

RAYSUT CEMENT COMPANY SAOG

Notes to the financial statements

For the first half ended 30 June 2014

1. General

Raysut Cement Company SAOG ("the Parent 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 is engaged in the production and sale of 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.

These financial statements are presented in Rial Omani ("RO") since that is the currency of the country in which the majority of the Company's transactions are denominated.

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

Subsidiary companies	Shareholding percentage	Principal activities
Raysea Navigation SA	100%	Shipping transport company
Raybulk Navigation SA	100%	Shipping transport company
Pioneer Cement Industry LLC	100%	Production and sale of cement

One share out of 55,000 shares of Pioneer Cement Industry LLC is held by third party.

These financial statements represent the results of operations of the Parent Company and its above subsidiaries ("the Group").

2. Standards, Amendments and interpretations

(a) New standards and interpretation not yet effective

A number of new relevant standards, amendments to standards and interpretations are not yet effective for the period ended 31 March 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below.

IFRS 9: Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets. Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The Group is currently assessing the impact of this standard and does not plan to adopt early.

(b) New standards and interpretation applied during the year

During the year, following new standards were applied in preparing these consolidated financial statements with no effect on the current year consolidated financial statements.

- IAS 1: Presentation of financial statements

IAS 1 has amended and the name of statement of comprehensive income is changed to statement of profit or loss and other comprehensive income.

- IFRS 10: Consolidated financial statements

IFRS 10 introduces a single control model to determine whether an investee should be consolidated.

- **IFRS 12: Disclosure of interests in other entities**

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

- **IFRS 11: Joint arrangements**

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Group's interest in a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Group's interest in those assets and liabilities.
- The Group's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

- **IFRS 13: Fair value measurements**

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

3. Basis of preparation

These consolidated and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards "IFRS", the requirements of the Commercial Companies Law of 1974, as amended and disclosure requirements of the Capital Market Authority.

These policies have been consistently applied in dealing with items that are considered material in relation to the Group's financial statements to all the years presented.

The preparation of consolidated and Parent Company financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and entity controlled by the Parent Company (its subsidiary). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Basis of accounting

The financial statements are prepared on the historical cost basis, except for certain financial assets and financial liabilities that are measured at fair value and amortised cost.

4. Summary of significant accounting policies

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and carried at cost less accumulated depreciation and any identified impairment loss.

The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is charged so as to write off the cost of assets other than properties under construction over their estimated useful lives, using the straight line method. The principal annual rates for this purpose are:

	Years
Buildings and civil works	5, 20 and 30
Plant and machinery	25
Motor vehicles	5
Furniture and fixtures	5
Office equipment	5
Plant vehicles, equipment and tools	3 and 5

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital work in progress

Capital work in progress is stated at cost less any impairment losses. When commissioned, capital work in progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with depreciation policies.

Impairment

Financial assets

At each financial position date, the Group's management assesses if there is any objective evidence indicating impairment of the carrying value of financial assets or non-collectability of receivables.

Impairment losses are determined as differences between the carrying amounts and the recoverable amounts and are recognised in the statement of profit or loss and other comprehensive income. Any reversal of impairment losses are recognised as income in the statement of profit or loss and other comprehensive income. The recoverable amounts represent the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted.

Non financial assets

Other than the goodwill arising on consolidation of subsidiaries and investment in associates at each financial position date, the Group assesses if there is any indication of impairment of non-financial assets. If an indication exists, the Group's management estimates the recoverable amount of the asset and recognises an impairment loss in the statement of income. Other than for goodwill, the Group's management also assesses if there is any indication that an impairment loss recognised in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of profit or loss and other comprehensive income.

The recoverable amount adopted is the higher of net realisable value or market value and its value in use.

Investments in an associate

An associate is an entity over which the Parent Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in an associate are carried in the statement of financial position at cost as

adjusted for post-acquisition changes in the Parent Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Parent Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Parent Company's net investment in the associate) are not recognised.

Investment in an associate is carried in the financial statements of the Parent Company at cost less any impairment.

Investment in a subsidiary

Investment in the subsidiary is carried in the financial statements of the Parent Company at cost less any impairment.

Investments held for trading

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as held for trading investments.

