

# **RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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## **Notes to the parent company and consolidated financial statements for the year ended 31 December 2019**

### **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
		31 Dec 2019	31 Dec 2018	
Pioneer Cement Industries ('Pioneer')	United Arab Emirates	<b>99.99</b>	99.99	Production and sale of cement
Raysea Navigation SA ('Raysea')	Panama	<b>100</b>	100	Shipping transport company
Raybulk Navigation SA ('Raybulk')	Marshall Islands	<b>100</b>	100	Shipping transport company
Sohar Cement Factory LLC	Oman	<b>100</b>	-	Production and sale of cement
Pioneer Cement Industries Georgia Limited*	Georgia	<b>100</b>	100	Limestone quarry
Raysut Cement Company S.A.O.G. (Branch) **	United Arab Emirates	<b>100</b>	100	Limestone quarry
Raysut Burwaqo Cement Company LLC ('RBCC')	Oman	<b>51</b>	51	Wholesale of cement and plastic
RCC Holding Company Limited	United Arab Emirates	<b>100</b>	-	Holding company
RCC Trading DMCC	United Arab Emirates	<b>100</b>	-	Trading activity
Duqm Cement Factory LLC	Oman	<b>100</b>	-	Production and sale of cement
RCC MSG Somaliland Cement Holding Limited	United Arab Emirates	<b>55</b>	-	Holding company
<b>Associate company</b>				
Mukalla Raysut Trading and Industrial Company ('MRTIC')	Republic of Yemen	<b>49</b>	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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****2. Adoption of new and revised International Financial Reporting Standards (IFRSs)**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

**2.1 New and amended IFRSs that are effective for the current year****Adoption of IFRS 16 “Leases”**

In the current year, the Group has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the parent company and consolidated financial statements is described below.

The date of initial application of IFRS 16 for the Group is 1 January 2019.

The Group has opted for the prospective application permitted by IFRS 16 upon adoption of the new standard.

**(a) Impact of new definition of lease**

The Group has re-assessed the definition of lease under IFRS 16.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on ‘risks and rewards’ in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation assessment. Assessment has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)****2.1 New and amended IFRSs that are effective for the current year (continued)****Adoption of IFRS 16 “Leases” (continued)****(b) Impact on Lessee Accounting***(i) Former operating leases*

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except short-term and low value asset leases), the Group:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii);
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss; and
- Present the total amount of cash paid for repayment of principal portion of lease liability and interest within the financing activities in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes office cars and photocopy machines), the Group has opted to recognize a lease expense on a straight-line basis as permitted by IFRS 16.

The Group has used the following practical expedients when applying the modified retrospective approach to leases previously classified as operating lease applying IAS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

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

**Adoption of IFRS 16 “Leases” (continued)**

**(c) Financial impact of initial application of IFRS 16**

The change in accounting policy affected the following items in the financial statements as follows and the Group has:

- Recognised right of use asset and lease liability initially measured at the present value of future lease payments amounting to RO 18.6 million (Parent Company RO 27.5 million) on transition.
- Recognised depreciation of right-of-use assets and interest on lease liabilities amounting to RO 3.1 million and RO 1.2 million ((Parent Company RO 4.5 million and 1.7 million) respectively for the year ended 31 December 2019; and
- Presented depreciation on right-of-use-assets and interest on lease liability as adjustment to cash flow from operating activity.

The tables below show the amount of adjustment for each financial statement line item affected by the application of IFRS 16 for the year 31 December 2019;

**Impact on profit or loss for the year ended 31 December 2019**

	<b>Parent company RO</b>	<b>Consolidated RO</b>
Increase in depreciation and amortisation expenses	<b>4,511,786</b>	<b>3,106,125</b>
Increase in finance costs	<b>1,691,677</b>	<b>1,198,616</b>
Decrease in lease rentals	<b>(5,206,757)</b>	<b>(3,855,475)</b>
<b>Decrease in profit for the year</b>	<b>(996,706)</b>	<b>(449,266)</b>

**Impact on statement of cash flows for the year ended 31 December 2019**

	<b>Parent company RO</b>	<b>Consolidated RO</b>
Operating lease payments	<b>5,206,757</b>	<b>3,855,475</b>
<b>Increase in net cash flows from operating activities</b>	<b>5,206,757</b>	<b>3,855,475</b>
Payment of principal portion of lease liability and interest	<b>(5,206,757)</b>	<b>(3,855,475)</b>
<b>Decrease in net cash flows from financing activities</b>	<b>(5,206,757)</b>	<b>(3,855,475)</b>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

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

**Adoption of IFRS 16 “Leases” (continued)**

**(d) Financial impact of initial application of IFRS 16 (continued)**

The off-balance sheet lease obligations as of 31 December 2018 are reconciled as follows to the recognized lease liabilities on transition to IFRS 16;

	<b>Parent company RO</b>	<b>Consolidated RO</b>
Operating lease commitments disclosed as of 31 December 2018	<b>296,712</b>	<b>1,276,235</b>
Adjustment due to change in lease definition of lease	<b>34,475,991</b>	<b>23,145,024</b>
<b>Adjusted operating lease value</b>	<b>34,772,703</b>	<b>24,421,259</b>
Discounted value	<b>(7,259,138)</b>	<b>(5,786,486)</b>
<b>Lease liability at initial recognition</b>	<b>27,513,565</b>	<b>18,634,773</b>
Lease liability recognised during the year	<b>6,048,946</b>	<b>6,048,946</b>
Less: principal portion for the year	<b>(3,515,079)</b>	<b>(2,653,412)</b>
<b>Lease liability at 31 December 2019</b>	<b>30,047,432</b>	<b>22,030,307</b>
Of which are:		
Current lease liabilities	<b>6,470,828</b>	<b>6,595,836</b>
Non-current lease liabilities	<b>23,576,604</b>	<b>15,434,471</b>
	<b>30,047,432</b>	<b>22,030,307</b>

The associated right-of-use assets were measured on a prospective basis. Right-of-use asset is measured at the amount equal to the lease liability.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized in the statement of financial position is 6.35%.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**2.2 New and amended IFRSs applied with no material effect on the financial statements**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these financial statements.

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<p>Amendments to IFRS 9 <i>Prepayment Features with Negative Compensation and Modification of financial liabilities</i></p> <p>The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.</p> <p>The amendment applies to annual periods beginning on or after 1 January 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.</p>	1 January 2019
<p>Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i>: Relating to long-term interests in associates and joint ventures.</p> <p>These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>	1 January 2019
<p>Annual Improvements to IFRSs 2015-2017 <i>Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs</i></p> <p>The <i>Annual Improvements</i> include amendments to four Standards</p>	1 January 2019
<p>IAS 12 <i>Income Taxes</i></p> <p>The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.</p>	1 January 2019

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**2.2 New and amended IFRSs applied with no material effect on the financial statements (continued)**

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
<p><i>IAS 23 Borrowing costs</i></p> <p>The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.</p>	1 January 2019
<p><i>IFRS 3 Business Combinations</i></p> <p>The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.</p>	1 January 2019
<p><i>IFRS 11 Joint Arrangements</i></p> <p>The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.</p>	1 January 2019
<p><i>Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement</i></p> <p>The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements</p>	1 January 2019
<p><i>IFRIC 23 Uncertainty over Income Tax Treatments</i></p> <p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively;</li> <li>• Assumptions for taxation authorities' examinations;</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and</li> <li>• The effect of changes in facts and circumstances.</li> </ul>	1 January 2019

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**2. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)**

**2.3 New and amended IFRSs in issue but not yet effective and not early adopted**

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

<b>New and revised IFRSs</b>	<b>Effective for annual periods beginning on or after</b>
Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Definition of a Business – Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to <i>References to the Conceptual Framework in IFRS Standards</i>	1 January 2020
Amendments to References to the Conceptual Framework in IFRS Standards related 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.	
<i>IFRS 7 Financial Instruments: Disclosures</i> and <i>IFRS 9 - Financial Instruments</i>	1 January 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform.	
IFRS 17 <i>Insurance Contracts</i>	1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Group in the period of initial application.

**3. Summary of significant accounting policies**

**Statement of compliance**

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

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



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Basis of preparation**

These parent company and consolidated 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 Group 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.

These parent company and consolidated financial statements have been presented in Riyal Omani which is the parent company's functional and presentation currency.

These policies have been consistently applied to all the years presented, except for changes in accounting policies as stated below:

**Changes in significant accounting policies****Leases**

*Upon adoption of IFRS 16 - applicable from 1 January 2019*

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Changes in significant accounting policies (continued)****Leases (continued)**

*Upon adoption of IFRS 16 - applicable from 1 January 2019 (continued)*

The Group as lessee (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is presented as a separate line item in the statement of financial position.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Changes in significant accounting policies (continued)****Leases (continued)**

*Upon adoption of IFRS 16 - applicable from 1 January 2019 (continued)*

The Group as lessee (continued)

The Group did not make any such adjustments during the periods presented.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss in accordance with IAS 36.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line concession fees in the statement of profit or loss.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement.

