OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARY

Notes to the consolidated financial statements at 31 December 2016

1. Legal status and principal activities

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

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

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

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

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

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

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1, IFRS 12 and IAS 28	The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017
Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.	1 January 2018

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

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

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

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

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

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

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

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

IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

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

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

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

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

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019

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

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

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

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

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

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

3. Summary of significant accounting policies

Statement of compliance

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

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

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

Property, plant and equipment

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

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

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

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

Derivative financial instruments and hedge accounting

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

Cash flow Hedges

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

Investment in a subsidiary

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

3. Summary of significant accounting policies (continued)

Investment in an associate

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

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

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

Financial instruments

Financial assets

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

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

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

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

De-recognition of financial instruments

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

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

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

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

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset

measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

De-recognition of financial instruments (continued)

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

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

Inventories

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

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

Trade and other receivables

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

Cash and cash equivalents

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

Impairment and un-collectability of financial assets

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

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

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

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

3. Summary of significant accounting policies (continued)

Impairment of non-financial assets

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

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

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

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

Dividend on ordinary shares

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

Employee benefits

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

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

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

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

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

Leases

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

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

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

3. Summary of significant accounting policies (continued)

Borrowing costs

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

Foreign currency translation

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

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

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

Income tax

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Income tax (continued)

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

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

Directors' remuneration

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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

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

Key sources of estimation uncertainty

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

4. Critical accounting judgments and key sources of estimation uncertainty

Key sources of estimation uncertainty (continued)

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

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

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

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

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

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

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

5. Property, plant and equipment

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

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

5. Property, plant and equipment (continued)

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

5. Property, plant and equipment (continued)

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

5. Property, plant and equipment (continued)

Parent Company 31 December 2015	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work-in-progress RO	Total RO
Cost											
At 1 January 2015	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
Additions	84,056	95,477	9,500	-	27,684	51,446	84,079	-	93,807	2,045,365	2,491,414
Disposals	(14,235)	(633,307)	-	-	(15,105)	(30,561)	(98,392)	-	(62,708)	-	(854,308)
Transfers	-	665,312	-	-	-	-	-	-	-	(665,312)	-
At 31 December 2015	10,657,804	28,432,944	1,502,816	201,161	559,052	955,033	2,557,383	242,693	2,240,994	1,380,053	48,729,933
Depreciation											
At 1 January 2015	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
Charge for the year	576,264	1,458,795	90,895	11,810	52,497	88,926	162,062	45,043	187,125	-	2,673,417
Disposals	(10,156)	(520,440)	-	-	(12,925)	(29,860)	(98,387)	-	(62,706)	-	(734,474)
At 31 December 2015	4,636,434	12,527,399	1,301,204	193,449	483,553	820,453	1,977,557	189,694	1,169,037	-	23,298,780
Carrying amount											
At 31 December 2015	6,021,370	15,905,545	201,612	7,712	75,499	134,580	579,826	52,999	1,071,957	1,380,053	25,431,153
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

6. Investment in a subsidiary

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

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

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

The following further notes apply:

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

	2016			2015		
	Group and Parent Company			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%**	**567,690**	**-**	40%	553,063	-

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

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

7. Investment in an associate (continued)

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

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

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

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

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

8. Available-for-sale investments

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

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

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

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

9. Held-to-maturity investments

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

10. Inventories

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

10. Inventories (continued)

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

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

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

11. Trade and other receivables

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

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

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

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

11. Trade and other receivables (continued)

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

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

12. Cash and bank balances

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

13. Share capital

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

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

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

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

14. Share premium

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

15. Legal reserve

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

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

16. General reserve

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

17. Dividend per share

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

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

18. Cumulative changes in fair values

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

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

18. Cumulative changes in fair values (continued)

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

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

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

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

19. Term loans

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

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

The term loan is secured by:

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

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:

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

20. Taxation

Statement of profit or loss				
Current year income tax charge	**2,120,066**	**1,967,962**	2,502,439	2,193,697
Deferred tax:				
Relating to origination and reversal of temporary differences	**(17,889)**	**1,307**	(27,806)	(70,749)
Income tax expense reported in the statement of profit or loss	**2,102,177**	**1,969,269**	2,474,633	2,122,948
Statement of financial position				
Current liability				
Current year	**2,120,066**	**1,967,962**	2,502,439	2,193,697
Previous year	**46,494**	**11,102**	9,552	9,552
	2,166,560	**1,979,064**	2,511,991	2,203,249
Non-current liability				
Deferred tax liability:				
At 1 January	**1,107,160**	**710,338**	1,134,966	781,087
Movement for the year	**(17,889)**	**1,307**	(27,806)	(70,749)
	1,089,271	**711,645**	1,107,160	710,338

Deferred tax is allocated to following items.

