

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018**

1 Legal and principal activities

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

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

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

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

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

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

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

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

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

2 Statement of compliance

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

3 Basis of preparation

These consolidated and separate financial statements are prepared on the historical cost basis.

3.1 Use of judgments and estimates

The preparation of consolidated and separate financial statements in conformity with IFRSs requires the Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

3 Basis of preparation (continued)

3.1 Use of judgments and estimates (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision prospectively if the revision affects both current and future periods.

4 Functional and presentation currency

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

5 Basis of consolidation

(a) Business combinations

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

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

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(c) Non-controlling interest

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any recognized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as recognized gains, but only to the extent that there is no evidence of impairment.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

5 Basis of consolidation (continued)

(f) Non-controlling interest

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

6 Summary of significant accounting policies

6.1 Revenue recognition

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

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

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

6.2 Interest income and expense

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

6.3 Leases

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

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

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

6.4 Foreign currency

(a) Foreign currency transactions

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

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

6 Summary of significant accounting policies (continued)**6.4 Foreign currency (continued)****(a) Foreign currency transactions (continued)**

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

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

(b) Foreign operations

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

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

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

(c) Discontinued operations

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

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

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative year.

(d) Group companies

The accounting records of a subsidiary, Pioneer Cement Industries LLC are maintained in UAE Dirhams (AED). The Rial Omani amounts included in the consolidated financial statements have been translated at an exchange rate of 0.1052 (30 September 2017 - 0.1052) Omani Rial to each AED for the statement of comprehensive income and the statement of financial position items, as the AED to RO exchange rate has effectively remained fixed during the period, as both currencies are pegged to the US Dollar.

6.5 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6.5 Income tax (continued)

(a) Current tax

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

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

(b) Deferred tax

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

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

6.6 Earnings and net assets per share

The Group presents basic and diluted earnings per share (“EPS”) and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, whereas diluted EPS also includes dilutive potential ordinary shares (such as options and convertible instruments) if they meet certain criteria.

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

6.7 Directors' remuneration

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

6.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, except for land and capital work-in-progress which are carried at cost less impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

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

The cost of replacing part of an item of property, plant and equipment is capitalized in the carrying amount of an item if it is probable that future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

6 Summary of significant accounting policies (continued)

6.8 Property, plant and equipment (continued)

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

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

Buildings and civil works	5 - 30 years
Plant and machinery	25 years
Ships	6 years
Ship un-loader and Blow pump	10 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Plant vehicles, equipment and tools	3 - 10 years

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

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

6.9 Capital work-in-progress

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

6.10 Impairment

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment loss. If any such indication exists, then the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the consolidated and Parent Company's statement of comprehensive income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised net of depreciation or amortization.

6.11 Intangible assets

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

Intangible work-in-progress is not depreciated until it is transferred into intangible assets category, which occurs when the asset is available for intended use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

6.12 Investments in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

6.13 Investments in subsidiaries

(a) Classification

Subsidiaries are all entities over which the parent company has control. The parent company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(b) Valuation

Investments in subsidiaries are carried in the financial statements of the Parent Company at cost less any impairment.

6.14 Inventories

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

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

6.15 Financial instruments

The Group classifies its financial assets in the following categories: held-to-maturity financial assets, financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

6.15.1 Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

6.15 Financial instruments (continued)

(a) Non-derivative financial assets – Measurement

Financial assets at FVTPL

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

Held to maturity financial assets

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

Loans and receivables

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

Available-for-sale financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

(b) Non-derivative financial liabilities - Measurement

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

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

Borrowings

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

Trade and other payables

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

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)****6 Summary of significant accounting policies (continued)****6.16 Cash and cash equivalents**

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

6.17 Employees' end of service benefits

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

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

6.18 Provisions

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

6.19 Dividends

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

6.20 Borrowing costs

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

6.21 Goodwill

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

The Group measures the goodwill at the acquisition date as:

- Fair value of consideration transferred, plus
 - Recognizable amount of any non-controlling interests in the acquire, less.
 - The net recognised amount (generally the fair value) of the assets acquired and liabilities assumed.
- Accumulated impairment losses, if any in respect of goodwill arising on consolidation are assessed on annual basis. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

6.22 Segment reporting

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

6.23 New standards, amendments and interpretations effective from 1 January 2018

The following standards, amendments and interpretations became effective as of 1 January 2018:

A. IFRS 9 Financial Instruments

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

i. Classification – Financial assets

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

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

Business model assessment

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI test)

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

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

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

6.23 New standards, amendments and interpretations effective from 1 January 2018 (continued)
A. IFRS 9 Financial Instruments (continued)

Financial assets carried at Amortised cost:

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of income.

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

Equity investments at FVOCI

Upon initial recognition, the Company makes an irrevocable election to classify some of its equity investments as equity investments at FVOCI if they are not held for trading and meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument by instrument basis.

Equity investments at FVOCI are subsequently measured at fair value. Changes in fair values including foreign exchange component are recognised in other comprehensive income and presented in the cumulative changes in fair values in equity. Cumulative gains and losses previously recognised in other comprehensive income are transferred to retained earnings on derecognition and are not recognised in the statement of comprehensive income. Dividend income on equity investments at FVOCI are recognised in the statement of comprehensive income unless they clearly represent a recovery of the cost of the investment in which case they are recognised in other comprehensive income. Equity investments at FVOCI are not subject to impairment assessment.

Financial assets carried at fair value through profit or loss:

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

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

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

ii. Impairment – Financial assets

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

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

IFRS 9 Financial Instruments (continued)

ii. Impairment – Financial assets (continued)

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

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

However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component. The estimated ECLs were calculated taking into account the following criteria:

- actual credit loss experience over the past 06 years
- ageing of trade receivables; and
- discount factor applied for receivables where there are corresponding payables to the same party thus mitigating the Company's exposure.