[Policy applicable before 1 January 2019]

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Changes in significant accounting policies (continued)****Leases (continued)**

*Upon adoption of IFRS 16 - applicable from 1 January 2019 (continued)*

The Group as lessee (continued)

[Policy applicable before 1 January 2019]

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Basis of consolidation**

These consolidated financial statements incorporate the financial statements of the parent company and the entities controlled by the parent company (its Subsidiaries).

Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)**

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

**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.

**Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Business combinations (continued)**

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

**Goodwill**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Goodwill (continued)**

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**Investment in associate**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investment in associates are initially recognised in the statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associates. When the Company's share of losses of associates exceeds the Company's interest in that associates (which includes any long-term interests that, in substance, form part of the Company's net investment in the associates), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associates.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Investment in associate (continued)**

The Company discontinues the use of equity method from the date when the investment ceases to be an associate. When the Company retains its interest in the former associate and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Company's entity transacts with an associate of the Company, profits and losses resulting from the transactions with the associate are recognised in the Company's financial statements only to the extent of interests in the associates that are not related to the Company.

**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.



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

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

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.

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

	<b>Years</b>
Buildings and civil works	5 - 35
Plant and machinery	32
Ships	5 - 15
Motor vehicles	5
Furniture and fixtures	5
Office equipment	5
Plant vehicles, equipment and tools	3 - 5
Limestone mines	15-20

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.

*Change in estimates*

In accordance with its policy, the Group reviews the estimated useful lives of its property, plant and equipment on an ongoing basis. During 2019, this review indicated that the actual lives of certain plant and machinery and civil structures were longer than the estimated useful lives used for depreciation purposes in the Group's financial statements. As a result, effective 1 January 2019, the Group changed its estimates of the useful lives of its plant and machinery and civil structures to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the plant and machinery and civil structures that previously assessed as 25 years and 30 years were increased to 32 years and 35 years respectively. In accordance with the requirements of IAS 8, the change in estimate has been recognised prospectively. The effect of this change in estimate has resulted in reduction of depreciation expense for the year and increase in profit for the year by RO 1.1 million for parent company and RO 1.8 million for consolidated financial statements.

**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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****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 parent company and consolidated'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.

**Intangible assets**

Computer software costs that are directly associated with identifiable and unique software products controlled by the Group 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**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)

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (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 IAS 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**3. Summary of significant accounting policies (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 requires 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.

*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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****IFRS 9 Financial Instruments (continued)****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.

**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 benefit retirement plan, is the amount such employees have earned in return for their services in the current and prior periods.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****3. Summary of significant accounting policies (continued)****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 Board takes into account appropriate parameters including the requirements of the Commercial Companies Law of 2019 and other relevant directives issued by Capital Market Authority while recommending the dividend. Dividends are recognised as a liability when declared and approved by the shareholders.

**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.

**Revenue recognition**

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.

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.

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

Rental income is recognised on a straight line basis over the period of the lease.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**Interest income and expense**

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

**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.

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 non-controlling interest.

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.

*Group companies*

The accounting records of subsidiary companies, Pioneer Cement Industries and RCC Trading DMCC 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 (2018 - 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.



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**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.

**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.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

**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 Parent 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 Parent Company by the weighted average number of ordinary shares outstanding during the period.

**Directors’ remuneration**

Directors’ remuneration has been computed in accordance with the Commercial Companies Law and 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. Business combination**

On 19 May 2019, the Parent Company acquired 100% ordinary shares of Sohar Cement Factory LLC (‘Sohar Cement’) with total consideration of net 12.5 million. The acquisition is accounted under IFRS 3 Business Combinations. Accordingly, Raysut Cement is treated as the “accounting acquirer” and Sohar Cement is treated as the “accounting acquiree” for an accounting purposes.

	<b>RO</b>
Purchase consideration paid on acquisition	<b>12,524,566</b>
Less: net identifiable assets acquired in a Business Combination	<b>(11,706,084)</b>
	<hr/>
<b>Goodwill</b>	<b>818,482</b>
	<hr/> <hr/>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**4. Business combination (continued)**

The fair values of identifiable assets acquired and the liabilities assumed at 19 May 2019 were as follows:

	<b>Fair values based on purchase price allocation process RO</b>
Property, plant and equipment	21,538,458
Inventories	158,659
Trade receivables	1,454,882
Prepayments and other receivables	2,625
Cash and cash equivalents	1,371,227
License – Environmental permit	153,846
Long term loans	(10,785,651)
Trade and payables	(2,187,962)
<b>Net identifiable assets acquired</b>	<b>11,706,084</b>
<b>Net purchase consideration paid</b>	
Total purchase consideration paid	12,524,568
Less: cash held by SCFL at acquisition date	(1,371,227)
	<b>11,153,341</b>

The Group has recognised a goodwill of RO 0.818 million on acquisition of Sohar Cement Factory LLC due to the synergies expected from the combined operations.

The acquired business contributed revenues of RO 10.18 million and net profit of RO 0.630 million to the Group for the period from 19 May 2019 to 31 December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and loss for the year ended 31 December 2019 would have been higher by RO 5.7 million and RO 0.353 million respectively. These amounts have been calculated using the subsidiary's results.

There were no acquisitions in the year ended 31 December 2018.

**5. Critical accounting estimates and judgments**

The preparation of the parent company and consolidated 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****5. Critical accounting estimates and judgments (continued)**

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:

**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.

**Calculation of loss allowance**

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Company uses estimates for the computation of loss rates.

**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.

## **RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****5. Critical accounting estimates and judgments (continued)****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.

**Determining the lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

**Discounting of lease payments**

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

**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 and UAE Dirham. 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**6. Financial risk management**

**Financial risk factors (continued)**

**Market risk (continued)**

**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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
MSM	<b>261,610</b>	322,900	<b>261,610</b>	322,900

**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 2019 and 2018, 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 increase or decrease by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 408,928 (2018 : RO 136,188) on the parent company and consolidated 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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**6. Financial risk management**

**Financial risk factors (continued)**

**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.

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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Trade receivables	<b>15,462,335</b>	11,625,174	<b>26,045,240</b>	18,327,843
Other receivables	<b>9,613,814</b>	5,893,468	<b>5,790,309</b>	3,708,030
Bank deposits	-	4,700,000	-	4,700,000
Cash at bank	<b>192,629</b>	1,082,841	<b>872,521</b>	1,730,128
	<b>25,268,778</b>	23,301,483	<b>32,708,070</b>	28,466,001

Many 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.



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**6. Financial risk management**

**Financial risk factors (continued)**

**Credit risk (continued)**

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:

	<b>Gross</b>		<b>Allowance for impairment of trade receivables</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Parent Company</b>				
Not due - up to 180 days	<b>11,198,768</b>	11,625,174	<b>216,652</b>	-
Past due 181 to 365 days	<b>4,328,208</b>	180,031	<b>155,627</b>	180,031
More than 1 year	<b>551,067</b>	297,859	<b>243,429</b>	297,859
	<b>16,078,043</b>	12,103,064	<b>615,708</b>	477,890
<b>Consolidated</b>				
Not due - up to 180 days	<b>17,263,430</b>	16,514,457	<b>545,489</b>	-
Past due 181 to 365 days	<b>9,944,789</b>	2,025,316	<b>170,784</b>	211,930
More than 1 year	<b>551,067</b>	297,859	<b>997,773</b>	297,859
	<b>27,759,286</b>	18,837,632	<b>1,714,046</b>	509,789

**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.

Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)

6. Financial risk management (continued)

Financial risk factors (continued)

Liquidity risk (continued)

	2019			2018		
	Carrying amount RO	Less than one year RO	More than one year RO	Carrying amount RO	Less than one year RO	More than one year RO
<b>Parent</b>						
Trade and other payables	18,723,763	18,723,763	-	17,315,334	17,315,334	-
Short term borrowing	14,417,254	14,417,254	-	-	-	-
Lease liabilities	30,047,432	6,470,828	23,576,604	-	-	-
Long term loans	33,165,808	9,101,528	24,064,280	27,264,765	6,905,179	20,359,586
	<u>96,354,257</u>	<u>48,713,373</u>	<u>47,640,884</u>	<u>44,580,099</u>	<u>24,220,513</u>	<u>20,359,586</u>
<b>Consolidated</b>						
Trade and other payables	22,425,452	22,425,452	-	19,525,763	19,525,763	-
Short term borrowing	17,009,613	17,009,613	-	243,804	243,804	-
Lease liabilities	22,030,307	6,595,836	15,434,471	-	-	-
Long term loans	41,671,914	25,721,093	15,950,821	27,304,900	6,945,314	20,359,586
	<u>103,137,286</u>	<u>71,751,994</u>	<u>31,385,292</u>	<u>47,074,467</u>	<u>26,714,881</u>	<u>20,359,586</u>

7. 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 2019, amended, and the Capital Market Authority.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**7. Capital risk management (continued)**

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Borrowings	<b>33,165,808</b>	27,264,765	<b>41,671,914</b>	27,304,900
Lease liabilities	<b>30,047,432</b>	-	<b>22,030,307</b>	-
Short term borrowings	<b>14,417,254</b>	-	<b>17,009,613</b>	-
Total borrowings	<b>77,630,494</b>	27,264,765	<b>80,711,834</b>	27,304,900
Less: cash and bank balances (note 20)	<b>(203,465)</b>	(1,092,841)	<b>(982,464)</b>	(1,751,131)
Net debt	<b>77,427,029</b>	26,171,924	<b>79,729,370</b>	25,553,769
Equity	<b>129,368,596</b>	131,683,771	<b>145,869,886</b>	146,110,155
Total capital	<b>206,795,625</b>	157,855,695	<b>225,599,256</b>	171,663,924
Gearing ratio	<b>37.54%</b>	17.27%	<b>35.78%</b>	15.91%

**8. Goodwill**

The goodwill was recognized as a result of acquisition of Pioneer Cement Industries (Pioneer Cement) and Sohar Cement Factory LLC (Sohar Cement). Goodwill represents the excess of the cost of acquiring shares in these subsidiary companies over the aggregate fair value of the net assets acquired.