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

20. Taxation (continued)

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

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

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

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

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

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

21. End of service benefits

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

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

22. Trade and other payables

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

23. Bank borrowings

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

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

24. Cost of sales

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

25. Other income

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

26. Administrative expenses

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

27. Selling and distribution expenses

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

28. Financing costs

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

29. Employee costs

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

30. Basic earnings per share

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

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

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

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.

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

32. Segmental reporting

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

Geographic information

Revenues from external customers

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

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.

33. Related party transactions (continued)

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

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

Compensation of key management personnel

The key management personnel compensation for the year comprises:

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

33. Related party transactions (continued)

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

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

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

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

34. Commitments and contingent liabilities

Commitments

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

34. Commitments and contingent liabilities (continued)

Contingencies

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

35. Leases

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

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

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

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:

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

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 statement of profit or loss will be approximate to RO 57,000 (2015 – RO 182,000) based on the level of borrowing at the reporting date.

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

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

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

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

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

36. Financial instruments and related risk management

Liquidity risk

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

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

Parent Company	**Less than 3 months RO**	**3 to 6 months RO**	**6 months to 1 year RO**	**More than 1 year RO**	**Total RO**
2016					
Trade and other payables	**16,757,514**	**364,787**	**1,475,453**	**-**	**18,597,754**
Short term loan	**1,500,000**	**2,000,000**	**-**	**-**	**3,500,000**
Amount due to related parties	**487,787**	**325,586**	**-**	**-**	**813,373**
	18,745,301	**2,690,373**	**1,475,453**	**-**	**22,911,127**
2015					
Trade and other payables	11,561,385	84,114	1,313,348	-	12,958,847
Short term loan	11,100,000	-	-	-	11,100,000
Overdraft	76,888	-	-	-	76,888
Loans against trust receipts	1,854,207	16,065,573	-	-	17,919,780
Amount due to related parties	473,869	374,928	-	-	848,797
	25,066,349	16,524,615	1,313,348	-	42,904,312
Group					
2016					
Trade and other payables	**19,268,200**	**1,515,508**	**1,475,453**	**-**	**22,259,161**
Term loans	**-**	**812,556**	**812,560**	**-**	**1,625,116**
Short term loan	**7,619,910**	**2,000,000**	**-**	**-**	**9,619,910**
	26,888,110	**4,328,064**	**2,288,013**	**-**	**33,504,187**
2015					
Trade and other payables	16,602,775	1,126,405	1,313,348	-	19,042,528
Term loans	-	812,560	812,560	1,625,116	3,250,236
Short term loan	15,141,450	-	-	-	15,141,450
Overdraft	76,888	-	-	-	76,888
Loans against trust receipts	1,854,207	16,065,573	-	-	17,919,780
Amount due to related parties	197,126	-	-	-	197,126
	33,872,446	18,004,538	2,125,908	1,625,116	55,628,008

37. Fair values of financial instruments

Fair values

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

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

37. Fair values of financial instruments (continued)

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

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

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

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2016, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

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

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

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

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

- As at 31 December 2016, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

37. Fair values of financial instruments (continued)

Fair value hierarchy

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

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

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

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

As at 31 December, the Group had 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
2016	**RO**	**RO**	**RO**	**RO**
Parent Company				
Available-for-sale investments	**230,017**	**-**	**230,017**	**-**
Commodity forward contract	**1,227,722**	**-**	**1,227,722**	**-**
Group				
Available-for-sale investments	**230,017**	**-**	**230,017**	**-**
Commodity forward contract	**1,227,744**	**-**	**1,227,744**	**-**
2015				
Parent Company				
Available-for-sale investments	119,067	-	119,067	-
Commodity and currency forward contract	(1,250,385)	-	(1,250,385)	-
Group				
Available-for-sale financial assets	119,067	-	119,067	-
Commodity and currency forward contract	(1,123,394)	-	(1,123,394)	-

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

38. Capital management

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

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

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