Accounting policies applied prior to 1 January 2018

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

iii. Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognized in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

iv. Transition

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

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

B. IFRS 15 Revenue from Contracts with Customers

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

Sale of goods

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

6 Summary of significant accounting policies (continued)

6.24 Standards, amendments and interpretations issued that are not yet effective (and which have not yet been adopted) that are not relevant for the Company's operations

A. IFRS 16 Leases

IFRS 16 Leases sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

6.25 Changes in accounting policies

As explained in note 6.24, the Group has adopted IFRS 9 on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

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

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

i. Classification and measurement of financial instruments

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

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

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

	Parent	Group
	RO	RO
		(Restated)
Opening retained earnings - IAS 39	83,775,779	97,565,397
Increase in provision for trade receivables	(63,368)	(73,487)
Adjustment to retained earnings from adoption of IFRS 9	(63,368)	(73,487)
Reclassify investments from AFS to FVTOCI	-	-
Opening retained earnings - IFRS 9	83,712,411	97,491,910

6.25 Changes in accounting policies (continued)

ii. Reclassification of financial instruments on adoption of IFRS 9

	Measurement category	Carrying value			#
		Original (IAS 39)	New (IFRS 9)	Original RO	
Parent					
Trade receivables	Amortised cost	Amortised cost	6,531,168	6,467,800	63,368
Group					
Trade receivables	Amortised cost	Amortised cost	12,699,286	12,625,799	73,487
Parent and Group					
Unlisted investments	Available for sale	Fair value Through Other Comprehensive Income	125,000	125,000	-

The differences noted in this column are the result of applying the new expected credit loss model. The reclassifications of the financial instruments on adoption of IFRS 9 did not result in any changes to measurements.

Equity investments previously classified as available-for-sale

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

7 Financial risk management

7.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

At 30 September 2018, if the Rial Omani had weakened/strengthened by 10% against the Euro in case of the parent company and the Group, with all other variables held constant, it would have an insignificant impact on the pre-tax profit for the year on the consolidated and separate financial statements.

The Group is also exposed to foreign currency risk on investment in an associate in the aggregate amount of approximately RO 225,369 (30 September 2017: RO 113,343) denominated in Yemeni Rials, with all other variables held constant, it would have an insignificant impact on the pre-tax profit for the year on the consolidated and separate financial statements.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities in the market.

The Group is exposed to price risk arising from exposure to volatility in the Muscat Securities Market (MSM) on the investments in listed equity securities included as either fair value through profit or loss or available-for-sale financial assets. The table below summarises the impact of increases/ decreases of the indices on the Group's profits and on other components of equity. The analysis is made on the assumption that the equity indices will increase/decrease by 10% with all other variables held constant and all the Group's equity instruments moved according to the historical correlation with the respective indices:

Parent and consolidated	Impact on the company's pre-tax profits (on financial assets at fair value through profit or loss)		Impact on the group's pre-tax profits (on financial assets at fair value through profit or loss)	
	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
MSM	RO	317,751	RO	386,809
		317,751		386,809

(i) Interest rate risk

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

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

At the reporting date, if the interest rate were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 97,500 (30 September 2017 - RO 126,875) on the consolidated and separate financial statements.

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

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations as invoices fall due from 180 days after being raised and arises principally from cash and cash equivalents, deposits with banks as well as credit exposures to customers including outstanding amounts from related parties and committed transactions.

(i) Trade and other receivables

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

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 30 September 2018 is determined as follows; the expected credit losses below also incorporate forward looking information.

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

7.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and other receivables (continued)

	30 September 2018		30 September 2017	
	Gross RO	Allowance for impairment of trade receivables RO	Gross RO	Allowance for impairment of trade receivables RO
Parent Company				
Not due 0 to 180 days	6,467,800	-	6,353,274	-
Past due 181 to 365 days	32,553	32,553	45,243	45,243
Past due 1 to 2 years	28,628	28,628	36,426	36,426
More than 2 years	373,866	373,866	365,754	365,754
	6,902,847	435,047	6,800,697	447,423
Consolidated				
Due 0 to 180 days	12,194,877	-	8,044,825	-
Past due 181 to 365 days	495,374	64,452	224,780	224,780
Past due 1 to 2 years	28,628	28,628	36,426	36,426
More than 2 years	373,866	373,866	365,756	365,756
	13,092,745	466,946	8,671,787	626,962

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Details of the Parent and Group's concentration of credit risk are disclosed in note 16. This represents amount receivable from corporate customers from whom there is no past history of default and the Group enjoys a long standing relationship.

The loss allowance provision for trade receivables as at 30 September 2018 reconciles to the opening loss allowance for that provision as follows:

	Parent		Consolidated	
	30 September 2018	30 September 2017*	30 September 2018	30 September 2017*
	RO	RO	RO	RO
At 1 January	441,817	467,770	665,329	841,854
Amounts restated through opening retained earnings	63,368	-	73,487	-
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	505,185	467,770	738,816	841,854
Decrease in loan loss allowance recognised in profit or loss during the period	(70,138)	(20,347)	(271,870)	(214,892)
At 30 September (2017 amounts calculated under IAS 39) *	435,047	447,423	466,946	626,962

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

7 Financial risk management (continued)

7.1 Financial risk factors (continued)

(b) Credit risk (continued)

Trade and other receivables (continued)

The gross carrying amount of trade receivables, reflecting the maximum exposure to credit risk, is RO 6,902,847(30 September 2017 – RO 6,800,697) and for group 13,092,745 (30 September 2017: RO 8,671,787)

Amounts recognised in profit or loss

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Impairment losses			
movement in provision for impairment	(70,138)	(20,347)	(271,870)	(214,892)

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

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

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

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

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Trade receivables	6,467,800	6,353,274	12,625,799
Other receivables	5,715,800	1,215,940	4,041,161	1,189,220
Bank deposits	-	8,000,000	210,400	11,366,400
Cash at bank	1,299,390	3,277,150	2,211,259	4,612,278
	13,482,990	18,846,364	19,088,619	25,212,723

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

(c) Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities

when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group has access to credit facilities.

