Notes to the consolidated and parent company financial statements for the year ended 31 December 2018

1. Legal and principal activities

Raysut Cement Company SAOG ("the Parent Company" or “the Company”) was formed in 1981 by Ministerial Decision No. 7/81 and is registered in the Sultanate of Oman as a joint stock company. The Company and its subsidiaries (see below) are together referred to as “the Group”.

The principal activities of the Parent Company are the production and sale of ordinary portland cement, sulphur resistant cement, oil well class 'G' cement and pozzolana well cement. The registered office of the Company is at P.O. Box 1020, Salalah, Postal Code 211, Sultanate of Oman.

The principal activities of the subsidiary and associate companies are set out below:

Subsidiary companies	Country of incorporation	Shareholding percentage		Principal activities
		2018	2017	
Pioneer Cement Industries (‘Pioneer’)	United Arab Emirates	**100**	99.99	Production and sale of cement
Raysea Navigation SA (‘Raysea’)	Panama	**100**	100	Shipping transport company
Raybulk Navigation SA (‘Raybulk’)	Marshall Islands	**100**	100	Shipping transport company
Pioneer Cement Industries Georgia Limited*	Georgia	**100**	100	Limestone quarry
Raysut Cement Company S.A.O.G. (Branch) **	United Arab Emirates	**100**	100	Limestone quarry
Raysut Burwaqo Cement Company LLC (‘RBCC’)	Oman	**51**	-	Wholesale of cement & plastic
Associate companies				
Mukalla Raysut Trading and Industrial Company (‘MRTIC’)	Republic of Yemen	**49**	49	Importing, exporting, packing and marketing of cement products

These financial statements represent the results of operations of the Parent Company on a standalone basis and consolidated with its above subsidiaries (“the Group”).

*Pioneer Cement Industries Georgia Limited is a subsidiary of Pioneer Cement Industries.

**The above Branch is held by the Pioneer Cement Industries for the beneficial interest of the Parent Company. Accordingly, the results of operations and financial position of the Branch have been consolidated in these consolidated financial statements.

During the last year, the Company has sold its investment in one of its associates Oman Portuguese Cement Products LLC.

In 2016, the Company, along with Oman Cement Company SAOG, has registered a new Company, Al Wusta Cement Company LLC and proposes to set up a new cement manufacturing plant.

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

2.1 New and revised IFRSs that are effective for the current year

The following new and revised IFRSs, which became effective for annual periods beginning on or after January 2018, have been adopted in these financial statements.

The Company applies, for the first time, IFRS 9 Financial Instruments (as revised in July 2014) and IFRS 15 Revenue from contracts with customers) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The impact of the initial application of these standards is disclosed in Note 3 to these financial statements.

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRS	Summary
IFRS 2 (amendments) *Classification and Measurement of Share-based Payment Transactions*	The Company has adopted the amendments to IFRS 2 for the first time in the current year. The amendments clarify the following: 1. In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments. 2. Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a ‘net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature. 3. A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: i. the original liability is derecognised; ii. the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and iii. any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

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

2.1 New and revised IFRSs that are effective for the current year (continued)

New and revised IFRS	Summary
IAS 40 (amendments) *Transfers of Investment Property*	The Company has adopted the amendments to IAS 40 *Investment Property* for the first time in the current year. The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).
Annual Improvements to IFRS Standards 2014 - 2016 Cycle	*The* Company has adopted the amendments to IAS 28 included in the *Annual Improvements to IFRS Standards 2014-2016 Cycle* for the first time in the current year
Amendments to IAS 28 *Investments in Associates and Joint Ventures*	The amendments clarify that the option for a venture capital organization and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. In respect of the option for an entity that is not an investment entity (IE) to retain the fair value measurement applied by its associates and joint ventures that are IEs when applying the equity method, the amendments make a similar clarification that this choice is available for each IE associate or IE joint venture.
IFRIC *22 Foreign Currency Transactions and Advance Consideration*	IFRIC 22 addresses how to determine the ‘date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2018.

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

2.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing costs*.	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments in IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation.	1 January 2019
Amendment to IAS 19 *Employee Benefits* relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 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. Adoption is still permitted.

The Board of directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

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)

IFRS 16 Leases

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Company. 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. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application of the standard is permitted for companies adopting IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The Company does not plan to adopt early.

IFRS 16 specifies how the Company 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.

IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, the lessee for all the lease entered into (except for short-term and low value assets) will :

a) Recognise right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
b) Recognise depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;
c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Company as lessee has non-cancellable operating lease commitments of RO 296,712 related to leased land for factory premises (note 34) which is currently recorded as operating lease under IAS 17.

3. Summary of significant accounting policies

Statement of compliance

These consolidated and parent company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), applicable provisions of the requirements of the Commercial Companies Law of 1974, as amended, and the disclosure requirements of the Capital Market Authority of the Sultanate of Oman.

Basis of preparation

These consolidated and parent company financial statements are prepared on the historical cost basis, except for certain financial instruments measured 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 Fund 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.

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 summary of significant accounting policies which have been consistently adopted are set out below:

These separate and consolidated financial statements have been presented in Rial Omani which is the Parent Company's and the Group's functional and reporting currency.

Basis of consolidation

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Basis for consolidation (continued)

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired entity and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

3. Summary of significant accounting policies (continued)

Basis for consolidation (continued)

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of comprehensive income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor’s share of the profit or loss of the investee after the date of acquisition. The Group’s investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group’s share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to ‘share of profit / (loss) of an associate’ in the statement of comprehensive income.

3. Summary of significant accounting policies (continued)

Basis for consolidation (continued)

Associates (continued)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Parent Company accounts for its investment in its associates at cost less impairment (if any) for the purpose of its separate financial statements.

Non-controlling interest

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the consolidated statements of profit or loss and comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity, separately from the Group's shareholders' equity. Changes in the Group's interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land and capital work-in-progress which are carried at cost less impairment losses. Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is capitalized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Years
Buildings and civil works	5 - 30
Plant and machinery	25
Ships	15
Ship un-loader and Blow pump	10
Motor vehicles	5
Furniture and fixtures	5
Office equipment	5
Plant vehicles, equipment and tools	3 - 5
Limestone mines	Units of production method

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Capital work-in-progress

Capital work-in-progress represents structures and facilities under construction and is stated at cost. This includes the cost of construction, equipment and other direct costs. Capital work-in-progress is not depreciated until such time that the relevant assets are available for intended use.

Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment loss. If any such indication exists, then the asset's recoverable amount 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 consolidated and Parent Company's statement of comprehensive income.

Where an impairment loss subsequently reverses, 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 net of depreciation or amortization.

3. Summary of significant accounting policies (continued)

Intangible assets

Computer software costs that are directly associated with identifiable and unique software products controlled by the company and have probable economic benefits exceeding the costs beyond one year are recognised as an intangible asset. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads. Computer software costs recognised as an asset are amortised using the straight-line method over the estimated useful life of five years.

Intangible work-in-progress is not depreciated until it is transferred into intangible assets category, which occurs when the asset is available for intended use. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Inventories

Inventories are stated at the lower of cost and net realizable value, where net realizable value is the estimated selling price less any estimated costs of completion and estimated selling expenses. Cost of raw materials includes purchase price, delivery costs and other direct expenses incurred in bringing the inventories to their present condition and location. The cost of finished goods includes an appropriate share of costs of production overheads based on normal operating capacity. Costs are assigned using the weighted average cost method.

Raw materials cost represents price of the goods, and related direct expenses. Finished goods cost represent cost of raw materials, direct labour and other attributable overheads. Work in progress cost represents proportionate cost of raw materials, direct labour and other attributable overheads. Finished goods and work in progress are valued at standard cost i.e. at standard usage and standard overheads. Any significant variance if any in actuals then the same is dealt accordingly in inventory valuation.

Financial instruments

The Group classifies its financial assets in the following categories: held-to-maturity financial assets, financial assets at fair value through profit or loss, Financial assets at FVTOCI and 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.

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets at FVTPL
A financial asset is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein, including any interest and dividend income, are recognised in profit or loss.

Held to maturity financial assets
These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method

Loans and receivables

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Financial liabilities

A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using an effective interest method. Any difference between the proceeds (net of transaction costs) and redeemed borrowings is recognized over the term of borrowings in profit or loss. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3. Summary of significant accounting policies (continued)

Trade and other payables

Payables with no stated interest rate are measured at the original invoice amount, in cases where the imputed interest is immaterial. However, in cases where the imputed interest rate factor is material, accounts payables are initially stated at fair value, subsequently measured at amortised cost through application of the discounted cash flows method at market interest rate available on short-term borrowings with comparable average periods of maturity.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Cash and cash equivalents

For the purposes of the statement of cash flows, all cash and bank balances, including short-term deposits with original maturity of three months or less are considered to be cash equivalents.

Employees' end of service benefits

Obligations for contributions to a defined contribution retirement plan, for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognized as an expense in the statement of comprehensive income as incurred.

The Group's obligation in respect of non-Omani staff terminal benefits, which is an unfunded defined contribution retirement plan, is the amount such employees have earned in return for their services in the current and prior periods.

Provisions

Provisions are recognised when the Group 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 reasonably estimated.

Dividends

The Board of Directors recommends to the Shareholders the dividend to be paid out of the Group's retained profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of 1974 (as amended) and other relevant directives issued by CMA while recommending the dividend. Dividends are recognised as a liability when declared and approved by the shareholders.

