Controle<br>Director<br>Director<br>Director<br>Representative of Draka Holding B.V.<br>Director<br>Vice President<br>Director<br>Member of the Supervisory Board | Prysmian Group<br>Centro Elettrotecnico Sperimentale Italiano Giacinto Motta S.p.A.<br>Prysmian (China) Investment Co. Ltd<br>Prysmian Angel Tianjin Cable Co. Ltd.<br>Prysmian Tianjin Cable Co. Ltd.<br>Prysmian Cables et Systemes France S.A.S.<br><br>Prysmian Power Cables and Systems Canada Ltd.<br>Prysmian S.p.A.<br>Draka Cableteq Asia Pacific Holding Pte. Ltd.<br>Turk Prysmian Kablo ve Sistemleri A.S<br><br>Prysmian Cables and Systems Ltd.<br>Elkat Ltd.<br>Prysmian Baosheng Cable Co. Ltd.<br>Prysmian Netherlands Holding B.V. |
| Kwok Ki Yeung<br>Director | Non-Executive Director<br>Chairman<br>Senior Partner<br>Director<br>Director<br>Director<br>Director<br>Director | Yangtze Optical Fibre and Cable<br><br>K K Yeung Management Consultants Ltd.<br>K K Yeung Partnership, Certified Public Accountants<br>Big Health Ltd.<br>Royal Ten Cate China Holding Ltd.<br>Bond Dragon Ltd.<br>C4 Mines and Company Ltd.<br>Golden Ball Ltd. |
| Mr. Mahmut Tayfun Anik<br>Director | Chairman | Turk Prysmian Kablo ve Sistemleri A.S. |
| Frank Franciscus Dorjee<br>Vice Chairman | Chairman and CEO<br>Chairman<br>Vice Chairman<br>Vice Chairman<br>Director<br>Director<br>Director<br>Director<br>Member | Draka Holding N.V.<br>Associated Cables Pvt. Ltd.<br>Elkat Ltd.<br>Yangtze Optical Fibre and Cable Co. Ltd.<br>Oman Aluminium Processing Industries LLC<br>Prysmian S.p.A<br>Draka Cableteq Asia Pacific Holding Pte. Ltd.<br>Prysmian Cables & Systems Ltd.<br>Comite de Controle – Prysmian Cables et Systemes France S.A.S |

## Changes in the Board membership during 2014

Draka Holding B.V. a shareholder of Oman Cables Industry (SAOG) has replaced its representative on the Board on 12 November 2014. Accordingly, Mr. Mahmut Tayfun Anik has replaced Mr. Frank Franciscus Dorjee.

**Mustafa Bin Mukhtar Bin Ali Al Lawati -** Chairman is one of the founders of Oman Cables Industry (SAOG). He has Masters Degree in International Relations from Karachi University and a diploma certificate in accounting from Government of Kuwait Commercial Institute. He has total experience of 48 years including 11 years in Banking Industry. He held his last position as Director General (Administration & Financial Affairs) in Ministry of Water and Electricity, and has business experience since 1975 in Al-Saleh Enterprises.

**Hussain Salman Al Lawati -** Director is the co-founder of Oman Cables in 1984. He has a rich Business experience of 51 years in the electrical and lighting Industry including 31 years in Oman Cables Industry where he held the position of the Vice Chairman and Managing Director from pre establishment stage in 1983 till 2012 and continued the Managing Director position till 25 July 2013. He has established a few electrical trading enterprises in Oman and UAE. He has developed the first Aluminum rod industry in Oman known as OAPIL, at Sohar (Oman Aluminum Processing Industries LLC) he was driving force and the Chairman of the company till early August 2013, further he is primer partner and Chairman of Bin Salman Group companies, the company is in electrical and lighting trading Business, besides property development and industrial investment.

On his social involvement, he was the first Chairman of the Omani Australian Business council till 2013 at the Oman Chamber of Commerce. He was holding a board member position in the Oman Chamber of Commerce from 1995 till 2003. He was the chairman for the Industrial Committee of the Oman Chamber Of Commerce for the period of eight years as well he was Member industrial Development at the Ministry of Commerce and Industry from 1996 till 2003 and is continuing his contribution as an expertise member. He is also Chairman of Investment Group Development at the Public Authority for Investment Promotion and Export of the Government of Oman. He is also a member of the Omani Dutch Business council and a member of the Omani Tunisian Friendship Association. He was selected as finalist in 2012 for the prestigious Entrepreneur of the Year Award for the year 2011 conducted by Ernst & Young of Oman on 17 March 2012. He was also selected for coveted Global Omani of the Year 2012 award organized by AIWA.

**Maqbool Ali Salman –** Director is the Managing Director of Al Hassan Group of Companies since 1975. He is a Commerce graduate. He had a brief stint with Petroleum Development Oman (PDO). He is a founder member of prominent Omani organizations. He was Founder President of Oil Industry Training Board, which later got converted into Oman Society for Petroleum Services (OPAL). He is also a member of Oman Society of Contractors and Oman Society of Engineers. He is an active member of trade associations including Oman-India Businessmen Council, Oman-UAE Businessmen Council and Oman-Korea Friendship Society.

**Fabio Ignazio Romeo –** Director 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.

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

**Kwok Ki Yeung –** Director, is the Chairman of K K Yeung Management Consultants Ltd. and Senior Partner of K K Yeung Partnership, Certified Public Accountants, based in Hong Kong and has over 50 years of total work experience. He is a Fellow member of Chartered Institute of Management Accountants, Chartered Association of Certified Accountants, Chartered Institute of Secretaries and Administrators, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong.

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

## Company Management

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

- Gert Hoefman took over as Chief Executive Officer with effect from 1 January 2013. He has over 22 years of experience with one of the largest cable manufacturing companies of the world spreading across international markets such as Europe, Middle East, Far East etc.,

- Manoj M. Vaidya - General Manager – Corporate Finance

  Experience of 32 years, of which 27 years at executive management levels. Responsible for Finance and Risk Management functions.

- Louis Dupreez - General Manager – Sales and Marketing

  Experience of 35 years in industry, of which 25 years at executive management levels. Responsible for Sales, Marketing and Customer Service.

- Vikram Duggal – Technical Advisor

  Experience of 42 years in manufacturing in Cable industry, of which 22 years at executive management levels. Responsible for technical evaluation of Projects

- Ahmed Farooqui – General Manager – Procurement and Supply Chain

  Experience of 32 years in industry, of which 20 years at executive levels.

- Alaa Al Lawati - General Manager – Human Resources and Administration

  Experience of 12 years, of which 8 years at executive levels

- Fawzi Mubarak Al Kiyumi –Advisor to the CEO

  Experience of 28 years, of which 19 years at executive levels

- Sajid Ali – General Manager – Information Technology

  Experience of 25 years, of which 17 years at executive levels

## Board Meetings held during the year:

During the year 2014 the company held four Board Meetings on the following dates:
22nd January 2014, 23rd April 2014, 23rd July 2014 and 22nd October 2014.

The meetings were coordinated by the Board secretary who was appointed in the first board meeting of this period as required by law. The meetings were conducted with exhaustive agenda and proceedings were minuted. Management reports were reviewed during the meeting. All related issues were also discussed regarding the operations of the company.

## Committees of the Board of Directors:

During the year, there were two committees of the Board which provided able support to the Board for carrying out its responsibilities. The two 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 |
|---|---|---|
| Maqbool Ali Salman | Chairman | 4 |
| Christian Raskin | Member | 4 |
| Kwok Ki Yeung | Member | 4 |
| Frank Franciscus Dorjee * | Member | 2 |

*For part of the year

The directorship of Frank Franciscus Dorjee has ended on 12 November 2014.

During the year 2014, Audit Committee met and conducted four meetings on the following dates, 20th January 2014, 21st April 2014, 21st July 2014 and 20th October 2014.

The committee has reviewed the Audit Reports issued during the period and necessary guidance was issued to the executive management Committee. The quarterly accounts were reviewed by the audit committee before the same were put up to the Board of Directors for approval.

## Strategic Management Committee

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

The following are the members of the Strategic Management Committee

| Name | Designation | No. of meetings attended |
|---|---|---|
| Christian Raskin | Chairman | 4 |
| Hussain Salman Al Lawati | Member | 4 |
| Fabio Ignazio Romeo | Member | 2 |
| Gert Hoefman | Member | 4 |
| Manoj M. Vaidya | Member | 4 |

During the year 2014, Strategic Management Committee conducted four meetings on the following dates, 20th January 2014, 21st April 2014, 21st July 2014 and 20th October 2014

The committee reviewed market studies presented by the management and discussed strategic plans for the company.

## Process of nomination of the Directors

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

## Remuneration matters

### Directors remuneration:

Apart from remuneration derived as "Sitting Fees" of RO 8,750 for (arrived at, in line with the Articles of Association of the company and as approved in the previous Annual General Meeting) Board Meetings and Audit Committee Meetings attended and the proposed Director's remuneration of RO 191,250, the Directors have no other pecuniary relationship or transaction with the company – except for Chairman, Mustafa Mukhtar Ali Al Lawati and Director Hussain Salman Al Lawati.

### Operating Management Remuneration:

Salary and perquisites of the five top senior officers paid / accrued during the year 2014 is RO 683,546 (2013: RO 642,883), which includes RO 475,997 (2013: RO 488,031) as fixed component and RO 207,549 (2013: RO 154,852) linked to performance of 2013. The severance notice period of all Senior employees range from one to three months, with end of service benefits payable as per Omani Labour Law.