	Parent					
	30 September 2018			30 September 2017		
	Carrying amount RO	Less than one year RO	More than one year RO	Carrying amount RO	Less than one year RO	More than one year RO
Trade and other payables	15,091,691	15,091,691	-	10,529,376	10,529,376	-
Short term borrowings	2,161,224	2,161,224	-	-	-	-
Term loans	19,500,000	5,875,000	13,625,000	25,375,000	-	5,875,000
	36,752,915	23,127,915	13,625,000	35,904,376	16,404,376	19,500,000

	Consolidated					
	30 September 2018			30 September 2017		
	Carrying amount RO	Less than one year RO	More than one year RO	Carrying amount RO	Less than one year RO	More than one year RO
Trade and other payables	18,609,472	18,609,472	-	15,147,730	15,147,730	-
Short term borrowings	2,161,224	2,161,224	-	-	-	-
Term loans	19,500,000	5,875,000	13,625,000	25,375,000	5,875,000	19,500,000
	40,270,696	26,645,696	13,625,000	40,522,730	21,022,730	19,500,000

7.2 Fair value estimation

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

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

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

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

7.2 Fair value estimation (continued)

	Parent and Consolidated			
	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
30 September 2018				

Fair value through other comprehensive income	-	-	125,000	125,000
Financial assets at fair value through profit or loss	3,177,514	-	-	3,177,514
	3,177,514	125,000		3,302,514

30 September 2017				
Available-for-sale financial assets	-	-	125,000	125,000
Financial assets at fair value through profit or loss	3,868,086	-	-	3,868,086
	3,868,086	125,000		3,993,086

There were no transfers between the levels during the period.

7.3 Capital risk management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The gearing ratios at 30 September 2018 and 30 September 2017 were as follows:

	Parent		Consolidated	
	30 September 2018		30 September 2017	
	RO	RO	RO	(Restated)
Total borrowings (note 28)	19,500,000	25,375,000	19,500,000	25,375,000
Less: cash and bank balances	1,309,389	3,281,436	2,246,471	4,726,100
Net debt	18,190,611	22,093,564	17,253,529	20,648,900
Equity	130,704,637	134,851,905	143,877,738	148,763,335
Total capital	148,895,248	156,945,469	161,131,267	169,412,235
Gearing Ratio	12.22%	14.08%	10.71%	12.18%

7.4 Impairment of financial assets

The Group has financial assets subject to IFRS 9's new expected credit loss model i.e. trade receivables for sales of inventory and the Group was required to revise its impairment methodology under IFRS 9 for this class of assets. For trade receivables, the Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

8 Critical accounting estimates and judgments

The preparation of the consolidated and separate financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year.

Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities.

The Group makes estimates and assumptions concerning the future. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effect of any changes in estimates is done prospectively. The information about assumptions and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

(a) *Useful lives of property, plant and equipment*

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

(b) *Allowance for slow moving inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For significant amounts this estimation is performed on a case to case basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and an allowance applied according to the inventory type and the degree of ageing or obsolescence, based on historical movements.

(c) *Allowance for impairment of trade receivables*

The management reviews the debtors' ageing on a monthly basis and submits the same to the Board of Directors. In case of difficult unsecured debtors whose outstanding is in excess of the credit period allowed, regular follow up is made to collect the same. In case of necessity, legal options are also explored. Debtors' provision is generally made in line with the policy of the Group, taking in to account case to case status as on collective basis.

The impairment provisions for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(d) *Goodwill and investment in subsidiaries and associated companies*

The management follows the guidance of IAS 36 to determine when an investment in a subsidiary/ associate is impaired. This determination requires significant judgement and in making this judgement, the management evaluates, among other factors, the carrying amount of the entity's net assets and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

The Board of Directors test annually whether goodwill and investment in subsidiaries and associates have suffered any impairment in accordance with IAS 36, 'Impairment of Assets' which require the use of estimates.

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

8 Critical accounting estimates and judgments (continued)

(e) *Investment in an associate*

Share of profit of associate company are recognised at the year end.

(f) *Impairment of limestone mines*

Limestone mines, which are included in property, plant and equipment, are tested for impairment when there is an indication of impairment. Testing for impairment of these mines requires management to estimate the limestone capacity of these mines and its recoverable amounts. Accordingly, provision for impairment is made where the net present value and/ or recoverable amount is less than carrying value based on best estimates by the management.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

9 Property, plant and equipment

Parent Company	Land, buildings and civil works	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment and tools	Capital work in progress (CWIP)	Total
	RO	RO	RO	RO	RO	RO	RO	
Cost								
At 1 January 2017	36,896,689	88,748,280	356,645	271,520	1,121,010	6,547,347	2,208,288	136,149,779
Additions during the year	16,000	1,127,138	26,100	-	25,242	800,109	649,218	2,643,807
Transfers during the year	-	1,336,841	-	-	-	12,472	(1,349,313)	-
Adjustments	(75,388)	(30,335)	-	-	-	-	-	(105,723)
Write off during the year	-	-	(5,000)	(48,868)	(344,318)	(506,595)	-	(904,781)
At 31 December 2017	36,837,301	91,181,924	377,745	222,652	801,934	6,853,333	1,508,193	137,783,082
 At 1 January 2018								
At 1 January 2018	36,837,301	91,181,924	377,745	222,652	801,934	6,853,333	1,508,193	137,783,082
Additions during the period	252,903	465,522	-	3,578	48,020	312,426	448,577	1,531,026
Disposals	-	-	(30,010)	-	-	-	-	(30,010)
Transfers during the period	-	439,419	-	-	-	-	(439,419)	-
At 30 September 2018	37,090,204	92,086,865	347,735	226,230	849,954	7,165,759	1,517,351	139,284,098

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

9 Property, plant and equipment (continued)

Parent Company	Land, buildings and civil works	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment and tools	Capital work in progress (CWIP)	Total RO
	RO	RO	RO	RO	RO	RO	RO	
Accumulated depreciation								
At 1 January 2017	17,424,282	45,834,896	309,029	184,516	969,061	5,122,826	-	69,844,610
Charge for the year	1,083,236	3,229,601	21,904	36,781	39,100	291,446	-	4,702,068
Write off during the year	-	-	(5,000)	(48,868)	(344,318)	(506,595)	-	(904,781)
At 31 December 2017	18,507,518	49,064,497	325,933	172,429	663,843	4,907,677	-	73,641,897
At 1 January 2018	18,507,518	49,064,497	325,933	172,429	663,843	4,907,677	-	73,641,897
Charge for the period	814,879	2,466,307	16,116	28,122	31,658	251,644	-	3,608,726
Disposals	-	-	(30,010)	-	-	-	-	(30,010)
At 30 September 2018	19,322,397	51,530,804	312,039	200,551	695,501	5,159,321	-	77,220,613
Net book amount								
30 September 2018	<u>17,767,807</u>	<u>40,556,061</u>	<u>35,696</u>	<u>25,679</u>	<u>154,453</u>	<u>2,006,438</u>	<u>1,517,351</u>	<u>62,063,485</u>
31 December 2017	18,329,783	42,117,427	51,812	50,223	138,091	1,945,656	1,508,193	64,141,185