3. Summary of significant accounting policies (continued)

Borrowing costs

Borrowing costs are generally expensed as incurred. Interest and other costs incurred during the construction period on borrowings used to finance the purchase and development of qualifying property, plant and equipment are capitalized as part of the costs. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use are completed. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets.

The Group measures the goodwill at the acquisition date as:

- Fair value of consideration transferred, plus
- Recognizable amount of any non-controlling interests in the acquire, less.
- The net recognised amount (generally the fair value) of the assets acquired and liabilities assumed.

Accumulated impairment losses, if any in respect of goodwill arising on consolidation are assessed on annual basis, Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and net of returns, trade discounts, volume rebates and taxes or duty.

Revenue from sale of goods in the ordinary course of business is measured at the fair value of the consideration and represents the invoice price of products delivered to the customers at the point of delivery net of discounts, at which point the significant risk and rewards of ownership of the product passes to and vests in the customers.

Dividend income is recognized when the right to receive payment is established.

Interest income and expense

Interest income and expense are accounted for on the accrual basis using an effective interest method.

3. Summary of significant accounting policies (continued)

Leases

At inception of an arrangement, the Group determines whether the arrangement is to or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

Foreign currency transactions (continued)
However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective); and
- qualifying cash flow hedges to the extent that the hedges are effective

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

3. Summary of significant accounting policies (continued)

Foreign currency (continued)

Foreign operations (continued)

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Discontinued operations
A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

Group companies
The accounting records of a subsidiary, Pioneer Cement Industries are maintained in UAE Dirhams (AED). The Rial Omani amounts included in the consolidated financial statements have been translated at an exchange rate of 0.1052 (2017 - 0.1052) Omani Rial to each AED for the statement of comprehensive income and the statement of financial position items, as the AED to RO exchange rate has effectively remained fixed during the year, as both currencies are pegged to the US Dollar.

Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI. Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax
Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

3. Summary of significant accounting policies (continued)

Income tax (continued)

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill

Earnings and net assets per share

The Group presents basic and diluted earnings per share ("EPS") and net assets per share 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, whereas diluted EPS also includes dilutive potential ordinary shares (such as options and convertible instruments) if they meet certain criteria.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Directors' remuneration

Directors' remuneration has been computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. All operating segment operating results are reviewed regularly by Chief Operating Officer to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. New standards, amendments and interpretations effective from 1 January 2018

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

Classification - Financial assets
IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Business model assessment
The Company determines its business model at the level that best reflects how it manages group of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument by instrument basis but at a higher level of aggregated portfolios and is based on a number of observable factors. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)
The Company assesses the contractual terms of financial assets 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. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin. In assessing whether the Contractual cash flows are solely payments of principal and interest, the Company considers whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Company classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost
- Financial assets carried at fair value through other comprehensive income (FVOCI)
- Financial assets carried at fair value through profit or loss (FVTPL)

4. New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

A financial asset is carried at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding
- Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of income.

Financial assets at amortized cost include bank deposits, trade receivables, cash at bank, amounts due from related parties, interest receivables and other financial assets.

Equity investments at FVOCI
Upon initial recognition, the Company makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they are not held for trading and meet the definition of Equity under lAS 32 Financial Instruments: Presentation and are not held for trading Such classification is determined on an instrument by instrument basis
.
Equity investments at FVOCI are subsequently measured at fair value- Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values in equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the statement of comprehensive income. Dividend income on equity investments at FVOCI are recognised in the statement of comprehensive income unless they clearly represent a recovery of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Financial assets carried at fair value through profit or loss
The company classifies the following financial assets at fair value through profit or loss:

- Equity instruments that are held for trading;
- Equity investments for which the entity has not elected to recognize fair value gains and losses through other comprehensive income; and
- Debt instruments with contractual cash flows not representing solely payment of principal and interest are mandatorily required to be measured at FVTPL.
- Other than above management may designate a financial asset at FVTPL upon initial recognition that otherwise meet the requirements to be measured at amortized cost or as FVOCI, this is only done if it eliminates or significantly reduces, an accounting mismatch that would otherwise arise

Dividend income from equity investments measured at FVTPL is recognized in the statement of income when the right to the payment has been established.

4. New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

Impairment - Financial assets
IFRS 9 replaces the ‘incurred loss' model in IAS 39 with a forward-looking ‘expected credit loss' (ECL) model. This require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability -weighted basis. The impairment model will apply to financial assets measured at amortised cost or FVTOCI, except for investments in equity instruments, trade receivables and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after
- the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. The estimated ECLs were calculated taking into account the following criteria:
- actual credit loss experience over the past 6 years
- ageing of trade receivables; and
- discount factor applied for receivables where there are corresponding payables to the same party thus mitigating the Company's exposure.

Accounting policies applied prior to 1 January 2018
The group has applied IFRS 9, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification - Financial liabilities
IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:
- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss
- the Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

4. New standards, amendments and interpretations effective from 1 January 2018 (continued)

IFRS 9 Financial Instruments (continued)

Transition
Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as below.

The Group took advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition standard IAS 18 Revenue. The Group adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognized at the date of initial application (i.e. 1 January 2018). Based on assessment, the timing of revenue recognition from sale of goods are broadly similar. Therefore, the group does not have significant difference in the timing of revenue recognition for these sales.

Sale of goods
The group manufactures and sells a range of cement products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

IFRS 16 Leases

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. 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. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

4. New standards, amendments and interpretations effective from 1 January 2018 (continued)

Changes in accounting policies

The Group has adopted IFRS 9 on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group took advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 have been be recognized in retained earnings as at 1 January 2018.

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; derecognition of financial instruments; impairment of financial assets and hedge accounting. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 Financial Instruments: Disclosures.

Classification and measurement of financial instruments
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The total impact on the Group's retained earnings due to classification and measurement of financial instruments as at 1 January 2018 is as follows :

	Parent RO	**Group RO Restated**
Retained earnings at 1 January	**83,775,779**	101,441,560
Adjustment to retained earnings due to adoption of IFRS 9	**(63,368)**	(73,486)
Retained earnings at 31 December	**83,712,411**	101,368,074

4. New standards, amendments and interpretations effective from 1 January 2018 (continued)

Changes in accounting policies (continued)

	Category		Carrying value		
			Previous	New	Difference
	IAS 39	IFRS 9	RO	RO	RO
Parent company					
Trade receivables	Amortised cost	Amortised cost	**11,688,541**	**11,625,174**	**63,367**
Group					
Trade receivables	Amortised cost	Amortised cost	**18,401,329**	**18,327,843**	**73,486**
Parent company and Group					
Unquoted investments	Available-for-sale	Fair value through other comprehensive income	**125,000**	**125,000**	**-**

The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

Equity investments previously classified as available-for-sale
The Group elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are not held for trading. There is no impact on the retained earnings due to reclassification.

5. Critical accounting estimates and judgments

The preparation of the consolidated and parent company financial statements 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 year.

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.

The Group makes estimates and assumptions concerning the future. 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 effect of any changes in estimates is done prospectively. The information about assumptions and 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 set out below:

5. Critical accounting estimates and judgments (continued)

Useful lives of property, plant and equipment

Depreciation is calculated so as to allocate the cost of assets less residual value 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

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 significant amounts this estimation is performed on a case to case basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical movements.

Allowance for impairment of financial assets

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

Goodwill and investment in subsidiaries and associated companies

The management follows the guidance of IAS 36 to determine when an investment in a subsidiary / associate is impaired. This determination requires significant judgement and in making this judgement, the management evaluates, among other factors, the carrying amount of the entity's net assets and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The Board of Directors test annually whether goodwill and investment in subsidiaries and associates have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of estimates.

Investment in an associate

Share of profit / (loss) of associate company, Mukalla Raysut Trading and Industrial Company amounting to RO 9,390 (2017: RO 294,508) is based on the unaudited financial statements for the Company, as historically, the completion of audit of the associate, is after the issuance of the Group's financial statements.

Impairment of limestone mines

Limestone mines, which are included in property, plant and equipment, are tested for impairment when there is an indication of impairment. Testing for impairment of these mines requires management to estimate the limestone capacity of these mines and its recoverable amounts.

Accordingly, provision for impairment is made where the net present value and / or recoverable amount is less than carrying value based on best estimates by the management.

6. Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks including effects of changes in: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group. Risk management is carried out by the management under policies approved by the Board of Directors.

Market risk

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign currency risk arising from currency exposures with respect to US Dollar, UAE Dirham and Euro. In respect of the Group's transactions denominated in US Dollar and UAE Dirham, the Group is not exposed to currency risk as the Rial Omani and UAE Dirham are pegged to the US Dollar.

At 31 December 2018, if the Rial Omani had weakened/strengthened by 10% against the Euro in case of the parent company and the Group, with all other variables held constant, it would have an insignificant impact on the pre-tax profit for the year on the consolidated and parent company financial statements. The Group is also exposed to foreign currency risk on investment in an associate, denominated in Yemeni Rials, in the aggregate amount of approximately RO 234,759 (2017: RO 225,369), with all other variables held constant, it would have an insignificant impact on the pre-tax profit for the year on the consolidated and parent company financial statements.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market. The Group is exposed to price risk arising from exposure to volatility in the Muscat Securities Market (MSM) on the investments in listed equity securities included as either fair value through profit or loss or other comprehensive income. The table below summarises the impact of increases/ decreases of the indices on the Group's profits and on other components of equity. The analysis is made on the assumption that the equity indices will increase/decrease by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the respective indices:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
MSM	**322,900**	401,695	**322,900**	401,695

6. Financial risk management

Financial risk factors (continued)

Market risk (continued)

Interest rate risk

Interest rate risk arises from the possibility of changes in interest rates and mismatches or gaps in the amount of assets and liabilities that mature or re-price in a given period. The Group is exposed to fair value interest rate risk on its long term loan from the commercial banks as these carry fixed interest rates.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain almost all of its borrowings in fixed rate instruments. During 2018 and 2017, the Group's borrowings were denominated in Rial Omani currency. In 2016, the Parent Company converted an Omani Rial loan to a US dollar loan. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Group.