## Employment Contract

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

## Details of non-compliance by the Company

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

## Means of Communication with Share Holders and Investors

As required by Capital Market Authority, the Company publishes its quarterly, half yearly, three quarterly and yearly financial results in two local newspapers. The financial results are also uploaded on the website of Muscat Securities Market and on the company's website www.omancables.com. 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

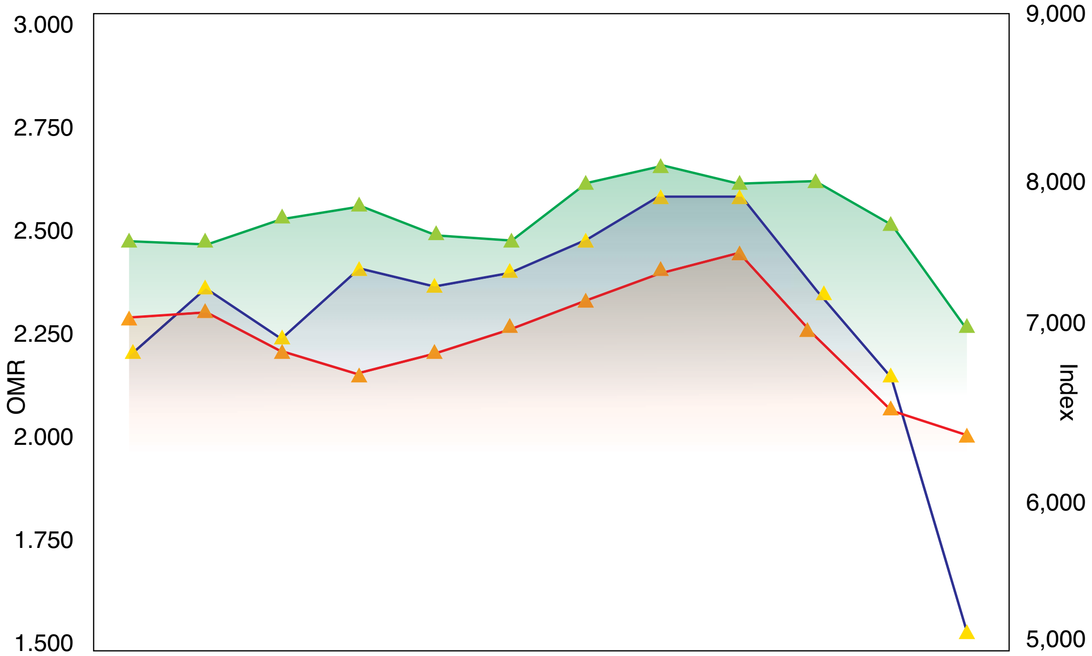
In regard to the Annual audited accounts, after the Annual General Meeting's approval, such financial statements are published in two local newspapers and submitted to Capital Market Authorities. This information is also posted on the Company's website.

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 2014 the share price of RO 0.100 face value moved in the range of high of RO 2.640 to a low of RO. 1.540. The share price as on 31 December 2014 was RO 1.915.

### OCI SHARE PRICE V/S MSM 30 INDEX - 2014




| | Jan | Feb | Mar | Apr | May | June | July | Aug | Sept | Oct | Nov | Dec |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Low | 2.190 | 2.350 | 2.235 | 2.400 | 2.355 | 2.390 | 2.465 | 2.570 | 2.565 | 2.350 | 2.140 | 1.540 |
| High | 2.465 | 2.460 | 2.520 | 2.545 | 2.475 | 2.465 | 2.600 | 2.640 | 2.600 | 2.600 | 2.500 | 2.250 |
| Index | 7,087 | 7,114 | 6,857 | 6,727 | 6,857 | 7,008 | 7,201 | 7,367 | 7,484 | 6,975 | 6,506 | 6,343 |

The distribution of Major Shareholding is as follows:

| Shareholder | % of Shares Held of total |
|---|---|
| Draka Holding (NV) | 34.78% |
| Mustafa Mukhtar Ali Lawati | 12.54% |
| Hussain Salman Al Lawati | 12.14% |

The Company does not have any ADR/GDR/Warrants or any other Convertible Instruments as on 31 December 2014 and hence likely impact on equity is Nil.

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

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

## Profile of Statutory Auditors

## About Deloitte:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www. deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.
Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte

brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.
Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

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

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region with uninterrupted presence for over 87 years. Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff. Deloitte has been annually classified as a Tier 1 Tax advisor in the GCC region since 2010 by the International Tax Review World Tax Rankings.

The Audit fee for the year 2014 is RO 11,700 plus out of pocket expenses limited to RO 500.

### Any other Aspects

### Internal Auditor

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

### Board of Directors Acknowledge that:

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

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

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

**Mr. Mustafa Bin Mukhtar Bin Ali Al Lawati**
Chairman
Oman Cables Industry (SAOG)

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

Deloitte & Touche (M.E.) & Co. LLC
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# Independent auditor's report to the shareholders of Oman Cables Industry SAOG and its Subsidiary



We have audited the accompanying consolidated financial statements of **Oman Cables Industry SAOG (the "Parent Company") and Oman Cables Industry SAOG and its Subsidiary** (the "Group") which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 22 to 66

## Board of Directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the provisions for disclosure included in the Executive Regulations of the Capital Market Law, and for such internal control as Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.



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

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Oman Cables Industry SAOG and the Group** as of 31 December 2014 and of their financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

Also, in our opinion, the consolidated financial statements comply, in all material respects, with the relevant disclosure requirement of the Commercial Companies Law of 1974, as amended and the provisions for disclosure included in the Executive Regulations of the Capital Market Law.

**Deloitte & Touche (M.E.) & Co. LLC**
**Muscat, Sultanate of Oman**
**14 January 2015**

P.O.Box 258, P.C 112
Sultanate of Oman
Deloitte & Touche (M.E.) & Co. LLC

**Signed by**
**Alfred Strolla**
**Partner**

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of financial position at 31 December 2014

| | Notes | Group 2014 RO | Parent Company 2014 RO | Group 2013 RO | Parent Company 2013 RO |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, Plant and equipment | 5 | 38,055,520 | 25,732,990 | 38,622,412 | 25,834,174 |
| Investment in a subsidiary | 6 | - | 2,226,660 | - | 2,226,660 |
| Investment in an associate | 7 | 576,159 | 576,159 | 578,608 | 578,608 |
| Available-for-sale investments | 8 | 174,022 | 174,022 | 177,059 | 177,059 |
| Held-to-maturity investments | 9 | 1,251,204 | 1,251,204 | 1,251,204 | 1,251,204 |
| **Total non-current assets** | | 40,056,905 | 29,961,035 | 40,629,283 | 30,067,705 |
| **Current assets** | | | | | |
| Inventories | 10 | 44,629,416 | 37,705,724 | 56,077,362 | 50,865,876 |
| Trade and other receivables | 11 | 71,843,263 | 66,608,604 | 66,804,057 | 62,908,574 |
| Due from related parties | 33 | 1,498,162 | 1,498,162 | 2,193,755 | 2,192,247 |
| Cash and bank balances | 12 | 2,099,710 | 1,969,512 | 1,275,462 | 1,175,358 |
| **Total current assets** | | 120,070,551 | 107,782,002 | 126,350,636 | 117,142,055 |
| **Total assets** | | 160,127,456 | 137,743,037 | 166,979,919 | 147,209,760 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 13 | 8,970,000 | 8,970,000 | 8,970,000 | 8,970,000 |
| Share premium | 14 | 977,500 | 977,500 | 977,500 | 977,500 |
| Legal reserve | 15 | 4,009,764 | 2,990,000 | 3,568,807 | 2,990,000 |
| General reserve | 16 | 7,637,825 | 7,637,825 | 5,958,241 | 5,958,241 |
| Retained earnings | | 56,376,058 | 54,351,819 | 48,671,979 | 47,129,164 |
| Cumulative changes in fair values | 18 | 21,255 | (423,430) | 61,611 | 33,881 |
| Equity attributable to equity holders of the parent | | 77,992,402 | 74,503,714 | 68,208,138 | 66,058,786 |
| Non-controlling interests | | 5,505,374 | - | 4,253,300 | - |
| **Total equity** | | 83,497,776 | 74,503,714 | 72,461,438 | 66,058,786 |
| **Non-current liabilities** | | | | | |
| Term loan | 19 | 3,250,236 | - | 4,875,355 | - |
| Deferred tax liability | 20 | 1,134,966 | 781,087 | 1,146,448 | 792,569 |
| Employee's end of service benefits | 21 | 1,428,290 | 1,355,291 | 1,236,531 | 1,192,697 |
| **Total non-current liabilities** | | 5,813,492 | 2,136,378 | 7,258,334 | 1,985,266 |
| **Current liabilities** | | | | | |
| Trade and other payables | 22 | 25,608,239 | 18,056,660 | 26,964,151 | 20,406,407 |
| Due to related parties | 33 | 59,157 | 677,313 | 201,973 | 290,398 |
| Bank borrowings | 23 | 41,407,778 | 40,253,078 | 56,389,835 | 56,389,835 |
| Current maturities of term loans | 19 | 1,625,120 | - | 1,625,120 | - |
| Taxation | 20 | 2,115,894 | 2,115,894 | 2,079,068 | 2,079,068 |
| **Total current liabilities** | | 70,816,188 | 61,102,945 | 87,260,147 | 79,165,708 |
| **Total liabilities** | | 76,629,680 | 63,239,323 | 94,518,481 | 81,150,974 |
| **Total equity and liabilities** | | 160,127,456 | 137,743,037 | 166,979,919 | 147,209,760 |
| **Net assets per share** | 31 | 0.869 | 0.831 | 0.760 | 0.736 |