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

9 Property, plant and equipment (continued)

Consolidated	Land, buildings and civil works	Plant and machinery	Ships	Motor vehicles	Furniture and fixtures	Office equipment	Plant, vehicles, equipment and tools	Capital work in progress (CWIP)	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost									
At 1 January 2017	46,362,567	115,517,937	7,486,652	514,883	412,695	1,438,184	7,740,978	7,025,183	186,499,079
Additions during the year	16,000	1,129,328	-	151,355	24,105	113,322	1,776,926	2,397,315	5,608,351
Impairment of limestone mines	(877,809)	-	-	-	-	-	-	-	(877,809)
Transfers during the year	3,119,520	1,620,034	-	-	-	-	395,812	(5,135,366)	-
Adjustments	(75,388)	(30,335)	-	-	-	-	-	-	(105,723)
(Write off /disposals) during the year	-	-	-	(11,003)	(48,868)	(344,318)	(506,595)	-	(910,784)
At 31 December 2017	48,544,890	118,236,964	7,486,652	655,235	387,932	1,207,188	9,407,121	4,287,132	190,213,114
 At 1 January 2018									
At 1 January 2018	48,544,890	118,236,964	7,486,652	655,235	387,932	1,207,188	9,407,121	4,287,132	190,213,114
Additions during the period	252,903	465,522	-	-	4,667	58,179	312,426	1,099,464	2,193,161
Impairments reversed	414,929	-	-	-	-	-	-	-	414,929
Dispos:	-	-	(3,843,626)	(54,665)-	-	-	-	-	(3,898,291)
Transfers during the period	57,432	844,812	-	-	-	-	(274,088)	(628,156)	-
At 30 September 2018	49,270,154	119,547,298	3,643,026	600,570	392,599	1,265,367	9,445,459	4,758,440	188,922,913

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

9 Property, plant and equipment (continued)

Consolidated	Land, buildings and civil works RO	Plant and machinery RO	Ships RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work in progress (CWIP) RO	Total RO
Accumulated depreciation									
At 31 December 2016	20,387,450	59,498,111	2,802,479	464,612	304,998	1,227,039	5,606,498	-	90,291,187
Impact on correction of error (note 53)	-	-	4,185,063	-	-	-	-	-	4,185,063
At 1 January 2017 (restated)	20,387,450	59,498,111	6,987,542	464,612	304,998	1,227,039	5,606,498	-	94,476,250
Charge for the year (Write off/ disposals) during the year	1,477,481	4,305,750	499,110	39,666	46,394	95,895	542,902	-	7,007,198
At 31 December 2017	21,864,931	63,803,861	7,486,652	493,275	302,524	978,616	5,642,805	-	100,572,664
At 1 January 2018	21,864,931	63,803,861	7,486,652	493,275	302,524	978,616	5,642,805	-	100,572,664
Charge for the period (Write off/ disposals) during the period	1,142,236	3,292,735	-	34,904	36,328	50,826	495,196	-	5,052,225
Transfers	-	-	(3,843,626)	(48,746)	-	-	(28,077)	-	(3,892,372)
At 30 September 2018	23,007,167	67,124,673	3,643,026	479,433	338,852	1,029,442	6,109,924	-	101,576,143
Net book amount 30 September 2018	26,262,987	52,422,625	-	121,137	53,747	235,925	3,335,535	4,758,440	87,190,396
31 December 2017	26,679,959	54,433,103	-	161,960	85,408	228,572	3,764,316	4,287,132	89,640,450

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

9 Property, plant and equipment (continued)

(i) The limestone mines of Pioneer are located in UAE and Georgia and are included in property, plant and equipment. The Board of Directors of the Group have reviewed the limestone capacity of these mines and based on the expected output and expenditure, an impairment provision of RO 877,809 (2016 - RO 494,440) has been recorded against the limestone mine located in Georgia as of 31 December 2017. The key assumptions forming the basis for the above impairment test were as follows:

- Discount factor in determining the recoverable amount is 13% (2017 - 13%)
- Limestone realization (capacity utilisation) rate at 25% - 55% (2017 - 25% - 55%)
- Limestone realization growth rate at 3% (2017 - 3%)

During the current period, the Group have reviewed the limestone capacity of these mines and based on the expected output and expenditure, reversal of an impairment provision RO 414,929 was made.

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

(iii) Depreciation is allocated as follows:

	Parent		Consolidated	
	30 September 2018		30 September 2018	30 September 2017
	RO	RO	RO	(Restated) RO
Cost of sales (note 34)	3,510,639	3,379,703	4,839,646	5,189,225
General and administrative expenses (note 35)	98,087	96,047	212,579	193,553
	<u>3,608,726</u>	<u>3,475,750</u>	<u>5,052,225</u>	<u>5,382,778</u>

10 Investment in associates

	Parent		Consolidated	
	30 September 2018		30 September 2018	30 September 2017
	RO	RO	RO	RO
Mukalla Raysut Trading and Industrial Company (MRTIC)	113,343	113,343	225,369	-
	<u>113,343</u>	<u>113,343</u>	<u>225,369</u>	<u>-</u>

• MRTIC

	Parent		Consolidated	
	30 September 2018		30 September 2018	30 September 2017
	RO	RO	RO	RO
Cost	113,343	113,343	113,343	113,343
Add : share of profits at 1 January	-	-	112,026	176,946
Adjustments for last year profit share			-	69,139
Less : dividend received during the period	-	-	-	(359,428)
	<u>113,343</u>	<u>113,343</u>	<u>225,369</u>	<u>-</u>

Investment in MRTIC represents 49% (30 September 2017: 49%) equity interest in MRTIC, a limited liability company, incorporated in Republic of Yemen.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

10 Investment in associates (continued)

• **OPCP**

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Cost	-	1,924,087	-	1,924,087
Add: Share of profits at 1 January	-	-	-	2,463,557
Less : investment sold	-	(1924,087)	-	(4,387,644)
	<hr/>	<hr/>	<hr/>	<hr/>

Investment in OPCP represents nil (30 September 2017: nil) of equity interest and it is a limited liability company, registered in Oman which was acquired in 2011 and sold in the last year.