At the reporting date, if the interest rate were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 136,288 (2017 - RO 112,188) on the consolidated and parent company financial statements.

The carrying values of the loans are not considered to be materially different from their fair values since the loans are at the market interest rates.

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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 Group's performance to developments affecting a particular industry or geographical location. Details of the Parent and Group's concentration of credit risk are disclosed in note 16. This represents amount receivable from corporate customers from whom there is no past history of default and the Group enjoys a long standing relationship.

6. Financial risk management

Financial risk factors (continued)

Credit risk (continued)

The carrying amount of financial assets represents the credit exposure. The exposure to credit risk at the end of the reporting period was on account of:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Trade receivables	**11,625,174**	4,349,817	**18,327,843**	6,160,904
Other receivables	**5,893,468**	2,301,794	**3,708,030**	2,117,503
Bank deposits	**4,700,000**	5,000,000	**4,700,000**	8,366,400
Cash at bank	**1,082,841**	3,244,315	**1,730,128**	5,102,218
	23,301,483	14,895,926	**28,466,001**	21,747,025

Most of the customers have provided bank guarantees to the Parent Company, subsidiaries and associates. The potential risk in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due and also incorporates forward looking information. The age of trade receivables and related impairment loss at the end of the reporting period is:

	Gross		Allowance for impairment of trade receivables	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Parent Company				
Not due 0 to 180 days	**11,625,174**	4,349,817	-	-
Past due 181 to 365 days	**180,031**	32,418	**180,031**	32,418
Past due 1 to 2 years	**33,310**	31,941	**33,310**	31,941
More than 2 years	**264,549**	377,458	**264,549**	377,458
	12,103,064	4,791,634	**477,890**	441,817
Consolidated				
Not due 0 to 180 days	**16,514,457**	6,160,904	**-**	-
Past due 181 to 365 days	**2,025,316**	255,929	**211,930**	255,929
Past due 1 to 2 years	**33,310**	31,942	**33,310**	31,942
More than 2 years	**264,549**	377,458	**264,549**	377,458
	18,837,632	6,826,233	**509,789**	665,329

6. Financial risk management

Financial risk factors (continued)

Credit risk (continued)

The loss allowance provision for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Parent		**Consolidated**	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**441,817**	467,770	**665,329**	841,854
Adjusted through opening retained earnings	**63,368**	-	**73,486**	-
At 1 January restated	**505,185**	467,770	**738,815**	841,854
Decrease in loan loss allowance	**(27,295)**	(25,953)	**(229,026)**	(176,525)
At 31 December	**477,890**	441,817	**509,789**	665,329

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there objective evidence that an impairment had been incurred but not yet was been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties for of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 180 days overdue).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’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 Group’s reputation.

Typically the Group 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 reasonably be predicted, such as natural disasters. In addition the Group has access to credit facilities.

6. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

	2018				2017			
	Carrying amount RO	**Less than one year RO**	**More than one year RO**	Carrying amount **RO**	Carrying amount RO	Less than one year RO	More than one year RO	Carrying amount RO
Parent								
Trade and other payables	**17,315,334**	**(17,315,334)**	**-**	**-**	10,027,865	(10,027,865)	(10,027,865)	-
Term loans	**27,264,765**	**(6,905,179)**	**20,359,586**	**-**	22,437,500	(24,120,000)	(3,283,750)	(20,836,250)
	44,580,099	**(24,220,513)**	**20,359,586**	**-**	32,465,365	(34,147,865)	(13,311,615)	(20,836,250)
Consolidated								
Trade and other payables	**19,525,763**	**(19,525,763)**	**-**	**-**	13,976,030	(13,976,030)	(13,976,030)	-
Short term borrowing	**243,804**	**(243,804)**	**-**					
Term loans	**27,304,900**	**(6,945,314)**	**20,359,586**	**-**	22,437,500	(24,120,000)	(3,283,750)	(20,836,250)
	47,074,467	**(26,714,881)**	**20,359,586**	**-**	36,413,530	38,096,030	17,259,780	(20,836,250)

7. Fair value estimation

All the financial assets and liabilities of the Group except for the financial assets at FVTOCI and financial assets at fair value through profit or loss are carried at amortised cost. The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Parent and Consolidated			
	Level 1 RO	**Level 2 RO**	**Level 3 RO**	**Total RO**
2018				
Financial assets at fair value through OCI	**-**	**-**	**125,000**	**125,000**
Financial assets at fair value through profit or loss	**2,783,502**	**445,500**	**-**	**3,229,002**
	2,783,502	**445,500**	**125,000**	**3,354,002**
2017				
Available-for-sale financial assets	-	-	125,000	125,000
Financial assets at fair value through profit or loss	3,571,450	445,500	-	4,016,950
	3,571,450	445,500	125,000	4,141,950

There were no transfers between the levels during the year.

8. Capital risk management

Equity of the Parent Company and Group comprises share capital, share premium, legal reserves, special reserves and retained earnings. Management’s policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital. Capital requirements are prescribed by the Commercial Companies Law of 1974, amended, and the Capital Market Authority.

8. Capital risk management (continued)

The Group 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 cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 31 December 2018 and 31 December 2017 were as follows:

	Parent		**Consolidated**	
	2018 **RO**	**2017** **RO**	**2018** **RO**	**2017** **RO**
Total borrowings (note 28)	**27,264,765**	22,437,500	**27,304,900**	22,437,500
Less: cash and cash equivalents (note 20)	**(1,092,841)**	(3,248,601)	**(1,751,131)**	(5,130,895)
Net debt	**26,171,924**	19,188,899	**25,553,769**	17,306,605
Equity	**131,683,771**	133,899,319	**146,110,155**	151,639,989
Total capital	**157,855,695**	153,088,218	**171,663,924**	168,946,594
Gearing Ratio	**16.58%**	12.53%	**14.89%**	10.24%

Notes to the consolidated and parent company financial statements for the year ended 31 December 2018 (continued)

9. Property, plant and equipment

	Land, buildings and civil works RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Lease hold vehicles RO	Capital work-in-progress RO	Total RO
Cost									
At 1 January 2017	36,896,689	88,748,280	356,645	271,520	1,121,010	6,547,347	-	2,208,288	136,149,779
Additions	16,000	1,127,138	26,100	-	25,242	800,109	-	649,218	2,643,807
Transfers	-	1,336,841	-	-	-	12,472	-	(1,349,313)	-
Adjustments	(75,388)	(30,335)	-	-	-	-	-	-	(105,723)
Write off	-	-	(5,000)	(48,868)	(344,318)	(506,595)	-	-	(904,781)
At 1 January 2018	**36,837,301**	**91,181,924**	**377,745**	**222,652**	**801,934**	**6,853,333**	**-**	**1,508,193**	**137,783,082**
Additions	**260,603**	**465,522**	**30,000**	**3,579**	**62,271**	**312,426**	**222,400**	**805,963**	**2,162,764**
Transfers	**-**	**439,419**	**-**	**-**	**-**	**-**	**-**	**(439,419)**	**-**
Write off	**-**	**-**	**(51,560)**	**-**	**-**	**-**	**-**	**-**	**(51,560)**
At 31 December 2018	**37,097,904**	**92,086,865**	**356,185**	**226,231**	**864,205**	**7,165,759**	**222,400**	**1,874,737**	**139,894,286**
Depreciation									
At 1 January 2017	17,424,282	45,834,896	309,029	184,516	969,061	5,122,826	-	-	69,844,610
Charge for the year	1,083,236	3,229,601	21,904	36,781	39,100	291,446	-	-	4,702,068
Write off	-	-	(5,000)	(48,868)	(344,318)	(506,595)	-	-	(904,781)
At 1 January 2018	**18,507,518**	**49,064,497**	**325,933**	**172,429**	**663,843**	**4,907,677**	**-**	**-**	**73,641,897**
Charge for the year	**1,087,419**	**3,290,661**	**21,635**	**37,496**	**42,687**	**341,142**	**13,695**	**-**	**4,834,735**
Write off	**-**	**-**	**(51,560)**	**-**	**-**	**-**	**-**	**-**	**(51,560)**
At 31 December 2018	**19,594,937**	**52,355,158**	**296,008**	**209,925**	**706,530**	**5,248,819**	**13,695**	**-**	**78,425,072**
Net carrying value									
At 31 December 2018	**17,502,967**	**39,731,707**	**60,177**	**16,306**	**157,675**	**1,916,940**	**208,705**	**1,874,737**	**61,469,214**
At 31 December 2017	18,329,783	42,117,427	51,812	50,223	138,091	1,945,656	-	1,508,193	64,141,185