All purchases and sale of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset. Held for trading investments are initially recognised at cost, which includes transaction costs, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of held for trading investments are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

Investments available for sale

Investments intended to be held for an indefinite period of time but which may be sold in response to needs for liquidity or changes in interest rates or equity prices, are classified as available for sale.

Available for sale investments are initially recognised at cost, which includes transaction costs, and are, in general, subsequently carried at fair value. Available-for-sale equity investments that do not have a quoted market price in an active market, and for which other methods of reasonably estimating fair value are inappropriate, are measured at cost, as reduced by allowances for estimated impairment.

For available for sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the statement of profit or loss and other comprehensive income for the year.

Impairment losses recognised in profit or loss for equity investments classified as available for sale are not subsequently reversed through statement of profit or loss and other comprehensive income. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise purchase cost and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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. Any significant variance if any in actuals then the same is dealt accordingly in stock valuation.

Goodwill

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

The Group measures the goodwill at the acquisition date as:

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

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

The principal financial assets are cash and cash equivalents, bank deposits and trade and other receivables.

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. Appropriate provisions for estimated irrecoverable amounts are recognised in statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired.

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

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The principal financial liabilities are trade and other payables and bank term loans.

Trade payables are initially measured at their fair value which is the cost at the time of transaction and subsequently measured at amortised cost, using the effective interest method.

Interest bearing bank loans and borrowings are initially measured at fair value which is the cost at the time of transaction, and are subsequently measured at amortized cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement of borrowings is recognized over the term of the borrowings.

Equity instruments are recorded at the proceeds received, less direct costs.

Government term loans and deferred income

Carrying values

The carrying values of the interest free and low interest Government term loans are determined as the present values of the loans adopting the interest rates that reflect the current cost of similar borrowing on similar loan terms from a commercial bank.

Finance charge

The effective interest charge arises as a result of accounting for the fair values of the government related term loans and therefore represents the actual interest incurred for the year plus an amount arising from movements in the carrying values of the loans in the year.

Deferred income

The amount of deferred income relating to the government term loans is released to statement of profit or loss and other comprehensive income in such a way as to spread the income over the effective interest charge to which it relates.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lesser retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

End of service benefits

End of service benefits for Omani employees are contributed in accordance with the terms of the Social Securities Law of 1991.

End of service benefits for non-Omani employees has been made in accordance with the terms of the Labour Law of the Sultanate of Oman and the policy of the Group and is based on current remuneration and cumulative years of service at the end of the reporting period.

Taxation

Income tax is calculated as per the fiscal regulations of the Sultanate of Oman. Current tax is the expected tax payable on the taxable income for the year, using the tax rates ruling at the end of the reporting period.

Deferred tax

Deferred tax is recognized by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. The tax effects on the temporary differences are disclosed under non-current liabilities as deferred tax.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Revenue recognition

Sales of manufactured goods are recognized when goods are delivered and title has passed, net of discounts and returns.

Other income is accounted upon rendering services on accrual basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

Foreign currencies

Transactions denominated in foreign currencies are initially translated into Rials Omani at the rate of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated at the exchange rates prevailing on that date. The exchange gains and losses are dealt with in the statement of profit or loss and other comprehensive income.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and balance with banks with a maturity of less than three months from the date of placement.

Directors' remuneration

Director's remuneration has been computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and will be recognized as an expense in the statement of profit or loss and other comprehensive income.

Trade and other payable

Liabilities are recognized for amounts to be paid for goods and service received, whether or not billed to the Group.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend.

Dividend distribution to the Parent Company's shareholders is recognized as a liability in the Group's and Parent Company's financial statements in the period in which the dividend is declared.

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

Earnings and net assets per share

The Group presents earnings per share ("EPS") and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

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

5. Critical accounting judgment and key sources of estimation uncertainty

The preparation of the 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.

(a) Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-for-trading, or available-for-sale.

Available for sale investments

Management follows the guidance set out in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement on classifying non-derivative financial assets as available for sale. This classification requires management's judgment based on its intentions to hold such investments.

Held for trading investments

Management follows the guidance set out in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement on classifying non-derivative financial assets as held for trading.

This classification requires management's judgment based on its intentions to hold such investments.

(b) Fair value estimation

Fair value is based on quoted market prices at the end of the reporting period without any deduction for transaction costs. If a quoted market price is not available, fair value is estimated based on discounted cash flow and other valuation techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the end of the reporting period.

