OMANI PACKAGING COMPANY SAOG

Notes to the financial statements for the year ended 31 December 2016

1. General

Omani Packaging Company SAOG (the "Company") is an Omani Joint Stock Company incorporated in the Sultanate of Oman on 3 May 1993 under a trade license issued by the Ministry of Commerce and Industry. The principal activities of the Company are manufacturing and selling of various types of paper packaging materials.

These financial statements are presented in Rials Omani (RO) since that is the currency in which the majority of the transactions are denominated.

2. Adoption of new and revised international financial reporting standards (IFRS)

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

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

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

2. Adoption of new and revised international financial reporting standards (IFRS)

2.2 New and revised IFRS in issue but not yet effective

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

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

2. Adoption of new and revised international financial reporting standards (IFRS) (continued)

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

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

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

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

2. Adoption of new and revised international financial reporting standards (IFRS) (continued)

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

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018
Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

2. Adoption of new and revised international financial reporting standards (IFRS) (continued)

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

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

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

3. Summary of significant accounting policies

Statement of compliance

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

Basis of preparation

The financial statements have been prepared on the historical cost basis modified to include certain financial assets and liabilities at fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable, net of discounts and returns for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognised when the Company has delivered products to the customer, and the customer has accepted the products.

Interest income

Interest income from financial asset is recognised when it is probable that economic benefits will flow to the company and the amount of income can be measured reliably. Interest income is accounted for on the accrual basis using effective interest rate method.

3. Summary of significant accounting policies (continued)

Foreign currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rials Omani, which is the Company's functional and presentation currency.

Transactions in currency other than in entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currency are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in the profit or loss.

Taxation

Taxation on the results for the year comprises of current tax calculated as per the fiscal regulations of the Sultanate of Oman and deferred tax.

Current tax is recognised in the profit or loss as the 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 recognized on temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Summary of significant accounting policies (continued)

Operating Lease

Operating lease payment are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from leased assets are consumed. Contingent rentals arising under operating lease are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from leased assets are consumed.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

The cost of property, plant and equipment is written down to residual value in equal instalments over the estimated useful lives of the assets. The estimated useful lives are:

	Years
Building - civil works	25
Building - electro mechanical	10
Plant and machinery and dies	8 – 20
Furniture and fixtures, office and laboratory equipment	6
Motor vehicles	5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. In accordance with its policy, the Company reviews the estimated useful lives of its property and equipment on an ongoing basis.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

Capital work-in-progress is stated at cost. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Company's policy.

3. Summary of significant accounting policies (continued)

Impairment of non-financial asset

At each reporting date, the Company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the profit or loss. Recoverable amount is the higher of fair value less cost of disposal and value in use. The impairment loss is recognised in profit or loss.

Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier. A reversal of impairment loss is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less estimated cost of completion and all estimated costs to be incurred in marketing and distribution. Provision is made where necessary for slow moving and obsolete items.

Financial assets and financial liabilities

Financial assets and financial liabilities are recognised on the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company’s loans and receivables comprise trade and other receivables and bank and cash in the statement of financial position.

3. Summary of significant accounting policies (continued)

Trade and other receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. An estimate is made for doubtful debts based on a review of all outstanding amounts at the year end. The amount of the allowance is recognised in the profit or loss within ‘general and administrative expenses’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘general and administrative expenses’ in the profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, all bank balances and short term deposits with a maturity of three months or less from the date of placement are considered to be cash equivalents.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Interest is charged as an expense using the effective interest rate method, with unpaid amounts included in ‘trade and other payables’.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing cost costs are recognised in profit or loss in the period in which they are incurred.

3. Summary of significant accounting policies (continued)

Government grant

The benefit of a government loan at a below market rate of interest is treated as government grant, measured as difference between proceeds received and the fair value of loan based on prevailing market interest rates. Interest subsidy is recognised in the statement of financial position initially as a deferred government grant when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. This government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred government grant is recognised in the profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.

End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law 2003 and its amendments. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the profit or loss as incurred.

Trade and other payables

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

3. Summary of significant accounting policies (continued)

Directors' remuneration

The Directors' remuneration is governed as set out by the Commercial Companies Law and the rules prescribed by the Capital Market Authority.