9. Property, plant and equipment (continued)

Consolidated	Land, buildings and civil works	Plant and machinery	Ships	Motor vehicles	Lease hold vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment and tools	Capital work-in-progress	Total
	RO	RO		RO		RO	RO	RO	RO	RO
Cost										
At 1 January 2017	46,362,567	115,517,937	7,486,652	514,883	-	412,695	1,438,184	7,740,978	7,025,183	186,499,079
Additions	16,000	1,129,328	-	151,355	-	24,105	113,322	1,776,926	2,397,315	5,608,351
Impairment of limestone mines	(877,809)	-	-	-	-	-	-	-	-	(877,809)
Transfers	3,119,520	1,620,034	-	-	-	-	-	395,812	(5,135,366)	-
Adjustments	(75,388)	(30,335)	-	-	-	-	-	-	-	(105,723)
Write off / disposals	-	-	-	(11,003	-	(48,868)	(344,318)	(506,595)	-	(910,784)
At 1 January 2018	**48,544,890**	**118,236,964**	**7,486,652**	**655,235**	**-**	**387,932**	**1,207,188**	**9,407,121**	**4,287,132**	**190,213,114**
Additions	**260,603**	**465,522**	**-**	**30,000**	**222,400**	**4,668**	**77,651**	**312,426**	**1,842,679**	**3,215,949**
Impairment of limestone mines	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disposal	**-**	**-**	**(3,843,626)**	**(76,215)**	**-**	**-**	**-**	**-**	**-**	**(3,919,841)**
Transfers	**57,432**	**844,812**	**-**	**-**	**-**	**-**	**-**	**(274,088)**	**(628,156)**	**-**
At 31 December 2018	**48,862,925**	**119,547,298**	**3,643,026**	**609,020**	**222,400**	**392,600**	**1,284,839**	**9,445,459**	**5,501,655**	**189,509,222**
Depreciation										
At 1 January 2017	20,387,450	59,498,111	2,802,479	464,612	-	304,998	1,227,039	5,606,498	-	90,291,187
Charge for the year	1,477,481	4,305,750	499,110	39,666		46,394	95,895	542,902	-	7,007,198
Write off / disposals	-	-	-	(11,003)		(48,868)	(344,318)	(506,595)	-	(910,784)
At 1 January 2018	**21,864,931**	**63,803,861**	**3,301,589**	**493,275**	**-**	**302,524**	**978,616**	**5,642,805**	**-**	**96,387,601**
Charge for the year	**1,525,307**	**4,394,183**	**349,635**	**46,273**	**13,695**	**48,380**	**68,536**	**661,435**	**-**	**7,107,444**
Disposal	**-**	**-**	**(1,708,280)**	**(70,295)**	**-**	**-**	**-**	**-**	**-**	**(1,778,575)**
Transfer	**-**	**28,077**	**-**	**-**	**-**	**-**	**-**	**(28,077)**	**-**	**-**
At 31 December 2018	**23,390,238**	**68,226,121**	**1,942,944**	**469,253**	**13,695**	**350,904**	**1,047,152**	**6,276,163**	**-**	**101,716,470**
Net carrying value										
At 31 December 2018	**25,472,687**	**51,321,177**	**1,700,082**	**139,767**	**208,705**	**41,696**	**237,687**	**3,169,296**	**5,501,655**	**87,792,752**
At 31 December 2017	26,679,959	54,433,103	4,185,063	161,960		85,409	228,572	3,764,315	4,287,132	93,825,513

9. Property, plant and equipment (continued)

The limestone mines of Pioneer Cement are located in UAE and Georgia and are included in property, plant and equipment. The Board of Directors of the Group have reviewed the limestone capacity of these mines and based on the expected output and expenditure, an impairment provision of nil (2017 - RO 877,809) has been recorded against the limestone mine located in Georgia as of 31 December 2018. The key assumptions forming the basis for the above impairment test are as follows:

- Discount factor in determining the recoverable amount is 10% (2017 - 11.57 %)
- Limestone realization (capacity utilisation) rate at 41% - 50% (2017 - 41% - 50%)
- Limestone realization growth rate at 0% (2017 - 0%)

Buildings of the subsidiary Pioneer Cement Industries are constructed and the site development is carried out on a plot of land leased from a minority shareholder for a period of 25 years. Upon its expiry, the lease can be renewed for a further term to be decided by the parties at that time and the management believes that it will be able to renew the lease for future periods.

Depreciation is allocated as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost of sales (note 34)	**4,703,090**	4,573,344	**6,823,347**	6,956,246
General and administrative expenses (note 35)	**131,645**	128,724	**284,097**	275,163
	4,834,735	4,702,068	**7,107,444**	7,231,409

10. Investment in associate

	Parent		Consolidated	
	2018	2017	**2018**	2017
Mukalla Raysut Trading and Industrial Company (MRTIC)				
Cost	**113,343**	113,343	**113,343**	113,343
Add : share of profits at 1 January	**-**	-	**112,026**	176,946
Adjustments for last year profit share	**-**	-	**(1,057,783)**	112,508
Add : share of profit recognised during the year	**-**	-	**1,067,173**	182,000
Less : dividends received during the year	**-**	-	**-**	(359,428)
	113,343	113,343	**234,759**	225,369

Investment in MRTIC represents 49% (2017: 49%) equity interest in MRTIC, a limited liability company, incorporated in Republic of Yemen.

10. Investments in associate (continued)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in associates are as follows:

	2018	2017
	RO	RO
Net assets at 1 January 2018	**454,937**	1,371,902
Profit for the year	**2,177,904**	371,990
Less: dividends declared	**-**	(733,527)
Adjustment for prior year	**(2,153,741)**	(550,428)
Net assets at 31 December 2018	**479,100**	454,937
Share in associates (49%)	**234,759**	225,369
Carrying value	**234,759**	225,369

11. Investment in subsidiaries

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Investments				
Raysea Navigation S.A.	**3,850**	3,850	**-**	-
Raybulk Navigation Inc.	**3,850**	3,850	**-**	-
Pioneer Cement Industry LLC	**66,532,035**	66,532,035	**-**	-
Raysut Burwaqo Cement Company LLC	**102,000**	102,000	**-**	-
Total investments	**66,641,735**	66,641,735	**-**	-

Investment in Raysea Navigation S.A. ('Raysea') represents 100% (2017: 100%) equity interest. Raysea was incorporated in October 2008 in Panama. The assets of Raysea represent a ship (Raysut 1) which is used to transport cement of the Parent Company to various destinations. Raysea started its commercial operations in January 2011.

Investment in Raybulk Navigation Inc. ('Raybulk') represents 100% (2017: 100%) equity interest. Raybulk was incorporated in October 2010 in Marshall Islands. The assets of Raybulk represented a ship (Raysut 2) which was used to transport cement of the Parent Company to various destinations. The ship was destroyed due to a cyclone during the year and the Company filed for an insurance claim of RO 2.899 million, which has been received during the year.

On 30 December 2010, the Parent Company acquired 99.99% ordinary shares of Pioneer Cement Industries ('Pioneer'). Pioneer was incorporated in 24 June 2004 in Ras Al Khaimah, UAE.

11. Investment in subsidiaries (continued)

Investment in Raysut Burwaqo Cement Company ('RBCC') represents 51% (2017: 51%) equity interest. RBCC was incorporated in January 2017 in the Sultanate of Oman. RBCC has not commenced its commercial operations as of 31 December 2017.

Summarized audited financial information in respect of subsidiaries is set out below:

	Total assets RO	Total liabilities RO	Net assets RO	Revenue RO	Profit / (loss) RO
2018					
Pioneer	**53,239,305**	**16,590,151**	**36,649,154**	**31,545,498**	**2,904,663**
Raysea	**4,618,164**	**6,664,631**	**(2,042,617)**	**286,188**	**(956,405)**
Raybulk	**2,489,894**	**418,392**	**2,071,502**	**538,823**	**220,673**
RBCC	**151,445**	**305**	**151,140**	**-**	**(305)**
2017					
Pioneer	42,113,112	4,686,554	37,426,558	23,169,555	2,289,383
Raysea	2,223,696	3,314,758	(1,091,062)	1,136,780	(237,013)
Raybulk	2,786,835	801,985	1,984,850	1,919,137	20,759
RBCC	151,445	-	151,445	-	-

12. Goodwill

The goodwill was recognized as a result of acquisition of Pioneer. At the reporting date, the management has tested the goodwill for impairment in accordance with IAS 36 "Impairment of Assets" and has not accounted for any impairment losses at 31 December 2018 since the estimated recoverable amount of the related business to which the goodwill relates to exceed its carrying value.

The key assumptions forming the basis for the impairment test are as follows:

- Growth rate based on assumption that business shall grow at 7.99% per annum (2017 - 8.05%)
- Terminal value based on assumption that cash flow shall grow at 3.0% (2017- 3.0%)
- The discount factor in determining the recoverable amount is 9.2% (2017 - 13.0%)

12. Goodwill (continued)

The sensitivity of the estimated recoverable amount of the related business to the change in above key assumptions is:

		Impact on estimated recoverable amount	
Assumption	**Change in assumption**	**2018 RO**	2017 RO
Growth rate	**+0.5%**	**1,693,290**	672,000
	-0.5%	**564,430**	4,000
Terminal growth rate	**+0.5%**	**8,081,824**	2,829,000
	-0.5%	**(6,875,581)**	(1,916,000)
Discount factor	**+0.5%**	**(8,676,228)**	(2,934,000)
	-0.5%	**10,200,155**	3,954,000

13. Advances to subsidiaries

	Parent		**Consolidated**	
	2018 RO	2017 RO	**2018 RO**	2017 RO
Advances				
Raysea Navigation S.A [note 47(a)]	**2,834,000**	2,834,000	**-**	-
Raybulk Navigation S. A [note 47(a)]	**-**	400,000	**-**	-
	2,834,000	3,234,000	**-**	-

Advances to Raysea and Raybulk represent the purchase cost of the ships and expenses incurred during the pre-operating period and are interest free, unsecured and receivable on demand.