(c) Impairment of available for sale investments

The Group determines that available-for-sale investments are impaired when there has been a significant or prolonged decline in the fair value below its cost.

This determination of what is significant or prolonged requires judgment. In making this judgment, management evaluates among other factors, the normal volatility in share price.

In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

(d) Depreciation

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

(e) Provision for slow moving items

Provision for slow moving and obsolete inventory is based on management's assessment of various factors such as the usability, the maintenance programs, and normal wear and tear using its best estimates.

(f) Allowance for impaired debts

Allowance for impaired debts is based on management assessment of various factors such as the Company's past experience of collecting receivables from customers and the age of debt depending on transaction.

6- Goodwill

Goodwill was recognised as a result of acquisition of Pioneer as follows:

	<u>30/6/2014</u>	<u>30/6/2013</u>
Total consideration transferred	66,532,035	66,532,035
Fair value of Identifiable assets at acquisition	(20,733,449)	(20,733,449)
	<u>45,798,586</u>	<u>45,798,586</u>

Goodwill includes certain expenses incurred as part of transaction.

7- Property, plant and equipment

Parent Company

	Land, buildings and civil works	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment & tools	Capital work in progress	Total Parent Company
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 1 January 2014	30,913,219	82,728,626	318,575	87,617	964,348	5,380,353	1,304,432	121,697,170
Additions	279,840	149,749		169,990		205,282	939,102	1,743,963
Disposals			(3,980)			(373,170)		(377,150)
At 30 June 2014	31,193,059	82,878,375	314,595	257,607	964,348	5,212,465	2,243,534	123,063,983
Depreciation								
At 1 January 2014	14,534,513	36,759,054	270,444	78,758	921,141	4,959,913	-	57,523,823
Charge for the period	460,494	1,466,899	12,449	10,591	7,033	109,491		2,066,957
Disposals			(3,980)			(373,170)		(377,150)
At 30 June 2014	14,995,007	38,225,953	278,913	89,349	928,174	4,696,234		59,213,630
<i>Carrying amount</i>								
30 June 2014	16,198,052	44,652,422	35,682	168,258	36,174	516,231	2,243,534	63,850,353
At 1 January 2014	16,378,706	45,969,572	48,131	8,859	43,207	420,440	1,304,432	64,173,347

7- Property, plant and equipment (continued)

Consolidated

	Land, buildings and civil works	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment & tools	Capital work in progress	Total consolidated
	RO	RO	RO	RO	RO	RO	RO	RO
<u>Cost</u>								
At 1 January 2014	40,266,721	106,564,840	318,575	201,774	1,253,152	13,425,435	1,814,681	163,845,178
Additions	279,840	150,906		171,361	3,493	205,282	1,484,395	2,295,277
Disposals			(3,980)			(313,170)		(377,150)
At 30 June 2014	40,546,561	106,715,746	314,595	373,135	1,256,645	13,257,547	3,299,076	165,763,305
<u>Depreciation</u>								
At 1 January 2014	16,694,788	47,317,790	270,444	177,921	1,053,167	6,784,064	-	72,298,174
Charge for the period	580,766	1,943,639	12,449	14,439	27,411	368,990		2,947,694
Disposals			(3,980)			(373,170)		(377,150)
At 30 June 2014	17,275,554	49,261,429	278,913	192,360	1,080,578	6,779,884		74,868,718
<u>Carrying amount</u>								
30 June 2014	23,271,007	57,454,317	35,682	180,775	176,067	6,477,663	3,299,076	90,894,587
At 1 January 2014	23,571,933	59,247,050	48,131	23,853	199,985	6,641,371	1,814,681	91,547,004

8. Investment in associates

• Mukalla Raysut Trading and Industrial Company (“MRTIC”)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>30/6/2014</u>	<u>30/6/2013</u>	<u>30/6/2014</u>	<u>30/6/2013</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Cost	113,343	113,343	113,343	113,343
Add:Share of profits at the beginning of year	-	-	1,393,924	1,298,869
Less :Dividends received during the period	-	-	(961,611)	-
(A)	113,343	113,343	545,656	1,412,212

Investment in MRTIC represents 49% (2013: 49%) equity interest in MRTIC, a limited liability company, incorporated in Yemen.