11 Investment in subsidiaries

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
RO	RO	RO	RO	RO
Investments				
Raysea Navigation S.A.	3,850	3,850	-	-
Raybulk Navigation Inc.	3,850	3,850	-	-
Pioneer Cement Industry LLC	66,532,035	66,532,035	-	-
Raysut Burwaqo Cement Company LLC	102,000	102,000	-	-
Total investments	66,641,735	66,641,735	-	-

Investment in Raysea Navigation S.A. ('Raysea') represents 100% (30 September 2017: 100%) equity interest. Raysea was incorporated in October 2008 in Panama. The assets of Raysea represent a ship (Raysut 1) which is used to transport cement of the Parent Company to various destinations. Raysea started its commercial operations in January 2011.

Investment in Raybulk Navigation Inc. ('Raybulk') represents 100% (30 September 2017: 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. Raybulk started its commercial operations in October 2011.

On 30 December 2010, the Parent Company acquired 99.99% ordinary shares of Pioneer Cement Industries LLC ('Pioneer'). One share out of 55,000 shares of Pioneer is held by a third party on trust. Pioneer was incorporated in 24 June 2004 in Ras Al Khaimah, UAE. The investment was sold in the last year.

Investment in Raysut Burwaqo Cement Company ('RBCC') represents 51% (30 September 2017: 51%) equity interest. RBCC was incorporated in January 2017 in the Sultanate of Oman. RBCC has not commenced its commercial operations as of reporting date.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**
11 Investment in subsidiaries (continued)

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

	Total assets RO	Total liabilities RO	Net assets RO	Revenue RO	Profit/(loss) RO
30 September 2018					
Pioneer	42,521,203	7,514,058	35,007,145	22,333,013	1,272,774
Raysea	2,055,117	5,468,512	(3,413,395)	111,896	(380,383)
Raybulk	2,683,128	523,797	2,159,331	538,823	2,106,844
RBCC	151,445	305	151,140	74,059	(305)
30 September 2017					
Pioneer	42,993,439	5,448,486	37,544,953	16,973,082	2,407,775
Raysea	2,217,308	3,194,218	(976,910)	892,937	(122,861)
Raybulk	2,833,110	892,367	1,940,743	1,470,136	(23,348)
RBCC	151,445	-	151,445	74,208	-

12 Goodwill

The goodwill was recognized as a result of acquisition of Pioneer. At the reporting date, the management has tested the goodwill for impairment in accordance with IAS 36 "Impairment of Assets" and has not accounted for any impairment losses at 31 December 2017 since the estimated recoverable amount of the related business to which the goodwill relates to exceed its carrying value.

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

- Growth Rate based on assumption that business shall grow at 8.05% per annum (2017-8.05%)
- Terminal value based on assumption that cash flow shall grow at 3% (2017-3%)
- The discount factor in determining the recoverable amount is 13% (2017- 13%)

13 Advances to subsidiaries

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Advances			
Raysea Navigation S.A [note 47(a)]	2,834,000	2,834,000	-	-
Raybulk Navigation S. A [note 47(a)]	-	488,000	-	-
Total	2,834,000	3,322,000	-	-

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

14 Fair value through other comprehensive income / Available-for-sale financial assets

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Unquoted local equity instrument			
125,000	125,000	125,000	125,000	125,000

The Group believes that the fair value of investments Fair value through other comprehensive income/available-for-sale at the reporting date is not materially different from their cost.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

15 Inventories

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Raw materials	11,847,159	6,056,468	14,014,219	7,911,845
Work in progress	1,520,424	4,951,880	4,594,508	9,194,462
Finished goods	2,012,841	717,329	2,312,951	974,384
	15,380,424	11,725,677	20,921,678	18,080,691
Spares and consumables	9,600,113	9,145,223	12,661,034	12,486,832
Allowance for slow-moving inventories	(2,280,342)	(2,161,434)	(2,677,281)	(2,514,590)
	22,700,195	18,709,466	30,905,431	28,052,933

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

Movement in allowance for slow moving inventories is as follows:

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
At 1 January	2,190,342	2,071,434	2,564,734	2,404,516
Charge during the year (note 34)	90,000	90,000	112,547	110,074
At 30 September	2,280,342	2,161,434	2,677,281	2,514,590

16 Trade receivables

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Trade receivables	6,342,031	4,602,121	12,531,929	6,473,211
Due from related parties [note 47(b)]	560,816	2,198,576	560,816	2,198,576
	6,902,847	6,800,697	13,092,745	8,671,787
Allowance for impairment of trade receivables	(435,047)	(447,423)	(466,946)	(626,962)
	6,467,800	6,353,274	12,625,799	8,044,825

(a) At the reporting date 62% (30 September 2017-67%) of trade receivables are due from 6 customers (30 September 2017 - 6 customers) of Parent Company.

(b) Details of gross exposure of trade receivables are set out below

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Not due (up to 3 months)	5,123,781	4,690,776	9,063,370	5,724,186
Past due but not impaired (3 to 6 months)	1,344,019	1,662,498	3,562,429	2,320,639
Past due and impaired (6 months and above)	435,047	447,423	466,946	626,962
	6,902,847	6,800,697	13,092,745	8,671,787

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

(c) As of 30 September 2018, trade receivables relating to Parent Company of RO 1,344,019 (30 September 2017- RO 1,662,498) and Group trade receivables of RO 3,562,429 (30 September 2017- RO 2,320,639), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and a significant portion of these debts are covered through bank guarantees.

(d) As of 30 September 2018, the individually impaired receivables of the Parent Company amount to RO 435,047 (30 September 2017 - RO 447,423) and the Group's individual impaired receivables of RO 466,946 (30 September 2017 - RO 626,962) are related to parties specifically identified and were fully provided for. The movement in allowance for impairment of trade receivables during the year is as follows:

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
At 1 January	441,817	467,770	665,329	841,854
IFRS 9 impact adjusted directly in equity	63,368	-	73,487	-
(Write back)/ charge during the year	(70,138)	(20,347)	(271,870)	(214,892)
At 30 September	435,047	447,423	466,946	626,962

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

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Rial Omani	6,031,064	4,221,135	6,031,064	4,221,135
US Dollar	871,783	2,579,563	871,783	2,579,563
UAE Dirhams	-	-	6,189,898	1,871,089
	6,902,847	6,800,697	13,092,745	8,671,787

(f) The fair value of trade receivables approximates their carrying amounts.

