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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of Oman Cables Industry (SAOG) (the "Parent Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2018 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for impaired debts for consolidated and separate financial statements The Group is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of amounts aged greater than the credit terms extended to customers. The Group has adopted International Financial Reporting Standards - IFRS 9 Financial Instruments, effective from 1 January 2018. As a result, a forward-looking expected loss impairment model was applied by the Group. The adjustment made to the Group's retained earnings upon transition to IFRS 9 as of 1 January 2018 for trade receivables amounted to RO 1,225,362. This involves judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. The Group's disclosures are included in Note 2.1 and Note 9 to the financial report, which outlines the accounting policy for determining the allowance for doubtful debts and details of the period on period movement in gross and net trade receivables.	Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we: • Assessed the design and tested the operating effectiveness of relevant controls in relation to the granting of credit facilities, including credit checks; • Tested the aging of trade receivables for a sample of customer transactions; • Evaluated receipts after year-end to determine any remaining exposure at the date of the financial report; • Examined the Group's assessment of the customers' financial circumstances and ability to repay the debt and • Considered the customers' historical payment habits along with other macroeconomic information. We assessed appropriateness of the Group's provisioning policy applied from 1 January 2018, which included: • Assessed whether the calculation was in accordance with IFSR 9 and comparing the Group's provisioning rates against historical collection data. • Checked appropriateness of opening balance adjustments mainly arising from impairment. We evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations. We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the financial report. Details regarding credit risk and the aging of trade receivables is set out in note 33 and note 9 of the financial statements.

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

Key audit matters (continued)

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

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

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Derivative instruments and hedge accounting for consolidated and separate financial statements The Parent and the Group enters into derivative financial instrument contracts to manage its exposure to commodity price risk. Hedge accounting and the valuation of hedging instruments can involve management judgement and are subject to an inherent risk of error.	We obtained assurance over the appropriateness of management's assumptions applied in hedge accounting by: • Assessing the overall process related to derivative instruments and hedge accounting including internal management policies and procedures; • Evaluating the appropriateness of management's hedge documentation and contracts; • We involved EY internal valuation specialists to assist in with our audit of the valuation model, the price curves, and of unobservable inputs to the model and assessment of hedge effectiveness to ensure the accounting is in line to IFRS 9 financial instruments; • Obtaining confirmation of year end derivative financial instruments from counterparties. These contracts are recorded at fair value and qualify for hedge accounting as disclosed in note 3 of the financial statements. These contracts give rise to derivative financial assets as disclosed in note 8 and 16 in the financial statements in accordance with IFRS.

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

Other information included in the Group's 2018 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2018 Annual Report after the date of our auditor's report:

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

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young LLC

P Stanton

Philip Stanton
Muscat
23 January 2019

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