• Oman Portuguese Cement Products LLC (“OPCP”)

Cost	(B)	1,924,087	1,924,087	1,924,087	1,924,087
Add:Share of profits at the beginning of year		--	-	556,377	413,701
		1,924,087	1,924,087	2,480,464	2,337,788
Total investment in associates	(A+B)	2,037,430	2,037,430	3,026,120	3,750,000

Investment in OPCP represents 50% of equity interest and it is a Limited Liability Company, registered in Oman and acquired on February 2011.

9 - Investment in subsidiaries

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>30/6/2014</u>	<u>30/6/2013</u>	<u>30/6/2014</u>	<u>30/6/2013</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Investments				
Raysea	3,850	3,850	-	-
Raybulk	3,850	3,850	-	-
Pioneer	66,532,035	66,532,035	-	-
Total investments	66,539,735	66,539,735	-	-

Investment in Raysea Navigation S.A (“Raysea”) represents 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 has started its commercial operation in January 2011.

Investment in Raybulk Navigation (“Raybulk”) represents 100% equity interest. Raybulk was incorporated in October 2010 in Marshall Islands. The assets of Raybulk represent a ship (Raysut 2) which is used to transport cement of the Parent Company to various destinations. Rabulk has started its commercial operation in October 2011.

On 30 December 2010, the Parent Company acquired 100% ordinary shares of Pioneer Cement Industry LLC (“Pioneer”). One share out of 55,000 shares of Pioneer is held by a third party. The registration of transfer of ownership of Pioneer was concluded on 3 January 2011. Pioneer was incorporated in 24 June 2004 in Ras Al Khaimah, UAE.

10 - Advances to subsidiaries

	<u>Parent Company</u>		<u>Consolidated</u>	
	30/6/2014 RO	30/6/2013 RO	30/6/2014 RO	30/6/2013 RO
Raysea	3,639,176	3,639,176	-	-
Raybulk	3,841,632	3,841,632	-	-
Total advances (I)	7,480,808	7,480,808	-	-

Advances to Raysea and Raybulk represent the purchase cost of the ships and expenses incurred during the pre- operating period and are interest free, unsecured and not repayable within the next twelve months.

11- Investments available for sale

Unquoted - local unquoted (at cost)	125,000	125,000	125,000	125,000
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Management believe that the fair value of investments available for sale at 30 June 2014 is not materially different than their cost.

12. Inventories

Raw materials	1,105,852	1,085,166	2,003,800	1,685,796
Work in progress	821,043	1,271,725	1,571,155	2,369,512
Finished goods	400,698	838,234	551,016	970,998
Spares and consumables	9,851,901	9,283,977	13,940,075	12,134,791
Provision for slow-moving items	(1,912,832)	(1,598,778)	(2,252,296)	(1,875,122)
	10,266,662	10,880,324	15,813,750	15,285,975

Movement in provision for slow moving items is as under:

Opening balance	1,852,832	1,538,778	2,160,736	1,752,002
Current period charges	60,000	60,000	91,560	123,120
Closing balance	1,912,832	1,598,778	2,252,296	1,875,122

13. Trade receivables

Trade receivables- others	6,123,288	5,380,352	9,547,198	8,756,001
Receivable from related parties(note35)	891,907	1,205,948	1,716,940	1,369,313
Allowance for impaired debts	(548,330)	(625,052)	(558,850)	(625,052)
	6,466,865	5,961,248	10,705,288	9,500,262

Movement in allowance for impaired debts :

Opening balance	543,757	664,075	543,757	664,075
Current period charges	4,573	(30,843)	15,093	(30,843)
Bad debts		(8,180)		(8,180)
Closing balance	548,330	625,052	558,850	625,052

14. Investments held for trading

<u>Parent Company</u>	<u>Consolidated</u>
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	<u>30/6/2014</u>	<u>30/6/2013</u>	<u>30/6/2014</u>	<u>30/6/2013</u>
	RO	RO	RO	RO
Marketable securities				
Bank Dhofar	3,741,350	3,194,116	3,741,350	3,194,116
Dhofar Insurance	314,667	266,667	314,667	266,667
Dhofar University	390,000	255,000	390,000	255,000
	<u>4,446,017</u>	<u>3,715,783</u>	<u>4,446,017</u>	<u>3,715,783</u>
Cost				
Bank Dhofar	938,044	938,044	938,044	938,044
Dhofar Insurance	29,600	29,600	29,600	29,600
Dhofar University	300,000	300,000	300,000	300,000
	<u>1,267,644</u>	<u>1,267,644</u>	<u>1,267,644</u>	<u>1,267,644</u>

Investment in banking sector represents 84% (2013: 86%) of the Group's total investment portfolio.