The consolidated financial statements were authorized for issue in accordance with a resolution of the directors on 14 January 2015

**Chairman** **Chief Executive Officer**

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated income statement for the year ended 31 December 2014

| | Notes | Group 2014 RO | Parent company 2014 RO | Group 2013 RO | Parent Company 2013 RO |
|---|---|---|---|---|---|
| Sales | | 303,145,615 | 253,245,835 | 306,057,615 | 263,483,655 |
| Cost of sales | 24 | (269,415,307) | (226,786,695) | (274,620,483) | (237,630,692) |
| **Gross profit** | | 33,730,308 | 26,459,140 | 31,437,132 | 25,852,963 |
| Other income | 25 | 149,766 | 1,476,126 | 148,030 | 534,331 |
| Administrative expenses | 26 | (5,990,870) | (4,538,867) | (5,397,988) | (4,382,422) |
| Selling and distribution expenses | 27 | (4,302,549) | (3,282,908) | (4,433,567) | (3,222,740) |
| Depreciation | | (277,031) | (170,187) | (325,995) | (220,430) |
| **Operating profit** | | 23,309,624 | 19,943,304 | 21,427,612 | 18,561,702 |
| Finance costs | 28 | (1,458,457) | (1,175,208) | (1,085,744) | (828,480) |
| Finance income | | 107,727 | 107,727 | 112,386 | 112,386 |
| Share of results of an associate | 7 | 14,876 | 14,876 | 38,357 | 38,357 |
| Profit before income tax | | 21,973,770 | 18,890,699 | 20,492,611 | 17,883,965 |
| Income tax expense | 20 | (2,094,860) | (2,094,860) | (2,096,276) | (2,080,744) |
| **Profit for the year** | | 19,878,910 | 16,795,839 | 18,396,335 | 15,803,221 |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | 17,718,220 | 16,795,839 | 16,886,284 | 15,803,221 |
| Non-controlling interests | | 2,160,690 | - | 1,510,051 | - |
| | | 19,878,910 | 16,795,839 | 18,396,335 | 15,803,221 |
| **Basic and diluted earnings per share attributable to ordinary equity holders of the parent company** | 30 | 0.198 | 0.187 | 0.188 | 0.176 |
| **Gross profit margin** | | 11.13% | 10.45% | 10.27% | 9.81% |
| **Net profit margin** | | 6.56% | 6.63% | 6.01% | 6.00% |

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of comprehensive income for the year ended 31 December 2014

| | Notes | Group 2014 RO | Parent Company 2014 RO | Group 2013 RO | Parent Company 2013 RO |
|---|---|---|---|---|---|
| **Profit for the year** | | **19,878,910** | **16,795,839** | 18,396,335 | 15,803,221 |
| **Other comprehensive (expense) / income** | | | | | |
| **Items that may be reclassified subsequently to profit or loss:** | | | | | |
| Net movement in hedging commodity and currency future contracts | | **380,608** | **(436,950)** | (853,524) | (901,996) |
| Net movement in available-for-sale investments | **8** | **(3,036)** | **(3,036)** | 2,637 | 2,637 |
| Exchange difference on foreign currency translation of associate | **7** | **(17,325)** | **(17,325)** | (67,448) | (67,448) |
| **Other comprehensive income / (expense) for the year** | | **360,247** | **(457,311)** | (918,335) | (966,807) |
| **Total comprehensive income for the year** | | **20,239,157** | **16,338,528** | 17,478,000 | 14,836,414 |
| **Attributable to:** | | | | | |
| Equity holders of the parent | | **17,677,864** | **16,338,528** | 15,944,198 | 14,836,414 |
| Non-controlling interests | | **2,561,293** | **-** | 1,533,802 | - |
| | | **20,239,157** | **16,338,528** | 17,478,000 | 14,836,414 |

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of changes in equity for the year ended 31 December 2014

| Group | Attributable to the equity holders of the Parent Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium | Legal reserve | General reserve | Retained earnings | Cumulative changes in fair values | Total | Non-controlling interests | Total |
| | RO | RO | RO | RO | RO | RO | RO | RO | RO |
| **Balance at 1 January 2013** | 8,970,000 | 977,500 | 3,260,633 | 4,377,918 | 39,953,192 | 1,003,697 | 58,542,940 | 3,201,983 | 61,744,923 |
| Profit for the year | - | - | - | - | 16,886,284 | - | 16,886,284 | 1,510,051 | 18,396,335 |
| Other comprehensive (expense) / Income | - | - | - | - | - | (942,086) | (942,086) | 23,751 | (918,335) |
| Total comprehensive income | - | - | - | - | 16,886,284 | (942,086) | 15,944,198 | 1,533,802 | 17,478,000 |
| Dividend for the year 2012 | - | - | - | - | (6,279,000) | - | (6,279,000) | (482,485) | (6,761,485) |
| Transfer to legal and general reserve | - | - | 308,174 | 1,580,323 | (1,888,497) | - | - | - | - |
| **Balance at 1 January 2014** | **8,970,000** | **977,500** | **3,568,807** | **5,958,241** | **48,671,979** | **61,611** | **68,208,138** | **4,253,300** | **72,461,438** |
| Profit for the year | **-** | **-** | **-** | **-** | **17,718,220** | **-** | **17,718,220** | **2,160,690** | **19,878,910** |
| Other comprehensive (expense) / income | **-** | **-** | **-** | **-** | **-** | **(40,356)** | **(40,356)** | **400,603** | **360,247** |
| Total comprehensive income | **-** | **-** | **-** | **-** | **17,718,220** | **(40,356)** | **17,677,864** | **2,561,293** | **20,239,157** |
| Dividend for the year 2013 | **-** | **-** | **-** | **-** | **(7,893,600)** | **-** | **(7,893,600)** | **(1,309,219)** | **(9,202,819)** |
| Transfer to legal and general reserve | **-** | **-** | **440,957** | **1,679,584** | **(2,120,541)** | **-** | **-** | **-** | **-** |
| **Balance at 31 December 2014** | **8,970,000** | **977,500** | **4,009,764** | **7,637,825** | **56,376,058** | **21,255** | **77,992,402** | **5,505,374** | **83,497,776** |

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of changes in equity for the year ended 31 December 2014 (continued)

| Parent Company | Share capital | Share premium | Legal reserve | General reserve | Retained earnings | Cumulative changes in fair values | Total |
|---|---|---|---|---|---|---|---|
| | RO | RO | RO | RO | RO | RO | RO |
| Balance at 1 January 2013 | 8,970,000 | 977,500 | 2,990,000 | 4,377,918 | 39,185,266 | 1,000,688 | 57,501,372 |
| Profit for the year | - | - | - | - | 15,803,221 | - | 15,803,221 |
| Other comprehensive income | - | - | - | - | - | (966,807) | (966,807) |
| Total comprehensive income | - | - | - | - | 15,803,221 | (966,807) | 14,836,414 |
| Dividend for the year 2012 | - | - | - | - | (6,279,000) | - | (6,279,000) |
| Transfer to general reserve | - | - | - | 1,580,323 | (1,580,323) | - | - |
| **Balance at 1 January 2014** | **8,970,000** | **977,500** | **2,990,000** | **5,958,241** | **47,129,164** | **33,881** | **66,058,786** |
| Profit for the year | **-** | **-** | **-** | **-** | **16,795,839** | **-** | **16,795,839** |
| Other comprehensive income | - | - | - | - | - | **(457,311)** | **(457,311)** |
| Total comprehensive income | **-** | **-** | **-** | **-** | **16,795,839** | **(457,311)** | **16,338,528** |
| Dividend for the year 2013 | **-** | **-** | **-** | **-** | **(7,893,600)** | **-** | **(7,893,600)** |
| Transfer to general reserve | - | **-** | **-** | **1,679,584** | **(1,679,584)** | **-** | **-** |
| **Balance at 31 December 2014** | **8,970,000** | **977,500** | **2,990,000** | **7,637,825** | **54,351,819** | **(423,430)** | **74,503,714** |

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Consolidated statement of cash flows
## for the year ended 31 December 2014

| | Group 2014 RO | Parent Company 2014 RO | Group 2013 RO | Parent Company 2013 RO |
|---|---|---|---|---|
| **Operating activities** | | | | |
| Cash receipt from sales | **301,657,543** | **252,023,264** | 293,072,751 | 247,331,131 |
| Cash paid towards cost of sales and expenses | **(268,550,246)** | **(221,380,254)** | (289,008,795) | (243,800,734) |
| Cash generated from operations | **33,107,297** | **30,643,010** | 4,063,956 | 3,530,397 |
| Interest received | **107,727** | **107,727** | 110,162 | 110,162 |
| Income tax paid | **(2,069,516)** | **(2,069,516)** | (1,498,616) | (1,498,616) |
| Directors' remuneration and meeting attendance fees paid | **(199,950)** | **(199,950)** | (199,050) | (199,050) |
| **Net cash flows from operating activities** | **30,945,558** | **28,481,271** | 2,476,452 | 1,942,893 |
| Investing activities | | | | |
| Purchase of property, plant and equipment | **(2,869,498)** | **(2,484,191)** | (5,546,072) | (4,525,925) |
| Purchase of available-for-sale investments | | **-** | (38,000) | (38,000) |
| Proceeds from disposal of property, plant and equipment | **48,638** | **34,638** | 28,628 | 9,647 |
| **Net cash used in investing activities** | **(2,820,860)** | **(2,449,553)** | (5,555,444) | (4,554,278) |
| **Financing activities** | | | | |
| Repayment of term loans | **(1,625,119)** | **-** | (1,625,125) | - |
| Dividends paid to equity holders of the parent | **(7,893,600)** | **(7,893,600)** | (6,279,000) | (6,279,000) |
| Dividend paid to non-controlling interest | **(1,309,219)** | **-** | (482,485) | - |
| Net movement in short term loans | **(6,997,730)** | **(8,152,430)** | 8,000,000 | 8,000,000 |
| Net movement in loans against trust receipts | **(7,994,236)** | **(7,994,236)** | 1,219,452 | 1,219,452 |
| Interest paid | **(1,490,455)** | **(1,207,207)** | (1,104,094) | (846,830) |
| **Net cash (used in) / from financing activities** | **(27,310,359)** | **(25,247,473)** | (271,252) | 2,093,622 |
| Net increase / (decrease) in cash and cash equivalents during the year | **814,339** | **784,245** | (3,350,244) | (517,763) |
| Cash and cash equivalents at 1 January | **1,235,371** | **1,135,267** | 4,585,615 | 1,653,030 |
| **Cash and cash equivalents at 31 December** | **2,049,710** | **1,919,512** | 1,235,371 | 1,135,267 |
| **Cash and cash equivalents at the end of the year comprise:** | | | | |
| Current accounts | **2,074,428** | **1,944,406** | 1,253,749 | 1,153,951 |
| Cash in hand | **25,282** | **25,106** | 21,713 | 21,407 |
| | **2,099,710** | **1,969,512** | 1,275,462 | 1,175,358 |
| Bank overdraft | **(50,000)** | **(50,000)** | (40,091) | (40,091) |
| | **2,049,710** | **1,919,512** | 1,235,371 | 1,135,267 |