14. Financial assets at FVTOCI / available-for-sale

	Parent		**Consolidated**	
	2018 RO	2017 RO	**2018 RO**	2017 RO
Unquoted local equity investment	**125,000**	125,000	**125,000**	125,000

The Group believes that the fair value of the investment at the reporting date is not materially different from its cost.

15. Inventories

	Parent		Consolidate	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Raw materials	**11,455,265**	7,471,232	**13,343,221**	8,775,558
Work-in-progress	**2,650,488**	3,270,251	**4,041,439**	8,157,040
Finished goods	**1,204,692**	906,291	**1,531,775**	1,192,940
	15,310,445	11,647,774	**18,916,435**	18,125,538
Spares and consumables	**9,608,586**	8,549,872	**12,850,526**	11,728,412
Allowance for slow-moving inventories	**(2,310,342)**	(2,190,342)	**(2,763,568)**	(2,564,734)
	22,608,689	18,007,304	**29,003,393**	27,289,216

The raw materials are not for re-sale but for internal consumption only.

Movement in allowance for slow moving inventories is as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**2,190,342**	2,071,434	**2,564,734**	2,404,516
Charge during the year (note 34)	**120,000**	118,908	**198,834**	160,218
At 31 December	**2,310,342**	2,190,342	**2,763,568**	2,564,734

16. Trade receivables

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Trade receivables	**11,398,807**	4,123,066	**18,133,375**	6,157,665
Due from related parties [note 47(b)]	**704,257**	668,568	**704,257**	668,568
	12,103,064	4,791,634	**18,837,632**	6,826,233
Allowance for impairment of trade receivables	**(477,890)**	(441,817)	**(509,789)**	(665,329)
	11,625,174	4,349,817	**18,327,843**	6,160,904

At the reporting date 66% (2017 - 62%) of trade receivables are due from 6 customers (2017 - 6 customers) of the Parent Company.

16. Trade receivables (continued)

Details of gross exposure of trade receivables are set out below:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Not due (up to 3 months)	**9,574,637**	3,621,944	**12,007,599**	4,914,955
Past due but not impaired (3 to 6 months)	**2,050,537**	727,873	**4,506,858**	1,245,949
Past due and impaired (6 months and above)	**477,890**	441,817	**2,323,175**	665,329
	12,103,064	4,791,634	**18,837,632**	6,826,233

As of 31 December 2018, trade receivables relating to Parent Company of 2,050,537 (2017 - RO 727,873) and Group trade receivables of 4,506,858 (2017 - RO 1,245,949), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and a significant portion of these debts are covered through bank guarantees.

As of 31 December 2018, the individually impaired receivables of the Parent Company amount to 477,890(2017 - RO 441,817) and the Group's individual impaired receivables of 2,323,175 (2017 - RO 665,329) are related to parties specifically identified and were fully provided for. The movement in allowance for impairment of trade receivables during the year is as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**441,817**	467,770	**665,329**	841,854
Adjustment arising from initial Adoption of IFRS 9	**63,367**	-	**73,486**	-
(Write back)/ charge during the year	**(27,294)**	(25,953)	**(229,026)**	(176,525)
At 31 December	**477,890**	441,817	**509,789**	665,329

The carrying amounts of the Group's trade receivables and due from related parties before allowance for impairment are denominated in the following currencies:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Rial Omani	**6,487,951**	4,053,731	**6,487,951**	4,053,732
US Dollar	**5,615,113**	737,903	**5,615,113**	737,903
UAE Dirhams	**-**	-	**6,734,568**	2,034,598
	12,103,064	4,791,634	**18,837,632**	6,826,233

The fair value of trade receivables approximates their carrying amounts. Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

17. Financial assets at fair value through profit or loss

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Marketable Securities				
Fair value				
Bank Dhofar SAOG	**2,668,836**	3,304,783	**2,668,836**	3,304,783
Dhofar Insurance Company SAOG	**114,666**	266,667	**114,666**	266,667
Dhofar University SAOC	**445,500**	445,500	**445,500**	445,500
	3,229,002	4,016,950	**3,229,002**	4,016,950
Cost				
Bank Dhofar SAOG	**1,229,700**	1,229,700	**1,229,700**	1,229,700
Dhofar Insurance Company SAOG	**29,600**	29,600	**29,600**	29,600
Dhofar University SAOC	**300,000**	300,000	**300,000**	300,000
	1,559,300	1,559,300	**1,559,300**	1,559,300

Movement in fair value of financial assets at fair value through statement of profit or loss is as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**4,016,950**	3,905,167	**4,016,950**	3,905,167
Purchases	**-**	-	**-**	-
Fair value changes	**(787,948)**	111,783	**(787,948)**	111,783
At 31 December	**3,229,002**	4,016,950	**3,229,002**	4,016,950

Investment in banking sector represents 83% (2017: 82%) of the Group's above investment portfolio.

18. Prepayments, advances and other receivables

	Parent		Consolidate	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Advances and deposits	**695,522**	645,190	**1,810,830**	1,067,233
Less: allowances for impairment	**-**	-	**(119,086)**	(119,086)
	695,522	645,190	**1,691,744**	948,147
Other receivables from a related party (note 47(b))	**4,902,224**	2,235,794	**2,356,948**	1,900,894
Insurance claims receivable	**989,566**	-	**1,006,459**	-
Receivable from tax authorities (note 41(f))	**559,139**	559,139	**559,139**	559,139
Prepayments	**243,280**	153,700	**532,553**	240,863
Accrued interest income	**1,678**	66,000	**1,678**	97,523
Advances to staff	**31,261**	16,779	**67,485**	25,412
Other receivables	**-**	-	**342,945**	119,086
Deferred expenses	**8,100**	8,100	**971,627**	243,441
	7,430,770	3,684,702	**7,530,578**	4,134,505

The carrying amounts of the Group's prepayments, advances and other receivables are denominated in following currencies :

	Parent		Consolidate	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Rial Omani	**5,073,822**	1,783,808	**2,545,439**	1,448,908
US Dollar	**2,356,948**	1,900,894	**4,021,405**	2,378,058
UAE Dirhams	**-**	-	**963,734**	307,539
	7,430,770	3,684,702	**7,530,578**	4,134,505

The fair value of other receivables approximates their carrying amounts.

Deferred expenses of Parent Company represent the cost of RO 40,533 for laying graded access road to a new quarry on five years lease period at Wadi Al Naar, Salalah that is to be amortised over a period of 5 years commencing from May 2017. Of the above, RO 21,633 has already been expensed out till reporting date, RO 8,100 classified under current assets and RO 10,800 classified under non-current assets. In Group, it also includes dry dock expenses to be amortized over a period of 30 months in the amount of RO 1,276,634 classified under current assets and RO 971,627 classified under non-current assets.

19. Term deposits

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
	4,700,000	5,000,000	**4,700,000**	8,366,400

Short term deposits of the Parent Company are placed with commercial bank at interest rates of 2.6% (2017: ranging from 1% to 5%) per annum with a maturity of one month from date of placement.

20. Cash and cash equivalents

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cash in hand	**10,000**	4,286	**21,003**	28,677
Cash at bank				
Current account	**237,738**	264,470	**885,025**	2,122,373
Call deposits	**845,103**	2,979,845	**845,103**	2,979,845
	1,092,841	3,248,601	**1,751,131**	5,130,895

Call deposits are placed with the commercial bank at interest rates ranging from 0.5% to 1.5% (2017: 0.5% - 1.50%) per annum.

21. Share capital

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Authorised, issued and paid up share capital	**20,000,000**	20,000,000	**20,000,000**	20,000,000

The authorised, issued and paid up share capital of the Parent Company represents 200,000,000 shares of RO 0.100 each.

21. Share capital (continued)

At 31 December, the shareholders who own 10% or more of the Parent Company's share capital are:

	Parent and Consolidated			
	% Share holding		Shares held	
	2018	2017	**2018**	2017
Abu Dhabi Fund for Development	**15.00**	15.00	**30,000,000**	30,000,000
Islamic Development Bank	**11.72**	11.72	**23,415,000**	23,415,000
Dolphin International	**10.32**	10.32	**20,657,710**	20,657,710
Baader Bank Aktiengesellschaft	**10.00**	10.00	**20,001,001**	20,001,001
	47.04	47.04	**94,073,711**	94,073,711
Others	**52.96**	52.96	**105,926,289**	105,926,289
	100.00	100.00	**200,000,000**	200,000,000

22. Proposed dividend

The Board of Directors at the meeting held on 28 February 2019 proposed a cash dividend of 12.5 Baisas per share, for the year 2018 (2017 - 29 Baisas per share). A resolution to approve the dividend will be presented to the shareholders at the forthcoming Annual General Meeting.

23. Share premium

In the year 1988, 1994, 2005 and 2006, the Parent Company made an offering of shares to the public at a premium. As a result of these offerings, a share premium account with an amount of RO 13,456,873 was established. Share premium account is not available for distribution.

24. Legal reserve

Article 106 of the Commercial Companies Law of 1974 requires that 10% of the Parent Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Parent Company's issued share capital. During the year, the Parent Company has not added to this reserve as the stipulated limit has already been reached.

25. Asset replacement reserve

The Board of Directors have resolved that 5% of the Parent Company's net profit be transferred to a reserve for the purpose of replacement of capital assets until the amount together with any other voluntary reserves reach one half of the Parent Company's issued capital. During the year the Parent Company has not added to this reserve as the stipulated limit has already been reached.