15. Prepayments and other receivables

Advances and deposits	2,295,672	3,114,034	3,788,694	3,287,466
Advances for projects	1,081,513	29,120	1,081,513	29,120
Advances to staff	12,953	18,478	45,834	40,031
Prepayments and accrued income	90,578	185,349	965,307	1,057,047
	<u>3,480,716</u>	<u>3,346,981</u>	<u>5,881,348</u>	<u>4,413,664</u>

16. Bank deposits and cash and cash equivalents

Bank deposits				
Short term deposit	--	7,000,000	--	7,000,000
Cash and cash equivalents				
Cash in hand	6,500	6,500	33,006	65,383
<i>Cash at bank</i>				
Current account and call deposits	14,005,224	6,861,280	21,754,577	11,892,657
Cash and cash equivalents	<u>14,011,724</u>	<u>6,867,780</u>	<u>21,787,583</u>	<u>11,958,040</u>

Interest is earned on call deposits at the rates ranging between 0.75% and 1.00 % per annum.

Short-term deposits earned interest at rates ranging from 1.0 to 1.5% per annum.

17. Share capital

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>30/6/2014</u>	<u>30/6/2013</u>	<u>30/6/2014</u>	<u>30/6/2013</u>
	RO	RO	RO	RO
Authorised, issued and paid up share capital	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>

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

At 30 June, the shareholders who own 5% or more of the Parent Company's share capital are:

<u>Parent and Consolidated</u>	
<u>30/6/2014</u>	<u>30/6/2013</u>

	% Share holding	Shares held	% Share holding	Shares held
Abu Dhabi Fund for Development	15.00	30,000,000	15.00	30,000,000
Islamic Development Bank	11.71	23,415,000	11.71	23,415,000
Dolphin International Co.	10.33	20,657,710	10.33	20,657,710
Abdullah Abdul Aziz Al Rajhi	8.76	17,527,711	8.75	17,509,290
Baader Bank Aktiengesells	8.04	16,085,328	8.04	16,085,328
Sindibad int.trading Co.	5.94	11,878,639	5.94	11,878,639
Ministry of defence pension fund	6.88	13,760,074	6.25	12,495,849
	66.67	133,324,462	66.02	132,041,816
Others	33.33	66,675,538	33.98	67,958,184
	100.00	200,000,000	100.00	200,000,000

18. Share premium

Share premium account is not available for distribution.

19. Legal reserve

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

20. 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 is already reached.

21. 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 is already reached as mentioned in note 20 for Asset replacement reserve.

22. Retained earnings

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

23. Term loans

	<u>Parent Company</u>		<u>Consolidated</u>	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RO	RO	RO	RO
Non current portion				

Oman Arab Bank	5,250,000	10,400,000	5,250,000	10,400,000
Bank Dhofar	25,750,000	28,000,000	25,750,000	28,000,000
Bank Muscat	16,250,000	17,600,000	16,250,000	17,600,000
Non-current portion	47,250,000	56,000,000	47,250,000	56,000,000
Current portion				
Oman Arab Bank	900,000	800,000	900,000	800,000
Bank Dhofar	2,250,000	2,000,000	2,250,000	2,000,000
Bank Muscat	1,350,000	1,200,000	1,350,000	1,200,000
Total current portion	4,500,000	4,000,000	4,500,000	4,000,000
Total Term loans	51,750,000	60,000,000	51,750,000	60,000,000
In foreign currency	-	-	-	-
In Local currency	51,750,000	60,000,000	51,750,000	60,000,000
Gross loans	51,750,000	60,000,000	51,750,000	60,000,000

During 2012, to better manage the cash flow and to avail the benefits of lower interest rates in the market, the Company restructured its long term loan commitments. New loans of RO 64 million were taken and previous loans were fully settled.

