OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

Notes to the financial statements at 31 December 2017 (continued)

1. Legal status and principal activities

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

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

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

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

2.1 New and amended standards and interpretations to IFRS

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

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

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

2.2 Standards issued but not yet effective

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

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

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

2.2 Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 16 Leases

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

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

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

IFRS 9 Financial Instruments

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

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

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

2.2 Standards issued but not yet effective (continued)

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

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

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

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

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

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

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

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

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

Basis of consolidation

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Basis of consolidation (continued)

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

Property, plant and equipment

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

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Derivative financial instruments and hedge accounting

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

Cash flow Hedges

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

Financial instruments

Financial assets

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

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

Available-for-sale investments

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

Held-to-maturity investments

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

Trade and other receivables

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

Cash and cash equivalents

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

Impairment and un-collectability of financial assets

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

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

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

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Impairment of non-financial assets

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

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

Financial liabilities

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

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

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

Borrowings

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

Accounts payable and accruals

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

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

De-recognition of financial instruments

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

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

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

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

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

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

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

Inventories

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

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

3. Summary of significant accounting policies (continued)

Dividend on ordinary shares

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

Employee benefits

Payment is made to the Omani Government Social Security scheme under Royal Decree 72/91 for Omani employees. The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Provisions

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

Restructuring provisions

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

Revenue recognition

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

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

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

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

3. Summary of significant accounting policies (continued)

Leases

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

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

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

Borrowing costs

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

Foreign currency translation

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

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

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

Income tax

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

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

3. Summary of significant accounting policies (continued)

Income tax (continued)

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

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

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

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

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

Fair value measurement of financial instruments

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

Directors' remuneration

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

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

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

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

Key sources of estimation uncertainty

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

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

At the reporting date, Group trade receivables were RO 66,223,590 (2016: RO 65,592,233), and the provision for doubtful debts was RO 1,867,674 (2016: RO 1,950,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

At the reporting date, gross inventories were RO 31,186,451 (2016: RO 30,325,750) and the provisions for slow moving and obsolete inventories of RO 1,735,000 (2016: RO 1,642,000) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

Key sources of estimation uncertainty (continued)

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

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

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

5. Property, plant and equipment

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

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

5. Property, plant and equipment (continued)

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

5. Property, plant and equipment (continued)

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

5. Property, plant and equipment (continued)

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

6. Investment in subsidiaries

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

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

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

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

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

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

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

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

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

6. Investment in subsidiaries (continued)

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

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

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

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

7. Available-for-sale investments

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

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

8. Held-to-maturity investments

Held-to-maturity investments comprise Development Bonds Issue No. 51 issued by Central Bank of Oman for Government of Sultanate of Oman in December 2016. The bonds are for a period of 10 years with a fixed interest rate of 5.5% per annum. In the previous year Held-to-maturity investments comprised bonds issued by a commercial bank in the Sultanate of Oman matured in May 2017. The bonds earned a fixed interest rate of 8% per annum.

9. Inventories

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

Raw materials are netted of with an amount of RO 2,203,157 for Parent Company and RO 2,448,817 for Group (2016 – Parent Company RO 610,181 and Group RO 611,709), which represents the net settlement amount of derivative financial instruments designated as hedge for the procurement of raw materials required to meet the future executable sales orders as on 31 December 2017.

9. Inventories (continued)

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

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

10. Trade and other receivables

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

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

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

The Company offers credit to its customers, after which trade receivables are considered to be past due. At the reporting date, gross trade receivables amounting to RO 1,817,674 for Parent Company and RO 1,867,674 for Group (2016- Parent Company RO 1,900,000 and Group RO 1,950,000) were assessed as impaired by the management, for which allowance for credit losses has been established.

10. Trade and other receivables (continued)

Group	Total RO	Impaired RO	Neither past due nor impaired RO	Past due but not impaired: Less than 3 months RO	3 to 6 months RO	6 to 12 months RO	More than 1 year RO
2017	**66,223,590**	**1,867,764**	**55,208,747**	**8,098,360**	**329,154**	**423,405**	**296,160**
2016	65,592,233	1,950,000	49,020,562	10,559,281	380,728	2,077,082	1,604,580
Parent							
2017	**61,147,595**	**1,817,674**	**50,360,053**	**8,098,360**	**329,154**	**245,744**	**296,610**
2016	60,258,531	1,900,000	44,261,395	10,264,472	227,689	2,000,395	1,604,580

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

11. Cash and bank balances

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

12. Share capital

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

The Parent Company's issued and fully paid up share capital comprises 89,700,000 shares of 100 baisa each (2016 - 89,700,000 shares of 100 baisa each).

