

Independent auditors' report to the shareholders of Raysut Cement Company SAOG

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Opinion

We have audited the consolidated and parent company financial statements of Raysut Cement Company SAOG (the Parent Company) and Raysut Cement Company SAOG and its subsidiaries (the Group), which comprise the consolidated and parent company statements of financial position as at 31 December 2018, the consolidated and parent company statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes set out on pages 6 to 70, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and parent company financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of goodwill</p> <p>Goodwill arose when the Group acquired control over Pioneer Cement Industries (PCIL). Goodwill was calculated as the difference between the purchase consideration for the 99.99% interest in PCI and the fair value of the Group's share of net assets acquired, which was valued at RO 45.8 million (refer Note 12). For the purposes of allocating the above goodwill, PCI is treated as a single operating unit.</p> <p>In accordance with the Group's accounting policy and the provisions of IAS 36 "Impairment of Assets" management is required to test the goodwill at least annually for impairment.</p> <p>The Group determines the recoverable amount of goodwill using a discounted cash flow model. For 2018, management determined that there had been no impairment of goodwill.</p> <p>Due to the significant judgments involved in estimating discounted cash flows and due to the potential variability of the underlying assumptions in the estimation process of cash flows, we consider this as a key audit matter.</p>	<p>Our audit procedures included :</p> <ul style="list-style-type: none"> • obtaining the management's valuation model and testing it for mathematical accuracy and checking the inputs into the model; • agreeing the inputs to the supporting documentation; testing the reasonableness of 'business growth rate' and 'cash flow growth rate' applied to determine the terminal value' by reviewing that forecasts agrees to the 2018 business plan; by considering the current year performance against business plan and the reason for any deviation; • reviewing management's achievements against previous forecasts and business plans to ensure accuracy of management's cash flow forecasts; • involving our internal valuations experts who independently re-calculated the discount rate, taking into account independently obtained internal and external data and performed and tested the sensitivity of impairment calculation to changes in assumptions and tested the appropriateness and completeness of the disclosures given in the financial statements relating to impairment of goodwill.

Other matter

The consolidated and parent company financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 21 February 2018.

Other information

Board of Directors (the Board) is responsible for the other information. The other information comprises the Chairman's report, management discussion and analysis report and report on code of corporate governance.

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

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

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

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Responsibilities of Board of Directors for the consolidated and parent company financial statements

The Board is responsible for the preparation and fair presentation of the consolidated and parent company financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of consolidated and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and parent company financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the consolidated and parent company financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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Auditors' responsibilities for the audit of the consolidated and parent company financial statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and parent company financial statements, including the disclosures, and whether the consolidated and parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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Report on other legal and regulatory requirements

Further, we report that the consolidated and parent company financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and the disclosure requirements issued by the Capital Market Authority.

Deloitte Touche

**Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
4 March 2019**

Mark Dunn



**Signed by
Mark Dunn
Partner**