# OMAN CABLES INDUSTRY (SAOG) AND ITS SUBSIDIARIES

**Notes to the financial statements at 31 December 2019**

## 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 100% (2018: 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. On 5 December 2019 the "Company" acquired 49% shares making it a wholly owned subsidiary.

The Company holds 100% (2018: 100%) shareholding in Associated Cables Private Limited, India ('the subsidiary') which was registered in India in July 1973. 40% shares are being held since 2009 and balance 60% shares were acquired on 5 December 2017.

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

### 2.1 New and amended standards and interpretations

The following new standards and amendments became effective as at 1 January 2019:

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty Over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- Amendments to IAS 19 Plan, Amendment, Curtailment or Settlement
- Annual IFRS Improvement Process
  - IFRS 3 Business Combinations – Previously held interests in a joint operation
  - IFRS 11 Joint Arrangements – Previously held interests in a joint operation
  - IAS 12 Income Taxes – Income tax consequences of payments on financial instruments classified as equity
  - IAS 23 Borrowing Costs – Borrowing costs eligible for capitalisation

The above standards, other than IFRS 16, do not have an impact on the financial statements of the parent and the Group. The Group did not adopt any standards, interpretations or amendments that have been issued but are not yet effective.

**IFRS 16 Leases**

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application on 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. Accordingly, the comparatives are not restated.

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

### 2.1 New and amended standards and interpretations (continued)

**IFRS 16 Leases (continued)**

*Nature of effect of adoption of IFRS 16:*
Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. For the leases previously classified as operating leases, the lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Practical expedients:
The Group elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

*Impact on transition*
As at 1 January 2019, the Group recorded right-of-use assets of RO 1,949,187 and lease liabilities of RO 1,949,187 with an impact on retained earnings of RO Nil. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 5.6% at 1 January 2019.

*Reconciliation with operating lease commitments*
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

| | RO |
|---|---|
| Operating lease commitments as at 31 December 2018 | 3,195,690 |
| Weighted average incremental borrowing rate as at 1 January 2019 | 5.6% |
| Discounted operating lease commitments as at 1 January 2019 | 1,980,914 |
| ***Less:*** | |
| Commitments relating to short-term leases | 31,727 |
| **Lease liabilities as at 1 January 2019** | 1,949,187 |

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

### 2.1 New and amended standards and interpretations (continued)

**IFRIC Interpretation 23 Uncertainty over Income Tax Treatment**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing and estimates this not to have a significant impact on the financial statement.

**Amendments to IFRS 9: Prepayment Features with Negative Compensation**

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Group.

Annual improvements 2015 – 2017 Cycle
IFRS 3 Business Combinations
The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

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

### 2.1 New and amended standards and interpretations (continued)

Annual improvements 2015 – 2017 Cycle (continued)

IAS 12 Income Taxes
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.
An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.
Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.
Since the Group's current practice is in line with these amendments, they had no impact on the financial statements of the Group.

### 2.2 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

**Amendments to IFRS 3: *Definition of a Business***

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.
Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

**Amendments to IAS 1 and IAS 8: *Definition of Material***

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.' The amendments to the definition of material is not expected to have a significant 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 Standard (IFRS) and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended and the Capital Market Authority.

The new Commercial Companies Law promulgated by the Royal Decree No. 18/2019 (the Commercial Companies Law of the Sultanate of Oman) was issued on 13 February 2019 which has replaced the Commercial Companies Law. As per the articles of the Royal Decree No. 18/2019, the new Commercial Companies Law has come into force on 17 April 2019 and the companies should comply with the new law within 1 year from 17 April 2019.

**Basis of preparation**

The principal accounting policies of the group applied in the preparation of these consolidated financial statements are set out below. The accounting policies have been applied consistently applied to both the years presented in these consolidated financial statements, except for the changes in accounting policies described under Note 2.1.

The financial statements are prepared under the historical cost convention and have been presented in Rial Omani, which is the functional and presentation currency of the Group.

**Basis of consolidation**

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

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

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

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

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

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

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

**Basis of consolidation (continued)**

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 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.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**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.

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

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

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.

**Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

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

**Impairment of non-financial assets**

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

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

**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**

***a) Classification of financial assets***
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and

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

**Financial instruments (continued)**

***a) Classification of financial assets (continued)***

***(1) Financial assets at amortised cost:***
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
(a) The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

*(a) Business model assessment*
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward

*(b) SPPI test*
As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

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

**Financial instruments (continued)**

***a) Classification of financial assets (continued)***

***(2) Financial assets at fair value through other comprehensive income (FVOCI):***

*(i) Debt instruments at FVOCI*

The Group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in statement of comprehensive income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss. This category only contains units of Oman fixed income fund.

*ii) Equity instruments at FVOCI*

Upon initial recognition, the Company may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

The Group have no equity instruments at FVOCI.

***b) Impairment of financial assets***

The Group's follows a forward-looking expected credit loss (ECL) approach for impairment losses for financial assets. the Group is required to record an allowance for ECLs for all debt financial assets not held at FVTPL. The Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses on trade receivables and contract assets. The Group has established a provision matrix that is based on the Group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The Group considers a financial asset in default when contractual payment is 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

**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.

**Dividend on ordinary shares**

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

**Employee benefits**

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

**Provisions**

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

**Revenue recognition**

*Revenue from contracts with customers*
The Group's principal activity is manufacturing and selling electrical cables, conductors and aluminum rods.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

*Sale of electrical cables*
Revenue from sale of electrical cables is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the products. The normal credit terms are 30 to 90 days upon delivery/receipt.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of products, the Group considers the effects of variable consideration.

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

**Revenue recognition (continued)**

*Warranty obligations*
The Group typically provides warranties for general repairs of defects that existed at the time of sale, as required by law. These assurance-type warranties are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

**Contract balances**

*Contract assets*
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

*Trade receivables*
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets.