The carrying amount of goodwill at 31 December allocated to each of the cash-generating units is as follows:

	<b>2019</b>	2018
	<b>RO</b>	RO
Pioneer Cement Industries	<b>45,798,586</b>	45,798,586
Sohar Cement Factory LLC	<b>818,482</b>	-
	<b>46,617,068</b>	45,798,586

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 2019 since the estimated recoverable amount of the related business to which the goodwill relates exceeds its carrying value.

The recoverable amount of each cash-generating unit is determined based on a value in use calculation, using cash flow projections based on financial budgets approved by the Board. The Group has also analysed the impairment test based on market multiple to the historical earnings.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)****8. Goodwill (continued)****Key assumptions used in discounted cash flow projection calculations**

Key assumptions used in the calculation of recoverable amounts are discount rates, terminal value calculations and budgeted EBITDA. These assumptions are as follows:

*Discount rate*

The discount rate used for value in use calculations in 2019 ranges from 9% to 13% (2018 – 9.2%) for various cash generating units.

*Terminal value calculations*

Terminal value based on assumption that forecast cash flow shall grow at a constant rate of 3% per annum till perpetuity.

*Growth rate*

Growth rate based on assumption that business shall grow at 9% per annum (2018 - 8%)

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of Pioneer Cement and Sohar Cement is based would not cause the aggregate recoverable amount to fall below the aggregate carrying value of the related CGUs. At the beginning of the financial year the recoverable amount of Pioneer Cement was substantially in excess of its book value. Due to current market conditions at the year-end, the recoverable amount is closer to its book value. However, change in key assumptions by 5% will not result in any impairment loss at the reporting date.

# **WAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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## **Notes to the parent company and consolidated financial statements for the year ended 31 December 2019 (continued)**

### **9. Property, plant and equipment**

Parent	Land, buildings and civil works and mines 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
<b>Cost</b>									
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 1 January 2019	<b>37,097,904</b>	<b>92,086,865</b>	<b>356,185</b>	<b>226,231</b>	<b>864,205</b>	<b>7,165,759</b>	<b>222,400</b>	<b>1,874,737</b>	<b>139,894,286</b>
Additions	167,250	352,422	-	10,601	394,468	725,901	17,700	5,557,784	7,226,126
Disposals / write off	(519,151)	(5,079,257)	(42,050)	(5,415)	-	(72,100)	-	-	(5,717,973)
Transfers	-	-	-	-	299,302	181,638	-	(480,940)	-
At 31 December 2019	<b>36,746,003</b>	<b>87,360,030</b>	<b>314,135</b>	<b>231,417</b>	<b>1,557,975</b>	<b>8,001,198</b>	<b>240,100</b>	<b>6,951,581</b>	<b>141,402,439</b>
<b>Depreciation</b>									
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 1 January 2019	<b>19,594,937</b>	<b>52,355,158</b>	<b>296,008</b>	<b>209,925</b>	<b>706,530</b>	<b>5,248,819</b>	<b>13,695</b>	<b>-</b>	<b>78,425,072</b>
Charge for the year	967,375	2,313,637	22,073	13,058	113,376	409,089	48,020	-	3,886,628
Disposals	(362,014)	(4,580,977)	(42,050)	(5,415)	-	(72,100)	-	-	(5,062,556)
At 31 December 2019	<b>20,200,298</b>	<b>50,087,818</b>	<b>276,031</b>	<b>217,568</b>	<b>819,906</b>	<b>5,585,808</b>	<b>61,715</b>	<b>-</b>	<b>77,249,144</b>
<b>Net carrying value</b>									
At 31 December 2019	<b>16,545,705</b>	<b>37,272,212</b>	<b>38,104</b>	<b>13,849</b>	<b>738,069</b>	<b>2,415,390</b>	<b>178,385</b>	<b>6,951,581</b>	<b>64,153,295</b>
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

# **WAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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## **Notes to the parent company and consolidated financial statements for the year ended 31 December 2019 (continued)**

### **9. Property, plant and equipment (continued)**

<b>Consolidated</b>	<b>Land, buildings and civil works and mines RO</b>	<b>Plant and machinery RO</b>	<b>Ships and dry dock costs</b>	<b>Motor vehicles RO</b>	<b>Lease hold vehicles</b>	<b>Furniture and fixtures RO</b>	<b>Office equipment RO</b>	<b>Plant, vehicles, equipment and tools RO</b>	<b>Capital work-in- progress RO</b>	<b>Total RO</b>
<b>Cost</b>										
At 1 January 2018	48,544,890	118,236,964	7,818,991	655,235	-	387,932	1,207,188	9,407,121	4,287,132	190,545,453
Additions	260,603	465,522	2,233,824	30,000	222,400	4,668	77,651	312,426	1,842,679	5,449,773
Adjustments	-	-	(3,843,626)	(76,215)	-	-	-	-	-	(3,919,841)
Transfer	57,432	844,812	-	-	-	-	-	(274,088)	(628,156)	-
<b>At 1 January 2019</b>	<b>48,862,925</b>	<b>119,547,298</b>	<b>6,209,189</b>	<b>609,020</b>	<b>222,400</b>	<b>392,600</b>	<b>1,284,839</b>	<b>9,445,459</b>	<b>5,501,655</b>	<b>192,075,385</b>
Acquisitions	3,293,090	18,078,004	-	43,078	-	36,668	164,978	76,487	-	21,692,305
Additions	193,032	352,422	-	-	17,700	19,693	439,927	725,901	7,459,276	9,207,951
Disposal / write-off	(519,151)	(5,079,257)	-	(109,101)	-	(5,415)	-	(72,100)	-	(5,785,024)
Transfers	252,884	690,489	-	10,563	-	-	299,302	460,844	(1,714,082)	-
<b>At 31 December 2019</b>	<b>52,082,780</b>	<b>133,588,956</b>	<b>6,209,189</b>	<b>553,560</b>	<b>240,100</b>	<b>443,546</b>	<b>2,189,046</b>	<b>10,636,591</b>	<b>11,246,849</b>	<b>217,190,617</b>
<b>Depreciation</b>										
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	667,537	46,273	13,695	48,380	68,536	661,435	-	7,425,346
Disposal	-	-	(1,708,280)	(70,295)	-	-	-	-	-	(1,778,575)
Transfer	-	28,077	-	-	-	-	-	(28,077)	-	-
<b>At 1 January 2019</b>	<b>23,390,238</b>	<b>68,226,121</b>	<b>2,260,846</b>	<b>469,253</b>	<b>13,695</b>	<b>350,904</b>	<b>1,047,152</b>	<b>6,276,163</b>	<b>-</b>	<b>102,034,372</b>
Charge for the year	1,488,345	3,218,752	741,300	51,415	48,020	28,118	143,650	763,398	-	6,482,998
Reversal of impairment loss	(553,536)	-	-	-	-	-	-	-	-	(553,536)
Disposal	(362,014)	(4,580,977)	-	(109,101)	-	(5,413)	-	(72,100)	-	(5,129,605)
<b>At 31 December 2019</b>	<b>23,963,033</b>	<b>66,863,896</b>	<b>3,002,146</b>	<b>411,567</b>	<b>61,715</b>	<b>373,610</b>	<b>1,190,802</b>	<b>6,967,461</b>	<b>-</b>	<b>102,834,230</b>
<b>Net carrying value</b>										
<b>At 31 December 2019</b>	<b>28,119,747</b>	<b>66,725,060</b>	<b>3,207,043</b>	<b>141,993</b>	<b>178,385</b>	<b>69,937</b>	<b>998,244</b>	<b>3,669,130</b>	<b>11,246,849</b>	<b>114,356,388</b>
At 31 December 2018	25,472,687	51,321,177	3,948,343	139,767	208,705	41,696	237,687	3,169,296	5,501,655	90,041,013

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

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

The limestone mining rights of Pioneer Cement are located in UAE and Georgia and are included in property, plant and equipment. The Board of Directors of the Group has reviewed the limestone capacity of these mines and based on the expected output and expenditure, an impairment provision of RO 1.2 million had been recorded against the limestone mine located in Georgia as of 31 December 2018 due to non-utilisation of the Georgia mine. During the year, the Group has entered into a contract to sublease Georgia mining rights for a fixed period and receive a payment based on output extracted by the contractor. Therefore, an impairment loss of RO 0.53 million has been reversed during the year in accordance with IAS 36.