26. Voluntary reserve

The Board of Directors have resolved that 10% of the Parent Company's net profit to be transferred to voluntary reserve. During the year, the Parent Company has not added to this reserve as the stipulated limit has already been reached as mentioned in note 25 for Asset replacement reserve.

27. Retained earnings

Retained earnings represent the undistributed profits generated by the Parent Company / Group since incorporation.

28. Term loans

	Parent		Parent and Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Term loan (28.1)	**27,042,365**	22,437,500	**27,082,500**	22,437,500
Lease liabilities (28.2)	**222,400**	-	**222,400**	-
Total borrowings	**27,264,765**	22,437,500	**27,304,900**	22,437,500

28.1 Term loans

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Non-current portion				
Bank Dhofar SAOG	**6,000,000**	10,000,000	**6,000,000**	10,000,000
Bank Sohar SAOG	**4,687,500**	6,562,500	**4,687,500**	6,562,500
Al Masraf Bank	**-**	-	**9,485,728**	-
Loan from a subsidiary	**9,485,728**	-	**-**	-
Lease hold vehicles	**186,358**	-	**186,358**	-
	20,359,586	16,562,500	**20,359,586**	10,562,500
Current portion				
Bank Dhofar SAOG	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Bank Sohar SAOG	**1,875,000**	1,875,000	**1,875,000**	1,875,000
Loan from a subsidiary	**994,137**	-	**-**	-
Al Masraf Bank	**-**	-	**1,034,272**	-
Lease hold vehicle	**36,042**	-	**36,042**	-
	6,905,179	5,875,000	**6,945,314**	5,875,000
	27,264,765	22,437,500	**27,304,900**	22,437,500

The interest rates on the above loans and the repayment schedule is as follows:

28.1 Term loans (continued)

Parent	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
2018					
Bank Dhofar SAOG	3 Month LIBOR +260	**10,000,000**	**4,000,000**	**6,000,000**	**-**
Bank Sohar SAOG	4.5	**6,562,500**	**1,875,000**	**3,750,000**	**937,500**
Loan from a subsidiary	3 Month EIBOR +3%	**10,479,865**	**994,137**	**2,714,838**	**6,770,890**
		27,042,365	**6,869,137**	**12,464,838**	**7,708,390**
Consolidated					
2018					
Bank Dhofar SAOG	3 Month LIBOR +260	**10,000,000**	**4,000,000**	**6,000,000**	**-**
Bank Sohar SAOG	4.5%	**6,562,500**	**1,875,000**	**3,750,000**	**937,500**
AL Masraf Bank	3 Month EIBOR +3%	**10,520,000**	**1,034,272**	**2,714,838**	**6,770,890**
		27,082,500	**6,909,272**	**12,464,838**	**7,708,390**
Parent and Consolidated					
2017					
Bank Dhofar SAOG	3.5	14,000,000	4,000,000	8,000,000	2,000,000
Bank Sohar SAOG	2.4	8,437,500	1,875,000	3,750,000	2,812,500
		22,437,500	5,875,000	11,750,000	4,812,500

Parent Company

A loan of RO 32 million was obtained from Bank Dhofar SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the Parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 1.0 million for the first 5 instalments, RO 1.25 million from 6 to 9 instalments, and RO 2 million for last 11 instalments. In 2016, the term loan was converted in to USD without changing the repayment schedule. The rate of interest was revised from 3.0 to 3.5% with effect from 6 October 2017 and linked with 3 months LIBOR.

28.1 Term loans (continued)

Parent Company (continued)

A loan of RO 13.125 million at 2.4% interest was obtained from Bank Sohar SAOG repayable in 14 equal semi-annual instalments starting from December 2016, to prepay the loans that were at higher rate. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The interest rate is subject to reset after 3 years on a negotiated basis.

Consolidated

A loan of RO 32 million was obtained from Bank Dhofar SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the Parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 1.0 million for the first 5 instalments, RO 1.25 million from 6 to 9 instalments, and RO 2 million for last 11 instalments. In 2016, the term loan was converted in to USD without changing the repayment schedule. The rate of interest was revised from 3.0 to 3.5% with effect from 6 October 2017 and is linked with 3 moths LIBOR.

A loan of RO 13.125 million at 2.4% interest was obtained from Bank Sohar SAOG repayable in 14 equal semi-annual instalments starting from December 2016, to prepay the loans that were at higher rate. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The interest rate is subject to reset after 3 years on a negotiated basis.

One of the subsidiaries, Pioneer Cement Industries, has obtained a commercial term loan facility from a local commercial bank repayable in 8 years with first quarterly instalment due in June 2019. The facility is secured against the commercial mortgage of the plant and machinery of the company, promissory notes and corporate guarantee by the Parent Company and carries mark-up at 3 month EIBOR + 3% p.a (minimum 5% p.a.).

28.2 Lease liabilities

	Parent and Consolidated	
	2018	2017
	RO	RO
Within one year	**75,386**	-
Later than one year but not later than five years	**301,544**	-
Minimum lease payments	**376,930**	-
Future finance charges	**(154,530)**	-
Recognised as a liability	**222,400**	-

28.2 Lease liabilities (continued)

The present value of finance lease liabilities is as follows

	Parent and Consolidated	
	2018	2017
	RO	RO
Within one year	**36,042**	-
Later than one year but not later than five years	**186,358**	-
Minimum lease payments	**222,400**	-

29. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15 % (2017 - 15%). Net deferred tax liability in statement of financial position and the net deferred tax charge in the statement of comprehensive income are attributable to the following items:

2018 **Parent**	**1 January 2017** **RO**	**Charge / (credit) for the year** **RO**	**31 December 2018** **RO**
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	**(4,467,823)**	**20,624**	**(4,447,199)**
Deferred tax assets			
Tax effects of allowance for inventories	**328,551**	**18,666**	**347,217**
Tax effect of allowance for doubtful debts	**66,272**	**83,710**	**149,982**
Net deferred tax liability	**(4,073,000)**	**123,000**	**3,950,000**
Consolidated			
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	**(4,776,573)**	**329,374**	**(4,447,199)**
Deferred tax assets			
Tax effects of allowance for inventories	**328,551**	**18,666**	**347,217**
Tax effect of allowance for doubtful debts	**66,272**	**83,710**	**149,982**
Net deferred tax liability	**(4,381,750)**	**431,750**	**3,950,000**

29. Deferred taxation (continued)

2017 Parent	1 January 2017 RO	Charge / (credit) for the year RO	31 December 2017 RO
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	(3,583,704)	(884,119)	(4,467,823)
Deferred tax assets			
Tax effects of allowance for inventories	248,572	79,979	328,551
Tax effect of allowance for doubtful debts	56,132	10,140	66,272
Net deferred tax liability	(3,279,000)	(794,000)	(4,073,000)
Consolidated			
Tax effect of excess of tax allowances over book depreciation	(3,819,344)	(957,229)	(4,776,573)
Deferred tax assets			
Tax effects of allowance for inventories	248,572	79,979	328,551
Tax effect of allowance for doubtful debts	56,132	10,140	66,272
Net deferred tax liability	(3,514,640)	(867,110)	(4,381,750)

30. End of service benefits

	Parent		Consolidated	
	2018 **RO**	2017 RO	**2018** **RO**	2017 RO
At 1 January	**829,853**	837,071	**1,412,965**	1,371,053
Charge for the year (note 36)	**150,803**	73,161	**298,476**	161,517
Paid during the year	**(155,958)**	(80,379)	**(255,389)**	(119,603)
At 31 December	**824,698**	829,853	**1,456,052**	1,412,967

31. Trade and other payables

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Accrued expenses	**4,287,898**	5,800,605	**7,001,727**	7,405,916
Trade payables	**7,140,769**	3,089,525	**11,232,760**	5,674,632
Due to related parties [note 47(c)]	**4,759,944**	394,368	**-**	-
Customer advances	**914,709**	413,732	**1,030,950**	505,681
Accrued interest expense	**74,918**	-	**74,918**	-
Directors’ remuneration [note 47(e)]	**90,829**	151,500	**90,829**	151,500
Other payables	**46,267**	178,135	**94,579**	238,301
	17,315,334	10,027,865	**19,525,763**	13,976,030

32. Net assets per share

Net asset per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding at that date as follows:

	Parent		Consolidated	
	2018	2017	2018	2017
	RO	RO	RO	RO
Net assets (RO)	**131,683,771**	133,899,319	**146,110,155**	151,639,989
Number of shares outstanding at 31 December	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Net asset per share (RO)	**0.658**	0.670	**0.730**	0.758

33. Revenue

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Local sales - Oman/ UAE	**36,250,615**	32,815,388	**52,990,580**	37,340,105
Export sales	**25,869,823**	17,071,889	**37,989,446**	34,534,688
	62,120,438	49,887,277	**90,980,026**	71,874,793

34. Cost of sales

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
Fuel, gas and electricity	**14,919,273**	13,570,460	**28,959,855**	25,776,340
Staff costs (note 36)	**4,895,022**	5,332,860	**6,319,306**	7,652,585
Depreciation (note 9)	**4,703,090**	4,573,344	**6,823,347**	6,732,035
Imported clinker	**2,114,424**	-	**2,114,424**	-
Spares and consumables	**2,963,874**	4,114,192	**4,697,622**	6,146,389
Raw materials consumed	**4,739,937**	3,079,002	**9,003,787**	6,135,522
Packing materials	**2,306,831**	1,386,011	**3,311,227**	2,559,255
Shipping/ terminal expenses	**5,686,416**	1,985,346	**4,980,882**	1,413,033
Imported cement	**3,363,554**	1,182,039	**677,644**	-
Provision for slow moving inventories (note 15)	**120,000**	118,908	**198,834**	160,218
Movement in finished and semi-finished goods	**402,613**	(1,042,547)	**3,858,039**	(4,065,587)
Other factory overheads	**3,110,081**	2,175,943	**4,412,351**	3,331,814
	49,325,115	36,475,558	**75,357,318**	55,841,604

The Parent Company has acquired mining rights from the Government for a period of twenty-five years from 1 October 1984, and further renewal of the same is done. Effective March 2006, the Ministry of Commerce and Industry is levying Royalty on the Raw Materials and the cost of RO 721,179 (2017 - RO 714,667) is included in the “other factory overheads”. Other factory overheads include the annual land rent of RO 296,712 (2017 - RO 217,601).