*Contract liabilities*
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

**Leases – Policy before 1 January 2019**

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.

**Leases – Policy after 1 January 2019**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee
The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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

**Leases – Policy after 1 January 2019 (continued)**

a) Right of use assets

The Group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

Lease costs for the period ended 31 December 2019 relating to the right-of-use assets amounting to RO 97,909 are included under depreciation expenses.

b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., a change in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense 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.

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

**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.

On consolidation, the assets and liabilities of foreign operations are translated at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions.

**Income tax**

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts.

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

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

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.

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

**Directors' remuneration**

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

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

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

*Classification of financial assets*
Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset payments of principal and interest on the principal amount are solely outstanding.

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

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

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

**Key sources of estimation uncertainties**

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

*Impairment of financial assets*
The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

At the reporting date, Group trade receivables were RO 56,342,837 (2018: RO 63,908,774), and the allowance for expected credit losses was RO 3,585,324 (2018: RO 2,508,212). Any difference between the amounts actually collected 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 uncertainties (continued)

**Key sources of estimation uncertainties (continued)**

*Impairment of financial assets (continued)*
At the reporting date, Group fair value through other comprehensive income (debt) were RO 168,909 (2018: RO 234,059), and the allowance for expected credit losses was not material. 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 26,367,243 (2018: RO 26,704,374) and the provisions for slow moving and obsolete inventories of RO 1,763,056 (2018: RO 1,552,291) respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

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

*Leases – Estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit ratings).

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

*Significant judgement in determining the lease term of contracts with renewal and termination options – Group as lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

*Provision for expected credit losses of trade receivables*
The Group uses a provision matrix to calculate ECLs for trade receivables and contracts assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivable were RO 56,342,837 (2018:RO 63,908,774), and the provision for expected credit losses was RO 3,585,324 (2018: RO 2,508,212). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of comprehensive income.

## 5. Property, plant and equipment

| Group 31 December 2019 | Buildings | Plant and machinery | Electrical equipment & installations | Motor vehicles | Furniture, fixtures & fittings | Office equipment | Material handling Equipment | Loose tools | Laboratory equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO | RO | RO | RO | RO | RO | RO | RO | RO | RO |
| **Cost** | | | | | | | | | | |
| At 1 January 2019 | **17,127,877** | **42,765,754** | **2,510,565** | **277,412** | **794,880** | **1,573,440** | **3,140,497** | **531,673** | **2,649,294** | **71,371,392** |
| Additions | **69,902** | **922,349** | **4,180** | **-** | **21,108** | **102,885** | **249,692** | **-** | **196,552** | **1,566,668** |
| Disposals | **(42,113)** | **(145,530)** | **-** | **(92,428)** | **(217,882)** | **(192,536)** | **(159,853)** | **(34,039)** | **-** | **(884,381)** |
| **At 31 December 2019** | **17,155,666** | **43,542,573** | **2,514,745** | **184,984** | **598,106** | **1,483,789** | **3,230,336** | **497,634** | **2,845,846** | **72,053,679** |
| **Depreciation** | | | | | | | | | | |
| At 1 January 2019 | **8,258,477** | **22,180,595** | **2,190,465** | **217,749** | **738,075** | **1,323,737** | **2,484,008** | **403,120** | **1,835,054** | **39,631,280** |
| Charge for the year | **783,862** | **2,080,867** | **129,041** | **20,804** | **25,924** | **82,453** | **207,214** | **30,395** | **192,496** | **3,553,056** |
| Disposals | **(42,559)** | **(142,441)** | **-** | **(92,426)** | **(217,290)** | **(188,521)** | **(149,112)** | **(34,026)** | **-** | **(866,375)** |
| **At 31 December 2019** | **8,999,780** | **24,119,021** | **2,319,506** | **146,127** | **546,709** | **1,217,669** | **2,542,110** | **399,489** | **2,027,550** | **42,317,961** |
| **Carrying amount At 31 December 2019** | **8,155,886** | **19,423,552** | **195,239** | **38,857** | **51,397** | **266,120** | **688,226** | **98,145** | **818,296** | **29,735,718** |
| At 31 December 2018 | 8,869,400 | 20,585,159 | 320,100 | 59,663 | 56,805 | 249,703 | 656,489 | 128,553 | 814,240 | 31,740,112 |

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

| Group<br>31 December 2018 | Buildings | Plant and machinery | Electrical equipment & installations | Motor vehicles | Furniture, fixtures and fittings | Office equipment | Material handling equipment | Loose tools | Laboratory equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO | RO | RO | RO | RO | RO | RO | RO | RO | RO |
| Cost | | | | | | | | | | |
| At 1 January 2018 | 17,123,876 | 42,752,906 | 2,510,565 | 232,420 | 808,480 | 1,558,416 | 3,176,783 | 530,472 | 2,613,457 | 71,307,375 |
| Additions | 15,850 | 98,910 | - | 52,192 | 7,777 | 90,183 | 51,730 | 1,201 | 35,837 | 353,680 |
| Disposals | (11,849) | (86,062) | - | (7,200) | (21,377) | (75,159) | (88,016) | - | - | (289,663) |
| At 31 December 2018 | 17,127,877 | 42,765,754 | 2,510,565 | 277,412 | 794,880 | 1,573,440 | 3,140,497 | 531,673 | 2,649,294 | 71,371,392 |
| Depreciation | | | | | | | | | | |
| At 1 January 2018 | 7,486,243 | 20,155,503 | 2,063,977 | 203,804 | 724,107 | 1,307,190 | 2,348,884 | 363,660 | 1,625,985 | 36,279,353 |
| Charge for the year | 784,082 | 2,110,088 | 126,488 | 21,144 | 33,522 | 89,158 | 195,884 | 39,460 | 209,069 | 3,608,895 |
| Disposals | (11,848) | (84,996) | - | (7,199) | (19,554) | (72,611) | (60,760) | - | - | (256,968) |
| At 31 December 2018 | 8,258,477 | 22,180,595 | 2,190,465 | 217,749 | 738,075 | 1,323,737 | 2,484,008 | 403,120 | 1,835,054 | 39,631,280 |
| Carrying amount | | | | | | | | | | |
| At 31 December 2018 | 8,869,400 | 20,585,159 | 320,100 | 59,663 | 56,805 | 249,703 | 656,489 | 128,553 | 814,240 | 31,740,112 |
| At 31 December 2017 | 9,637,633 | 22,597,403 | 446,588 | 28,616 | 84,373 | 251,226 | 827,899 | 166,812 | 987,472 | 35,028,022 |

