RAYSUT CEMENT COMPANY SAOG
Notes to the financial statements
For the nine months period ended 30 September 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 Parent 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 30 September 2014, and have not been applied in preparing these financial statements. Those which may be relevant to the Group 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.

IFRS 15: Revenue from Contracts with Customers
IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) identify the contract with the customer (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contracts (5) recognise revenue when (or as) the entity satisfies a performance obligation. IFRS 15 is effective for annual period beginning on or after January 2017.

Amendments to IFRS 11Accounting for Acquisitions of Interests in Joint Operations

Amends IFRS 11 Joint Arrangements to require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3 Business Combinations) to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11
- disclose the information required by IFRS 3 and other IFRSs for business combinations

This amendment is effective for annual period beginning on or after January 2016.

Amendments to IAS 16 and IAS 38) Clarification of Acceptable Methods of Depreciation and Amortisation

Amends IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to:

- clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

- introduce a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated

- add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

This amendment is effective for annual period beginning on or after January 2016.

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 5.

Basis of consolidation

This comprise those of Raysut Cement Co SAOG and subsidiaries at 30 September 2014 . Subsidiaries are all entities (including special purpose entities) over which the Group exercises control. Control is achieved when the Parent 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 Parent 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 Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full 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 reporting 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 reporting 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.

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

Interest bearing borrowing

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.

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. Monitory 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

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 Parent 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) Useful lives of property , plant and equipment

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) Allowance for slow moving items

Allowance 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 Cement industry LLC as follows:

	Consolidated	
	30/9/2014	30/9/2013
Total consideration transferred	**66,532,035**	66,532,035
Less : Fair value of Identifiable assets at acquisition	**(20,733,449)**	(20,733,449)
	45,798,586	45,798,586

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	429,912	512,618	20,000	169,990	4,600	207,682	855,897	2,200,699
Disposals	-	-	(3,980)	-	-	(373,170)	-	(377,150)
At 30 Sept. 2014	**31,343,131**	**83,241,244**	**334,595**	**257,607**	**968,948**	**5,214,865**	**2,160,329**	**123,520,719**
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	685,707	2,203,563	17,728	20,136	10,689	163,131	-	3,100,954
Disposals	-	-	(3,980)	-	-	(373,170)	-	(377,150)
At 30 September. 2014	**15,220,220**	**38,962,617**	**284,192**	**98,894**	**931,830**	**4,749,874**	**-**	**60,247,627**
Carrying value								
30 September. 2014	**16,122,911**	**44,278,627**	**50,403**	**158,713**	**37,118**	**464,991**	**2,160,329**	**63,273,092**
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
Cost								
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	429,912	513,775	20,000	173,478	8,093	207,682	2,976,217	4,329,157
Disposals	-	-	(3,980)	-	-	(373,170)		(377,150)
Transfers	117,115	410,261	-	-	-	-	(391,879)	135,497
At 30 September 2014	**40,813,748**	**107,488,876**	**334,595**	**375,252**	**1,261,245**	**13,259,947**	**4,399,019**	**167,932,682**
Depreciation								
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	868,066	2,920,044	17,728	35,883	31,067	551,694	-	4,424,482
Disposals			(3,980)			(373,170)	-	(377,150)
At 30 Sept. 2014	**17,562,854**	**50,237,834**	**284,192**	**213,804**	**1,084,234**	**6,962,588**	**-**	**76,345,506**
Carrying value								
At 30 September 2014	**22,250,894**	**57,251,042**	**50,403**	**161,448**	**177,011**	**6,297,259**	**4,399,019**	**91,587,176**
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")**

		Parent Company		Consolidated	
		30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
		RO	RO	**RO**	RO
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		**-**	-	**(1,111,186)**	(1,036,185)
	(A)	**113,343**	113,343	**396,081**	376,027

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	**2,876,545**	2,713,815

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

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Investments				
Raysea (Note 9.1)	**3,850**	3,850	**-**	-
Raybulk (Note 9.2)	**3,850**	3,850	**-**	-
Pioneer (Note 9.3)	**66,532,035**	66,532,035	**-**	-
Total investments	**66,539,735**	66,539,735	**-**	-

9.1-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.

9.2-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.