35. General and administrative expenses

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Staff costs (note 36)	**2,459,416**	1,959,792	**3,853,814**	3,132,863
Donations	**379,215**	425,000	**379,215**	425,000
Directors' fees and remuneration [note47(e)]	**138,829**	200,000	**138,829**	200,000
Recruitment, training and seminars	**83,449**	175,399	**93,954**	183,524
Travelling	**349,623**	172,745	**416,524**	181,650
Communication expenses	**116,720**	58,047	**156,388**	91,775
Rent and utilities	**113,773**	154,903	**329,808**	365,379
Depreciation (note 9)	**131,645**	128,724	**284,097**	275,163
Professional fees	**279,056**	427,207	**449,750**	457,694
Legal expenses	**49,252**	55,001	**49,699**	55,001
Bank charges	**29,796**	11,876	**59,609**	23,475
Management fees (note 35.1)	**-**	-	**130,326**	325,740
Impairment of limestone mines (note 9)	**-**	-	**-**	877,809
(Write back) / allowance for impairment of trade receivables [note 16(d) & 18]	**(27,294)**	(25,953)	**(229,026)**	(176,525)
Others	**448,697**	227,950	**968,025**	600,014
	4,552,177	3,970,691	**7,081,012**	7,018,562

35.1 This represents management fees paid by subsidiaries for managing shipping operations

36. Employee related costs

	Parent		Consolidate	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Wages and salaries	**6,456,719**	5,418,163	**8,991,471**	7,974,792
Other benefits	**452,636**	1,557,680	**631,272**	2,384,873
Social security expense	**294,280**	243,648	**298,476**	264,266
End of service benefits (note 30)	**150,803**	73,161	**251,901**	161,517
	7,354,438	7,292,652	**10,173,120**	10,785,448

Employee related costs are allocated as follows:

	Parent		Consolidate	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cost of sales (note 34)	**4,895,022**	5,332,860	**6,319,306**	7,652,585
General and administrative expenses (note 35)	**2,459,416**	1,959,792	**3,853,814**	3,132,863
	7,354,438	7,292,652	**10,173,120**	10,785,448

37. Selling and distribution expense

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Export expenses	**6,478,989**	4,091,402	**7,158,750**	1,727,458
Transport charges	**461,122**	634,207	**461,122**	634,207
	6,940,111	4,725,609	**7,619,872**	2,361,665

38. Other income

Gain on disposal of property, plant and equipment	**4,750**	-	**758,404**	-
Other miscellaneous (expenses) / income	**1,007,261**	(59,172)	**1,023,188**	69,631
	1,012,011	(59,172)	**1,781,592**	69,631

39. Finance cost - net

Interest expense on borrowings	**1,109,374**	833,355	**1,132,684**	833,355
Interest income on bank deposits	**(41,728)**	(315,584)	**(58,281)**	(395,049)
Net exchange gain	**(29,389)**	(57,090)	**(30,245)**	(57,518)
	1,038,257	460,681	**1,044,158**	380,788

40(a) Investment income

Dividend on financial assets at fair value through profit or loss	**159,825**	167,259	**159,825**	167,259
Dividend income from associate	**-**	359,428	**-**	-
Dividend income from subsidiary	**3,667,923**	-	**-**	-
	3,827,748	526,687	**159,825**	167,259

40. (b) Profit on sale of investment associate

Selling price	**-**	5,500,000	**-**	5,500,000
Less: cost of investment sold / carrying value	**-**	(1,924,087)	**-**	(4,387,644)
	-	3,575,913	**-**	1,112,356

Represents profit on sale of associate Oman Portugese Company LLC in the prior year.

41. Taxation

The tax charge for the year is analysed as follows :

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Current tax				
- current year	**842,000**	1,314,000	**1,179,004**	1,314,000
- prior year	**(50,231)**	31,824	**(50,381)**	31,824
	791,769	1,345,824	**1,128,623**	1,345,824
Deferred tax				
- current year	**(123,000)**	794,000	**(431,750)**	793,850
	668,769	2,139,824	**696,873**	2,139,674

The reconciliation of tax on the accounting profit at the applicable rate of 15 % with the taxation charge in the statement of comprehensive income is as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Tax charge on accounting profit	**647,488**	1,261,492	**51,570**	1,204,157
Add/ (less) tax effect of:				
Current tax charge in respect of prior year	**(50,231)**	31,824	**(50,381)**	31,824
Tax effect on DTL due to change in tax rate	**-**	814,206	**-**	814,206
The effect of expenses/ income not eligible	**71,512**	32,302	**695,684**	162,747
Taxation charge for the year	**668,769**	2,139,824	**696,873**	2,212,934

The movement in current tax liability is as follows:

	Parent 2018	Parent 2017	Consolidated 2018	Consolidated 2017
At 1 January	**1,314,000**	2,208,000	**1,314,000**	2,208,000
Charge for the year	**842,000**	1,314,000	**1,179,004**	1,314,000
Paid during the year	**(1,263,769)**	(2,239,824)	**(1,263,769)**	(2,239,824)
Charge to prior years taxes	**(50,231)**	31,824	**(50,231)**	31,824
At 31 December	**842,000**	1,314,000	**1,179,004**	1,314,000

The Parent Company's income tax assessments for the tax years up to 2014 have been finalised by the tax authorities. The income tax assessments of the Parent Company for the years 2015 to 2017 have not yet been finalised by the Tax Department. Management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Group’s statement of financial position at 31 December 2018.

41. Taxation (continued)

Subsidiary companies (Raysea Navigation S.A and Raybulk Navigation Inc.) are liable to income tax in accordance with the income tax laws of the Sultanate of Oman at the rate of 15% on taxable profits.

Pioneer Cement Industries (subsidiary company) is registered in UAE as a limited liability company in Ras Al Khaimah and is not subject to taxation in the UAE.

For the assessment years 2002 to 2009 the tax authorities have included the dividend income of RO 10,579,599 received from associate company, MRTIC in the taxable income against which the Parent Company has filed an appeal and has paid the tax department claims and accounted it as receivable from tax department.

For the year 2002, the appeal has been decided in Parent Company's favour by the Supreme Court. The Appeal court has also decided the matter in Company's favour for the tax years from 2003 to 2007, and accordingly the tax authorities have revised the assessment orders and refunded RO 628,807 for the years from 2003 to 2007.

For the years from 2008 to 2009, the Tax Committee has decided against the appeal and the Company is in the process of filing an appeal in the Primary Court.

However, from the tax year 2010, dividend income received from MRTIC, is liable for tax and accordingly dealt with for tax provision.

42. Basic and diluted earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year.

	Parent		**Consolidate**	
		2017 RO		2017 RO
Net profit for the year (RO)	**3,647,820**	6,270,125	**343,652**	5,663,826
Weighted average number of shares	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Earnings per share: basic and diluted (RO)	**0.018**	0.031	**0.002**	0.028

43. Operating lease commitments

The Parent Company has been granted leasehold rights by His Majesty Sultan Qaboos bin Said for the use of land, on which the factory has been constructed for a period of thirty years from 1 July 1984. During the last year, the leasehold renewed for one year, on yearly basis, the Parent Company has applied for the extension of lease period and is done on yearly basis.

At 31 December, the future minimum lease commitments under above non-cancellable operating leases are as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Less than one year	**296,712**	217,601	**354,331**	275,220
Later than one year and not later than five years	**-**	-	**230,476**	230,476
Later than 5 years	**-**	-	**691,428**	691,428
	296,712	217,601	**1,276,235**	1,197,124

44. Commitments

	Parent 2018 RO	Parent 2017 RO	Consolidated 2018 RO	Consolidated 2017 RO
Capital commitments				
Civil and structural	**200,250**	100,000	**200,250**	100,000
Plant and machinery	**9,317,039**	1,780,241	**11,046,772**	2,452,880
Others	**659,277**	132,812	**659,277**	132,812
	10,176,566	2,013,053	**11,906,299**	2,685,692
Purchase commitments	**6,775,977**	3,009,405	**15,188,391**	7,859,719

Purchase commitments relates to the purchase orders of raw material, stores and spares and packing materials.