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

| Parent Company 31 December 2019 | Buildings RO | Plant and machinery RO | Electrical equipment and installations RO | Motor vehicles RO | Furniture, fixtures and fittings RO | Office equipment RO | Material handling equipment RO | Loose tools RO | Laboratory equipment RO | Total RO |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 January 2019 | **12,002,214** | **30,022,127** | **1,571,211** | **192,947** | **615,098** | **1,036,928** | **2,807,504** | **251,271** | **2,500,793** | **51,000,093** |
| Additions | **58,185** | **176,093** | **-** | **-** | **20,058** | **88,933** | **161,201** | **-** | **196,552** | **701,022** |
| Disposals | **(42,113)** | **(138,998)** | **-** | **(44,849)** | **(217,744)** | **(188,744)** | **(159,853)** | **(34,039)** | **-** | **(826,340)** |
| **At 31 December 2019** | **12,018,286** | **30,059,222** | **1,571,211** | **148,098** | **417,412** | **937,117** | **2,808,852** | **217,232** | **2,697,345** | **50,874,775** |
| **Depreciation** | | | | | | | | | | |
| At 1 January 2019 | **6,281,263** | **16,436,998** | **1,424,708** | **134,841** | **566,669** | **919,497** | **2,308,670** | **243,083** | **1,707,639** | **30,023,368** |
| Charge for the year | **537,975** | **1,375,400** | **31,644** | **19,246** | **23,890** | **55,581** | **168,938** | **1,326** | **173,622** | **2,387,622** |
| Disposals | **(42,104)** | **(135,909)** | **-** | **(44,846)** | **(217,154)** | **(184,729)** | **(149,562)** | **(34,026)** | **-** | **(808,330)** |
| **At 31 December 2019** | **6,777,134** | **17,676,489** | **1,456,352** | **109,241** | **373,405** | **790,349** | **2,328,046** | **210,383** | **1,881,261** | **31,602,660** |
| **Carrying amount At 31 December 2019** | **5,241,152** | **12,382,733** | **114,859** | **38,857** | **44,007** | **146,768** | **480,806** | **6,849** | **816,084** | **19,272,115** |
| At 31 December 2018 | 5,720,951 | 13,585,129 | 146,503 | 58,106 | 48,429 | 117,431 | 498,834 | 8,188 | 793,154 | 20,976,725 |

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

| Parent Company 31 December 2018 | Buildings | Plant and machinery | Electrical equipment and installations | Motor vehicles | Furniture, fixtures and fittings | Office equipment | Material handling equipment | Loose tools | Laboratory equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | RO | RO | RO | RO | RO | RO | RO | RO | RO | RO |
| Cost | | | | | | | | | | |
| At 1 January 2018 | 11,998,213 | 30,030,952 | 1,571,211 | 147,955 | 628,804 | 1,024,518 | 2,796,439 | 250,070 | 2,474,771 | 50,922,933 |
| Additions | 15,850 | 73,277 | - | 52,192 | 7,671 | 87,569 | 51,730 | 1,201 | 26,022 | 315,512 |
| Disposals | (11,849) | (82,102) | - | (7,200) | (21,377) | (75,159) | (40,665) | - | - | (238,352) |
| At 31 December 2018 | 12,002,214 | 30,022,127 | 1,571,211 | 192,947 | 615,098 | 1,036,928 | 2,807,504 | 251,271 | 2,500,793 | 51,000,093 |
| Depreciation | | | | | | | | | | |
| At 1 January 2018 | 5,761,975 | 15,100,573 | 1,392,155 | 133,195 | 557,723 | 930,406 | 2,190,291 | 234,818 | 1,516,804 | 27,817,940 |
| Charge for the year | 531,136 | 1,417,659 | 32,553 | 8,845 | 28,500 | 61,702 | 159,041 | 8,265 | 190,835 | 2,438,536 |
| Disposals | (11,848) | (81,234) | - | (7,199) | (19,554) | (72,611) | (40,662) | - | - | (233,108) |
| At 31 December 2018 | 6,281,263 | 16,436,998 | 1,424,708 | 134,841 | 566,669 | 919,497 | 2,308,670 | 243,083 | 1,707,639 | 30,023,368 |
| Carrying amount | | | | | | | | | | |
| At 31 December 2018 | 5,720,951 | 13,585,129 | 146,503 | 58,106 | 48,429 | 117,431 | 498,834 | 8,188 | 793,154 | 20,976,725 |
| At 31 December 2017 | 6,236,238 | 14,930,379 | 179,056 | 14,760 | 71,081 | 94,112 | 606,148 | 15,252 | 957,967 | 23,104,993 |

## 6. Leases

| | 2019 Group Land right-of-use | 2019 Parent Land right-of-use |
|---|---|---|
| At 1 January 2019 | **1,949,187** | **1,385,987** |
| Depreciation (note 22) | **(97,909)** | **(69,299)** |
| Others | **450** | **-** |
| **At 31 December 2019** | **1,851,728** | **1,316,688** |

| | 2019 Group Lease liability | 2019 Parent Lease liability |
|---|---|---|
| At 1 January 2019 | **1,949,187** | **1,385,987** |
| Finance cost (note 26) | **101,941** | **72,922** |
| Payments | **(131,884)** | **(86,884)** |
| Others | **(25,366)** | **(25,366)** |
| **At 31 December 2019** | **1,893,878** | **1,346,659** |
| Current portion | **157,250** | **112,250** |
| Non-current portion | **1,736,628** | **1,234,409** |
| | **1,893,878** | **1,346,659** |

The Group has leased land for factory premises. Leases of lands generally have lease term between 15 to 20 years. The Group's obligations under its leases secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

The Parent Company has leased land for factory premises, at Rusayl, from the Public Establishment from Industrial Estates (PEIE), under agreements that expire over periods ranging up to 30 September 2036. 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.