9.3-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

	Parent Company		Consolidated	
	30/9/2014 RO	30/9/2013 RO	**30/9/2014 RO**	30/9/2013 RO
Raysea	**3,445,176**	3,639,176	**-**	-
Raybulk	**2,260,632**	3,841,632	**-**	-
Total advances	**5,705,808**	7,480,808	**-**	-

Advances to Raysea and Raybulk represent the purchase cost of the ships and expenses incurred during the pre-operating period . During the current period an amount of RO 194,000 for Raysea and RO 1,581,000 for Raybulk was adjusted towards this advance against the charter hire payables.

11- Investments available-for-sale

Unquoted - local unquoted (at cost)	**125,000**	125,000	**125,000`**	125,000

Board of Directors believe that the fair value of investments available for sale at 30 September 2014 is not materially different than their cost.

12. Inventories

Raw materials	**971,349**	1,065,039	**1,900,519**	1,792,459
Work in progress	**1,128,956**	1,309,968	**1,653,912**	2,458,186
Finished goods	**435,193**	861,614	**556,411**	927,311
	2,535,498	3,236,621	**4,110,842**	5,177,956
Spares and consumables	**9,589,136**	8,865,309	**13,825,073**	11,570,601
Allowance for slow-moving items	**(1,942,832)**	(1,628,778)	**(2,298,076)**	(1,936,682)
	10,181,802	10,473,152	**15,637,839**	14,811,875

Movement in allowance for slow moving items is as under:

At 1 January	**1,852,832**	1,538,778	**2,160,736**	1,752,002
Current period charges	**90,000**	90,000	**137,340**	184,680
At 30 September	**1,942,832**	1,628,778	**2,298,076**	1,936,682

13. Trade receivables

Trade receivables- others	**5,783,475**	5,365,345	**8,910,378**	8,688,153
Receivable from related parties (note35)	**806,616**	1,031,942	**1,297,030**	1,450,326
Allowance for impaired debts	**(581,666)**	(587,776)	**(812,366)**	(587,776)
	6,008,425	5,809,511	**9,395,042**	9,550,703

Movement in allowance for impaired debts :

At 1 January	**543,757**	664,075	**543,757**	664,075
Current period charges	**37,909**	(68,119)	**268,609**	(68,119)
Written off		(8,180)		(8,180)
At 30 September	**581,666**	587,776	**812,366**	587,776

14. Investments held for trading

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Marketable securities				
Bank Dhofar	**3,760,939**	3,176,469	**3,760,939**	3,176,469
Dhofar Insurance	**304,000**	333,333	**304,000**	333,333
Dhofar University	**439.500**	361,500	**439,500**	361,500
	4,504,439	3,871,302	**4,504,439**	3,871,302
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
	1,267,644	1,267,644	**1,267,644**	1,267,644

Investment in banking sector represents 83.5% (2013: 82%) of the Group's total investment portfolio.

15. Prepayments and other receivables

Advances and deposits	**2,088,278**	3,180,114	**2,311,157**	3,435,516
Advances for projects	**2,036,733**	39,124	**2,036,733**	39,124
Advances to staff	**21,648**	14,614	**52,606**	32,361
Prepayments and accrued income	**145,539**	164,452	**1,295,337**	900,315
	4,292,198	3,398,304	**5,695,833**	4,407,316

16. Bank deposits and cash and cash equivalents

Bank deposits				
Short term deposit	**11,000,000**	13,500,000	**15,208,000**	13,500,000
Cash and cash equivalents				
Cash in hand	**6,500**	6,500	**59,212**	113,203
Cash at banks-current account	**4,519,128**	973,558	**8,743,300**	6,845,813
Call deposits	**4,496,205**	5,098,398	**4,496,205**	5,098,398
Cash and cash equivalents	**9,021,833**	6,078,456	**13,298,717**	12,057,414

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

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Authorised, issued and paid up share capital	**20,000,000**	20,000,000	**20,000,000**	20,000,000

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

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

	Parent and Consolidated			
	30/9/2014		30/9/2013	
	% 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 Aktiengasells	**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
	66.66	**133,324,462**	66.02	132,041,816
Others	**33.34**	**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

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Non current portion				
Oman Arab Bank SAOC	**5,250,000**	10,400,000	**5,250,000**	10,400,000
Bank Dhofar SAOG	**25,750,000**	28,000,000	**25,750,000**	28,000,000
Bank Muscat SAOG	**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 SAOC	**900,000**	800,000	**900,000**	800,000
Bank Dhofar SAOG	**2,250,000**	2,000,000	**2,250,000**	2,000,000
Bank Muscat SAOG	**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 Parent 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 12 million was obtained from Oman Arab Bank SAOC 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 6^{th} to 9^{th} 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.