The Annual General Meeting shall approve the remuneration and the sitting fees for the Board of Directors provided that such fees shall not exceed 5% of the annual net profit after deduction of the legal reserve and the optional reserve and the distribution of dividends to the shareholders. Such fees shall not exceed RO 200,000 in one year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

4 Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly different degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of trade receivables

The management reviews the trade receivables ageing on a monthly basis and submits the same to the Board of Directors. In case of difficult unsecured trade receivables whose outstanding is in excess of the credit period allowed, regular follow up is made to collect the same. In case considered necessary, legal options are also explored. Trade receivables impairment provision is estimated by the management in case of doubtful trade receivables. In the event of a trade receivable becoming bad, after exploring all possible options including legal, the same is written off with the Board of Directors' approval as and when identified.

4 Critical accounting estimates and judgements (continued)

Useful lives of property and equipment

Depreciation and amortization are charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

Allowance for slow moving inventories

Allowance for slow moving and obsolete items is established on percentages based on the age analysis of slow moving and obsolete inventories. Further, items identified to be obsolete or damaged are fully provided.

5 Segment information

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions. The directors review on an overall Company basis, monthly analysis of production and sales by volume; monthly sales, collections, cost of sales and factory cost by value; variance with budgets; financial position; working capital facilities with utilisation status; and month end inventory and debtors balances.

The Company operates in one business segment of manufacture and sale of packaging material which constitutes 100% (2015: 100%) of total revenue of the Company. The geographical information in respect of the operating segment is as follows:

	2016	2015
	RO	RO
Local Oman sales	**10,941,654**	10,885,948
GCC countries	**1,581,519**	2,534,607
Others	**36,647**	9,803
	12,559,820	13,430,358

As at year end, all non-current assets of the company are located within Oman. There is one customer Oman Food Stuff Factory to whom sales made during the year exceeded 10% of total sales for the year.

6 Expenses by nature

	2016 RO	2015 RO
Changes in inventories of finished goods and work-in-progress	**14,785**	(3,835)
Raw materials and spare parts used	**8,148,028**	9,524,025
Staff costs (note 10)	**1,403,196**	1,367,930
Depreciation (note 14)	**467,732**	449,673
Transportation expenses	**372,059**	404,739
Other expenses	**782,664**	759,435
	11,188,464	12,501,967
Cost of sales	**9,977,938**	11,411,102
General and administrative expenses	**1,210,526**	1,090,865
	11,188,464	12,501,967

7 Cost of sales

Cost of raw materials consumed	**7,798,671**	9,057,232
Staff costs (note 10)	**934,140**	937,255
Cost of spare parts	**349,357**	466,793
Depreciation (note 14)	**418,517**	403,143
Other direct costs	**477,253**	546,679
	9,977,938	11,411,102

8 General and administrative expenses

Staff costs (note 10)	**469,056**	430,675
Transportation and vehicle expenses	**385,156**	414,528
Depreciation (note 14)	**49,215**	46,530
Directors' sitting fees (note 29)	**42,300**	35,100
Legal and professional fees	**32,766**	29,549
Provision for impairment of trade receivables (note 16)	**123,696**	21,746
Dubai office expenses	**33,396**	36,750
Advertisement and sales promotion	**8,861**	8,534
Repairs and maintenance	**700**	1,977
Communication	**14,457**	14,734
Printing and stationery	**14,727**	14,136
Board advisory fees (note 29)	**18,000**	18,000
Postage and courier	**1,049**	1,555
Insurance	**5,592**	10,320
Director remuneration(note 29)	**9,202**	-
Miscellaneous expenses	**2,353**	6,731
	1,210,526	1,090,865

Notes to the financial statements for the year ended 31 December 2016 (continued)

9 Other income / expense

	2016 RO	2015 RO
Sale of scrap	**213,623**	249,754
(Loss) / gain on disposal of property, plant and equipment	**(229)**	1,535
Miscellaneous income	**121**	683
	213,515	251,972

10 Staff costs

Wages and salaries	**1,135,823**	1,087,049
Leave and air fare	**57,682**	62,074
Staff rent	**55,670**	60,060
End of service benefits (note 22)	**28,926**	41,921
Social security costs	**28,020**	25,684
Other costs	**97,075**	91,142
	1,403,196	1,367,930
Staff cost allocation		
Cost of sales (note 7)	**934,140**	937,255
General and administrative expenses (note 8)	**469,056**	430,675
	1,403,196	1,367,930