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

## Notes to the consolidated financial statements at 31 December, 2014

### 1. Legal status and principal activities

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

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

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

For the year ended 31 December 2014, the Group has adopted all the 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 the period beginning on 1 January 2014.

### 2.1 Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have been adopted in these consolidated financial statements. Their adoption has not had any significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

| | |
|---|---|
| Amendments to IFRS 10, IFRS 12 and IAS 27: Investment Entities | The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. |
| Amendments to IAS 32: Offsetting Financial Assets and Financial Liabilities | The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. |
| Amendments to IAS 36: Recoverable Amount Disclosures for Non-Financial Assets | The amendment to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. |
| Amendments to IAS 39: Novation of Derivatives and Continuation of Hedge Accounting | The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. |

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

### 2.1 Standards and Interpretations adopted with no effect on the financial statements (continued)

| | |
|---|---|
| IFRIC 21: Levies | IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies neither economic compulsion nor the going concern basis financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. |

### 2.2 Standards and Interpretations in issue not yet effective

At the date of authorisation of these consolidated financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

| New IFRS and relevant amendments | Effective for annual periods beginning on or after |
|---|---|
| IFRS 9: Financial Instruments | 1 January 2018 |
| IFRS 15: Revenue from Contracts with Customers | 1 January 2017 |
| Amendment to IFRS 11: Accounting for Acquisition of Interest in Joint Operations | 1 January 2016 |
| Amendment to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendment to IAS 16 and IAS 41: Agriculture – Bearer Plants. | 1 January 2016 |
| Amendment to IAS 19: Employee Benefit Plans – Employee Contributions | 1 July 2014 |
| Amendments to IAS 27: Permits use of equity method for investments in subsidiaries, associates and joint ventures when an entity prepares its separate financial statements. | 1 January 2016 |
| Amendments to IFRS 10 and IAS 28: Specifies the accounting treatment for gain or loss on sale or contribution of assets between investor and joint ventures based on whether or not the sale or contribution results in a business. | 1 January 2016 |
| Annual Improvements to IFRSs 2010 – 2012 cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2011 – 2013 cycle | 1 July 2014 |
| Annual Improvements to IFRSs 2012 – 2014 cycle | 1 January 2016 |

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

### 2.2 Standards and Interpretations in issue not yet effective (continued)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group's in the period of initial application. The adoption of these standards and interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported for the current or prior periods except for IFRS 9: Financial Instruments 9. IFRS 9 introduces new requirements for the classification and measurement of financial assets, new criteria for amortised cost measurement, a new measurement category - fair value through other comprehensive income, impairment assessment only for amortised cost assets, eliminates the category available-for-sale assets, eliminates held-to-maturity assets and tainting rules, eliminates embedded derivatives in financial assets and eliminates unquoted equity investments measured at cost less impairment. The management is currently assessing this standard which may have an impact on the consolidated financial statements of the Group as described above.

## 3. Summary of significant accounting policies

### Statement of compliance

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

### Basis of preparation

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

### Basis of consolidation

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

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

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

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

## 3. Summary of significant accounting policies (continued)

### Basis of consolidation (continued)

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

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

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

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

### Property, plant and equipment

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

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

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

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.

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 3. Summary of significant accounting policies (continued)

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

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 income statement 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 income statement in the year the asset is derecognised.

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

#### Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments such as forward currency contracts and forward commodity contracts to hedge its foreign currency risks and commodity price risks, respectively.

These derivative financial instruments, which qualify for hedge accounting and meet the criteria for cash flow hedge are initially recognized at cost and are subsequently stated at fair market value. The effective portion of the gain or loss on the hedging instrument is recognized directly as other comprehensive income in the cumulative changes in fair value reserve, while any ineffective position is recognized immediately in the income statement. Subsequently the gains or losses recognized as other comprehensive income are transferred to the cost of inventories in the income statement. 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.

#### Investment in a subsidiary

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

#### Investment in an associate

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

### 3. Summary of significant accounting policies (continued)

#### Investment in an associate

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

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

#### Financial instruments

#### Financial assets

*Initial recognition and measurement*

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

*Subsequent measurement*

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

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

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

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realized gain and loss are recognized in the income statement.

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

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

#### De-recognition of financial instruments

*Financial assets*

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

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

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

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

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

### 3. Summary of significant accounting policies (continued)

#### Financial instruments (continued)

*Financial liabilities*

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

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

#### Inventories

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

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

#### Trade and other receivables

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

#### Cash and cash equivalents

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

#### Impairment and uncollectibility 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 income statement. 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)

### 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 income statement.

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

*Associates*

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

### Dividend on ordinary shares

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

### Employee benefits

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

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

## 3. Summary of significant accounting policies (continued)

### Provisions

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

### Borrowings

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

### Accounts payable and accruals

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

### Revenue recognition

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

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

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

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

### Leases

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

## 3. Summary of significant accounting policies (continued)

### Leases (continued)

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 income statement on a straight line basis over the lease term.

### Borrowing costs

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

### Foreign currency translation

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

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

*Translation of foreign operations*

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

### Income tax

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

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

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

### 3. Summary of significant accounting policies (continued)

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 are recognised in equity and not in the income statement.

#### Directors' remuneration

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

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

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

*Classification of investments*

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

*Fair values*

For investments 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.

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

#### Key sources of estimation uncertainty

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

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

At the reporting date, Group trade receivables were RO 71,035,970 (2013: RO 67,127,985), and the provision for doubtful debts was RO 1,400,000 (2013: RO 1,200,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the Income statement.

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

At the reporting date, gross inventories were RO 46,039,416 (2013: RO 57,337,362) and the provisions for slow moving and obsolete inventories of RO 1,410,000 (2013: RO1,260,000) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the Income statement.

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.

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 5. Property, plant and equipment

| Group<br>31 December 2014 | 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 2014** | 14,258,492 | 36,405,388 | 2,394,960 | 290,881 | 652,378 | 1,193,822 | 2,567,892 | 351,586 | 2,275,379 | 239,410 | 60,630,188 |
| Additions | 75,320 | 308,424 | - | 35,882 | 50,986 | 95,206 | 223,373 | 47,186 | 59,944 | 2,058,139 | 2,954,460 |
| Disposals | - | (263,053) | - | (44,470) | (10,509) | (54,864) | (38,525) | - | - | - | (411,421) |
| Transfers | 133,360 | 2,033,517 | - | - | - | - | - | - | - | (2,166,877) | - |
| **At 31 December 2014** | 14,467,172 | 38,484,276 | 2,394,960 | 282,293 | 692,855 | 1,234,164 | 2,752,740 | 398,772 | 2,335,323 | 130,672 | 63,173,227 |
| **Depreciation** | | | | | | | | | | | |
| **At 1 January 2014** | 4,207,761 | 11,948,825 | 1,423,689 | 209,426 | 486,789 | 862,807 | 1,826,335 | 140,756 | 901,388 | - | 22,007,776 |
| Charge for the year | 701,501 | 1,900,590 | 182,498 | 37,765 | 88,946 | 150,320 | 179,441 | 48,787 | 198,141 | - | 3,487,989 |
| **Disposals** | - | (236,419) | - | (40,678) | (10,466) | (54,707) | (35,788) | - | - | - | (378,058) |
| **At 31 December 2014** | 4,909,262 | 13,612,996 | 1,606,187 | 206,513 | 565,269 | 958,420 | 1,969,988 | 189,543 | 1,099,529 | - | 25,117,707 |
| **Carrying amount** | | | | | | | | | | | |
| **At 31 December 2014** | 9,557,910 | 24,871,280 | 788,773 | 75,780 | 127,586 | 275,744 | 782,752 | 209,229 | 1,235,794 | 130,672 | 38,055,520 |
| At 31 December 2013 | 10,050,731 | 24,456,563 | 971,271 | 81,455 | 165,589 | 331,015 | 741,557 | 210,830 | 1,373,991 | 239,410 | 38,622,412 |