The new loans of RO 64 million were obtained from the following banks:

A loan of RO 32 million was obtained from Bank Dhofar repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the 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 6th to 9th instalments, and RO 2 million for last 11 instalments.

A loan of RO 20 million was obtained from Bank Muscat repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over the fixed assets of the Company and assignment of insurance policies along with other banks. The repayment commitment is RO 0.6 million for the first 5 instalments, RO 0.75 million from 6th to 9th instalments, RO 1.25 million for next 10 instalments with last instalment of RO 1.5 million.

A loan of RO 12 million was obtained from Oman Arab Bank repayable in 20 semi-annual variable instalments. The loan is secured by first pari pasu charge over the fixed assets of the Company and assignment of insurance policies along with other banks. The repayment commitment is RO 0.4 million for the first 5 instalments, RO 0.5 million from 6th to 9th instalments, RO 0.75 million for the next 10 instalments with last instalment of RO 0.5 million. However the leverage ratio should not exceed 3.1 at all times.

The company has settled RO 4.25 Million as a part of the loan installments in advance to Oman Arab Bank in May 2014 before the due date, provided that the prepaid installments are for the period from December 2019 up to June 2022, for the sake of interest reduction.

The interest rates applicable for the above loans are:

- 3% per annum for the first year
- 3.5% per annum for the second year
- 4% per annum for the third year, thereafter subject to annual reset on a negotiated basis

24. **Deferred tax liability**

Deferred tax assets (liabilities) are attributable to the following items:

Parent Company and Consolidated

<u>31 Dec.2013</u>	<u>Charge for the period</u>	<u>30 June 2014</u>
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Net deferred tax liability	<u>3,288,000</u>	<u>124,500</u>	<u>3,412,500</u>
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25. Trade and other payables

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>30/6/2014</u> RO	<u>30/6/2013</u> RO	<u>30/6/2014</u> RO	<u>30/6/2013</u> RO
Due to related parties (note35)	1,913,860	1,241,460		--
Trade payables- others	957,102	1,030,802	4,529,971	4,512,533
Expansion project payables	71,120	28,267	71,120	28,267
Accrued expenses	5,053,439	5,939,523	6,413,349	7,431,362
Accrued interest	160,994	149,555	160,994	149,555
Other payables	73,197	62,234	144,263	133,237
Income tax payable	1,772,000	1,615,000	1,772,000	1,615,000
	<u>10,001,712</u>	<u>10,066,841</u>	<u>13,091,697</u>	<u>13,869,954</u>

26. Net assets per share

A 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:

Net assets (RO)	<u>113,541,098</u>	<u>105,151,497</u>	<u>130,224,082</u>	<u>116,834,615</u>
Number of shares at 30 June 014	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Net asset per share	<u>0.568</u>	<u>0.526</u>	<u>0.651</u>	<u>0.584</u>

27. Revenue

Sales - local	21,318,996	21,884,762	25,709,989	26,851,592
Sales - export	14,286,608	14,451,436	23,785,288	22,671,850
	<u>35,605,604</u>	<u>36,336,198</u>	<u>49,495,277</u>	<u>49,523,442</u>

28. Cost of sales

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>30/6/2014</u> RO	<u>30/6/2013</u> RO	<u>30/6/2014</u> RO	<u>30/6/2013</u> RO
Production expenses:				
Raw materials consumed	998,095	1,001,510	2,444,562	3,949,465

Imported cement	648,990	1,008,700	-	156,314
Spares and consumables	1,939,896	1,769,379	2,651,435	2,764,539
Employee related expenses	2,581,783	3,091,428	3,735,248	4,223,890
Fuel, gas and electricity	4,539,108	4,433,729	10,856,664	10,815,193
Packing materials	957,449	1,122,536	1,571,355	1,688,624
Depreciation (note 7)	2,066,958	2,147,709	2,947,695	3,049,536
Other factory overheads	683,631	839,024	1,171,795	1,297,166
Provi.for slow moving inventory	60,000	60,000	91,560	123,120
Inventory adjustment	750,992	854,545	1,667,203	61,457
	15,226,902	16,328,560	27,137,517	28,129,304
Distribution expenses:				
Transport Charges	286,888	342,588	286,888	355,487
Export Expenses	3,173,709	3,173,425	2,371,273	2,941,951
Mct/Sohar-shipping/terminal exp.	2,115,861	1,964,353	1,355,069	853,076
	5,576,458	5,480,366	4,013,230	4,150,514
	20,803,360	21,808,926	31,150,747	32,279,818