The following are the amounts recognised in statement of income:

| | 2019 Group RO | 2019 Parent RO |
|---|---|---|
| Depreciation expense of rights-of-use assets (Note 22) | **97,909** | **69,299** |
| Interest expense on lease liabilities (Note 26) | **101,941** | **72,922** |
| Expense relating to short term lease | **31,727** | **-** |
| Total amount recognized in profit or loss | **231,577** | **142,221** |

## 7. Investment in subsidiaries

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | 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 | 100% | **5,426,660** | **4,366,000** | 51% | 2,226,660 | 2,226,660 |

The Parent Company has acquired 51% stake in 2008 and an additional 49% shares in Oman Aluminum Processing Industries (OAPIL) on 5 December 2019 making it a wholly owned subsidiary for a purchase consideration of RO 3,200,000. The Subsidiary was incorporated in Oman in 2008 and commenced commercial operations from July 2010. This subsidiary manufacture aluminum 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 profit of RO 251,533 (2018: loss of RO 80,471) 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)

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | 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 | **100%** | **960,887** | **577,530** | 100% | 960,887 | 577,530 |

The Parent Company had acquired a 35% stake in 2006 and an additional 5% stake in 2009 and was accounted for as an associate in the 2016 financial statements of the Group. On 5 December 2017, the Parent Company acquired an additional 60% stake, making it a wholly owned subsidiary from that date. The company is registered in India, is in the business of manufacturing and selling of electrical power cables, control cables and instrumentation cables.

The statement of profit or loss of the Group has been made after consolidating the financial statements of ACPL share of profit of RO 32,439 (2018: Profit of RO 23,432) in consolidated statement of profit or loss.

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

## 8. Investment Securities

Disclosed in the statement of financial position as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Amortised costs (note b) | **1,012,626** | **1,000,000** | 1,052,235 | 1,000,000 |
| Investments at fair value through other comprehensive income (note a) | **168,909** | **168,909** | 234,059 | 234,059 |
| | **1,181,535** | **1,168,909** | 1,286,294 | 1,234,059 |

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

| | 2019 Group and Parent Company | | 2018 Group and Parent Company | |
|---|---|---|---|---|
| | **Market value** | **Cost** | Market value | Cost |
| | **RO** | **RO** | RO | RO |
| Unquoted investments (refer note below) | **168,909** | **168,909** | 234,059 | 234,059 |
| | **168,909** | **168,909** | 234,059 | 234,059 |

During the year, the Group received capital contribution (net) RO 65,150 (2018: net investment of RO 71,170) in units of Oman Fixed Income Fund.

## (b) Amortised Cost

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

## 9. Inventories

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Raw materials | **7,202,586** | **6,814,267** | 6,514,291 | 5,848,571 |
| Spares, consumables and scrap | **3,851,059** | **2,447,778** | 3,632,957 | 2,191,381 |
| Finished goods | **11,398,728** | **10,514,857** | 14,406,237 | 13,048,296 |
| | **22,452,373** | **19,776,902** | 24,553,485 | 21,088,248 |
| Work-in-progress | **2,129,227** | **1,918,869** | 1,653,257 | 1,149,874 |
| Goods in transit | **1,785,643** | **143,931** | 497,632 | 122,326 |
| | **26,367,243** | **21,839,702** | 26,704,374 | 22,360,448 |
| Less: provision for slow moving and obsolete items | **(1,763,056)** | **(1,502,291)** | (1,552,291) | (1,502,291) |
| | **24,604,187** | **20,337,411** | 25,152,083 | 20,858,157 |

Raw materials include an amount of RO 1,374,712 for Parent Company and RO 1,278,974 for Group (2018 – Parent Company RO 693,101 and Group RO 829,986), 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 2019.

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| At the beginning of the year | **1,552,291** | **1,502,291** | 1,735,000 | 1,710,000 |
| Net provision for the year | **210,765** | **-** | (182,709) | (207,709) |
| | **1,763,056** | **1,502,291** | 1,552,291 | 1,502,291 |

## 10. Trade and other receivables

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| Trade receivables | **56,342,837** | **51,190,741** | 63,908,774 | 56,859,232 |
| Less: allowance for credit losses | **(3,585,324)** | **(3,486,780)** | (2,508,212) | (2,409,668) |
| | **52,757,513** | **47,703,961** | 61,400,562 | 54,449,564 |
| Advances | **924,720** | **841,660** | 289,503 | 246,427 |
| Derivatives designated and effective as hedging instruments carried at fair value (note 17) | **1,046,410** | **1,046,410** | 514,518 | - |
| Other receivables and Prepayments | **784,191** | **598,917** | 258,411 | 213,540 |
| | **55,512,834** | **50,190,948** | 62,462,994 | 54,909,531 |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| At the beginning of the year | **2,508,212** | **2,409,668** | 1,867,674 | 1,817,674 |
| Adjustment on initial application of IFRS 9 | **-** | **-** | 1,225,002 | 1,225,362 |
| Add: Charge for the year (note 24) | **1,077,335** | **1,077,112** | (583,849) | (633,368) |
| Less: Written off for the year | **(223)** | **-** | (615) | - |
| | **3,585,324** | **3,486,780** | 2,508,212 | 2,409,668 |

The Group offers credit to its customers, after which trade receivables are considered to be past due. At the reporting date, gross trade receivables amounting to RO 3,486,780 for Parent Company and RO 3,585,324 for Group (2018- Parent Company RO 2,409,668 and Group RO 2,508,212) were assessed as impaired by the management, for which allowance for credit losses has been established.