Depreciation is allocated as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Cost of sales (note 34)	<b>3,737,548</b>	4,703,090	<b>6,203,188</b>	7,141,249
General and administrative expenses (note 35)	<b>149,080</b>	131,645	<b>279,810</b>	284,097
	<b>3,886,628</b>	4,834,735	<b>6,482,998</b>	7,425,346

**10. Right-of-use assets**

<b>Parent</b>	<b>Leasehold properties RO</b>	<b>Ships charter contracts RO</b>	<b>Total RO</b>
<b>Cost</b>			
Initially recognised on adoption of IFRS 16	<b>3,446,229</b>	<b>24,067,336</b>	<b>27,513,565</b>
Additions	-	<b>6,048,947</b>	<b>6,048,947</b>
<b>At 31 December 2019</b>	<b>3,446,229</b>	<b>30,116,283</b>	<b>33,562,512</b>
<b>Depreciation</b>			
At 1 January 2019	-	-	-
Charge for the year	<b>224,402</b>	<b>4,287,384</b>	<b>4,511,786</b>
<b>At 31 December 2019</b>	<b>224,402</b>	<b>4,287,384</b>	<b>4,511,786</b>
<b>Net carrying value</b>			
<b>At 31 December 2019</b>	<b>3,221,827</b>	<b>25,828,899</b>	<b>29,050,726</b>
At 31 December 2018	-	-	-

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**10. Right-of-use assets (continued)**

	<b>Leasehold properties RO</b>	<b>Ships charter contracts RO</b>	<b>Total RO</b>
<b>Consolidated</b>			
<b>Cost</b>			
Initially recognised on adoption of IFRS 16	<b>4,925,521</b>	<b>13,709,252</b>	<b>18,634,773</b>
Additions	<b>-</b>	<b>6,048,947</b>	<b>6,048,947</b>
<b>At 31 December 2019</b>	<b>4,925,521</b>	<b>19,758,199</b>	<b>24,683,720</b>
<b>Depreciation</b>			
At 1 January 2019	<b>-</b>	<b>-</b>	<b>-</b>
Charge for the year	<b>298,468</b>	<b>2,807,657</b>	<b>3,106,125</b>
<b>At 31 December 2019</b>	<b>298,468</b>	<b>2,807,657</b>	<b>3,106,125</b>
<b>Net carrying value</b>			
<b>At 31 December 2019</b>	<b>4,627,053</b>	<b>16,950,541</b>	<b>21,577,594</b>
At 31 December 2018	<b>-</b>	<b>-</b>	<b>-</b>

Right-of-use assets include leasehold property agreements for factories and charter hire contracts for ships to transport Group's products.

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. The Parent Company has considered the lease term considering all relevant factors including remaining useful life of the plant and machinery constructed on the land.

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 and on the conditions to be decided by the parties at that time.

Buildings of the subsidiary Sohar Cement factory LLC is constructed and the site development is carried out on a plot of land leased from Government for a period of 25 years. Upon its expiry, the lease can be renewed for a further term and on the conditions to be decided by the parties at that time.



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**10. Right-of-use assets (continued)**

Amortisation of right-of-use assets is allocated as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
General and administrative expenses (note 35)	-	-	<b>74,065</b>	-
Selling and distribution expenses (note 37)	<b>4,511,786</b>	-	<b>3,032,060</b>	-
	<b>4,511,786</b>	-	<b>3,106,125</b>	-

**11. Investment in an associate**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Mukalla Raysut Trading and Industrial Company (MRTIC)				
Cost	<b>113,343</b>	113,343	<b>113,343</b>	113,343
Add : share of profits at 1 January	-	-	<b>121,416</b>	112,026
Adjustments for last year profit share	-	-	-	(1,057,783)
Impairment of investment in an associate	<b>(113,343)</b>	-	<b>(234,759)</b>	-
Add : share of profit recognised during the year	-	-	-	1,067,173
	<b>-</b>	113,343	<b>-</b>	234,759

Investment in MRTIC represents 49% (2018: 49%) equity interest in MRTIC, a limited liability company, incorporated in Republic of Yemen. No profit or loss recognised during the year as latest financial statements of the associate are not available at the time of issuance of these parent company and consolidated financial statements.

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

	<b>2019</b>	2018
	<b>RO</b>	RO
Net assets at 1 January	<b>479,100</b>	454,937
Profit for the year	-	2,177,904
Adjustment for prior year	<b>(479,100)</b>	(2,153,741)
Net assets at 31 December	-	479,100
Share in associates (49%)	-	234,759
<b>Carrying value</b>	<b>-</b>	234,759

# **RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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## **Notes to the parent company and consolidated financial statements for the year ended 31 December 2019 (continued)**

### **12. Investment in subsidiaries**

	<b>Parent</b>	
	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>
<b>Investments</b>		
Pioneer Cement Industries	<b>66,532,035</b>	66,532,035
Sohar Cement Factory LLC	<b>12,524,568</b>	-
Raysut Burwaqo Cement Company LLC	<b>102,000</b>	102,000
Raysea Navigation S.A.	<b>3,850</b>	3,850
Raybulk Navigation Inc.	<b>3,850</b>	3,850
<b>Total investments</b>	<b>79,166,303</b>	66,641,735

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

On 19 May 2019, the Parent Company acquired 99.99% ordinary shares of Sohar Cement Factory LLC ('SCFL'). SCFL was incorporated on 14 June 2011 in Sohar, Sultanate of Oman.

Investment in Raysut Burwaqo Cement Company ('RBCC') represents 51% (2018: 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 2019.

Investment in Raysea Navigation S.A. ('Raysea') represents 100% (2018: 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% (2018: 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.

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

	<b>Total assets</b>	<b>Total liabilities</b>	<b>Net assets</b>	<b>Revenue</b>	<b>Profit / (loss)</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>2019</b>					
Pioneer	<b>57,359,464</b>	<b>21,502,417</b>	<b>35,857,047</b>	<b>27,660,841</b>	<b>895,741</b>
SCF	<b>27,425,547</b>	<b>19,999,003</b>	<b>7,426,544</b>	<b>10,180,367</b>	<b>716,965</b>
Raysea	<b>3,224,831</b>	<b>3,372,619</b>	<b>(147,788)</b>	<b>1,430,188</b>	<b>1,898,678</b>
RBCC	<b>151,445</b>	<b>305</b>	<b>151,140</b>	<b>-</b>	<b>-</b>
Raybulk	<b>8,299</b>	<b>3,600</b>	<b>4,699</b>	<b>-</b>	<b>(81,802)</b>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**12. Investment in subsidiaries (continued)**

	<b>Total assets RO</b>	<b>Total liabilities RO</b>	<b>Net assets RO</b>	<b>Revenue RO</b>	<b>Profit / (loss) RO</b>
<b>2018</b>					
Pioneer	52,017,520	17,056,216	34,961,304	31,545,498	1,216,813
Raysea	4,618,165	6,664,631	(2,046,466)	286,188	(956,404)
RBCC	151,445	305	151,140	-	(305)
Raybulk	2,489,893	418,392	2,071,501	538,823	85,801

**13. Advance to a subsidiary**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019 RO</b>	<b>2018 RO</b>	<b>2019 RO</b>	<b>2018 RO</b>
<b>Advances</b>				
Raysea Navigation S.A [note 47(a)]	<b>849,000</b>	2,834,000	-	-

Advances to Raysea represents the purchase cost of the ships and expenses incurred during the pre-operating period and are interest free, unsecured and receivable on demand. The Parent Company has recognised an impairment loss of RO 1.98 million on advance to Raysea.

**14. Financial assets at fair value through other comprehensive income**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019 RO</b>	<b>2018 RO</b>	<b>2019 RO</b>	<b>2018 RO</b>
Unquoted local equity investment	<b>125,000</b>	125,000	<b>125,000</b>	125,000

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

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**15. Inventories**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Raw materials	<b>10,513,593</b>	11,455,265	<b>12,748,289</b>	13,343,221
Work-in-progress	<b>6,161,445</b>	2,650,488	<b>7,008,514</b>	4,041,439
Finished goods	<b>2,046,594</b>	1,204,692	<b>2,554,339</b>	1,531,775
	<b>18,721,623</b>	15,310,445	<b>22,311,142</b>	18,916,435
Spares and consumables	<b>10,278,119</b>	9,608,586	<b>13,227,475</b>	12,850,526
Allowance for slow-moving inventories	<b>(2,380,369)</b>	(2,310,342)	<b>(2,774,600)</b>	(2,763,568)
	<b>26,619,382</b>	22,608,689	<b>32,764,017</b>	29,003,393

Movement in allowance for slow moving inventories is as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
At 1 January	<b>2,310,342</b>	2,190,342	<b>2,763,569</b>	2,564,734
Charge during the year (note 34)	<b>70,027</b>	120,000	<b>11,031</b>	198,834
<b>At 31 December</b>	<b>2,380,369</b>	2,310,342	<b>2,774,600</b>	2,763,568