11 Interest income and expense and exchange gain / (loss)

Interest income:		
- release of deferred government grant	**-**	10,263
- bank deposits	**81**	65
	81	10,328
Interest expense:		
- overdrafts	**(90,286)**	(93,845)
- long term loan	**(221)**	(14,875)
	(90,507)	(108,720)

11 Interest income and expense and exchange gain (continued)

	2016 RO	2015 RO
Exchange (loss) / gain:		
- Exchange (loss) / gain realised during the year	**(2,420)**	4,253
- Un-realised exchange gain on financial liabilities	**-**	298
	(2,420)	4,551

12 Taxation

(a) The tax charge for the year is as follows:

	2016 RO	2015 RO
Current tax:		
In respect of current year	**(195,026)**	(131,366)
Deferred tax:		
In respect of current year	**19,583**	4,553
	(175,443)	(126,813)

(b) Taxation has been agreed with Oman Taxation Authorities for all periods up to 31 December 2009. In respect of tax years 2010 and 2011, the Company has received assessment orders from Secretariat General for Taxation raising additional tax demand of RO 18,485 (2015) and RO 9,772 (2015) respectively with regard to unrealized exchange loss. The Company has filed an objection as per article 160 of Income Tax Law against the additional tax demand and thereafter, no further correspondence has been received in this respect.

The Company's income tax assessments for the years 2012, 2013 and 2014 have not yet been finalised. Management considers that the amount of additional taxes, if any, that may become payable on finalisation of the open tax years additional tax demand would not be material to the Company's financial position as at 31 December 2016.

(c) The reconciliation of tax on the accounting profit at the applicable rate of 12% (2015 - 12%) after the basic exemption limit of RO 30,000 with the taxation charge in the statement of profit or loss and other comprehensive income is as follows:

	2016 RO	2015 RO
Tax on accounting profit of RO 1,492,025 (2015 - RO 1,086,522)	**175,443**	126,783
Tax effect of others	**-**	30
	175,443	126,813

12 Taxation (continued)

(d) Movement in current taxation for the year is as follows:

	2016	2015
	RO	RO
At 1 January	**131,366**	33,739
Charge for the year	**195,026**	131,366
Paid during the year	**(131,366)**	(33,739)
At 31 December	**195,026**	131,366

13 Basic and diluted earnings per share

The par value of each share is RO 0.100 (2015 - RO 0.100). The basic earnings per share is calculated by dividing the profit for the year and total comprehensive income by the weighted average number of shares outstanding during the year.

	2016	2015
Net profit attributable to shareholders (RO)	**1,316,582**	959,709
Weighted average number of shares outstanding (No.)	**32,435,860**	32,435,860
Earnings per share (RO)	**RO 0.041**	RO 0.030

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

14 Property, plant and equipment

(a) Buildings are erected on land leased from the Public Establishment for Industrial Estates for a period of 25 years commencing from 1 January 1993 and 1 July 2002, respectively.

(b) Property, plant and equipment are held under charge to the extent of RO 3,879,000, created in favour of banks, for facilities granted (note 23).

(c) Depreciation charge for the year has been allocated between the cost of sales and general and administrative expenses as follows:

	2016	2015
	RO	RO
Depreciation charge for the year		
Cost of sales (note 7)	**418,517**	403,143
General and administrative expenses (note 8)	**49,215**	46,530
	467,732	449,673