## 10. Trade and other receivables (continued)

| | | | | Past due but not impaired | | | |
|---|---|---|---|---|---|---|---|
| Group | Total RO | Impaired RO | Not due RO | Less than 3 months RO | 3 to 6 months RO | 6 to 12 months RO | More than 1 year RO |
| **2019** | **56,342,837** | **3,585,324** | **46,262,680** | **5,847,033** | **452,638** | **195,162** | **-** |
| 2018 | 63,908,774 | 2,508,212 | 56,117,123 | 2,817,671 | 743,254 | 396,195 | 1,326,319 |
| Parent | | | | | | | |
| **2019** | **51,190,741** | **3,486,780** | **41,529,386** | **5,812,715** | **350,811** | **11,049** | **-** |
| 2018 | 56,859,232 | 2,409,668 | 50,157,244 | 2,056,702 | 646,327 | 262,972 | 1,326,319 |

The range of expected credit loss for the Group and parent company is in the range of 0.004%- 100% (2018: 0.1%-50%).

At the reporting date 50% of Parent Company's trade receivables are due from 7 customers (2018- 50% from 10 customers). Trade receivables amounting to RO 41,529,386 for (2018– RO 50,157,244) are neither past due nor impaired and are estimated as collectible based on historical experience 36% (2018 – 49%) of the trade receivables are secured against letters of Credit, bank guarantees or other credit risk cover. The company does not hold any other collateral as security.

## 11. Cash and bank balances

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Cash in hand | **26,355** | **25,706** | 52,288 | 49,106 |
| Cash at bank – current and call accounts | **14,645,062** | **14,478,645** | 16,768,385 | 15,815,995 |
| | **14,671,417** | **14,504,351** | 16,820,673 | 15,865,101 |

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

## 12. Share capital

The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisa each (2018 - 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 (2018 - 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:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **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 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% (2018 - 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 45 baisa (2018: 45 baisa) per share totalling RO 4,036,500 (2018: RO 4,036,500) relating to the year 2018 were declared and paid.

The Board of Directors have recommended a dividend of 35 baisa (2018: 45 baisa) per share for the year 2019 amounting to RO 3,139,500 (2018: RO 4,036,500), 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:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **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 | **400,042** | **754,097** | (639,933) | (902,341) |
| Fair value of investments through other comprehensive income | **(510)** | **(510)** | (510) | (510) |
| Foreign currency translation of a subsidiary | **(89,420)** | **-** | (74,383) | - |
| | **310,112** | **753,587** | (714,826) | (902,851) |

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.

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

**Group**
The cumulative changes in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,046,410 included in trade and other receivables (note 10) and RO 197,871 (note 20) included in trade and other payables (2018 – RO 514,518 included in trade and other receivables and RO 902,341 included in trade and other payables) 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. Balance of Nil (2018 – RO 252,116) attributable to non-controlling interest is disclosed separately in statement of changes in equity as a component of non-controlling interests.

**Parent**
The cumulative change in fair value relating to the unrealised gain / loss in commodity future contracts of RO 1,046,410 included in trade and other receivables (2018 – RO (902,341)) included in trade and other payables 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 2019 profitability, as it relates to the cost of purchase in the year 2019.

## 18. Taxation

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| **Statement of profit or loss** | | | | |
| Current year income tax charge | **1,262,691** | **1,358,408** | 1,768,864 | 1,764,516 |
| Prior year income tax charge | **-** | **-** | 29,335 | 29,335 |
| **Deferred tax:** | | | | |
| Relating to origination and reversal of temporary differences | **(270,321)** | **(225,537)** | (130,635) | (76,521) |
| Income tax expense reported in the statement of profit or loss | **992,370** | **1,132,871** | 1,667,564 | 1,717,330 |

**Statement of financial position**

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| | **RO** | **RO** | RO | RO |
| **Current liability** | | | | |
| Current year | **1,483,446** | **1,424,854** | 1,821,833 | 1,764,516 |
| Previous year | **-** | **-** | 29,335 | 29,335 |
| | **1,483,446** | **1,424,854** | 1,851,168 | 1,793,851 |

## 18. Taxation (continued)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| **Non-current assets** | | | | |
| Deferred tax assets: | | | | |
| At 1 January | **-** | **-** | - | - |
| Movement for the year | **106,857** | **-** | - | - |
| **At 31 December** | **106,857** | **-** | - | - |
| **Non-current liability** | | | | |
| Deferred tax liability: | | | | |
| At 1 January | **1,278,841** | **802,113** | 1,409,476 | 878,634 |
| Movement for the year | **(84,871)** | **66,776** | (130,635) | (76,521) |
| **At 31 December** | **1,193,970** | **868,889** | 1,278,841 | 802,113 |

The deferred tax liability comprises the following temporary differences:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Tax effect of depreciation | **1,658,952** | **1,324,937** | 1,858,614 | 1,388,907 |
| Tax effect of provisions | **(464,982)** | **(456,048)** | (579,773) | (586,794) |
| | **1,193,970** | **868,889** | 1,278,841 | 802,113 |

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Profit before income tax | **8,215,793** | **7,561,940** | 10,801,558 | 10,982,479 |
| Income tax as per rates mentioned below | **1,232,369** | **1,134,291** | 1,620,234 | 1,647,372 |
| Income exempt from tax | **-** | **-** | 27,138 | - |
| Tax effect of items deductible/non-deductible for tax purpose | **30,322** | **224,117** | 150,827 | 146,479 |
| Deferred tax | **(270,321)** | **(225,537)** | (130,635) | (76,521) |
| Net tax expense | **992,370** | **1,132,871** | 1,667,564 | 1,717,330 |