A loan of RO 32 million was obtained from Bank Dhofar SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the Parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 1.0 million for the first 5 instalments, RO 1.25 million from 6^{th} to 9^{th} instalments, and RO 2 million for last 11 instalments.

A loan of RO 20 million was obtained from Bank Muscat SAOG 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 Parent 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 6^{th} to 9^{th} instalments, RO 1.25 million for next 10 instalments with last instalment of RO 1.5 million.

The Parent company has settled RO 4.25 Million as a part of the loan installments in advance to Oman Arab Bank SAOC 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		
	31 Dec.2013	Charge for the period	**30 Sept. 2014**
Deferred tax liability	3,288,000	10,000	**3,298,000**

25. Trade and other payables

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Due to related parties (note35)	**579,320**	1,182,920	**-**	-
Trade payables- others	**1,274,316**	1,260,338	**4,230,844**	4,458,228
Expansion project payables	**72,808**	28,267	**72,808**	28,267
Accrued expenses	**4,939,573**	4,840,916	**6,559,932**	6,291,429
Accrued interest	**181,128**	157,114	**181,128**	157,114
Other payables	**85,647**	75,233	**142,554**	175,826
Income tax payable	**2,381,000**	2,241,000	**2,381,000**	2,241,000
	9,513,792	9,785,788	**13,568,266**	13,351,864

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)	**118,127,970**	109,919,850	**135,510,911**	121,321,993
Number of shares at 30 September 2014	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Net asset per share	**0.591**	0.550	**0.678**	0.607

27. Revenue

Sales - local	**30,984,737**	31,080,750	**37,442,037**	38,174,579
Sales - export	**19,449,806**	19,807,216	**33,315,345**	32,016,710
	50,434,543	50,887,966	**70,757,382**	70,191,289

28. Cost of sales

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Production expenses:				
Raw materials consumed	**1,521,700**	1,455,020	**3,646,674**	5,094,194
Imported cement	**819,537**	1,156,971	**-**	156,314
Spares and consumables	**3,011,512**	3,042,863	**4,392,626**	4,742,546
Employee related expenses	**4,046,264**	4,463,017	**5,887,259**	6,175,758
Fuel, gas and electricity	**6,596,627**	6,410,441	**15,744,570**	15,813,639
Packing materials	**1,383,401**	1,604,951	**2,293,603**	2,455,927
Depreciation (note 7)	**3,100,954**	3,203,244	**4,424,482**	4,553,665
Other factory overheads	**1,083,924**	1,226,700	**1,957,113**	1,887,401
Provi.for slow moving inventory	**90,000**	90,000	**137,340**	184,680
Inventory adjustment	**445,274**	729,693	**1,615,741**	(46,759)
	22,099,193	23,382,900	**40,099,408**	41,016,466
Distribution expenses:				
Transport Charges	**508,459**	518,256	**508,459**	535,298
Export Expenses	**4,295,254**	4,475,569	**3,203,807**	3,549,646
Mct/Sohar-shipping/terminal exp.	**3,253,032**	3,190,232	**1,916,155**	2,101,553
	8,056,745	8,184,059	**5,628,421**	6,186,497
	30,155,938	31,566,959	**45,727,829**	47,202,963

Total employee related expenses comprise:

Wages and salaries	**3,301,585**	2,954,871	**4,581,368**	4,186,674
Other benefits	**568,546**	1,365,244	**1,041,081**	1,794,910
Contributions to defined contribution retirement plan	**99,849**	61,686	**112,363**	61,956
Increase in liability for unfunded benefit retirement plan	**76,284**	81,216	**152,447**	132,218
	4,046,264	4,463,017	**5,887,259**	6,175,758

29. General and administrative expenses

Advertisement and promotion	**7,529**	9,875	**72,986**	63,325
Seminars and membership exp.	**6,174**	3,345	**9,799**	4,397
Training and recruitment exp.	**13,663**	12,698	**13,663**	12,698
Telephone and fax	**38,154**	39,749	**68,315**	69,981
Travelling	**86,130**	40,017	**92,770**	41,681
Legal expenses	**4,859**	6,450	**4,859**	6,450
Audit fees	**9,900**	9,900	**19,450**	22,683
IT expenses/appeal fees & exp.	**15,502**	13,076	**16,999**	14,836
Others professional fees	**-**	11,519	**119,487**	119,687
Donation	**78,969**	35,470	**78,969**	35,470
Directors' sitting fees	**36,000**	35,500	**36,000**	35,500
Capital market fees	**26,196**	22,446	**26,196**	22,446
Rents and utilities	**75,427**	66,296	**183,510**	216,436
Allowance (reversal)for doubtful debts	**37,909**	(68,119)	**268,609**	(68,119)
Others	**64,370**	91,167	**108,434**	132,581
	500,782	329,389	**1,120,047**	730,052