14 Property, plant and equipment (continued)

	Building - civil works RO	Building - electro mechanical RO	Plant, machinery and dies RO	Furniture and fixtures RO	Office equipment RO	Laboratory equipment RO	Motor vehicles RO	Total RO
Cost								
At 1 January 2015	1,974,879	696,773	6,303,484	128,062	77,337	30,085	295,553	9,506,173
Additions	10,930	950	74,581	6,265	3,560	-	44,810	141,096
Disposals	-	-	(13,251)	(5,727)	(1,166)	-	(34,075)	(54,219)
At 1 January 2016	**1,985,809**	**697,723**	**6,364,814**	**128,600**	**79,731**	**30,085**	**306,288**	**9,593,050**
Additions	**39,360**	**29,289**	**347,615**	**8,033**	**1,180**	**7,870**	**23,662**	**457,009**
Disposals			**(8,484)**	**(2,748)**	**(4,295)**	**(1,163)**	**(16,900)**	**(33,590)**
At 31 December 2016	**2,025,169**	**727,012**	**6,703,945**	**133,885**	**76,616**	**36,792**	**313,050**	**10,016,469**
Depreciation								
At 1 January 2015	663,330	390,766	3,299,575	105,706	56,011	16,561	199,367	4,731,316
Charge for the year	79,176	54,664	263,332	6,561	6,479	2,967	36,494	449,673
Disposal	-	-	(7,302)	(5,220)	(1,160)	-	(28,982)	(42,664)
At 1 January 2016	**742,506**	**445,430**	**3,555,605**	**107,047**	**61,330**	**19,528**	**206,879**	**5,138,325**
Charge for the year	**80,764**	**55,817**	**274,326**	**7,192**	**6,522**	**3,908**	**39,203**	**467,732**
Disposal	**-**	**-**	**(6,229)**	**(2,668)**	**(4,196)**	**(1,162)**	**(16,900)**	**(31,155)**
At 31 December 2016	**823,270**	**501,247**	**3,823,702**	**111,571**	**63,656**	**22,274**	**229,182**	**5,574,902**
Carrying value								
At 31 December 2016	**1,201,899**	**225,765**	**2,880,243**	**22,314**	**12,960**	**14,518**	**83,868**	**4,441,567**
At 31 December 2015	1,243,303	252,293	2,809,209	21,553	18,401	10,557	99,409	4,454,725

15 Inventories

	2016	2015
	RO	RO
Raw materials	**1,404,306**	1,356,632
Spare parts	**790,143**	808,257
Consumables	**36,175**	40,869
Work-in-progress	**54,848**	43,310
Finished goods	**101,781**	128,104
	2,387,253	2,377,172
Less: allowance for slow moving and obsolete inventories:		
Spare parts	**(164,815)**	(143,638)
	2,222,438	2,233,534

Inventories are held under charge, created in favour of banks, for facilities granted (note 23).

The movement in allowance for slow moving and obsolete inventories is given below:

	2016	2015
	RO	RO
At 1 January	**143,638**	110,038
Add: charge for the year	**21,177**	33,600
At 31 December	**164,815**	143,638

16 Trade and other receivables

Trade receivables	**3,977,065**	4,158,842
Less: allowance for impairment of trade receivables	**(176,735)**	(53,368)
Net trade receivables	**3,800,330**	4,105,474
Advances to suppliers	**24,711**	34,496
Prepaid expenses and deposits	**10,453**	23,560
Other receivables	**42,905**	48,591
	3,878,399	4,212,121

At the reporting date, 13.77% of trade receivables were receivable from one party (2015 – 13.53% from one party) in the Sultanate of Oman.

16 Trade and other receivables (continued)

The fair values of trade and other receivables are assumed to be the same as their carrying amounts above.

Trade receivables include RO 119,128 (2015 – RO 118,767) due from related parties.

Details of gross exposure of trade receivables are:

	2016	2015
	RO	RO
Neither past due nor impaired	**3,345,061**	3,560,248
Past due but not impaired	**455,269**	545,226
Impaired	**176,735**	53,368
	3,977,065	4,158,842

As of 31 December 2016, trade receivables of RO 455,269 (2015 - RO 545,226) were past due but not impaired. The ageing analysis of these past due not impaired trade receivables is as follows:

	2016	2015
	RO	RO
Past due - 121 to 180 days	**353,516**	387,551
Past due - 181 days and above	**101,753**	157,675
	455,269	545,226

As of 31 December 2016, trade receivables of RO 176,735 (2015- RO 53,368) were impaired and fully provided for.

Movement of the allowance for impairment of trade receivables is as follows:

	2016	2015
	RO	RO
At 1 January	**53,368**	54,777
Charge for the year(note 8)	**123,696**	21,746
Written off	**-**	(22,482)
Written back	**(329)**	(673)
	176,735	53,368

The other classes with trade and other receivables do not contain any impaired balances.

Trade receivables are under charge, created in favour of banks, for facilities granted (note 23).

16 Trade and other receivables (continued)

The carrying amounts of the Company's trade receivables are denominated in the following currencies:

	2016 RO	2015 RO
Currency		
Rial Omani	**3,394,053**	3,306,795
Arab Emirates Dirham	**583,012**	852,047
	3,977,065	4,158,842

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above.