**16. Trade receivables - net**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Trade receivables	<b>15,342,219</b>	11,398,807	<b>27,023,462</b>	18,133,375
Due from related parties [note 47(a)]	<b>735,824</b>	704,257	<b>735,824</b>	704,257
	<b>16,078,043</b>	12,103,064	<b>27,759,286</b>	18,837,632
Less: allowance for expected credit losses	<b>(615,708)</b>	(477,890)	<b>(1,714,046)</b>	(509,789)
	<b>15,462,335</b>	11,625,174	<b>26,045,240</b>	18,327,843

At the reporting date 62% (2018 - 66%) of trade receivables are due from 6 customers (2018 - 6 customers) of the Parent Company.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**16. Trade receivables – net (continued)**

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Not due	<b>7,913,293</b>	9,574,637	<b>12,189,425</b>	12,007,599
Past due but not impaired	<b>7,549,042</b>	2,050,537	<b>13,855,815</b>	4,506,858
Past due and impaired	<b>615,708</b>	477,890	<b>1,714,046</b>	2,323,175
	<b>16,078,043</b>	12,103,064	<b>27,759,286</b>	18,837,632

As of 31 December 2019, trade receivables relating to parent company of RO 7,549,042 (2018 - RO 2,050,537) and Group trade receivables of RO 13,855,815 (2018 - RO 4,506,858), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The movement in allowance for impairment of trade receivables during the year is as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
At 1 January	<b>477,890</b>	441,817	<b>509,789</b>	665,329
Adjustment arising from initial Adoption of IFRS 9	-	63,367	-	73,486
Charge / (write back) during the year	<b>137,818</b>	(27,294)	<b>1,204,257</b>	(229,026)
<b>At 31 December</b>	<b>615,708</b>	477,890	<b>1,714,046</b>	509,789

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Rial Omani	<b>10,556,801</b>	6,487,951	<b>12,270,606</b>	6,487,951
US Dollar	<b>5,521,242</b>	5,615,113	<b>5,521,242</b>	5,615,113
UAE Dirhams	-	-	<b>9,967,438</b>	6,734,568
	<b>16,078,043</b>	12,103,064	<b>27,759,286</b>	18,837,632

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.

# **WAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES**

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## **Notes to the parent company and consolidated financial statements for the year ended 31 December 2019 (continued)**

### **17. Financial assets at fair value through profit or loss**

	<b>Parent and consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>
<b>Non-marketable securities</b>		
<b>Fair value</b>		
Bank Dhofar SAOG	<b>2,115,936</b>	2,668,836
Dhofar Insurance Company SAOG	<b>114,666</b>	114,666
Dhofar University SAOC	<b>385,500</b>	445,500
	<b>2,616,102</b>	3,229,002
<b>Cost</b>		
Bank Dhofar SAOG	<b>1,229,700</b>	1,229,700
Dhofar Insurance Company SAOG	<b>29,600</b>	29,600
Dhofar University SAOC	<b>300,000</b>	300,000
	<b>1,559,300</b>	1,559,300

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

	<b>Parent and consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>
At 1 January	<b>3,229,002</b>	4,016,950
Fair value changes	<b>(612,900)</b>	(787,948)
<b>At 31 December</b>	<b>2,616,102</b>	3,229,002

Investment in banking sector represents 81% (2018: 83%) of the Group's above investment portfolio.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**18. Prepayments, advances and other receivables**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Advances and deposits	<b>2,264,791</b>	695,522	<b>3,063,544</b>	1,810,830
Less: allowances for impairment	-	-	<b>(119,086)</b>	(119,086)
	<b>2,264,791</b>	695,522	<b>2,944,458</b>	1,691,744
Other receivables from related parties (note 47(b))	<b>7,526,613</b>	4,902,224	<b>3,322,118</b>	2,356,948
Insurance claims receivable	-	989,566	-	1,006,459
Receivable from tax authorities	<b>559,139</b>	559,139	<b>559,139</b>	559,139
Prepayments	<b>201,013</b>	243,280	<b>365,077</b>	532,553
Accrued interest income	-	1,678	-	1,678
Advances to staff	<b>77,643</b>	31,261	<b>98,455</b>	67,485
Deferred expenses	-	18,900	-	-
Other receivables	<b>2,087,201</b>	-	<b>2,468,191</b>	342,945
	<b>12,716,400</b>	7,441,570	<b>9,757,438</b>	6,558,951
Less: receivable from a related party reclassified to non-current	<b>(1,300,000)</b>	-	-	-
	<b>11,416,400</b>	7,441,570	<b>9,757,438</b>	6,558,951

**19. Short term deposits**

<b>Parent and consolidated</b>	
<b>2019</b>	<b>2018</b>
<b>RO</b>	<b>RO</b>
-	4,700,000

Short term deposits of the parent company were placed with commercial bank at interest rates of 2.6% per annum with a maturity of one month from date of placement.

**20. Cash and bank balances**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Cash in hand	<b>10,836</b>	10,000	<b>109,943</b>	21,003
<b>Cash at bank</b>				
Current accounts	<b>189,291</b>	237,738	<b>869,183</b>	885,025
Call deposits	<b>3,338</b>	845,103	<b>3,338</b>	845,103
	<b>203,465</b>	1,092,841	<b>982,464</b>	1,751,131

Call deposits are placed with the commercial banks at interest rates ranging from 0.5% to 1.5% (2018: 0.5% - 1.5%) per annum.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**21. Share capital**

	<b>Parent company</b>	
	<b>2019</b>	2018
	<b>RO</b>	RO
Authorised, issued and paid up share capital	<b>20,000,000</b>	20,000,000

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

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

	<b>Parent and Consolidated</b>			
	<b>% Share holding</b>		<b>Shares held</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
Abu Dhabi Fund for Development	<b>15.00</b>	15.00	<b>30,000,000</b>	30,000,000
Islamic Development Bank	<b>11.72</b>	11.72	<b>23,415,000</b>	23,415,000
Dolphin International	<b>10.32</b>	10.32	<b>20,657,710</b>	20,657,710
Baader Bank Aktiengesellschaft	<b>10.00</b>	10.00	<b>20,001,001</b>	20,001,001
	<b>47.04</b>	47.04	<b>94,073,711</b>	94,073,711
Others	<b>52.96</b>	52.96	<b>105,926,289</b>	105,926,289
	<b>100.00</b>	100.00	<b>200,000,000</b>	200,000,000

**22. 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.

**23. Legal reserve**

Commercial Companies Law of 2019 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.

**24. 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.



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**25. 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 24 for Asset replacement reserve.

**26. Proposed dividend**

The Board of Directors at the meeting held on 27 February 2020 proposed a cash dividend of 12.5 Baisas per share, for the year 2019 (2018: 12.5 Baisas per share). A resolution to approve the dividend will be presented to the shareholders at the forthcoming Annual General Meeting.

**27 Borrowings**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Non-current portion</b>				
Bank Nizwa	11,165,726	-	11,165,726	-
Bank Dhofar SAOG	2,000,000	6,000,000	2,000,000	6,000,000
Bank Sohar SAOG	2,812,500	4,687,500	2,812,500	4,687,500
Al Masraf Bank	-	-	-	9,485,728
Loan from a subsidiary	8,113,459	9,485,728	-	-
Lease hold vehicles	142,670	186,358	142,670	186,358
Transaction costs deferred	(170,075)	-	(170,075)	-
	<b>24,064,280</b>	<b>20,359,586</b>	<b>15,950,821</b>	<b>20,359,586</b>
<b>Current portion</b>				
Bank Nizwa	834,274	-	834,274	-
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
Al Masraf Bank	-	-	9,501,936	1,034,272
Alizz Bank	-	-	9,630,001	-
Loan from a subsidiary	2,366,406	994,137	-	-
Lease hold vehicle	54,193	36,042	54,193	36,042
Transaction costs deferred	(28,345)	-	(174,311)	-
	<b>9,101,528</b>	<b>6,905,179</b>	<b>25,721,093</b>	<b>6,945,314</b>
	<b>33,165,808</b>	<b>27,264,765</b>	<b>41,671,914</b>	<b>27,304,900</b>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**27 Borrowings (continued)**

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

**31 December 2019**

Parent	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
Bank Nizwa SAOG	6.35 3 month	12,000,000	834,274	1,668,548	9,497,178
Bank Dhofar SAOG	LIBOR +260	6,000,000	4,000,000	2,000,000	-
Bank Sohar SAOG	4.5 3 month	4,687,500	1,875,000	2,812,500	-
Loan from a subsidiary	EIBOR +3%	10,479,865	2,366,406	8,113,459	
Lease hold vehicle	19.66% – 26.5%	196,863	54,193	108,386	34,284
Transaction cost		(198,420)	(28,345)	(56,690)	(113,385)
		<u>33,165,808</u>	<u>9,101,528</u>	<u>14,646,203</u>	<u>9,418,077</u>