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

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

13. Share premium

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

14. Legal reserve

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

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

15. General reserve

This reserve represents a distributable reserve initially created at 31 December 2001, to address any impact of unforeseen events in view of the Parent Company's growing operations. 10 % (2016 - 10%) of the net profit of the Parent Company has been transferred to this reserve during the year. The transfer is subject to the approval of the shareholders at the forthcoming Annual General Meeting.

16. Dividend per share

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

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

17. Cumulative changes in fair values

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

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

17. Cumulative changes in fair values (continued)

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

The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 686,658 (2016 – RO 1,227,763) is mainly on account of differences between the original values of the future commodity contracts entered into by the Group in the normal course of business and the market value of these contracts as at the reporting date attributable to equity holders of the parent company. RO (8,007) (2016 – RO 19)) attributable to non-controlling interest is disclosed separately in statement of changes in equity as a component of non-controlling interests.

The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 702,998 (2016 - RO 1,227,722) is mainly on account of differences between the original values of the future commodity contracts entered into by the Parent Company in the normal course of business and the market value of these contracts as at the reporting date.

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

18. Taxation

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

18. Taxation (continued)

Deferred tax is allocated to following items.

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

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

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

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

Parent Company

The tax rate applicable to the Parent Company is 15% (2016: 12%). For the purpose of determining the tax expense for the year ended 31 December 2017, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expenses. After giving effect to these adjustments, the average effective tax rate is estimated to be 23.5% (2016: 11.8%).The difference between the applicable tax rates of 15% (2016: 12%) and the effective tax rate of 23.5% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible and the increase in tax rate by 3%. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

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

18. Taxation (continued)

Subsidiaries

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

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

19. End of service benefits

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

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

20. Trade and other payables

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

21. Bank borrowings

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

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

22. Cost of sales

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

23. Other income

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

24. Administrative expenses

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Employee costs	**4,481,302**	**3,747,156**	3,957,197	3,094,614
Legal and professional charges	**392,794**	**295,399**	307,119	211,613
Insurance	**211,083**	**153,049**	223,002	159,619
Repairs and maintenance	**200,335**	**189,297**	153,525	141,901
Allowance for credit losses	**200,000**	**200,000**	100,000	100,000
Directors' remuneration	**200,000**	**200,000**	197,800	197,800
Contributions to local organizations	**100,000**	**100,000**	100,000	100,000
Communication	**94,857**	**49,274**	92,855	53,442
Travelling	**80,898**	**56,672**	68,468	26,444
Printing and stationery	**36,917**	**34,851**	47,193	46,316
Vehicle running and Maintenance	**20,292**	**17,283**	48,545	23,646
Employee claim settlement	**-**	**-**	557,190	557,190
Directors' meeting attendance fees	**-**	**-**	2,200	2,200
Other sundry expenses	**128,991**	**42,996**	224,815	175,690
	6,147,469	**5,085,977**	6,079,909	4,890,475

25. Selling and distribution expenses

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

26. Financing costs

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Financing cost	**690,448**	**407,137**	814,791	564,269
Less: foreign currency translation	**(80,922)**	**(76,386)**	(183,147)	(156,677)
	609,526	**330,751**	631,644	407,592

27. Employee costs

	2017		2016	
	Group RO	**Parent Company RO**	Group RO	Parent Company RO
Salaries	**4,435,833**	**3,193,066**	4,277,885	3,067,166
Other benefits	**6,163,568**	**5,863,786**	5,891,219	5,525,752
Contributions to defined retirement plan for Omani employees	**379,908**	**328,962**	363,333	306,636
Increase in liability for unfunded defined benefit retirement plan	**231,773**	**200,287**	226,512	193,812
	11,211,082	**9,586,101**	10,758,949	9,093,366