## 18. Taxation (continued)

The tax authorities in Oman follow the legal entity concept. There is no concept of group taxation in Oman. For the entities registered in Oman, the applicable tax rate is 15% (2018: 15%). For the purpose of determining the taxable result for the year, the accounting profit has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

**Parent Company**
The tax rate applicable to the Parent Company is 15% (2018: 15%). For the purpose of determining the tax expense for the year ended 31 December 2019, 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 14.98% (2018: 15.4%).The difference between the applicable tax rates of 15% (2018: 15%) and the effective tax rate of 14.98% arises due to the tax effect of income not considered to be taxable and the expenses that are not considered to be deductible. The adjustments are based on the current understanding of the existing tax laws, regulations and practices.

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

### 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. 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 37.3% (2018: 44.6%). Assessments with the tax department have been completed up to the year financial year 2013-14 (assessment year: 2014-15).

## 19. Employees end of service benefits

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

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| At 1 January | **1,318,029** | **1,195,534** | 1,427,866 | 1,290,443 |
| Accrued during the year (Note 27) | **266,538** | **240,109** | 218,899 | 188,530 |
| Employees' end of service benefits paid | **(209,636)** | **(176,868)** | (328,736) | (283,439) |
| **At 31 December** | **1,374,931** | **1,258,775** | 1,318,029 | 1,195,534 |

## 20. Trade and other payables

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Trade payables | **13,219,031** | **8,104,889** | 21,763,866 | 14,214,149 |
| Other payables | **969,998** | **376,723** | 397,428 | 80,288 |
| Derivatives designated, and effective as hedging instruments carried at fair value (Note 17) | **197,871** | **-** | 902,341 | 902,341 |
| Accruals | **3,721,567** | **3,218,638** | 3,866,324 | 3,125,925 |
| | **18,108,467** | **11,700,250** | 26,929,959 | 18,322,703 |

## 21. Bank borrowings

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Short term loans | **4,618,800** | **-** | 4,965,210 | - |
| | **4,618,800** | **-** | 4,965,210 | - |

During the period, the Group availed short-term loans from commercial banks for a period ranging up to 90 days (2018 – 90 days). Bank borrowings carry interest at commercial rates.

## 22. Cost of sales

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Cost of materials consumed | **179,646,931** | **140,871,320** | 215,113,040 | 167,688,104 |
| Employee costs | **5,164,990** | **4,540,275** | 5,260,927 | 4,496,776 |
| Depreciation | **3,423,875** | **2,288,905** | 3,463,167 | 2,339,489 |
| Amortization of right of use assets (Note 6) | **97,909** | **69,299** | - | - |
| Electricity and water | **1,540,062** | **971,908** | 1,646,854 | 1,004,563 |
| Stores, consumables, repairs and maintenance | **1,659,835** | **995,919** | 1,515,550 | 974,160 |
| Land lease rent | **-** | **-** | 157,007 | 112,007 |
| Provision for slow moving inventories (note 9) | **210,765** | **-** | (182,709) | (207,709) |
| Other direct costs | **844,353** | **595,831** | 862,732 | 619,714 |
| | **192,588,720** | **150,333,457** | 227,836,568 | 177,027,104 |

## 23. Other income

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Insurance claim | **407,642** | **35,727** | 3,819 | 3,819 |
| Gain on sale of property, plant and equipment | **7,178** | **(3,822)** | 929 | 38 |
| Miscellaneous income | **222,281** | **185,260** | 204,332 | 99,054 |
| | **637,101** | **217,165** | 209,080 | 102,911 |

## 24. Administrative expenses

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Employee costs | **4,131,694** | **3,533,247** | 3,854,567 | 3,038,377 |
| Legal and professional charges | **274,421** | **182,003** | 565,540 | 393,945 |
| Insurance | **129,412** | **127,791** | 235,967 | 153,335 |
| Repairs and maintenance | **223,438** | **213,843** | 187,047 | 171,174 |
| Travelling | **117,755** | **82,759** | 122,927 | 96,798 |
| Directors' remuneration | **117,490** | **117,490** | 119,800 | 119,800 |
| Contributions to local organization | **100,000** | **100,000** | 100,110 | 100,000 |
| Communication | **103,646** | **52,113** | 92,708 | 50,110 |
| Other sundry expenses | **128,832** | **42,542** | 29,820 | 37,187 |
| Printing and stationery | **33,750** | **29,848** | 51,913 | 48,302 |
| Vehicle running and Maintenance | **12,637** | **12,637** | 35,942 | 15,174 |
| Allowance for credit losses (note 10) | **1,077,335** | **1,077,112** | (583,849) | (633,368) |
| | **6,450,410** | **5,571,385** | 4,812,492 | 3,590,834 |

## 25. Selling and distribution expenses

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Marketing and freight | **1,978,045** | **1,081,510** | 2,113,191 | 1,343,997 |
| Employee costs | **974,315** | **825,959** | 1,049,780 | 878,079 |
| Advertisement and sales promotion | **109,088** | **70,472** | 173,431 | 150,215 |
| Travelling | **107,493** | **107,493** | 89,941 | 74,868 |
| | **3,168,941** | **2,085,434** | 3,426,343 | 2,447,159 |

## 26. Finance costs and Finance Income

### a) Finance costs (net)

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Interest expenses | **199,507** | **2,491** | 409,298 | 199,996 |
| Bank charges | **202,966** | **179,462** | 223,052 | 106,257 |
| Interest on lease liabilities (Note 6) | **101,941** | **72,922** | - | - |
| | **504,414** | **254,875** | 632,350 | 306,253 |

Finance costs relate to bank borrowings (note 21).