17 Bank and cash

	2016 RO	2015 RO
Current accounts	**145,735**	541,669
Cash in hand	**650**	650
	146,385	542,319

18 Share capital

Authorised share capital 32,435,860 shares of RO 0.100 each (2015 - 32,435,860 shares of RO 0.100 each)	**3,243,586**	3,243,586
Issued and paid up share capital 32,435,860 shares of RO 0.100 each (2015 - 32,435,860 shares of RO 0.100 each)	**3,243,586**	3,243,586

Share premium represents the unused balance of the premiums received for the increase in the share capital.

The Company has one class of ordinary shares which carries no right to fixed income.

18 Share capital (continued)

Shareholders

The shareholders of the Company who own 10% or more of the Company's shares and the number of shares held by them are as follows:

	Percentage shareholding		No. of shares	
	2016	2015	**2016**	2015
Sheikh Salim Saeed Hamed Al Fannah Al Araimi	**15.80**	15.80	**5,125,970**	5,125,970
Mr. Ahmed Alawi Abdullah	**12.41**	12.59	**4,024,518**	4,083,756
Al Baraka Financial Investments	**11.41**	11.41	**3,700,485**	3,700,485
Al Saud Investments	**14.18**	9.88	**4,600,000**	3,203,933

19 Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution.

20 General reserve

The general reserve was established in the year 2002 at the Company's Ordinary General Meeting in accordance with Article 106 of the Commercial Companies Law.

21 Deferred tax liability

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2015 - 12%). The net deferred tax liability and deferred tax (charge) / credit in the profit or loss are attributable to the following items:

	1 January 2016 RO	Charge to profit or loss RO	31 December 2016 RO
Deferred income tax asset:			
Tax effect of provisions	**23,641**	**17,345**	**40,986**
Deferred income tax liability:			
Tax effect of depreciation	**(122,987)**	**2,238**	**(120,749)**
Net deferred tax liability	**(99,346)**	**19,583**	**(79,763)**

21 Deferred tax liability (continued)

	1 January 2015 RO	Charge to profit or loss RO	31 December 2015 RO
Deferred income tax asset:			
Tax effect of provisions	19,778	3,863	23,641
Deferred income tax liability:			
Tax effect of depreciation	(123,677)	690	(122,987)
Net deferred tax liability	(103,899)	4,553	(99,346)

22 End of service benefits

	2016 RO	2015 RO
At 1 January	**249,688**	215,065
Charge for the year (note 10)	**28,926**	41,921
Paid during the year	**(39,153)**	(7,298)
At 31 December	**239,461**	249,688

23 Bank borrowings

Non-current		
Long term loan from bank	**875,000**	49,912
Less: deferred government grant	**-**	(754)
Less: due within one year classified as current borrowings	**(500,000)**	(49,158)
	375,000	-
Current		
Short term borrowings	**485,104**	2,850,000
Current portion of deferred government grant	**-**	754
Current portion of long term loan	**500,000**	49,158
	985,104	2,899,912

23 Bank borrowings

During the year Company has obtained Long Term Loan from Bank Muscat dated 24 March 2016 for financing amounts to RO. 1,000,000 to meet the working capital requirement. The loan carries an interest rate of 5%. The Loan will be repaid in 8 Quarterly instalments commencing 6 months from the date of receipt 15 May 2016. The Loan is secured against the Company assets and property.

The long term loan from Oman Development Bank SAOC, to finance the acquisition of plant and machinery, carries an interest rate of 3% per annum (2015: 3% per annum) and is repayable in 20 quarterly instalments starting from 23 May 2011. The Loan is fully repaid in current year. The loan is secured against the Company's property, plant and equipment and net working capital. The above loan has been recognised at fair value in accordance with International Accounting Standard - 39 and the difference between the carrying value and fair value of the loan is shown as 'Deferred government grant'.

In accordance with Capital Market Authority (CMA) Circular No.1 of 2002 and IFRS, the difference between the carrying value and fair value of the loan has to be shown as "deferred government grant" and is to be recognized as income in the profit or loss as an income each year over the loan period to match with the related interest costs, on a systematic basis. The recognised portion of deferred government grant is equivalent to the related interest cost.

The repayment schedule of the long term loan is given below:

	2016	2015
	RO	RO
Within 1 year	**500,000**	49,158
Within 2 to 5 years	**375,000**	-
	875,000	49,158

Overdrafts and short term borrowings are obtained from commercial banks at interest rates ranging from 3% to 6% (2015 - 3% to 7.5%) per annum. The interest rates may be re-negotiated by the banks on renewal of the facilities, which generally takes place on an annual basis in the case of overdrafts and at one to six months intervals for short term borrowings.