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

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

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

| Group<br>31 December 2013 | 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 2013 | 12,036,120 | 33,663,839 | 2,216,665 | 279,781 | 652,911 | 1,002,769 | 2,416,482 | 364,344 | 1,639,014 | 1,701,418 | 55,973,343 |
| Additions | 20,663 | 811,160 | 30,885 | 24,300 | 71,733 | 261,398 | 291,009 | 49,648 | 18,657 | 4,094,979 | 5,674,432 |
| Disposals | (51,442) | (575,657) | (6,407) | (13,200) | (72,266) | (70,345) | (139,599) | (62,406) | (26,265) | - | (1,017,587) |
| Transfers | 2,253,151 | 2,506,046 | 153,817 | - | - | - | - | - | 643,973 | (5,556,987) | - |
| At 31 December 2013 | 14,258,492 | 36,405,388 | 2,394,960 | 290,881 | 652,378 | 1,193,822 | 2,567,892 | 351,586 | 2,275,379 | 239,410 | 60,630,188 |
| Depreciation | | | | | | | | | | | |
| At 1 January 2013 | 3,621,843 | 10,725,964 | 1,250,699 | 183,042 | 478,803 | 725,945 | 1,784,297 | 175,389 | 757,562 | - | 19,703,544 |
| Charge for the year | 634,760 | 1,781,748 | 179,356 | 39,584 | 79,398 | 207,013 | 161,714 | 27,633 | 169,607 | - | 3,280,813 |
| Disposals | (48,842) | (558,887) | (6,366) | (13,200) | (71,412) | (70,151) | (119,676) | (62,266) | (25,781) | - | (976,581) |
| At 31 December 2013 | 4,207,761 | 11,948,825 | 1,423,689 | 209,426 | 486,789 | 862,807 | 1,826,335 | 140,756 | 901,388 | - | 22,007,776 |
| Carrying amount | | | | | | | | | | | |
| At 31 December 2013 | 10,050,731 | 24,456,563 | 971,271 | 81,455 | 165,589 | 331,015 | 741,557 | 210,830 | 1,373,991 | 239,410 | 38,622,412 |
| At 31 December 2012 | 8,414,277 | 22,937,875 | 965,966 | 96,739 | 174,108 | 276,824 | 632,185 | 188,955 | 881,452 | 1,701,418 | 36,269,799 |

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

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

| Parent Company 31 December 2014 | 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 2014** | 10,451,623 | 26,623,838 | 1,493,316 | 216,661 | 514,075 | 908,651 | 2,399,866 | 233,106 | 2,149,951 | - | 44,991,087 |
| Additions | 3,000 | 86,473 | - | - | 42,907 | 80,361 | 210,355 | 9,587 | 59,944 | 1,991,564 | 2,484,191 |
| Disposals | - | (263,053) | - | (15,500) | (10,509) | (54,864) | (38,525) | - | - | - | (382,451) |
| Transfers | 133,360 | 1,858,204 | - | - | - | - | - | - | - | (1,991,564) | - |
| **At 31 December 2014** | 10,587,983 | 28,305,462 | 1,493,316 | 201,161 | 546,473 | 934,148 | 2,571,696 | 242,693 | 2,209,895 | - | 47,092,827 |
| **Depreciation** | | | | | | | | | | | |
| **At 1 January 2014** | 3,561,022 | 10,423,623 | 1,117,975 | 176,091 | 396,417 | 724,983 | 1,787,623 | 110,159 | 859,020 | - | 19,156,913 |
| Charge for the year | 509,304 | 1,401,840 | 92,334 | 21,046 | 58,030 | 91,111 | 162,047 | 34,492 | 185,598 | - | 2,555,802 |
| Disposals | - | (236,419) | - | (15,498) | (10,466) | (54,707) | (35,788) | - | - | - | (352,878) |
| **At 31 December 2014** | 4,070,326 | 11,589,044 | 1,210,309 | 181,639 | 443,981 | 761,387 | 1,913,882 | 144,651 | 1,044,618 | - | 21,359,837 |
| **Carrying amount** | | | | | | | | | | | |
| **At 31 December 2014** | 6,517,657 | 16,716,418 | 283,007 | 19,522 | 102,492 | 172,761 | 657,814 | 98,042 | 1,165,277 | - | 25,732,990 |
| At 31 December 2013 | 6,890,601 | 16,200,215 | 375,341 | 40,570 | 117,658 | 183,668 | 612,243 | 122,947 | 1,290,931 | - | 25,834,174 |

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

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

| Parent Company<br>31 December 2013 | 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 2013 | 8,249,067 | 24,562,612 | 1,329,206 | 208,861 | 522,982 | 829,839 | 2,280,006 | 248,761 | 1,513,586 | 1,695,538 | 41,440,458 |
| Additions | 6,727 | 130,837 | 16,700 | 7,800 | 62,868 | 149,157 | 230,859 | 46,751 | 18,657 | 3,855,569 | 4,525,925 |
| Disposals | (51,442) | (575,657) | (6,407) | - | (71,775) | (70,345) | (110,999) | (62,406) | (26,265) | - | (975,296) |
| Transfers | 2,247,271 | 2,506,046 | 153,817 | - | - | - | - | - | 643,973 | (5,551,107) | - |
| At 31 December 2013 | 10,451,623 | 26,623,838 | 1,493,316 | 216,661 | 514,075 | 908,651 | 2,399,866 | 233,106 | 2,149,951 | - | 44,991,087 |
| Depreciation | | | | | | | | | | | |
| At 1 January 2013 | 3,165,293 | 9,664,699 | 1,033,849 | 151,139 | 421,449 | 645,749 | 1,752,529 | 156,438 | 727,737 | - | 17,718,882 |
| Charge for the year | 444,571 | 1,317,811 | 90,492 | 24,952 | 46,093 | 149,385 | 145,908 | 15,987 | 157,064 | - | 2,392,263 |
| Disposals | (48,842) | (558,887) | (6,366) | - | (71,125) | (70,151) | (110,814) | (62,266) | (25,781) | - | (954,232) |
| At 31 December 2013 | 3,561,022 | 10,423,623 | 1,117,975 | 176,091 | 396,417 | 724,983 | 1,787,623 | 110,159 | 859,020 | - | 19,156,913 |
| Carrying amount | | | | | | | | | | | |
| At 31 December 2013 | 6,890,601 | 16,200,215 | 375,341 | 40,570 | 117,658 | 183,668 | 612,243 | 122,947 | 1,290,931 | - | 25,834,174 |
| At 31 December 2012 | 5,083,774 | 14,897,913 | 295,357 | 57,722 | 101,533 | 184,090 | 527,477 | 92,323 | 785,849 | 1,695,538 | 23,721,576 |

**Notes to the consolidated financial statements at 31 December, 2014 (continued)**

## 6. Investment in a subsidiary

| | % Holding | Activity | Year of incorporation | 2014 Parent Company | 2013 Parent Company |
|---|---|---|---|---|---|
| Oman Aluminium Processing Industries LLC (OAPIL) (Incorporated in Oman) | 51% | Manufacture of aluminium rods and overhead conductors | 2008 | 2,226,660 | 2,226,660 |

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

The Income statement of the Group has been made after consolidating the OAPIL accounts and the 49% share of profit of RO 2,160,690 (2013: RO 1,510,051) has been shown as non-controlling interests in consolidated Income statement.

The following further notes apply:

1. Investment in OAPIL has been set off against the capital and reserves of the subsidiary in the consolidated financial statements.

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

## 7. Investment in an associate

| | **2014 Group and Parent Company** | | | 2013 Group and Parent Company | | |
|---|---|---|---|---|---|---|
| Name of the associate | **% Holding** | **Carrying value RO** | **Cost RO** | % Holding | Carrying value RO | Cost RO |
| Associated Cables Private Limited, India (ACPL) | **40%** | **576,159** | **-** | 40% | 578,608 | - |

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

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

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 7. Investment in an associate (continued)

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| At the beginning of the year | **578,608** | **578,608** | 607,699 | 607,699 |
| Share of profit / fair value changes of associate | **14,876** | **14,876** | 38,357 | 38,357 |
| Effect of foreign currency translation | **(17,325)** | **(17,325)** | (67,448) | (67,448) |
| | **576,159** | **576,159** | 578,608 | 578,608 |

The share of results is based on the unaudited financial statements of the associate as at 31 December 2014. The associate company prepares audited financial statements at 31 March each year.

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

| | 2014 | 2013 |
|---|---|---|
| | **RO** | RO |
| Associate's statement of financial position: | | |
| Current assets | **1,377,013** | 1,281,209 |
| Non-current assets | **437,795** | 471,263 |
| Current liabilities | **(359,292)** | (266,675) |
| Non-current liabilities | **(15,130)** | (39,301) |
| Net assets | **1,440,386** | 1,446,496 |
| Associate's revenue and profit: | | |
| Revenue | **2,968,370** | 3,581,984 |
| Profit | **37,191** | 95,893 |
| Carrying amount of investment | **576,159** | 578,608 |

**Notes to the consolidated financial statements at 31 December, 2014 (continued)**

## 8. Available-for-sale investments

| | **2014 Group and Parent Company** | | 2013 Group and Parent Company | |
|---|---|---|---|---|
| | **Market value** | **Cost** | Market value | Cost |
| | **RO** | **RO** | RO | RO |
| Unquoted investments (refer note (a) below) | **168,442** | **168,442** | 168,442 | 168,442 |
| Marketable securities listed on the Muscat Securities Market | **5,580** | **2,544** | 8,617 | 2,544 |
| | **174,022** | **170,986** | 177,059 | 170,986 |

(a) During the year, the Company invested RO Nil (2013: RO 38,000) in units of Oman Fixed Income Fund.