30. Other income

Profit from disposal of property,plant & equip.	**30,135**	450	**30,135**	450
Other income from services	**118,232**	66,463	**129,857**	83,280
Total other income	**148,367**	66,913	**159,992**	83,730

31. Net financing cost

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Interest on long term loans	**(1,530,266)**	(1,448,671)	**(1,530,266)**	(1,448,671)
Interest on overdraft				(823)
Exchange fluctuations	**7,399**	29,759	**2,809**	20,141
Others	**(7,828)**	(10,917)	**(32,714)**	(37,237)
Interest Income on bank deposits	**89,319**	80,430	**104,993**	80,430
Net financing cost	**(1,441,376)**	(1,349,399)	**(1,455,178)**	(1,386,160)

32. Investment income

Investment Income	**143,529**	126,987	**143,529**	126,987
Dividend from associate	**1,111,186**	1,036,185	**-**	-
	1,254,715	1,163,172	**143,529**	126,987
Profit(Loss) on measurement of investments	**507,009**	442,022	**507,009**	442,022

33. Provision for income tax

(Provision) for / Release of tax	**10,000**	73,000	**10,000**	73,000
Provision for income tax expenses	**2,381,000**	2,241,000	**2,381,000**	2,241,000
	2,391,000	2,314,000	**2,391,000**	2,314,000

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)	**17,855,538**	17,000,326	**20,873,858**	19,210,853
Weighted average number of shares	**200,000,000**	200,000,000	**200,000,000**	200,000,000
Earnings per share basic and diluted (RO)	**0.089**	0.085	**0.104**	0.096

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 reporting period are as follows:

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Due from related parties (note 13)				
Related to Directors :				
- Salalah Ready Mix LLC	**-**	453,911	**-**	453,911
- Modern Contracting Company	**3,480**	-	**3,480**	-
- Mukalla Raysut Trading LLC	**799,060**	574,952	**799,060**	574,952
-Oman PCP	**4,076**	3,079	**494,490**	421,463
	806,616	1,031,942	**1,297,030**	1,450,326

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Due to related parties (note 25)				
Related to Directors :				
-Pioneer cement	**78,780**	90,520	-	-
- Raysea Navigation	**250,371**	284,596	-	-
-Rabulk Navigation	**250,069**	807,804	-	-
	579,320	1,182,920	-	-

During the period , related parties transactions were as follows:

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
Sales to related partiestors :				
Sales to related parties :				
- Salalah Ready Mix LLC	**1,342,289**	1,441,227	**1,342,289**	1,441,227
- Modern Contracting Company	**12,180**	4,640	**12,180**	4,640
- Mukalla Raysut Trading LLC	**10,560,995**	9,862,419	**10,560,995**	9,862,419
-Oman Portogese Cement	**3,690**	28,979	**3,690**	28,979
	11,919,154	11,337,265	**11,919,154**	11,337,265
Purchase of goods and services from related parties:				
- Pioneer Cement Industry LLC	**817,963**	1,171,033	**817,963**	1,171,033
- Raysea Navigation	**966,092**	1,011,031	**966,092**	1,011,031
- Raybulk Navigation	**1,470,136**	1,003,571	**1,470,136**	1,003,571
- Mukalla Raysut Trading LLC	**90,718**	158,506	**90,718**	158,506
	3,344,909	3,344,141	**3,344,909**	3,344,141

Compensation to Key management personnel

	Parent Company		Consolidated	
	30/9/2014	30/9/2013	**30/9/2014**	30/9/2013
	RO	RO	**RO**	RO
- Board of directors sitting fees (note 29)	**36,000**	35,500	**36,000**	35,500
	36,000	35,500	**36,000**	35,500
- Salaries , allowances and performance bonus paid to executive officers	**483,902**	551,768	**483,902**	551,768
	519,902	587,268	**519,902**	587,268

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).

36. Comparative figures

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