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AL Masraf Bank	3 month EIBOR +3%	9,501,936	9,501,936	-	-
Bank Nizwa	6.35 3 month	12,000,000	834,274	1,668,548	9,497,178
Bank Dhofar SAOG	LIBOR +260	6,000,000	4,000,000	2,000,000	-
Bank Sohar SAOG	4.5 3 month	4,687,500	1,875,000	2,812,500	-
Alizz Bank	EIBOR +3%	9,630,001	9,630,001	-	-
Lease hold vehicle	19.66% – 26.5%	196,863	54,193	108,386	34,284
Transaction costs		(344,386)	(174,311)	(56,690)	(113,385)
		<u>41,671,914</u>	<u>25,721,093</u>	<u>6,532,744</u>	<u>9,418,077</u>

**31 December 2018**

Parent	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
Bank Dhofar SAOG	3 Month LIBOR +260	10,000,000	4,000,000	6,000,000	-
Bank Sohar SAOG	4.5 3 Month	6,562,500	1,875,000	3,750,000	937,500
Loan from a subsidiary	EIBOR +3%	10,479,865	994,137	2,714,838	6,770,890
Lease hold vehicle	19.66% – 26.5%	222,400	36,042	140,973	45,385
		<u>27,264,765</u>	<u>6,905,179</u>	<u>12,605,811</u>	<u>7,753,775</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**27 Borrowings (continued)**

**31 December 2018**

<b>Consolidated</b>	<b>Interest rate %</b>	<b>Total RO</b>	<b>One year RO</b>	<b>2 to 3 years RO</b>	<b>4 to 10 years RO</b>
	3 Month				
Bank Dhofar SAOG	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
	3 Month				
AL Masraf Bank	EIBOR +3%	10,520,000	1,034,272	2,714,838	6,770,890
Lease hold vehicle	19.66% – 26.5%	222,400	36,042	140,973	45,385
		<u>27,304,900</u>	<u>6,945,314</u>	<u>12,605,811</u>	<u>7,753,775</u>

*Parent Company*

A loan of RO 32 million was obtained from Bank Dhofar SAOG which is repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by a 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 instalments 6 to 9, and RO 2 million for the 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 % to 3.5% with effect from 6 October 2017 and linked with 3 months LIBOR.

A loan of RO 13.125 million at 2.4% interest was obtained from Bank Sohar SAOG which is repayable in 14 equal semi-annual instalments starting from December 2016, to prepay loans that were at higher rate. The loan is secured by a 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.

Wakala Bel Istithmar (financing by Investment agency) of RO 12 million was obtained through Islamic finance from a commercial bank and carries a profit rate of 6.35% per annum. The Wakala Bel Istithmar facility is repayable in 12 semiannual instalment after one year amounting to RO 1,218,405 each beginning from November 2020 and ending on May 2026. The facility is secured against a first Pari pasu charge over fixed assets of the Parent company.

The Parent company obtained a loan from one of the subsidiaries, Pioneer Cement Industries, which is repayable over 8 years with the first quarterly instalment payable in June 2019. The instalments due in the year 2019 were not paid and have been included in the current portion of the loan. The facility carries mark-up at 3 month EIBOR + 3% p.a (minimum 5% p.a.).

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**27 Borrowings (continued)**

**Subsidiary Companies**

*Pioneer Cement Industries*

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.). Certain covenants as per terms of the agreement were not met at the reporting date and therefore, the loan balance has been classified as current as the Group does not have unconditional right to defer payment beyond one year.

*Sohar Cement Factory LLC*

Dimishing Ijara'h facility of RO 11.5 million was obtained through Islamic finance from a commercial bank by a Sohar Cement, carrying a profit rate of 6.25% per annum on diminishing balances basis. The Ijara'h facility is repayable in 28 quarterly instalment of RO 410,715 each beginning from June 2019 and ending on March 2026. The Ijara'h facility is secured against i) sale undertaking of fixed assets by creditors; ii) Mortgage/ transfer of Usufruct/ assignment of Usufruct of the assets; iii) assignment of all Takaful proceeds or additions of the facility Agent as a loss payee; and (iv) corporate guarantee from the parent company. Certain covenants as per terms of the agreement were not met at the reporting date and therefore, the loan balance has been classified as current as Group does not have unconditional right to defer payment beyond one year.

**28. Lease liabilities**

(a) At initial recognition of lease liability - 1 January 2019

	Parent 2019 RO	Consolidated 2019 RO
Gross value of the lease liability against Right-of-use asset	34,772,703	24,421,259
Future finance charges on finance leases	(7,259,138)	(5,786,486)
	<hr/>	<hr/>
Present value of minimum lease payment	27,513,565	18,634,773
	<hr/>	<hr/>

(b) At 31 December 2019

Gross value of the lease liability against Right-of-use asset	36,431,867	27,481,750
Future finance charges on finance leases	(6,384,435)	(5,451,443)
	<hr/>	<hr/>
Present value of minimum lease payment	30,047,432	22,030,307
	<hr/>	<hr/>

(c) Maturity analysis of lease liability

Due within 1 year – current portion	6,470,828	6,595,836
Due after one year but within five years	18,884,098	11,443,174
Due after five years	4,692,506	3,991,297
	<hr/>	<hr/>
<b>At 31 December</b>	<b>30,047,432</b>	<b>22,030,307</b>
	<hr/>	<hr/>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**29. Deferred taxation**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2018: 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:

<b>2019</b>	<b>1 January</b>	<b>Charge /</b>	<b>31 December</b>
<b>Parent company and consolidated</b>	<b>2019</b>	<b>(credit) for</b>	<b>2019</b>
	<b>RO</b>	<b>the year</b>	<b>RO</b>
		<b>RO</b>	
<b>Deferred tax liability</b>			
Tax effect of excess of tax allowances over book depreciation	(4,447,199)	(277,824)	(4,725,023)
<b>Deferred tax assets</b>			
Tax effects of allowance for inventories	347,217	35,009	382,226
Tax effect of allowance for doubtful debts	149,982	79,815	229,797
<b>Net deferred tax liability</b>	<b>(3,950,000)</b>	<b>(163,000)</b>	<b>(4,113,000)</b>

  

<b>2018</b>	<b>1 January</b>	<b>Charge /</b>	<b>31 December</b>
<b>Parent company and consolidated</b>	<b>2018</b>	<b>(credit) for</b>	<b>2018</b>
	<b>RO</b>	<b>the year</b>	<b>RO</b>
		<b>RO</b>	
<b>Deferred tax liability</b>			
Tax effect of excess of tax allowances over book depreciation	(4,467,823)	20,624	(4,447,199)
<b>Deferred tax assets</b>			
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
<b>Net deferred tax liability</b>	<b>(4,073,000)</b>	<b>123,000</b>	<b>(3,950,000)</b>

**30. End of service benefits**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	824,698	829,853	1,456,051	1,412,965
Charge for the year (note 36)	91,719	150,803	160,834	298,476
Paid during the year	(244,262)	(155,958)	(349,746)	(255,389)
At 31 December	<b>672,155</b>	<b>824,698</b>	<b>1,267,139</b>	<b>1,456,052</b>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**31. Trade and other payables**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade payables	<b>8,982,749</b>	7,140,769	<b>18,887,021</b>	11,232,760
Due to related parties [note 47(c)]	<b>7,279,724</b>	4,759,944	-	-
Accrued expenses	<b>2,013,711</b>	4,287,898	<b>2,856,588</b>	7,001,727
Customer advances	<b>345,182</b>	914,709	<b>410,804</b>	1,030,950
Accrued interest expense	<b>75,412</b>	74,918	<b>159,938</b>	74,918
Directors' remuneration [note 47(f)]	<b>17,987</b>	90,829	<b>17,987</b>	90,829
Other payables	<b>8,998</b>	46,267	<b>93,114</b>	94,579
	<b>18,723,763</b>	17,315,334	<b>22,425,452</b>	19,525,763

**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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Net assets (RO)	<b>129,368,596</b>	131,683,771	<b>145,869,886</b>	146,110,155
Number of shares outstanding at 31 December	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Net asset per share (RO)	<b>0.647</b>	0.658	<b>0.729</b>	0.731

**33. Revenue**

Local sales - Oman/ UAE	<b>33,797,746</b>	36,250,615	<b>50,587,917</b>	52,990,580
Export sales	<b>26,535,845</b>	25,869,823	<b>33,467,843</b>	37,989,446
	<b>60,333,591</b>	62,120,438	<b>84,055,760</b>	90,980,026

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**34. Cost of sales**

Cost of sales includes the following:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Fuel, gas and electricity	<b>15,192,638</b>	14,919,273	<b>27,825,418</b>	28,959,855
Staff costs (note 36)	<b>4,786,698</b>	4,895,022	<b>6,919,537</b>	6,319,306
Depreciation (note 9)	<b>3,737,548</b>	4,703,090	<b>6,203,188</b>	7,141,249
Spares and consumables	<b>2,517,163</b>	2,963,874	<b>4,248,022</b>	4,697,622
Raw materials consumed	<b>4,931,223</b>	4,739,937	<b>9,710,242</b>	9,003,787
Imported cement	<b>9,226,362</b>	3,363,554	<b>730,654</b>	677,644
Provision for slow moving inventories (note 15)	<b>70,027</b>	120,000	<b>11,031</b>	198,834