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

| | **2014** | 2013 |
|---|---|---|
| | **Group and Parent company** | |
| | **RO** | RO |
| Net unrealised (loss) / profit | **(3,036)** | 2,637 |

## 9. Held-to-maturity investments

Held-to-maturity investments comprise bonds issued by a commercial bank in the Sultanate of Oman maturing in May 2016. The bonds earn a fixed interest rate of 8% per annum (2013: 8% per annum).

## 10. Inventories

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Raw materials | **11,004,880** | **10,792,775** | 14,065,380 | 13,955,795 |
| Spares, consumables and scrap | **3,865,988** | **2,379,425** | 2,714,471 | 1,795,299 |
| Finished goods | **21,665,447** | **16,482,625** | 26,282,865 | 22,165,873 |
| | **36,536,315** | **29,654,825** | 43,062,716 | 37,916,967 |
| Work in progress | **3,042,954** | **3,000,752** | 4,617,283 | 4,501,546 |
| Goods in transit | **6,460,147** | **6,460,147** | 9,657,363 | 9,657,363 |
| | **46,039,416** | **39,115,724** | 57,337,362 | 52,075,876 |
| Less :provision for slow moving and obsolete items | **(1,410,000)** | **(1,410,000)** | (1,260,000) | (1,210,000) |
| | **44,629,416** | **37,705,724** | 56,077,362 | 50,865,876 |

## 10. Inventories (continued)

Raw materials include an amount of RO 608,243 for Parent Company and RO 412,462 for Group (2013 – Parent RO 305,570 Group RO 271,115), that relates to derivative financial assets in relation to procurement of raw materials required to meet confirmed sales orders as on 31 December 2014.

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| At the beginning of the year | **1,260,000** | **1,210,000** | 1,010,000 | 1,010,000 |
| Add: Net provision for the year | **150,000** | **200,000** | 250,000 | 200,000 |
| | **1,410,000** | **1,410,000** | 1,260,000 | 1,210,000 |

## 11. Trade and other receivables

| | | | | |
|---|---|---|---|---|
| Trade receivables | **71,035,970** | **66,864,775** | 67,127,985 | 63,477,059 |
| Less: allowance for credit losses | **(1,400,000)** | **(1,400,000)** | (1,200,000) | (1,200,000) |
| | **69,635,970** | **65,464,775** | 65,927,985 | 62,277,059 |
| Advances | **1,024,861** | **937,476** | 499,778 | 398,129 |
| Derivatives designated and effective as hedging instruments carried at fair value (Note 18) | **871,930** | **-** | 121,301 | 66,929 |
| Other receivables and prepayments | **310,502** | **206,353** | 254,993 | 166,457 |
| | **71,843,263** | **66,608,604** | 66,804,057 | 62,908,574 |

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| At the beginning of the year | **1,200,000** | **1,200,000** | 1,000,000 | 1,000,000 |
| Add: Provision for the year | **200,000** | **200,000** | 200,000 | 200,000 |
| | **1,400,000** | **1,400,000** | 1,200,000 | 1,200,000 |

The Company offers credit to its customers, after which trade receivables are considered to be past due. At the reporting date, gross trade receivables amounting to RO 951,874 (2013 - RO 585,177) were assessed as impaired by the management, for which allowance for credit losses has been established. In addition an amount of RO 448,126 (2013 - RO 614,823) has also been established as a collective provision for credit losses against unsecured trade receivables.

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 11. Trade and other receivables (continued)

| | Total | Impaired | Neither past due nor impaired | Less than 3 months | 3 to 6 months | 6 to 12 months | More than 1 year |
|---|---|---|---|---|---|---|---|
| | | | | Past due but not impaired | | | |
| | RO | | RO | RO | RO | RO | RO |
| **2014** | **66,864,775** | **1,400,000** | **58,302,655** | **5,958,970** | **1,030,090** | **173,060** | |
| 2013 | 63,477,059 | 1,200,000 | 58,066,927 | 4,021,949 | 188,183 | - | - |

At the reporting date 50% of parent's trade receivables are due from 11 customers (2013- 50% from 8 customers). Trade receivables amounting to RO 58,302,655 (2013 – RO 58,066,927) are neither past due nor impaired and are estimated as collectible based on historical experience. 45% (2013 – 60%) of the trade receivables are secured against letters of Credit, bank guarantees or other credit risk cover.

### 12. Cash and bank balances

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Cash in hand | **25,282** | **25,106** | 21,713 | 21,407 |
| Cash at bank – current and call accounts | **2,074,428** | **1,944,406** | 1,253,749 | 1,153,951 |
| | **2,099,710** | **1,969,512** | 1,275,462 | 1,175,358 |

### 13. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2013 – 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 (2013 – 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:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **No of shares held** | **%** | No of shares held | % |
| Draka Holding NV | **31,200,000** | **34.78** | 31,200,000 | 34.78 |
| Mustafa Mukhtar Ali Al Lawati | **11,247,040** | **12.54** | 11,247,040 | 12.54 |
| Hussain Salman Al Lawati | **10,890,630** | **12.14** | 10,890,630 | 12.14 |

### 14. Share premium

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

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 15. Legal reserve

As required by Article 106 of the Commercial Companies Law of 1974 of Sultanate of Oman, 10% of the net profit of the Company 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 Company.

The Parent Company has discontinued such transfers as the reserve has reached the statutory minimum of one third of the capital. The subsidiary has transferred 10% of profit to legal reserve.

### 16. General reserve

This reserve represents a distributable reserve initially created at 31 December 2001, to address any impact of unforeseen events in view of the Parent Company's growing operations. 10% (2013 - 10%) of the net profit of the Parent Company has been transferred to this reserve during the year. The transfer is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### 17. Dividend per share

During the year, dividends of 88 baisa (2013: 70 baisa) per share totalling RO 7,893,600 (2013 : RO 6,279,000) relating to the year 2013 were declared and paid.

The Board of Directors have recommended a dividend of 90 baisa (2013 : 88 baisa) per share for the year 2014 amounting to RO 8,073,000 (2013 : RO 7,893,600), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

### 18. Cumulative changes in fair values

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Unrealised gain relating to: | | | | |
| Hedging commodity and currency forward / future contracts (Net) maturing within 12 months | **74,664** | **(370,021)** | 94,659 | 66,929 |
| Fair value of investments Available-for-sale | **3,036** | **3,036** | 6,073 | 6,073 |
| Others | **(56,445)** | **(56,445)** | (39,121) | (39,121) |
| | **21,255** | **(423,430)** | 61,611 | 33,881 |

The following further note applies:

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 income statement.

**Notes to the consolidated financial statements at 31 December, 2014 (continued)**

## 18. Cumulative changes in fair values (continued)

The cumulative change in fair value relating to the unrealised gain in commodity future contracts of RO 501,910 (2013 – RO 121,301) 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 427,246 (2013 – RO 26,642) 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 in commodity future contracts of RO (370,021) (2013 - RO 66,929) 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 2014 profitability, as it relates to the cost of purchase in the year 2015.

## 19. Term loans

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| **Non-current liabilities** | | | | |
| Loans from commercial banks | **3,250,236** | - | 4,875,355 | - |
| **Current liabilities** | | | | |
| Loans from commercial banks | **1,625,120** | - | 1,625,120 | - |
| **Total term loans** | **4,875,356** | - | 6,500,475 | - |

The subsidiary company has drawn a US$ denominated loan equivalent of RO 9,750,718 (2013: RO 9,750,718) out of the sanctioned loan amount of RO 12,900,000 as at the reporting date. The drawn portion of the loan is repayable in 8 equal half yearly instalments of RO 812,560 upto the year 2017.

The term loan is secured by:

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

### 19. Term loans (continued)

The following further note applies:

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Within 1 year | **1,625,120** | **-** | 1,625,120 | - |
| Between 2 and 5 years | **1,625,116** | **-** | 3,250,235 | - |
| | **3,250,236** | **-** | 4,875,355 | - |

### 20. Taxation

| | | | | |
|---|---|---|---|---|
| **Income statement** | | | | |
| Current year income tax charge | **2,106,342** | **2,106,342** | 2,069,517 | 2,069,517 |
| **Deferred tax:** | | | | |
| Relating to origination and reversal of temporary differences | **(11,482)** | **(11,482)** | 26,759 | 11,227 |
| Income tax expense reported in the Income statement | **2,094,860** | **2,094,860** | 2,096,276 | 2,080,744 |
| **Statement of financial position** | | | | |
| **Current liability** | | | | |
| Current year | **2,106,342** | **2,106,342** | 2,069,517 | 2,069,517 |
| Previous year | **9,552** | **9,552** | 9,551 | 9,551 |
| | **2,115,894** | **2,115,894** | 2,079,068 | 2,079,068 |
| **Non-current liability** | | | | |
| Deferred tax liability: | | | | |
| At 1 January | **1,146,448** | **792,569** | 1,119,689 | 781,342 |
| Movement for the year | **(11,482)** | **(11,482)** | 26,759 | 11,227 |
| | **1,134,966** | **781,087** | 1,146,448 | 792,569 |

## 20. Taxation (continued)

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Profit before income tax | **21,973,770** | **18,890,699** | 20,492,611 | 17,883,965 |
| Income tax as per rates mentioned below | **2,633,252** | **2,263,284** | 2,455,513 | 2,142,476 |
| Income exempt from tax | **(369,968)** | **-** | (313,037) | - |
| Tax effect of items deductible / non-deductible for tax purpose | **(156,942)** | **(156,942)** | (72,959) | (72,959) |
| Deferred tax | **(11,482)** | **(11,482)** | 26,759 | 11,227 |
| Net tax expense | **2,094,860** | **2,094,860** | 2,096,276 | 2,080,744 |

The tax rate applicable to the Parent Company is 12% (2013 - 12%). For the purpose of determining the tax expense for the year ended 31 December 2014, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expenses. After giving effect to these adjustments, the average effective tax rate is estimated to be 11.1% (2013 – 11.6%).The difference between the applicable tax rates of 12% (2013: 12%) and the effective tax rate of 11.1% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

Assessments of the Parent Company with the tax department have been completed up to the year 2009.