45. Contingent liabilities

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Letters of credit, guarantee and performance bond	**982,401**	377,000	**1,528,230**	711,274

46. Cash generated from operations

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

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Operating activities				
Profit before taxation	**4,316,589**	8,409,949	**1,040,525**	8,027,711
Adjustments for:				
Depreciation	**4,834,735**	4,702,068	**7,107,444**	7,007,198
Allowance for doubtful debts	**(27,294)**	(25,953)	**(229,026)**	(176,525)
Impairment of limestone mines	**-**	-	**-**	877,809
Allowance for slow-moving inventories	**120,000**	118,908	**198,834**	160,218
End of service benefits	**150,803**	73,161	**251,901**	161,517
Interest expense	**1,014,939**	833,355	**1,014,939**	833,355
Interest income	**(41,728)**	(315,584)	**(58,281)**	(395,049)
Dividend income	**(3,827,748)**	(526,687)	**(159,825)**	(167,259)
Amortisation of deferred costs	**8,100**	8,100	**317,902**	291,113
Share of profit from associates	**-**	-	**(9,390)**	(294,508)
Increase is fair value of financial assets at fair value through profit or loss	**787,948**	(111,783)	**787,948**	(111,783)
Profit on sale of investment in associate	**(4,750)**	(3,575,913)	**(758,404)**	(1,112,356)
Payment of end of service benefits	**(155,958)**	(80,379)	**(208,814)**	(119,603)
Changes in:				
Trade receivables	**(7,311,431)**	2,730,098	**(12,011,400)**	2,626,360
Prepayments and other receivables	**(3,810,390)**	(1,684,300)	**(2,757,663)**	(1,705,758)
Inventories	**(4,721,385)**	(5,287,785)	**(1,913,011)**	(7,223,431)
Trade and other payables	**7,212,551**	103,852	**5,474,815**	(77,188)
Cash generated from operations	**(1,455,019)**	5,371,107	**(1,911,506)**	8,601,821

47. Related parties

Related parties includes the subsidiaries, associates of the Parent Company and the entities in which certain directors and key management personnel of the Group have an interest. The Group has entered into transactions with its executive officers, directors, subsidiaries, associates and entities in which certain directors of the Group have an interest. In the ordinary course of business, the Group sells goods to related parties and purchases goods from, occupies the premises of and receives services from related parties. These transactions are entered into mutually agreed terms and conditions.

Advances to related parties at year end are as follows:

	Parent		Consolidated	
47 (a) Advances	**2018**	2017	**2018**	2017
	RO	RO	**RO**	RO
Advances to subsidiaries				
Raysea Navigation S.A (note 13)	**2,834,000**	2,834,000	**-**	-
Raybulk Navigation S.A (note 13)	**-**	400,000	**-**	-
	2,834,000	3,234,000	**-**	-

Movement in advances to subsidiaries is as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
At 1 January	**3,234,000**	3,911,000	**-**	-
Repaid during the year	**(400,000)**	(677,000)	**-**	-
At 31 December	**2,834,000**	3,234,000	**-**	-

Amounts due from related parties at year end are as follows:

Due from related parties (trading receivables) :

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Entities related to directors:				
Modern Contracting Company	**1,060**	2,320	**1,060**	2,320
Associate company :				
MRTIC	**704,257**	666,248	**704,257**	666,248
	704,257	668,568	**705,317**	668,568

47. Related parties (continued)

47.b Due from related parties (other receivables):

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Subsidiary companies				
Raysea Navigation S.A	**2,544,971**	334,900	**-**	-
Raysut Burwaqo Cement Company LLC	**305**	-	**-**	-
Associate Companies				
MRTIC	**2,356,948**	1,900,894	**2,356,948**	1,900,894
	4,902,224	2,235,794	**2,356,948**	1,900,894

Amounts due to related parties at year end are as follows:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
47 (c) Due to related parties :				
Pioneer Cement Industries	**2,308,441**	144,159	**-**	-
Raybulk Navigation S. A	**2,451,503**	250,209	**-**	-
	4,759,944	394,368	**-**	-

47 (d) The following transactions were carried out with related parties:

	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Sale of goods and services:				
Entities related to directors:				
Modern Contracting Company	**11,500**	12,760	**11,500**	12,760
Associate companies :				
MRTIC	**6,032,524**	7,648,587	**6,032,524**	7,648,587
OPCP	**-**	-	**-**	-
	6,044,024	7,661,347	**6,044,024**	7,661,347
Purchase of goods and services:				
Entities related to directors:				
Qais Omani establishment	**6,250**	75,000	**6,250**	75,000
Salim bin Ahmed Al Barami	**39,000**	**39,000**	**39,000**	**39,000**
Qabas International LLC	**186,009**	35,072	**186,009**	35,072
Subsidiary Companies :				
Pioneer Cement Industries	**2,794,585**	1,197,852	**-**	-
Raysea Navigation S.A	**286,188**	1,136,780	**-**	-
Raybulk Navigation S.A	**538,823**	1,919,137	**-**	-
	3,850,855	4,402,841	**231,259**	**231,259**

47. Related parties (continued)

47 (e) Key management compensation:

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Board of directors sitting fees	**48,000**	48,500	**48,000**	48,500
Directors' remuneration (note 35)	**138,829**	151,500	**138,829**	151,500
	186,829	200,000	**186,829**	200,000
Salaries, allowances and performance bonus paid to Executive officers	**494,306**	371,748	**494,306**	689,626
End of service benefits	**8,280**	713	**8,280**	7,868
	502,586	372,461	**502,586**	697,494

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

48. Segment information

The Group has adopted 'IFRS 8 Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group has only one business segment. Segment information was, accordingly, presented in respect of Group's geographical segments, which were based on management's reporting structure. Adoption of IFRS 8, therefore, has not resulted in re-designation of its reportable segments.

48. Segment information (continued)

The Group sells its products primarily in two geographical areas, namely Oman (local) and Yemen and other Gulf Co-operation Council ("GCC") countries (exports). Information comprising segment revenue, results and the related receivables are based on geographical location of customers.

	Local		Export		Total	
Parent	**2018**	2017	**2018**	2017	**2018**	2017
	RO	RO	**RO**	RO	**RO**	RO
Segment revenue	**36,250,615**	32,815,388	**25,869,823**	17,071,889	**62,120,438**	49,887,277
Segment gross profit	**6,854,649**	8,602,191	**5,940,674**	4,809,528	**12,795,323**	13,411,719
Selling and distribution expense	**(461,122)**	(634,207)	**(6,478,989)**	(4,091,402)	**(6,940,111)**	(4,725,609)
Unallocated costs	-	-	-	-	**(5,590,434)**	(4,431,372)
Other (expenses)/ income	-	-	-	-	**1,012,011**	(59,172)
Dividend income from financial assets at fair value through profit or loss	-	-	-	-	**159,825**	167,259
Dividend income from associate	-	-	-	-	**-**	359,428
Profit on sales of investment in associate	-	-	-	-	**-**	3,575,913
Dividend income from subsidiaries	-	-	-	-	**3,667,923**	-
Fair value gain on financial assets at fair value through profit or loss	**-**	-	**-**	-	**(787,948)**	111,783
Profit before tax	**6,393,527**	7,967,984	**(538,315)**	718,126	**4,316,589**	8,409,949
Segment assets, comprising trade receivables and related parties	**6,442,869**	3,945,578	**5,660,195**	846,056	**12,103,064**	4,791,634
Consolidated						
Segment revenue	**52,990,580**	37,340,105	**37,989,446**	34,534,688	**90,980,026**	71,874,793
Segment gross profit	**8,749,361**	9,458,586	**6,873,347**	6,574,603	**15,622,708**	16,033,189
Selling and distribution Expense	**(461,122)**	(634,207)	**(7,158,750)**	(1,727,458)	**(7,619,872)**	(2,361,665)
Unallocated costs	-	-		-	**(8,125,170)**	(7,399,350)
Other income	-	-		-	**1,781,592**	69,631
Dividend income from financial assets at fair value through profit or loss	-	-		-	**159,825**	167,259
Share of profit in an associate	-	-		-	**9,390**	294,508
Profit on sales of investment in associate	-	-		-	**-**	1,112,356
Fair value profit on financial assets at fair value through profit or loss	**-**	-		-	**(787,948)**	111,783
Profit before tax	**8,288,239**	8,824,379	**(285,403)**	4,847,145	**1,040,525**	8,027,711
Segment assets, comprising trade receivables and related parties	**13,390,478**	5,498,288	**5,447,154**	1,327,945	**18,837,632**	6,826,233

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year. No assets and liabilities, other than trade receivables, are allocated to the reportable segments for the purpose of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker.

48. Segment information (continued)

Revenue from major products

The following is an analysis of the Group's revenue from its major products.

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Ordinary Portland Cement (OPC)	**41,780,882**	41,427,634	**58,422,002**	61,132,646
Sulphate Resistant Cement (SRC)	**3,452,987**	4,185,728	**5,462,285**	6,468,232
Others (OWC & Pozmix)	**8,196,947**	3,995,095	**9,722,217**	3,995,095
Clinker	**8,689,622**	278,820	**17,373,522**	278,820
	62,120,438	49,887,277	**90,980,026**	71,874,793

Information about major customers

Included in revenue from export sale to Yemen and GCC countries of RO 25,869,823 (2017: RO 17,071,889) is the revenue of RO 6,033,524 (2017: RO 7,648,587) which arise from sale to the Group's largest customer, MRTIC.

49. Cash and cash equivalents

	Parent		Consolidated	
	2018	2017	**2018**	2017
	RO	RO	**RO**	RO
Cash in hand	**10,000**	4,286	**21,003**	28,677
Cash at bank				
Current accounts	**237,738**	264,470	**885,025**	2,122,373
Call deposits	**845,103**	2,979,845	**845,103**	2,979,845
Term deposits	**4,700,000**	-	**4,700,000**	-
Total cash and bank balances	**5,792,841**	3,248,601	**6,451,131**	5,130,895
Short term loan and overdraft	**-**	-	**(243,804)**	-
Cash and cash equivalents	**5,792,841**	3,248,601	**6,207,327**	5,130,895

50. Comparative figures

Certain comparative information has been reclassified to conform to the presentation adopted in these consolidated and parent company financial statements.

51. Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 28 February 2019.