The fair values of non-current borrowings approximate to their face values as they carry commercial rates of interest.

24 Trade and other payables

	2016	2015
	RO	RO
Trade payables	**1,710,582**	1,862,756
Accrued expenses	**333,839**	230,966
Provision for leave pay and air passage	**88,448**	89,128
Unclaimed dividend	**404**	366
Advances received from customers	**14,510**	42,563
	2,147,783	2,225,779

The Company has transferred an amount of RO 4,279 (2015 - RO 1,965) of the unclaimed dividend to the investors trust fund.

25 Net assets per share

Net assets per share are calculated by dividing the shareholders equity at the year end by the number of shares issued and paid up, as follows:

	2016	2015
Shareholders' equity	**6,666,652**	RO 5,836,608
Number of shares outstanding at year end	**32,435,860**	32,435,860
Net assets per share	**RO 0.206**	RO 0.180

26 Purchase commitments

At the end of the reporting period, the value of outstanding purchase commitments amounted to RO 979,174 (2015 - RO 1,271,050).

27 Lease commitments

The future minimum lease payments under the non-cancellable operating leases are as follows:

	2016	2015
	RO	RO
Less than 1 year	**11,059**	11,059
Between 1 year and 5 years	**18,788**	25,123
More than 5 years	**64,574**	69,298
	94,421	105,480

28 Cash generated from operations

The reconciliation of profit before taxation to cash generated from operations is shown below:

	2016	2015
	RO	RO
Cash flows from operating activities		
Profit before taxation	**1,492,025**	1,086,522
Adjustments for:		
Depreciation on property, plant and equipment	**467,732**	449,673
Loss / (gain) on disposal of property, plant and equipment	**229**	(1,535)
Allowance for trade receivables written off	**-**	(22,482)
Allowance for trade receivables written back	**(329)**	(673)
Allowance for slow moving and obsolete inventories	**21,177**	33,600
Allowance for impairment of trade receivables	**123,696**	21,746
Interest expense	**90,507**	108,720
Interest income	**(81)**	(10,328)
End of service benefit expense	**28,926**	41,921
Operating cash flows before working capital changes	**2,223,882**	1,707,164
Changes in working capital:		
Inventories	**(10,081)**	467,263
Trade and other receivables	**210,355**	(335,908)
Trade and other payables	**(77,996)**	(127,056)
Cash generated from operations	**2,346,160**	1,711,463

29 Related parties

Related parties comprise the shareholders, directors, key business personnel and business entities (collectively referred as related parties) in which these related parties have the ability to exercise significant influence in the financial and operating decisions of such entities.

The Company has balances with these related parties which arise in the normal course of business from the commercial transactions, that are entered into at terms and conditions which the management consider to be comparable with those adopted for arm’s length transactions with third parties.

During the year the Company entered into transactions with related parties in the normal course of business.

29 Related parties (continued)

Transactions with related parties

Companies under common directorship	**2016 RO**	2015 RO
Sale of goods	**473,720**	457,014
Purchase of services	**-**	880

The year end balances arising from the sale / purchase of goods and services are as under:

Companies under common directorship	**2016 RO**	2015 RO
Receivable from related parties (note 16)	**119,128**	118,767
Payable to a related party	**-**	-

Key management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Director (whether executive or otherwise).

The remuneration of directors and other members of key management during the year were as follows:

	2016 RO	2015 RO
Short term benefits	**239,242**	219,764
Post-employment benefits	**8,460**	8,641
Directors remuneration	**9,202**	-
Directors’ sitting fees (note 8)	**42,300**	35,100
Board advisory fees (note 8)	**18,000**	18,000
	317,204	281,505

30 Financial risk management

Financial instruments carried on the statement of financial position comprise trade and other receivables, bank and cash, long term loan, bank borrowings and trade and other payables.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

Financial risk factors

The Company’s activities expose it to a variety of financial risks including effects of changes in market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance.

Risk management is carried out by the Chief Executive Officer and Audit Committee under policies approved by the Board. Management identifies, evaluates and hedges financial risks in close co-operation with the Company’s operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity, if any.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates affect the Company’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Foreign currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company’s functional currency.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars, UAE Dirhams and Japanese Yen.