In accordance with the Ministrial Decision number 25/2011, the subsidiary company is exempt from income tax for a period of five years from 26 July 2010. Accordingly OAPIL has not made a provision for current tax. Tax assessments of the subsidiary for the years 2008 to 2012 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.

## 21. End of service benefits

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Liability as at 1 January | **1,236,531** | **1,192,697** | 1,092,765 | 1,064,501 |
| Accrued during the year | **243,991** | **214,826** | 160,825 | 142,299 |
| Employees' end of service benefits paid | **(52,232)** | **(52,232)** | (17,059) | (14,103) |
| | **1,428,290** | **1,355,291** | 1,236,531 | 1,192,697 |

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 22. Trade and other payables

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Trade payables | **20,421,311** | **14,265,593** | 21,016,242 | 16,224,102 |
| Other payables | **546,949** | **51,617** | 1,759,477 | 739,495 |
| Derivatives designated and effective as hedging instruments carried at fair value (Note 18) | **370,020** | **370,020** | - | - |
| Accruals | **4,269,959** | **3,369,430** | 4,188,432 | 3,442,810 |
| | **25,608,239** | **18,056,660** | 26,964,151 | 20,406,407 |

### 23. Bank borrowings

| | | | | |
|---|---|---|---|---|
| Overdrafts | **50,000** | **50,000** | 40,091 | 40,091 |
| Loans against trust receipts | **30,355,508** | **30,355,508** | 38,349,744 | 38,349,744 |
| Short term loans | **11,002,270** | **9,847,570** | 18,000,000 | 18,000,000 |
| | **41,407,778** | **40,253,078** | 56,389,835 | 56,389,835 |

Loans against trust receipts are secured by a first charge over the inventories financed. The Parent Company avails short-term loans from commercial banks for a period ranging upto 180 days (2013 – 180 days). Bank borrowings carry interest at commercial rates.

### 24. Cost of sales

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Cost of materials consumed | **256,011,337** | **217,031,113** | 262,281,628 | 228,575,055 |
| Employee costs | **5,210,306** | **4,392,664** | 4,693,563 | 3,914,730 |
| Depreciation | **3,210,958** | **2,385,615** | 2,954,818 | 2,171,833 |
| Stores, consumables, repairs and maintenance | **2,741,934** | **1,334,078** | 2,465,191 | 1,316,379 |
| Electricity and water | **1,184,050** | **783,725** | 1,017,176 | 703,896 |
| Provision for slow moving inventories [note 10] | **150,000** | **200,000** | 250,000 | 200,000 |
| Land lease rent | **108,361** | **63,361** | 85,629 | 40,329 |
| Other direct costs | **798,361** | **596,139** | 872,478 | 708,470 |
| | **269,415,307** | **226,786,695** | 274,620,483 | 237,630,692 |

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 25. Other income

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Group | Parent Company | Group | Parent Company |
| | RO | RO | RO | RO |
| Insurance claim | 21,198 | 21,198 | 27,268 | 27,268 |
| Gain / (loss) on sale of property, plant and equipment | 15,276 | 5,066 | (7,510) | (11,416) |
| Dividend from subsidiary | - | 1,362,657 | - | 502,179 |
| Miscellaneous income | 113,292 | 87,205 | 128,272 | 16,300 |
| | 149,766 | 1,476,126 | 148,030 | 534,331 |

### 26. Administrative expenses

| | | | | |
|---|---|---|---|---|
| Employee costs | 3,964,212 | 3,009,144 | 3,626,631 | 2,855,289 |
| Insurance | 203,216 | 203,216 | 353,222 | 353,222 |
| Allowance for credit losses | 200,000 | 200,000 | 200,000 | 200,000 |
| Directors' remuneration | 249,129 | 191,250 | 191,200 | 191,200 |
| Directors' meeting attendance fees | 8,750 | 8,750 | 52,897 | 8,800 |
| Legal and professional charges | 415,283 | 174,586 | 177,599 | 112,528 |
| Repairs and maintenance | 144,465 | 90,870 | 123,744 | 123,744 |
| Communication | 95,899 | 52,642 | 97,186 | 71,446 |
| Travelling | 59,347 | 43,807 | 60,101 | 49,989 |
| Printing and stationery | 49,160 | 43,204 | 47,800 | 39,669 |
| Contributions to local organizations | 100,000 | 100,000 | 100,000 | 100,000 |
| Vehicle running, repairs and maintenance | 43,324 | 15,380 | 59,588 | 23,389 |
| Service charges | 10,050 | 10,050 | 6,000 | 6,000 |
| Other sundry expenses | 448,035 | 395,968 | 302,020 | 247,146 |
| | 5,990,870 | 4,538,867 | 5,397,988 | 4,382,422 |

### 27. Selling and distribution expenses

| | | | | |
|---|---|---|---|---|
| Marketing and freight | 2,844,255 | 2,000,600 | 2,936,604 | 1,907,460 |
| Employee costs | 1,065,717 | 923,403 | 971,694 | 839,601 |
| Advertisement and sales promotion | 242,968 | 226,472 | 342,221 | 323,034 |
| Travelling | 149,609 | 132,433 | 183,048 | 152,645 |
| | 4,302,549 | 3,282,908 | 4,433,567 | 3,222,740 |

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 28. Financing costs

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Financing cost | **1,412,035** | **1,133,894** | 1,434,170 | 1,180,637 |
| Less: foreign currency translation | **46,422** | **41,314** | (348,426) | (352,157) |
| | **1,458,457** | **1,175,208** | 1,085,744 | 828,480 |

### 29. Employee costs

| | | | | |
|---|---|---|---|---|
| Salaries | **3,664,939** | **2,516,722** | 3,327,935 | 2,172,326 |
| Other benefits | **6,083,157** | **5,392,343** | 5,648,781 | 5,170,421 |
| Contributions to defined retirement plan for Omani employees | **248,148** | **201,320** | 154,347 | 124,574 |
| Increase in liability for unfunded defined benefit retirement plan | **243,991** | **214,826** | 160,825 | 142,299 |
| | **10,240,235** | **8,325,211** | 9,291,888 | 7,609,620 |

### 30. Basic earnings per share

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

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| Net profit for the year (RO) | **17,718,220** | **16,795,839** | 16,886,284 | 15,803,221 |
| 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) | **0.198** | **0.187** | 0.188 | 0.176 |

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.

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 31. Net assets per share

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| Net assets (RO) | **77,992,402** | **74,503,714** | 68,208,138 | 66,058,786 |
| 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) | **0.869** | **0.831** | 0.760 | 0.736 |

### 32. Segmental reporting

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

### Geographic information

Revenues from external customers

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Oman | **119,558,562** | **117,987,936** | 124,143,635 | 120,791,610 |
| Middle East and North Africa (MENA) | **130,972,188** | **123,253,665** | 137,660,539 | 117,110,819 |
| Others | **52,614,865** | **12,004,234** | 44,253,441 | 25,581,226 |
| | **303,145,615** | **253,245,835** | 306,057,615 | 263,483,655 |

### 33. Related party transactions

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

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 33. Related party transactions (continued)

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

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| **Group** | **Sales and other income** | **Purchases and other expenses** | **Others** | Sales and other income | Purchase and other expenses | Others |
| | **RO** | **RO** | **RO** | RO | RO | RO |
| Associated companies | **-** | **1,746,041** | **-** | 120,188 | 3,284,097 | - |
| Shareholders | **163,978** | **544,510** | **-** | 748,243 | 125,452 | 15,255 |
| Other related parties | **6,933,066** | **-** | **-** | 8,101,839 | - | - |
| | **7,097,044** | **2,290,551** | **-** | 8,970,270 | 3,409,549 | 15,255 |
| **Parent Company** | | | | | | |
| Associated companies | **-** | **1,746,041** | **-** | 120,188 | 3,284,097 | - |
| Shareholders | **163,978** | **544,510** | **-** | 748,243 | 125,452 | 15,255 |
| Subsidiary | **1,370,807** | **2,097,791** | **-** | 502,179 | 2,386,502 | - |
| Other related parties | **6,933,066** | **-** | **-** | 8,101,839 | - | - |
| | **8,467,851** | **4,388,342** | **-** | 9,472,449 | 5,796,051 | 15,255 |

### Compensation of key management personnel

The key management personnel compensation for the year comprises:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Short term employment benefits | **1,516,117** | **903,197** | 1,406,547 | 862,837 |
| End of service benefits | **46,362** | **31,839** | 46,429 | 28,492 |
| Directors' meeting attendance fees | **8,750** | **8,750** | 52,897 | 8,800 |
| Directors' remuneration | **248,937** | **191,250** | 191,200 | 191,200 |
| | **1,820,166** | **1,135,036** | 1,697,073 | 1,091,329 |

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

### 33. Related party transactions (continued)

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

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| **Amounts due from related parties** | | | | |
| Other related parties | **1,498,162** | **1,498,162** | 2,192,247 | 2,192,247 |
| Subsidiary | **-** | **-** | 1,508 | - |
| | **1,498,162** | **1,498,162** | 2,193,755 | 2,192,247 |
| Amounts due to related parties: | | | | |
| Other related parties | **59,157** | **59,157** | 200,465 | 200,465 |
| Subsidiary | **-** | **618,156** | 1,508 | 89,933 |
| | **59,157** | **677,313** | 201,973 | 290,398 |

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. An amount of RO 782,492 (2013 – RO 1,336,242) due from a related party is secured by a credit instrument and the balance amounts are unsecured.