(g) Maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

17 Financial assets at fair value through profit or loss

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Marketable Securities				
Fair value				
Bank Dhofar SAOG	2,636,681	3,155,919	2,636,681	3,155,919
Dhofar Insurance Company				
SAOG	95,333	266,667	95,333	266,667
Dhofar University SAOC	445,500	445,500	445,500	445,500
	3,177,514	3,868,086	3,177,514	3,868,086
Cost				
Bank Dhofar SAOG	1,229,700	1,229,700	1,229,700	1,229,700
Dhofar Insurance Company				
SAOG	29,600	29,600	29,600	29,600
Dhofar University SAOC	300,000	300,000	300,000	300,000
	1,559,300	1,559,300	1,559,300	1,559,300

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

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

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
At 1 January	RO	RO	RO	RO
Purchases	4,016,950	3,905,167	4,016,950	3,905,167
Fair value changes	(839,436)	(37,081)	(839,436)	(37,081)
At 30 September	3,177,514	3,868,086	3,177,514	3,868,086

Investment in banking sector represents 83% (30 September 2017: 82%) of the Group's above investment portfolio.

18 Prepayments, advances and other receivables

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Advances and deposits	RO	RO	RO	RO
Less: allowances for impairment	-	-	(119,086)	(119,086)
	865,654	766,579	1,107,219	858,290
Other receivables from a related party (note 47(b))	4,576,234	1,066,663	2,563,256	850,142
Insurance receivables	1,139,566	-	1,213,461	-
Receivable from tax authorities (note 41(f))	559,139	559,139	559,139	559,139
Prepayments	403,470	275,101	468,325	519,255
Accrued interest income	-	149,277	1,300	219,992
Advances to staff	29,856	24,773	58,726	37,386
Other receivables	-	-	263,144	119,086
Deferred expenses	8,100	8,100	84,462	303,059
	7,582,019	2,849,632	6,319,032	3,466,349

(a) The fair value of other receivables approximates their carrying amounts.

(b) Deferred expenses of Parent Company represent the cost of RO 40,533 for laying graded access road to a new quarry on five years lease period at Wadi Al Naar, Salalah that is to be amortised over a period of 5 years commencing from May 2017. Of the above, RO 20,925 has already been expensed out till 30 September 2018, RO 8,100 classified under current assets and RO 12,825 classified under non-current assets. In Group, it also includes dry dock expenses to be amortized over a period of 30 months in the amount of RO 84,462 classified under current assets and RO 1,858,930 classified under non-current assets.

19 Term deposits

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Short term deposit	RO	RO	RO	RO
Short term deposit	-	8,000,000	210,400	11,366,400

Short term deposits of the Parent Company were placed with commercial bank at interest rates ranging from 2.75% to 5% (30 September 2017: ranging from 3% to 5%) per annum with a maturity of one year from date of placement. For Pioneer, short term deposits are placed with commercial bank at interest rates ranging from 1.67% to 2.75% (30 September 2017: 1.67% to 2.75%) per annum and have maturity of nine to twelve months from date of placement.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**
20 Cash and bank balances

	Parent		Consolidated	
	30 September		30 September	30 September
	2018	2017	2018	2017
Cash in hand	9,999	4,286	35,212	113,822
Cash at bank				
Current account	642,520	362,316	1,554,389	1,697,444
Call deposits	656,870	2,914,834	656,870	2,914,834
	1,309,389	3,281,436	2,246,471	4,726,100

Call deposits are placed with the commercial bank at interest rates ranging from 0.5% to 1.5% (30 September 2017: 0.5%-1.50%) per annum.

21 Share capital

	Parent		Consolidated	
	30 September		30 September	30 September
	2018	2017	2018	2017
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 reporting date the shareholders who own 10% or more of the Parent Company's share capital are:

	Parent and Consolidated			
	30 September 2018		30 September 2017	
	% 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	11.72	23,415,000	11.72	23,415,000
Dolphin International	10.32	20,657,710	10.32	20,657,710
Baader Bank Aktiengesellschaft	10.00	20,001,001	10.00	20,001,001
	47.04	94,073,711	47.04	94,073,711
Others	52.96	105,926,289	52.96	105,926,289
	100.00	200,000,000	100.00	200,000,000

22 Proposed dividend

The Board of Directors at the meeting held on 21 February 2018 proposed a cash dividend of 29 Baizas per share, for the year 2017 (2016 - 65 Baizas per share). A resolution to approve the dividend was presented to the shareholders at the Annual General Meeting held on 13 March 2018 and accordingly, dividend was distributed to the shareholders.

23 Share premium

In the year 1988, 1994, 2005 and 2006, the Parent Company made an offering of shares to the public at a premium. As a result of these offerings, a share premium account with an amount of RO 13,456,873 (30 September 2017: RO 13,456,873) was established. Share premium account is not available for distribution.

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

24 Legal reserve

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

25 Asset replacement reserve

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

26 Voluntary reserve

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

27 Retained earnings

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

28 Term loans

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Non-current portion				
Bank Dhofar SAOG	8,000,000	12,000,000	8,000,000	12,000,000
Bank Sohar SAOG	5,625,000	7,500,000	5,625,000	7,500,000
	13,625,000	19,500,000	13,625,000	19,500,000
Current portion				
Bank Dhofar SAOG	4,000,000	4,000,000	4,000,000	4,000,000
Bank Sohar SAOG	1,875,000	1,875,000	1,875,000	1,875,000
	5,875,000	5,875,000	5,875,000	5,875,000
	19,500,000	25,375,000	19,500,000	25,375,000

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

	Interest rate	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
2018 - Parent and Consolidated					
Bank Dhofar SAOG	3 Months LIBOR + 260 bps	12,000,000	4,000,000	8,000,000	-
Bank Sohar SAOG	2.4%	7,500,000	1,875,000	3,750,000	1,875,000
		19,500,000	5,875,000	11,750,000	1,875,000
 2017 – Parent and Consolidated					
Bank Dhofar SAOG	3.5%	16,000,000	4,000,000	8,000,000	4,000,000
Bank Sohar SAOG	2.4%	9,375,000	1,875,000	3,750,000	3,750,000
		25,375,000	5,875,000	11,750,000	7,750,000

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

28 Term loans (continued)

A loan of RO 32 million was obtained from Bank Dhofar SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the Parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 1.0 million for the first 5 instalments, RO 1.25 million from 6 to 9 instalments, and RO 2 million for last 11 instalments. In 2016, the term loan was converted in to USD without changing the repayment schedule. The rate of interest was revised from 3.5% to 3 month LIBOR plus 260 bps with effect from 6 October 2017 and is valid for a period of one year.