28. Basic earnings per share

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

	2017		2016	
	Group	**Parent Company**	Group	Parent Company
Net profit for the year (RO)	**6,844,727**	**8,152,312**	15,253,740	15,394,471
Weighted average number of shares outstanding during the year	**89,700,000**	**89,700,000**	89,700,000	89,700,000
Basic earnings per share (RO)	**0.076**	**0.091**	0.170	0.172

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

29. Net assets per share

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

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

30. Segmental reporting

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

30. Segmental reporting (continued)

Geographic information

Revenues from external customers

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

31. Related party transactions

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

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

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

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

31. Related party transactions (continued)

Compensation of key management personnel

The key management personnel compensation for the year comprises:

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

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

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

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

At the reporting date, the entire due from related parties is due from three related parties (2016 - five related party). Amounts due from related parties are neither past due nor impaired and are estimated as collectible based on historical experience. There has been no impairment assessed on dues from related parties and accordingly no allowance for credit losses against these dues has been considered necessary.

32. Commitments and contingent liabilities

Commitments

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

Contingencies

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

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

33. Operating leases

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

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

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

34. Financial instruments and related risk management

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

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

Credit risk

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

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

Exposure to credit risk

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

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

Market risk

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

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

34. Financial instruments and related risk management (continued)

Market risk (continued)

Interest rate risk (continued)

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

For every 0.5% change in interest rate, the impact on the statement of profit or loss will be approximate to RO 42,000 (2016 – RO 57,000) based on the level of borrowing at the reporting date.

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

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

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

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

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

Liquidity risk

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

34. Financial instruments and related risk management (continued)

Liquidity risk (Continued)

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

Parent Company	**Less than 3 months RO**	**3 to 6 months RO**	**6 months to 1 year RO**	**More than 1 year RO**	**Total RO**
2017					
Trade and other payables	**21,647,274**	**395,954**	**961,169**	**-**	**23,004,397**
Short term loan	**-**	**-**	**-**	**-**	**-**
Amount due to related parties	**326,023**	**121,303**	**7,027**	**-**	**454,353**
	21,973,297	**517,257**	**968,196**	**-**	**23,458,750**
2016					
Trade and other payables	16,757,514	364,787	1,475,453	-	18,597,754
Short term loan	1,500,000	2,000,000	-	-	3,500,000
Amount due to related parties	487,787	325,586	-	-	813,373
	18,745,301	2,690,373	1,475,453	-	22,911,127
Group					
2017					
Trade and other payables	**26,750,240**	**1,691,318**	**961,169**	**-**	**29,402,727**
Term loans	**-**	**-**	**-**	**-**	**-**
Short term loan	**8,313,840**	**-**	**-**	**-**	**8,313,840**
	35,064,080	**1,691,318**	**961,169**	**-**	**37,716,567**
2016					
Trade and other payables	19,268,200	1,515,508	1,475,453	-	22,259,161
Term loans	-	812,556	812,560	-	1,625,116
Short term loan	7,619,910	2,000,000	-	-	9,619,910
	26,888,110	4,328,064	2,288,013	-	33,504,187

35. Fair values of financial instruments

Fair values

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

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

35. Fair values of financial instruments (continued)

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

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

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

- Long-term fixed-rate and variable-rate receivables / borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

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

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

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

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

- As at 31 December 2017, the marked to market value of derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

Fair value hierarchy

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

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

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

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

35. Fair values of financial instruments (continued)

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

Assets measured at fair value

	Total	Level 1	Level 2	Level 3
2017	**RO**	**RO**	**RO**	**RO**
Parent Company				
Available-for-sale investments	**162,889**	**-**	**162,889**	**-**
Commodity forward contract	**680,770**	**-**	**680,770**	**-**
Group				
Available-for-sale investments	**162,889**	**-**	**162,889**	**-**
Commodity forward contract	**672,437**	**-**	**672,437**	**-**
2016				
Parent Company				
Available-for-sale investments	230,017	-	230,017	-
Commodity and currency forward contract	1,227,722	-	1,227,722	-
Group				
Available-for-sale financial assets	230,017	-	230,017	-
Commodity and currency forward contract	1,227,744	-	1,227,744	-

During the reporting years ended 31 December 2017 and 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

36. Capital management

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

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

The capital structure of the Group comprises of the share capital, legal and other reserves and retained earnings. There has been no change in the Group's objectives, policies or process during the year ended 31 December 2017 and 31 December 2016.