At the reporting date, the entire due from related parties is due from two related parties (2013 - four related party). Amounts due from related parties are neither past due nor impaired and are estimated as collectible based on historical experience. There has been no impairment assessed on dues from related parties and accordingly no allowance for credit losses against these dues has been considered necessary.

### 34. Commitments and contingent liabilities

#### Commitments

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Capital commitments | **925,117** | **401,328** | 1,795,201 | 1,342,349 |
| Letters of credit | **21,956,096** | **13,836,823** | 19,372,474 | 11,280,588 |

**Notes to the consolidated financial statements at 31 December, 2014 (continued)**

## 34. Commitments and contingent liabilities (continued)

### Contingencies

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Letters of guarantee | **15,920,373** | **15,287,211** | 17,616,081 | 17,572,908 |
| Legal case | **-** | **-** | 1,943,542 | 1,943,542 |

During the year 2013 an ex-employee filed a complaint before the Department of labour disputes in the Ministry of Manpower, Sultanate of Oman, which included a claim for unfair dismissal and various compensation elements. Since the parties did not reach an agreement, the matter was referred to the court. The amount claimed by the ex–employee is RO 8,548,628.600. As on the reporting date the case is not settled. Company liability in this respect has not been determined, pending the court decision.

## 35. Leases

The Parent Company has leased land for factory premises, at Rusayl, from the Public Establishment for Industrial Estates (PEIE), under agreements that expire over periods ranging up to 27 September 2035. 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:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Less than one year | **130,825** | **85,825** | 85,896 | 40,896 |
| Between one and five years | **641,287** | **461,287** | 416,656 | 236,656 |
| More than five years | **1,828,004** | **1,198,004** | 1,289,040 | 569,040 |
| | **2,600,116** | **1,745,116** | 1,791,592 | 846,592 |

## 36. Financial instruments and related risk management

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

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

### Credit risk

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

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

### 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:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Parent Company** | **Group** | Parent Company | Group |
| | **RO** | **RO** | RO | RO |
| Trade receivables | **71,035,970** | **66,864,775** | 67,127,985 | 63,477,059 |
| Other receivables | **1,896,791** | **937,476** | 621,079 | 465,058 |
| Bank balances | **2,074,428** | **1,944,406** | 1,253,749 | 1,153,951 |
| | **75,007,189** | **69,746,657** | 69,002,813 | 65,096,068 |

### 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.

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

### Market risk (continued)

*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 income statement will be approximate to RO 235,000 (2013 – RO 315,000) 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 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, Aluminum, and Lead. Due to the significantly increased volatility of the price of the underlying, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

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

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

### 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.

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

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

### Liquidity risk (continued)

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

| Parent Company | Less than 3 months | 3 to 6 months | 6 months to 1 year | More than 1 year | Total |
|---|---|---|---|---|---|
| **2014** | **RO** | **RO** | **RO** | **RO** | **RO** |
| Trade and other payables | **15,045,086** | **1,174,668** | **1,836,906** | **-** | **18,056,660** |
| Short term loan | **9,847,570** | **-** | **-** | **-** | **9,847,570** |
| Overdraft | **50,000** | **-** | **-** | **-** | **50,000** |
| Loans against trust receipts | **16,720,406** | **13,635,102** | **-** | **-** | **30,355,508** |
| Amount due to related parties | **629,395** | **47,918** | **-** | **-** | **677,313** |
| | **42,292,457** | **14,857,688** | **1,836,906** | **-** | **58,987,051** |
| 2013 | | | | | |
| Trade and other payables | 18,173,975 | 1,153,594 | 1,079,648 | - | 20,406,407 |
| Short term loan | 18,000,000 | - | - | - | 18,000,000 |
| Overdraft | 40,091 | - | - | - | 40,091 |
| Loans against trust receipts | 30,507,636 | 7,842,108 | - | - | 38,349,744 |
| Amount due to related parties | 290,398 | - | - | - | 290,398 |
| | 67,012,100 | 8,995,702 | 1,079,648 | - | 77,086,640 |
| **Group** | | | | | |
| **2014** | | | | | |
| Trade and other payables | **22,596,665** | **1,174,668** | **1,836,906** | **-** | **25,608,239** |
| Term loans | **-** | **812,560** | **812,560** | **3,250,236** | **4,875,356** |
| Short term loan | **11,002,270** | **-** | **-** | **-** | **11,002,270** |
| Overdraft | **50,000** | **-** | **-** | **-** | **50,000** |
| Loans against trust receipts | **16,720,406** | **13,635,102** | **-** | **-** | **30,355,508** |
| Amount due to related parties | **59,157** | **-** | **-** | **-** | **59,157** |
| | **50,428,498** | **15,622,330** | **2,649,466** | **3,250,236** | **71,950,530** |
| 2013 | | | | | |
| Trade and other payables | 24,731,719 | 1,153,594 | 1,078,838 | - | 26,964,151 |
| Term loans | - | 812,560 | 812,560 | 4,875,355 | 6,500,475 |
| Short term loan | 18,000,000 | - | - | - | 18,000,000 |
| Overdraft | 40,091 | - | - | - | 40,091 |
| Loans against trust receipts | 30,507,636 | 7,842,108 | - | - | 38,349,744 |
| Amount due to related parties | 201,973 | - | - | - | 201,973 |
| | 73,481,419 | 9,808,262 | 1,891,398 | 4,875,355 | 90,056,434 |

# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

**Notes to the consolidated financial statements**
**at 31 December, 2014 (continued)**

## 37. Fair values of financial instruments

### Fair values

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

| | Carrying amount | | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | 2013 | | 2014 | | 2013 | |
| | Group | Parent Company | Group | Parent Company | Group | Parent Company | Group | Parent Company |
| | RO | RO | RO | RO | RO | RO | RO | RO |
| **Financial assets** | | | | | | | | |
| Trade and other receivables | **71,843,263** | **66,608,604** | 66,804,057 | 62,908,574 | **71,843,263** | **66,608,604** | 66,804,057 | 62,908,574 |
| Available for sale investments | **174,022** | **174,022** | 177,059 | 177,059 | **174,022** | **174,022** | 177,059 | 177,059 |
| Held to maturity investments | **1,251,204** | **1,251,204** | 1,251,204 | 1,251,204 | **1,251,204** | **1,251,204** | 1,251,204 | 1,251,204 |
| Due from related parties | **1,498,162** | **1,498,162** | 2,193,755 | 2,192,247 | **1,498,162** | **1,498,162** | 2,193,755 | 2,192,247 |
| Cash and bank balances | **2,099,710** | **1,969,512** | 1,275,462 | 1,175,358 | **2,099,710** | **1,969,512** | 1,275,462 | 1,175,358 |
| | **76,866,361** | **71,501,504** | 71,701,537 | 67,704,442 | **76,866,361** | **71,501,504** | 71,701,537 | 67,704,442 |
| **Financial liabilities** | | | | | | | | |
| Trade and other payables | **25,608,239** | **18,056,660** | 26,964,151 | 20,406,407 | **25,608,239** | **18,056,660** | 26,964,151 | 20,406,407 |
| Due to related parties | **59,157** | **677,313** | 201,973 | 290,398 | **59,157** | **677,313** | 201,973 | 290,398 |
| Bank borrowings | **41,407,778** | **40,253,078** | 56,389,835 | 56,389,835 | **41,407,778** | **40,253,078** | 56,389,835 | 56,389,835 |
| Term loans | **4,875,356** | **-** | 6,500,475 | - | **4,875,356** | **-** | 6,500,475 | - |
| | **71,950,530** | **58,987,051** | 90,056,434 | 77,086,640 | **71,950,530** | **58,987,051** | 90,056,434 | 77,086,640 |

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

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

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2014, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- Fair value of quoted instruments is based on price quotations at the reporting date. The fair value of unquoted instruments, loans from banks and other financial liabilities as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

- Fair value of available-for-sale financial assets is derived from quoted market prices in active markets, if available.

- Fair value of unquoted available-for-sale financial assets is disclosed in note 8.

- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using a valuation techniques with market observable inputs are mainly, foreign exchange forward contracts and commodity forward contracts. The most frequently applied valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, interest rate curves and forward rate curves of the underlying commodity.

- As at 31 December 2014, 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.

## Notes to the consolidated financial statements at 31 December, 2014 (continued)

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

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

### Assets measured at fair value

| | Total | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **2014** | **RO** | **RO** | **RO** | **RO** |
| **Parent Company** | | | | |
| Available-for-sale investments | **174,022** | **5,580** | **168,442** | **-** |
| Commodity and currency forward contract | **(370,021)** | **-** | **(370,021)** | **-** |
| **Group** | | | | |
| Available-for-sale investments | **174,022** | **5,580** | **168,442** | **-** |
| Commodity and currency forward contract | **74,663** | **-** | **74,663** | **-** |
| 2013 | | | | |
| Parent Company | | | | |
| Available-for-sale investments | 177,059 | 8,617 | 168,442 | |
| Commodity and currency forward contract | 66,929 | - | 66,929 | |
| Group | | | | |
| Available-for-sale financial assets | 177,059 | 8,617 | 168,442 | - |
| Commodity and currency forward contract | 94,659 | - | 94,659 | - |

During the reporting years ended 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

### 38. Capital management

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

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

There has been no change in the Group's objectives, policies or process during the year ended 31 December 2014 and 31 December 2013.