For foreign currency transactions that are either in US Dollars or in currencies linked to US Dollar (UAE Dirhams), the management believes that should these currencies weaken or strengthen against the Rial Omani there would be an insignificant or no impact on the profits for the year of the Company.

At 31 December 2016 , if the Rial Omani were to have strengthened or weakened by 5% against the Japanese Yen with all other variables held constant, pre-tax profits for the year would have been higher/lower respectively by RO 2,176 (2015 - RO 5,220) mainly as a result of foreign exchange variations with respect to Yen denominated liabilities.

30 Financial risk management (continued)

Interest rate risk

The Company's interest rate risk arises from bank borrowings which are exposed to changes in market interest rates. The Company borrows from commercial banks at commercial rates of interest. Long-term borrowings are at fixed rates of interest and, accordingly, not sensitive to the short-term changes in the applicable interest rates.

Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain almost all of its borrowings in fixed rate instruments. During 2013 and 2014, the Company's borrowings were denominated in Rial Omani currency. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company.

The short term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short term loans.

If the interest rate were to shift by 1% on short term borrowings balance as at 31 December 2016, there would be an increase or decrease in the interest cost of RO 4,851 (2015 - RO 28,500).

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and bank as well as credit exposure to customers including outstanding amounts from related parties and committed transactions.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All major customers are based in the Sultanate of Oman. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company establishes an allowance for impairment of receivables that represents its estimate of potential losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for similar assets in respect of any potential losses that may have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company has a concentration of credit risk details of which are provided in note 16.

30 Financial risk management (continued)

Financial risk factors (continued)

Credit risk (continued)

The Company manages concentration of its credit risk by monitoring collections within the credit period.

Credit risk on receivables including related parties is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes allowance for balances whose recoverability is in doubt.

With respect to exposures with banks, management considers the credit risk exposure to be minimal as the Company deals with reputed banks only. The management does not expect any losses from non-performance by these counterparties.

Credit quality of financial assets

As per the credit policy of the Company, customers are extended a credit period in the normal course of business upto 120 days, which in some cases, due to the market conditions and historical business relationship with the customer may be extended by a further period of 30 days as the demands of business may require. The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the Company is operating.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Age analysis of trade receivables (including receivable from related parties) has been presented in note 16.

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

	2016 **RO**	2015 RO
Trade and other receivables	**4,024,770**	4,212,233
Cash at bank	**145,735**	541,669
	4,170,505	4,753,902

30 Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by the management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant. The balances above twelve months also approximate to their carrying values as they carry commercial rates of interest and the impact of discounting is not significant.

31 December 2016	**Weighted average effective interest rate %**	**Less than 1 year RO**	**1 – 2 years RO**	**2 - 5 years RO**	**Total RO**
Borrowings	3 -6	**985,104**	**375,000**	**-**	**1,360,104**
Trade and other payables	**-**	**2,044,825**	-	**-**	**2,044,825**
		3,029,929	**375,000**	**-**	**3,404,929**
31 December 2015					
Borrowings	3 - 7.5	2,899,912	-	-	2,899,912
Trade and other payables	-	2,094,088	-	-	2,094,088
		4,994,000	-	-	4,994,000

30 Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2016	2015
	RO	RO
Trade and other receivables	**4,024,770**	4,212,233
Bank and cash	**146,385**	542,319
	4,171,155	4,754,552

	Financial liabilities held at amortised cost	
	2016	2015
	RO	RO
Trade and other payables	**2,044,825**	2,094,088
Bank borrowings	**1,360,104**	2,899,912
	3,404,929	4,994,000

Fair value estimation

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of non-current financial liabilities are considered to approximate their carrying amounts as the impact of discounting is not significant.

31 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. 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.

31 Capital management (continued)

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less bank and cash. Total capital employed is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratio at 31 December is as follows:

	2016	2015
	RO	RO
Total borrowings	**1,360,104**	2,899,912
Less: bank and cash	**(146,385)**	(542,319)
Net debt	**1,213,719**	2,357,593
Total equity	**6,666,652**	5,836,608
Total capital employed	**7,880,371**	8,194,201
Gearing ratio	**15%**	29%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of 1974, as amended.

32 Proposed dividend

After the reporting date, the Board of Directors have proposed a cash dividend of 20% (20 Baisa per share) [2015 - 15% (15 Baisa per share)]. This dividend payment is subject to the approval of the shareholders at their Annual General Meeting and, therefore, has not been included as a liability in the statement of financial position.

33 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 31 January 2017.