The interest paid reflected in the cash flows is as below.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Interest expenses | **199,507** | **2,491** | 409,298 | 199,996 |
| Bank charges | **202,966** | **179,462** | 223,052 | 106,257 |
| Accrual (reversal) | **28,883** | **3,923** | (9,000) | (6,088) |
| Interest paid | **431,356** | **185,876** | 623,350 | 300,165 |

### b) Finance income

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Foreign currency translation | **154,096** | **128,979** | 342,807 | 338,181 |
| Interest from bond (note 7b) | **55,000** | **55,000** | 55,000 | 55,000 |
| Other finance income | **132,225** | **114,201** | 36,899 | 866 |
| | **341,321** | **298,180** | 434,706 | 394,047 |

## 27. Employee costs

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Salaries | **4,041,057** | **2,837,068** | 4,278,455 | 2,988,403 |
| Other benefits | **5,631,401** | **5,533,611** | 5,301,879 | 4,925,379 |
| Contributions to defined retirement plan for Omani employees | **332,003** | **288,693** | 366,041 | 310,920 |
| Employees end of service benefits (Note 19) | **266,538** | **240,109** | 218,899 | 188,530 |
| | **10,270,999** | **8,899,481** | 10,165,274 | 8,413,232 |

## 28. Basic and diluted 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.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| Net profit for the year (RO) | **6,971,890** | **6,429,069** | 9,214,465 | 9,265,149 |
| Weighted average number of shares outstanding during the year | **89,700,000** | **89,700,000** | 89,700,000 | 89,700,000 |
| Basic and diluted earnings per share (RO) | **0.078** | **0.072** | 0.103 | 0.103 |

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.

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group** | **Parent Company** | Group | Parent Company |
| Net assets (RO) | **103,735,341** | **100,003,715** | 98,288,819 | 95,954,708 |
| 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) | **1.156** | **1.115** | 1.096 | 1.070 |

## 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.

## 31. Related party transactions

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

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

| | **2019** | | | 2018 | | |
|---|---|---|---|---|---|---|
| **Group** | **Sales and other income RO** | **Purchases and other expenses RO** | **Others RO** | Sales and other income RO | Purchase and other expenses RO | Others RO |
| Shareholders | **6,125,167** | **4,168,551** | **-** | 9,807,488 | 81,676 | - |
| | **6,125,167** | **4,168,551** | **-** | 9,807,488 | 81,676 | - |
| **Parent Company** | | | | | | |
| Shareholders | **6,125,167** | **4,168,551** | **-** | 9,807,488 | 81,676 | - |
| Subsidiaries | **74,406** | **2,951,145** | **-** | - | 2,510,442 | - |
| | **6,199,573** | **7,119,696** | **-** | 9,807,488 | 2,592,118 | - |

**Compensation of key management personnel**
The key management personnel compensation for the year comprises:

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Short term employment benefits | **1,157,011** | **891,218** | 1,314,224 | 853,847 |
| End of service benefits | **50,253** | **33,937** | 56,486 | 42,243 |
| Directors' remuneration | **117,490** | **117,490** | 119,800 | 119,800 |
| | **1,324,754** | **1,042,645** | 1,490,510 | 1,015,890 |

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

## 31. Related party transactions(continued)

**Compensation of key management personnel (continued)**

**Directors' remuneration**

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Fabio Lgnazio Romeo | **27,158** | **27,158** | 26,102 | 26,102 |
| Mohamed Al Lawati | **28,720** | **28,720** | 29,840 | 29,840 |
| Lara Carolin Mahmoud Hansen | **30,804** | **30,804** | 30,774 | 30,774 |
| Hamad Mohammad Al Wahabi | **-** | **-** | 6,333 | 6,333 |
| Naji Bin Salim Al Riyami | **26,673** | **26,673** | 21,637 | 21,637 |
| Manal Said Al Ghazaliya | **1,526** | **1,526** | - | - |
| Christian Raskin | **29,762** | **29,762** | 28,906 | 28,906 |
| Michele Binda | **26,637** | **26,637** | 27,503 | 27,503 |
| Fabrizio Rutschman | **28,720** | **28,720** | 28,905 | 28,905 |
| | **200,000** | **200,000** | 200,000 | 200,000 |

Directors remuneration includes an amount of RO 82,510 (2018: RO 80,200) as three directors waived their share of directors' remuneration.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| **Amounts due from related parties** | | | | |
| Other related parties | **6,328,565** | **6,247,350** | 1,892,452 | 1,625,837 |
| **Amounts due to related parties**: | | | | |
| Other related parties | **1,065,488** | **2,223,900** | 266,625 | 21,296 |
| Subsidiaries | **518,520** | **598,277** | 21,296 | 566,752 |
| | **1,584,008** | **2,822,177** | 287,921 | 588,048 |

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 six related parties (2018 - three 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**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Capital commitments | **804,490** | **390,791** | 345,216 | 285,940 |
| Letters of credit | **14,748,879** | **8,588,879** | 15,949,244 | 11,329,244 |

**Contingencies**

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Letters of guarantee | **12,873,812** | **12,462,296** | 12,772,973 | 12,446,123 |

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 28,427,181 (2018: RO 29,067,433).