**35. General and administrative expenses**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Staff costs (note 36)	<b>2,722,802</b>	2,459,416	<b>3,894,994</b>	3,853,814
Donations	<b>274,161</b>	379,215	<b>274,161</b>	379,215
Directors' fees and remuneration [note 47(f)]	<b>67,987</b>	138,829	<b>67,987</b>	138,829
Recruitment, training and seminars	<b>45,851</b>	83,449	<b>58,533</b>	93,954
Travelling	<b>328,004</b>	349,623	<b>447,216</b>	416,524
Communication expenses	<b>142,500</b>	116,720	<b>201,379</b>	156,388
Rent and utilities	<b>112,793</b>	113,773	<b>285,409</b>	329,808
Depreciation (note 9)	<b>149,080</b>	131,645	<b>279,810</b>	284,097
Amortisation of right-of-use assets (note 10)	-	-	<b>74,065</b>	-
Professional fees	<b>202,841</b>	279,056	<b>274,072</b>	449,750
Legal expenses	<b>63,862</b>	49,252	<b>90,844</b>	49,699
Bank charges	<b>36,353</b>	29,796	<b>111,511</b>	59,609
Allowance / (write back) for expected credit losses [note 16]	<b>137,818</b>	(27,294)	<b>1,204,257</b>	(229,026)
Related party balance written off	<b>1,985,000</b>	-	-	-
Others	<b>274,549</b>	448,697	<b>746,949</b>	1,098,351
	<b>6,543,601</b>	4,552,177	<b>8,011,187</b>	7,081,012

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**36. Staff costs**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Wages and salaries	<b>6,585,652</b>	6,456,719	<b>9,508,149</b>	8,991,471
Other benefits	<b>479,892</b>	452,636	<b>775,825</b>	631,272
Social security expense	<b>352,237</b>	294,280	<b>369,723</b>	251,901
End of service benefits (note 30)	<b>91,719</b>	150,803	<b>160,834</b>	298,476
	<b>7,509,500</b>	7,354,438	<b>10,814,531</b>	10,173,120

Staff costs are allocated as follows:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Cost of sales (note 34)	<b>4,786,698</b>	4,895,022	<b>6,919,537</b>	6,319,306
General and administrative expenses (note 35)	<b>2,722,802</b>	2,459,416	<b>3,894,994</b>	3,853,814
	<b>7,509,500</b>	7,354,438	<b>10,814,531</b>	10,173,120

**37. Selling and distribution expenses**

Export expenses	<b>2,641,046</b>	6,478,989	<b>4,046,165</b>	7,158,750
Transport charges	<b>434,019</b>	461,122	<b>1,399,298</b>	461,122
Amortisation of right-of-use assets (note 10)	<b>4,511,786</b>	-	<b>3,032,060</b>	-
	<b>7,586,851</b>	6,940,111	<b>8,477,523</b>	7,619,872

**38. Other income**

Gain on disposal of property, plant and equipment	<b>1,270,633</b>	4,750	<b>1,280,627</b>	758,404
Charter hire income	<b>3,120,694</b>	-	<b>3,120,694</b>	-
Reversal of impairment of limestone	-	-	<b>553,536</b>	-
Other miscellaneous income	<b>118,553</b>	1,007,261	<b>235,491</b>	1,023,188
	<b>4,509,880</b>	1,012,011	<b>5,190,348</b>	1,781,592



Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)

39. Finance cost - net

	Parent		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
Interest expense on borrowings	2,600,463	1,109,374	3,176,461	1,132,684
Interest income on bank deposits	(23,325)	(41,728)	(23,325)	(58,281)
Interest on lease liabilities	1,691,677	-	1,198,616	-
Net exchange gain	(125,652)	(29,389)	(116,184)	(30,245)
	<u>4,143,163</u>	<u>1,038,257</u>	<u>4,235,568</u>	<u>1,044,158</u>

40. Investment income

Dividend on financial assets at fair value through profit or loss	199,273	159,825	199,273	159,825
Dividend income from a subsidiary	1,985,000	3,667,923	-	-
	<u>2,184,273</u>	<u>3,827,748</u>	<u>199,273</u>	<u>159,825</u>

41. Taxation

The tax charge for the year is analysed as follows:

	Parent		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
<b>Current tax</b>				
- current year	454,000	842,000	454,000	1,179,004
- prior year	5,527	(50,231)	5,527	(50,381)
	<u>459,527</u>	<u>791,769</u>	<u>459,527</u>	<u>1,128,623</u>
<b>Deferred tax</b>				
- current year	163,000	(123,000)	163,000	(431,750)
	<u>622,527</u>	<u>668,769</u>	<u>622,527</u>	<u>696,873</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**41. Taxation (continued)**

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:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Profit / (loss) before income tax from continuing operations	<b>807,352</b>	4,316,589	<b>2,882,258</b>	1,040,525
Loss before income tax of Group entities operating in non-taxable jurisdictions	-	-	<b>(8,300,358)</b>	(9,988,365)
<b>Profit / (loss) before income tax of Group entities operating in taxable Jurisdictions</b>	<b>807,352</b>	4,316,589	<b>(5,418,100)</b>	(8,947,840)
Tax at domestic tax rate	<b>121,103</b>	647,488	<b>432,339</b>	51,570
<b>Add/ (less) tax effect of:</b>				
Current tax charge in respect of prior year	<b>5,527</b>	(50,231)	<b>5,527</b>	(50,381)
The effect of expenses/ income not eligible	<b>495,897</b>	71,512	<b>184,661</b>	695,684
<b>Taxation charge for the year</b>	<b>622,527</b>	668,769	<b>622,527</b>	696,873

The movement in current tax liability is as follows:

At 1 January	<b>842,000</b>	1,314,000	<b>1,179,004</b>	1,314,000
Charge for the year	<b>454,000</b>	842,000	<b>454,000</b>	1,179,004
Paid during the year	<b>(847,527)</b>	(1,263,769)	<b>(1,184,531)</b>	(1,263,769)
Charge to prior years taxes	<b>5,527</b>	(50,231)	<b>5,527</b>	(50,231)
At 31 December	<b>454,000</b>	842,000	<b>454,000</b>	1,179,004

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 2018 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 parent company and consolidated statement of financial position at 31 December 2019.

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.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**41. Taxation (continued)**

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.

Sohar Cement Factory LLC (subsidiary company) is registered in as a limited liability company in Sohar Industrial Area and is not subject to taxation in the Sultanate of Oman.

RCC Trading DMCC (subsidiary company) is registered in UAE as a limited liability company on 29 April 2019 and is not subject to taxation in the UAE.

For the assessment years 2008 to 2009, the Tax Authorities have included the dividend income of RO 4,659,492 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.

The Tax Committee has decided against the appeal and the Company has filed an appeal in the Supreme Court to reconsider the case.

**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.

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	RO	RO	RO	RO
Net profit for the year (RO)	<b>184,825</b>	3,647,820	<b>2,259,731</b>	343,652
Weighted average number of shares	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Earnings per share: basic and diluted (RO)	<b>0.001</b>	0.018	<b>0.011</b>	0.002

**43. Commitments**

**Capital commitments**

Civil and structural	<b>143,869</b>	200,250	<b>143,869</b>	200,250
Plant and machinery	<b>13,093,330</b>	9,317,039	<b>14,426,415</b>	11,046,772
Others	<b>58,623</b>	659,277	<b>58,623</b>	659,277
	<b>13,295,822</b>	10,176,566	<b>14,628,907</b>	11,906,299
<b>Purchase commitments</b>	<b>5,062,659</b>	6,775,977	<b>10,322,995</b>	15,188,391

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

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**44. Contingent liabilities**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Letters of credit	<b>32,810</b>	-	<b>2,115,745</b>	-
Guarantee and performance bond	<b>130,000</b>	982,401	<b>206,468</b>	1,528,230
	<b>162,810</b>	982,401	<b>2,322,213</b>	1,528,230

**45. Cash and cash equivalents**

Cash in hand	<b>10,836</b>	<b>10,000</b>	<b>109,943</b>	21,003
<b>Cash at bank</b>				
Current accounts	<b>189,291</b>	<b>237,738</b>	<b>869,183</b>	885,025
Call deposits	<b>3,338</b>	<b>845,103</b>	<b>3,338</b>	845,103
Term deposits	-	<b>4,700,000</b>	-	4,700,000
<b>Total cash and bank balances</b>	<b>203,465</b>	<b>5,792,841</b>	<b>982,464</b>	6,451,131
Bank overdrafts	<b>(3,898,844)</b>	-	<b>(4,400,138)</b>	(243,804)
<b>Cash and cash equivalents</b>	<b>(3,695,379)</b>	<b>5,792,841</b>	<b>(3,417,674)</b>	6,207,327

**46. 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

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**46. Fair value estimation (continued)**

- 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			Total RO
	Level 1 RO	Level 2 RO	Level 3 RO	
<b>2019</b>				
Financial assets at fair value through OCI	-	-	125,000	125,000
Financial assets at fair value through profit or loss	2,230,602	385,500	-	2,616,102
	<u>2,230,602</u>	<u>385,500</u>	<u>125,000</u>	<u>2,741,102</u>
<b>2018</b>				
Available-for-sale financial assets	-	-	125,000	125,000
Financial assets at fair value through profit or loss	2,783,502	445,500	-	3,229,002
	<u>2,783,502</u>	<u>445,500</u>	<u>125,000</u>	<u>3,354,002</u>

There were no transfers between the levels during the year.