Total employee related expenses comprise:

Wages and salaries	2,105,124	1,920,445	2,907,093	2,750,336
Other benefits	379,336	1,076,566	687,294	1,344,938
Contributions to defined contribution retirement plan	46,467	40,273	55,636	40,273
Increase in liability for unfunded benefit retirement plan	50,856	54,144	85,226	88,343
	2,581,783	3,091,428	3,735,248	4,223,890

29. General and administrative expenses

Advertisement and promotion	2,603	5,198	45,229	40,126
Training ,seminars and recruitment exp.	17,543	8,443	18,760	9,495
Telephone and fax	29,691	24,026	48,761	44,169
Travelling	75,356	29,039	78,972	30,671
Legal expenses	1,500	8,100	1,500	8,100
Audit fees	6,600	6,600	12,967	13,294
Others professional fees	-	11,519	79,092	76,187
Donation	61,622	12,470	61,622	12,470
Directors' fees and remun.(note36)	27,000	22,500	27,000	22,500
Capital market fees	26,196	22,446	26,196	22,446
Rents and utilities	48,463	42,688	106,101	87,855
Provision for doubtful debts	4,573	(30,843)	15,093	(30,843)
Others	60,174	81,878	92,344	115,417
	361,321	244,064	613,637	451,887

30. Other income

Profit from sale of assets	30,135	450	30,135	450
Other income from services	83,650	60,544	88,430	75,525
Total other income	113,785	60,994	118,565	75,975

31. Net financing cost

	<u>Parent Company</u>		<u>Consolidated</u>	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	RO	RO	RO	RO
Interest on long term loans	1,005,278	925,147	1,005,278	925,147
Interest on overdraft				823
Exchange difference	237	(9,989)	484	(1,444)

Others	5,031	4,830	19,560	27,470
Interest Income on bank deposits	(67,277)	(57,269)	(67,277)	(57,269)
Net financing cost	943,269	862,719	958,045	894,727

32. Investment income

Investment Income	143,529	126,987	143,529	126,987
Dividend from associate	961,611	--	--	--
	1,105,140	126,987	143,529	126,987
Profit(Loss) on measurement of investments	448,587	286,503	448,587	286,503

33. Provision for income tax

(Provision) for / Release of tax	124,500	48,000	124,500	48,000
Provision for income tax expenses	1,772,000	1,615,000	1,772,000	1,615,000
	1,896,500	1,663,000	1,896,500	1,663,000

34. Earnings per share basic and diluted

Earnings per share basic and diluted are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the period as follows:

Net profit for the year (RO)	13,268,666	12,231,973	15,587,029	14,723,475
Weighted average number of shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings per share basic and diluted (RO)	0.066	0.061	0.078	0.074

35. Related parties

The Group has entered into transactions with its executive officers, Directors 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 on terms and conditions, which the Directors believe could be obtained on an arm's length basis from independent third parties.

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

	<u>Parent Company</u>		<u>Consolidated</u>	
	30/6/2014 RO	30/6/2013 RO	30/6/2014 RO	30/6/2013 RO
Due from related parties (note13):				
Related to Directors :				
- Salalah Ready Mix LLC	--	532,753	-	532,753
- Modern Contracting Company	4,640	1,160	4,640	1,160
- MRTIC	884,391	665,156	884,391	665,156
-OPCP	2,876	6,879	827,909	170,244
	891,907	1,205,948	1,716,940	1,369,313

	<u>Parent Company</u>		<u>Consolidated</u>	
	30/6/2014 RO	30/6/2013 RO	30/6/2014 RO	30/6/2013 RO
Due to related parties (note 25)				
Related to Directors :				
-Pioneer cement	176,118	328,206	--	--

- Raysea Navigation	226,193	129,033	--	--
-Rabulk Navigation	1,511,549	784,221	--	--
	1,913,860	1,241,460	--	--

36. Comparative figures

Certain comparative information have been reclassified to conform to the presentation adopted in these financial statements.