## 33. Financial instruments and related risk management

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

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

**Credit risk**

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

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

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

### Exposure to credit risk

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

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Group RO** | **Parent Company RO** | Group RO | Parent Company RO |
| Trade receivables | **56,342,837** | **51,190,741** | 63,908,774 | 56,859,232 |
| Other receivables | **1,971,130** | **1,888,070** | 804,021 | 246,427 |
| Bank balances | **14,645,062** | **14,478,645** | 16,768,385 | 15,815,995 |
| | **72,959,029** | **67,557,456** | 81,481,180 | 72,921,654 |

The company sells its products to large number of customers. Its 5 largest customers account 39.7% of outstanding accounting receivable at 31 December 2019 (2018: 31.22%)

### Changes in liabilities arising from financing activities

| | **1 January 2019 RO** | **Cash flows RO** | **Changes in fair value RO** | **Other RO** | **31 December 2019 RO** |
|---|---|---|---|---|---|
| Current lease liabilities (Note 6) | **289,134** | **(131,884)** | **-** | **-** | **157,250** |
| Short term loans | **4,965210** | **(346,410)** | **-** | **-** | **4,618,800** |
| Non-current lease liabilities (Note 6) | **1,660,053** | **-** | **-** | **76,575** | **1,736,628** |
| Derivatives | **902,341** | **-** | **(704,560)** | **-** | **197,781** |
| | **7,816,738** | **478,294** | **(704,560)** | **76,575** | **6,710,459** |

| | 1 January 2018 RO | Cash flows RO | Changes in fair value RO | Other RO | 31 December 2018 RO |
|---|---|---|---|---|---|
| Short term loans | 8,313,840 | (3,348,630) | - | - | 4,965,210 |
| Derivatives | 38,568 | - | 863,773 | - | 902,341 |
| | 8,352,408 | (3,348,630) | 863,773 | - | 5,867,551 |

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

**Market risk**

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

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

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

The group has short term loans of RO 4,618,800 and for every 0.5% change in interest rate, the impact on the statement of profit or loss will be approximate to RO 20,500 (2018 – RO 21,500) 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. As the Omani Rial is pegged to the US Dollar and major GCC currencies, balances in these currencies 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 weaken or strengthens against the Omani Rials with all other variables held constant.

| | Change in Euro rate | Effect on profit before tax |
|---|---|---|
| | RO | RO |
| 2019 | +5% | **(41,764)** |
| | -5% | **41,764** |
| 2018 | +5% | **(15,000)** |
| | -5% | **15,000** |

*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.

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

**Market risk (continued)**

*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 affect stock market movements. The management believes that the impact of price fluctuation on the quoted investments will not be material considering the amount of quoted investments at the reporting date. At the reporting date the Group's exposure to equity price risk is insignificant.

**Liquidity risk**

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

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

| **Parent Company** | **Less than 3 months RO** | **3 to 6 months RO** | **6 months to 1 year RO** | **More than 1 year RO** | **Total RO** |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Trade and other payables | **11,334,515** | **44,687** | **321,048** | **-** | **11,700,250** |
| Amount due to related parties | **2,256,708** | **507,417** | **58,052** | **-** | **2,822,177** |
| Lease liabilities | **-** | **-** | **112,250** | **1,234,409** | **1,346,659** |
| | **13,591,223** | **552,104** | **491,350** | **1,234,409** | **15,869,086** |
| 2018 | | | | | |
| Trade and other payables | 16,492,945 | 237,289 | 1,592,469 | - | 18,322,703 |
| Amount due to related parties | 376,389 | 200,546 | 11,113 | - | 588,048 |
| | 16,869,334 | 437,835 | 1,603,582 | - | 18,910,751 |

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

**Liquidity risk (continued)**

| Group | Less than 3 months RO | 3 to 6 months RO | 6 months to 1 year RO | More than 1 year RO | Total RO |
|---|---|---|---|---|---|
| **2019** | | | | | |
| Trade and other payables | **17,355,730** | **397,222** | **355,515** | **-** | **18,108,467** |
| Amount due to related parties | **1,018,539** | **507,417** | **58,052** | **-** | **1,584,008** |
| Lease liabilities | **-** | **-** | **157,250** | **1,736,628** | **1,893,878** |
| | **18,374,269** | **904,639** | **570,817** | **1,736,628** | **21,586,353** |
| 2018 | | | | | |
| Trade and other payables | 24,596,728 | 411,731 | 1,921,500 | - | 26,929,959 |
| Short term loan | 4,965,210 | - | - | - | 4,965,210 |
| | 29,561,938 | 411,731 | 1,921,500 | - | 31,895,169 |

## 34. Fair values of financial instruments

**Fair values**

Financial instruments comprise financial asset, financial liabilities and derivatives. Financial assets consist of bank balances, receivables and available-for-sale investments. Financial liabilities consist of term loans and trade and other payables. Derivatives relates to forward currency and commodity hedging contracts.

The fair values of financial instruments are not materially different from their carrying values as of the reporting date.

**Fair value hierarchy**

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

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

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

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

As at 31 December, the Group had investments at fair value thorough other comprehensive income as described in note 7 and are under level 3 fair value measurement category.

## 34. Fair values of financial instruments

**Fair value hierarchy (continued)**

**Assets measured at fair value**

| 2019 | Total RO | Level 1 RO | Level 2 RO | Level 3 RO |
|---|---|---|---|---|
| **Parent Company** | | | | |
| Fair value through other comprehensive income (Note 8A) | **168,909** | **-** | **168,909** | **-** |
| Commodity forward contract (Note 10) | **1,046,410** | **-** | **1,046,410** | **-** |
| **Group** | | | | |
| Fair value through other comprehensive income (Note 8A) | **168,909** | **-** | **168,909** | **-** |
| Commodity forward contract (net) (Note 10 & 20) | **848,539** | **-** | **848,539** | **-** |
| 2018 | | | | |
| Parent Company | | | | |
| Fair value through other comprehensive income (Note 8A) | 234,059 | - | 234,059 | - |
| Commodity forward contract (Note 20) | (902,341) | - | (902,341) | - |
| Group | | | | |
| Fair value through other comprehensive income (Note 8A) | 234,059 | - | 234,059 | - |
| Commodity forward contract (net) (Note 17) | (639,935) | - | (639,935) | - |

During the reporting years ended 31 December 2019 and 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

## 35. Capital management

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

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

The capital structure of the Group comprises of the share capital, legal and other reserves and retained earnings. There has been no change in the Group's objectives, policies or process during the year ended 31 December 2019 and 31 December 2018.