**47. Related parties**

Related parties include the shareholders, key management personnel, 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 at mutually agreed terms and conditions.

Advances to related parties at year end are as follows:

47 (a) Advances	Parent		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
<b>Advance to a subsidiary</b>				
Raysea Navigation S.A (note 13)	849,000	2,834,000	-	-

Movement in advances to subsidiaries is as follows:

	Parent		Consolidated	
	2019 RO	2018 RO	2019 RO	2018 RO
At 1 January	2,834,000	2,834,000	-	-
Debts written off	(1,985,000)	-	-	-
At 31 December	849,000	2,834,000	-	-

Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)

47. Related parties (continued)

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

Due from related parties (trading receivables):

	Parent		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
<b>Entities related to directors:</b>				
Modern Contracting Company	3,480	-	3,480	-
<b>Associate company :</b>				
MRTIC	732,344	704,257	732,344	704,257
	<u>735,824</u>	<u>704,257</u>	<u>735,824</u>	<u>704,257</u>

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

	Parent		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
<b>Subsidiary Companies</b>				
Raysea Navigation S.A	2,431,137	2,544,971	-	-
Raysut Burwaqo Cement Company LLC	305	305	-	-
RCC Trading DMCC	1,707,328	-	-	-
RCC Holding Company	37,289	-	-	-
RCC MSG Somaliland	28,436	-	-	-
<b>Associate Companies</b>				
MRTIC	3,322,118	2,356,948	3,322,118	2,356,948
	<u>7,526,613</u>	<u>4,902,224</u>	<u>3,322,118</u>	<u>2,356,948</u>

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

	Parent		Consolidated	
	2019	2018	2019	2018
	RO	RO	RO	RO
<b>47 (c ) Due to related parties :</b>				
<b>Subsidiary Companies</b>				
Pioneer Cement Industries	2,202,172	2,308,441	-	-
Raybulk Navigation S. A	8,299	2,451,503	-	-
Sohar Cement Factory LLC	5,069,253	-	-	-
	<u>7,279,724</u>	<u>4,759,944</u>	<u>-</u>	<u>-</u>

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**47. Related parties (continued)**

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
<b>Sale of goods and services:</b>				
<b>Entities related to directors:</b>				
Modern Contracting Company	<b>5,800</b>	11,500	<b>5,800</b>	11,500
<b>Subsidiary Companies:</b>				
RCC Trading	<b>2,854,131</b>	-	-	-
<b>Associate Companies:</b>				
MRTIC	<b>3,516,537</b>	6,032,524	<b>3,516,537</b>	6,032,524
	<b>6,376,468</b>	6,044,024	<b>3,522,337</b>	6,044,024
<b>Purchase of goods and services:</b>				
<b>Entities related to directors:</b>				
Qais Omani establishment	-	6,250	-	6,250
Salim bin Ahmed Al Barami	<b>39,000</b>	39,000	<b>39,000</b>	39,000
Qabas International LLC	<b>322,038</b>	186,009	<b>322,038</b>	186,009
<b>Subsidiary Companies:</b>				
Pioneer Cement Industries	<b>1,574,172</b>	2,794,585	-	-
Sohar Cement Factory LLC	<b>7,001,590</b>	-	-	-
RCC Trading	<b>31,500</b>	-	-	-
Raysea Navigation S.A	<b>1,430,188</b>	286,188	-	-
Raybulk Navigation S.A	-	538,823	-	-
	<b>10,398,488</b>	3,850,855	<b>361,038</b>	231,259

47 (f) Key management compensation:

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Board of directors sitting fees	<b>50,000</b>	48,000	<b>50,000</b>	48,000
Directors' remuneration	<b>17,987</b>	90,829	<b>17,987</b>	90,829
	<b>67,987</b>	138,829	<b>67,987</b>	138,829
Salaries, allowances and performance bonus paid to Executive officers	<b>554,353</b>	494,306	<b>554,353</b>	494,306
End of service benefits	<b>22,694</b>	8,280	<b>22,694</b>	8,280
	<b>577,047</b>	502,586	<b>577,047</b>	502,586

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).

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**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.

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

Parent	Local		Export		Total	
	2019 RO	2018 RO	2019 RO	2018 RO	2019 RO	2018 RO
Segment revenue	<b>33,797,746</b>	36,250,615	<b>26,535,845</b>	25,869,823	<b>60,333,591</b>	62,120,438
Segment gross profit	<b>5,824,998</b>	6,854,649	<b>7,288,059</b>	5,940,674	<b>13,113,057</b>	12,795,323
Selling and distribution expense	<b>(434,019)</b>	(461,122)	<b>(7,152,832)</b>	(6,478,989)	<b>(7,586,851)</b>	(6,940,111)
Unallocated costs	-	-	-	-	<b>(10,686,764)</b>	(5,590,434)
Other income	-	-	-	-	<b>4,509,880</b>	1,012,011
Dividend income from financial assets at fair value through profit or loss	-	-	-	-	<b>199,273</b>	159,825
Dividend income from a subsidiary	-	-	-	-	<b>1,985,000</b>	3,667,923
Impairment of investment in an associate	-	-	-	-	<b>(113,343)</b>	-
Fair value gain on financial assets at fair value through profit or loss	-	-	-	-	<b>(612,900)</b>	(787,948)
Profit / (loss) before tax	<b>5,390,979</b>	6,393,527	<b>135,227</b>	(538,315)	<b>807,352</b>	4,316,589
Segment assets, comprising trade receivables and related parties	<b>10,277,827</b>	6,442,869	<b>5,800,216</b>	5,660,195	<b>16,078,043</b>	12,103,064
<b>Consolidated</b>						
Segment revenue	<b>50,587,917</b>	52,990,580	<b>33,467,843</b>	37,989,446	<b>84,055,760</b>	90,980,026
Segment gross profit	<b>10,578,874</b>	8,624,368	<b>8,485,700</b>	6,873,347	<b>19,064,574</b>	15,622,708
Selling and distribution expense	<b>(436,049)</b>	(461,122)	<b>(8,041,474)</b>	(7,158,750)	<b>(8,477,523)</b>	(7,619,872)
Unallocated costs	-	-	-	-	<b>(12,246,755)</b>	(8,125,170)
Other income	-	-	-	-	<b>5,190,348</b>	1,781,592
Dividend income from financial assets at fair value through profit or loss	-	-	-	-	<b>199,273</b>	159,825
Share of profit in an associate	-	-	-	-	-	9,390
Share of loss from an associate	-	-	-	-	<b>(234,759)</b>	-
Fair value gain on financial assets at fair value through profit or loss	-	-	-	-	<b>(612,900)</b>	(787,948)
Profit / (loss) before tax	<b>10,142,825</b>	8,163,246	<b>444,226</b>	(285,403)	<b>2,882,258</b>	1,040,525
Segment assets, comprising trade receivables and related parties	<b>25,801,534</b>	13,390,478	-	5,447,154	<b>27,759,286</b>	18,837,632



**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**48. Segment information (continued)**

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.

**Revenue from major products**

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

	<b>Parent</b>		<b>Consolidated</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Ordinary Portland Cement (OPC)	<b>24,014,033</b>	41,780,882	<b>34,334,042</b>	58,422,002
Sulphate Resistant Cement (SRC)	<b>3,117,961</b>	3,452,987	<b>5,413,904</b>	5,462,285
Others (OWC & Pozmix)	<b>25,087,503</b>	8,196,947	<b>26,814,178</b>	9,722,217
Clinker	<b>8,114,094</b>	8,689,622	<b>17,493,636</b>	17,373,522
	<b>60,333,591</b>	62,120,438	<b>84,055,760</b>	90,980,026

**Information about major customers**

The Group's revenue includes sales to top 10 customers amounting to RO 61.7 million (2018: RO 51.3 million). The parent company's revenue includes sales to top 10 customers amounting to RO 30.86 million (2018: RO 27.3 million).

**49. Short term borrowings**

	<b>Parent</b>		<b>Consolidated</b>	
	<b>31</b>	31	<b>31</b>	31
	<b>December</b>	December	<b>December</b>	December
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>RO</b>	RO	<b>RO</b>	RO
Short term loan	<b>10,518,410</b>	-	<b>12,609,475</b>	-
Overdraft	<b>3,898,844</b>	-	<b>4,400,138</b>	243,804
	<b>14,417,254</b>	-	<b>17,009,613</b>	243,804

*Parent company*

Short term loan is obtained from a commercial banks carrying an interest rates of 5.25% to 6% per annum for a period of 180 days and overdraft is obtained from commercial banks at an interest rates ranging from 5.25% to 5.5% per annum.

Certain covenants as per terms of the agreement were not met at the reporting date.

*Subsidiary company*

Short term loan is obtained from a commercial banks carrying an interest rates of 6% per annum for a period of 180 days.

**Notes to the parent company and consolidated financial statements  
for the year ended 31 December 2019 (continued)**

**50. Approval of financial statements**

These financial statements were approved by the Board of Directors and authorized for issue on 27 February 2020.