A loan of RO 13.125 million at 2.4% interest was obtained from Bank Sohar SAOG repayable in 14 equal semi-annual instalments starting from March 2017, to prepay the loans that were at higher rate. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The interest rate is subject to reset after 3 years on a negotiated basis.

No financial covenants are attached with above borrowings.

29 Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15 % (30 September 2017 - 15%). Net deferred tax liability in statement of financial position and the net deferred tax charge in the statement of profit or loss are attributable to the following items:

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
				(Restated)
At 31 December 2016	4,073,000	3,279,000	4,073,000	3,514,640
Impact on correction of error (note 53)	-	-	-	(296,664)
At 1 January 2017 (restated)	4,073,000	3,279,000	4,073,000	3,217,976
Charge for the period				
Tax effect of excess of tax allowances over book depreciation book depreciation	(7,551)	839,624	(7,551)	904,954
Tax effects of allowance for inventories and doubtful debts	(91,449)	(86,624)	(91,449)	(86,624)
At 30 September	3,974,000	4,032,000	3,974,000	4,036,306

30 End of service benefits

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
At 1 January	829,853	837,071	1,412,965	1,371,053
Charge for the year (note 36)	89,888	73,431	167,210	142,357
Paid during the year	(28,988)	(58,020)	(77,185)	(84,618)
At 30 September	890,753	852,482	1,502,990	1,428,792

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

31 Trade and other payables

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Accrued expenses	5,085,442	6,111,378	7,591,415	7,911,980
Trade payables	4,239,116	3,032,972	8,901,302	6,213,246
Due to related parties [note 47(c)]	4,177,172	500,916	-	-
Customer advances	1,349,758	417,386	1,495,721	495,554
Accrued interest expense	-	143,111	-	143,111
Directors' remuneration [note 47(e)]	113,000	120,000	113,000	120,000
Other payables	127,203	203,613	508,034	263,839
	15,091,691	10,529,376	18,609,472	15,147,730

32 Net assets per share

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

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Net assets (RO)	130,704,637	134,851,905	143,877,738	148,763,335
Number of shares outstanding at 30 September	200,000,000	200,000,000	200,000,000	200,000,000
Net asset per share (RO)	0.654	0.674	0.719	0.744

33 Revenue

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Local sales - Oman/ UAE	28,460,835	24,849,266	38,887,461	27,955,605
Export sales	15,412,423	13,649,190	25,145,793	26,753,061
	43,873,258	38,498,456	64,033,254	54,708,666

34 Cost of sales

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Raw materials consumed	3,148,240	2,502,547	6,160,682	4,778,290
Employee related expenses (note 36)	3,755,101	4,020,753	4,944,851	5,813,695
Fuel, gas and electricity	11,072,574	11,074,898	21,503,539	19,989,789
Spares and consumables	2,272,950	2,787,100	3,709,084	4,445,286
Purchase of finished goods	2,607,967	762,872	434,950	-
Packing materials	1,744,547	1,007,868	2,507,036	1,893,559
Depreciation (note 9)	3,510,639	3,379,703	4,839,646	5,189,225
Other factory overheads	2,288,613	1,648,513	3,138,924	2,432,902
Allowance for slow moving inventories	90,000	90,000	112,547	110,074
Shipping / terminal expenses	4,329,246	1,268,187	3,798,004	974,833
Inventory change	984,732	(2,533,977)	2,783,997	(4,883,216)
	35,804,609	26,008,464	53,933,260	40,744,437

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**
34 Cost of sales (continued)

The Parent Company has acquired mining rights from the Government for a period of twenty-five years from 1 October 1984, and further renewal of the same is done. Effective March 2006, the Ministry of Commerce and Industry is levying Royalty on the Raw Materials and the cost of RO 334,266 (30 September 2017 - RO 523,220) is included in the "other factory overheads". Other factory overheads include the annual land rent of RO 150,340 (30 September 2017- RO 71,973).

35 General and administrative expenses

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Employee related costs (note 36)	1,898,216	1,453,028	2,930,348	2,314,647
Donations	310,279	318,750	310,279	318,750
Advertisement and business promotion	193,645	71,298	301,359	138,237
Director's sitting fees and remuneration	150,000	150,000	150,000	150,000
Travelling	281,088	114,977	319,964	118,316
Rent & Utilities	88,873	113,522	260,322	278,280
Depreciation (note 9)	98,087	96,047	212,579	193,553
Telephone/Fax/Internet	81,783	42,758	111,168	61,525
Provision/ (reversal) for doubtful debts	(70,138)	(20,347)	(271,870)	(214,892)
Recruitment, training and seminars	77,611	132,659	79,961	134,257
Legal expenses	25,742	44,951	26,126	44,951
Management fees	-	-	110,189	250,895
Stock exchange fees	28,250	26,100	28,250	26,100
Bank charge	37,295	8,809	54,980	18,866
Impairment of limestone mines-Pioneer	-	-	(414,929)	-
Others	320,977	171,874	705,690	413,333
	3,521,708	2,724,426	4,914,416	4,246,818

36 Employee related costs

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Wages and salaries	4,721,329	3,961,501	6,657,925	5,885,295
End of services benefit	89,888	73,431	167,210	142,355
Social security expenses	213,185	162,441	217,381	177,618
Other benefits	628,915	1,276,408	832,683	1,923,074
	5,653,317	5,473,781	7,875,199	8,128,342

Employee related costs are allocated as follows:

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Cost of sales (note 34)	3,755,101	4,020,753	4,944,851	5,813,695
General and administrative expenses (note 35)	1,898,216	1,453,028	2,930,348	2,314,647
	5,653,317	5,473,781	7,875,199	8,128,342

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

37 Selling and distribution expense

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Transportation charge	402,940	509,928	402,940	509,928
Export expenses	4,201,066	3,380,708	4,413,895	1,392,645
	4,604,006	3,890,636	4,816,835	1,902,573

38 Other income

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Share of profit from associate	-	-	-	69,139
Gain on sale of property, plant and equipment*	3,800	-	2,892,800	-
Miscellaneous income	945,338	(62,359)	962,489	40,817
	949,138	(62,359)	3,855,289	109,956

*Represents in consolidated insurance claim received for replacement value in excess of written down value due to the own ship RAYSUT 2 which was grounded during the Mekunu Cyclone which hit Salalah on 25 May 2018 and Insurance claim for Constructive Total Loss was lodged and subsequently, total amount has been received.

39 Finance cost – net

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Interest expense on long term loan	640,619	635,395	640,619	635,395
Interest on overdrafts	26,676	-	39,232	-
Interest on bills discounted	28,693	-	28,693	-
Term loan/facilities arrangement fees	12,500	-	12,500	-
Exchange (gain)	(19,318)	(50,916)	(21,565)	(51,023)
Interest income on bank deposits	(33,240)	(240,924)	(50,729)	(300,418)
Finance cost – net	655,930	343,555	648,750	283,954

40 Investment income

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Dividend Income from Associate	-	359,428	-	-
Income from Investment	159,825	167,259	159,825	167,259
Dividend income from subsidiaries	3,667,923	-	-	-
	3,827,748	526,687	159,825	167,259

40 (a) Profit on sale of Investment in associate (Oman Portuguese Company LLC)

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Selling price	-	5,500,000	-	5,500,000
Less: Cost of investment sold/ carrying value	-	(1,924,087)	-	(4,387,644)
Profit on sales of investment	-	3,575,913	-	1,112,356

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

41 Taxation

(a) The tax charge for the year is analysed as follows

	Parent Company		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Current tax:				
- In respect of current period	705,000	1,527,000	1,057,504	1,527,000
- In respect of prior period	(50,231)	31,824	(50,231)	31,824
	654,769	1,558,824	1,007,273	1,558,824
Deferred tax				
- In respect of current period	(99,000)	753,000	(99,000)	745,070
	555,769	2,311,824	908,273	2,303,894

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

	Parent Company		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Tax charge on accounting profit	483,668	1,430,180	434,351	1,332,506
Add/(less) tax effect of:				
Current tax charge in respect of prior years	(50,231)	31,824	(50,231)	31,824
Tax effect on DTL due to change in tax rate	-	806,323	-	806,323
Tax effect of expenses/(income) not eligible	122,332	43,497	524,153	133,241
Taxation charge for the period	555,769	2,311,824	908,273	2,303,894

(c) The movement in current tax liability is as follows:

	Parent Company		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
At 1 January	1,314,000	2,208,000	1,314,000	2,208,000
Charge for the period	705,000	1,527,000	705,000	1,527,000
Paid during the period	(1,263,769)	(2,239,824)	(1,263,769)	(2,239,824)
Charge for prior year	(50,231)	31,824	(50,231)	31,824
At 30 September	705,000	1,527,000	705,000	1,527,000

(d) The Parent Company's income tax assessments for the tax years up to 2014 have been finalised by the tax authorities. The income tax assessments of the Parent Company for the years 2015 to 2017 have not yet been finalised by the Tax Department. Management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Group's statement of financial position at 30 September 2018.

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

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

41 Taxation (continued)

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

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

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

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

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

42 Basic and diluted Earnings per share

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

	Parent Company		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
Net profit for the year (RO)	2,668,686	7,222,711	1,987,398	6,579,480
Weighted average number of shares	200,000,000	200,000,000	200,000,000	200,000,000
Earnings per share: basic and diluted (RO)	0.013	0.036	0.010	0.033

43 Operating lease commitments

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

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

	Parent Company		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Less than one year	217,601	65,112	275,220	122,731
Later than one year and not later than five years	-	-	23,0476	230,476
Later than 5 years	-	-	691,428	749,047

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

44 Commitments

	Parent Company		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Capital Commitments				
Civil and structural	251,700	9,794	251,700	9,794
Plant and machinery	6,736,488	5,642,718	7,649,608	6,315,357
Others	946,297	-	946,297	-
	7,934,485	5,652,512	8,847,605	6,325,151
Purchase Commitments	5,264,271	3,353,384	11,831,150	8,203,698

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

45 Contingent liabilities

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Letters of credit, guarantee and performance bond	1,283,104	198,000	2,102,876	532,274

46 Cash generated from operations

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

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
Operating activities				
Profit before taxation	3,224,455	9,534,535	2,895,671	8,883,374
Adjustments for:				
Depreciation	3,608,726	3,475,750	5,052,225	5,382,778
Allowance for doubtful debts	(70,138)	(20,347)	(271,870)	(214,892)
Impairment of limestone mines	-	-	(414,929)	
Allowance for slow-moving inventories	90,000	90,000	112,547	110,074
End of service benefits	89,888	73,431	167,210	142,357
Interest expense	640,619	635,395	640,619	635,395
Interest income	(33,240)	(240,924)	(50,729)	(300,418)
Dividend income	(3,827,748)	(526,687)	(159,825)	(167,259)
Other income	-	-	-	(69,139)
Amortisation of deferred costs	6,075	6,075	222,325	210,380
Increase in fair value of financial assets at fair value through profit or loss	839,436	37,081	839,436	37,081
Profit on sale of property, plant and equipment	(3,800)	(3,575,913)	(2,892,800)	(1,112,356)
Changes in:				
Trade receivables	(2,111,213)	721,035	(6,266,512)	780,806
Prepayments and other receivables	(3,963,317)	(765,953)	(2,433,661)	(855,515)
Inventories	(4,782,891)	(5,961,039)	(3,728,762)	(7,937,004)
Trade and other payables	5,063,826	462,252	4,633,442	951,402
Cash generated from operations	(1,229,322)	3,944,691	(1,655,613)	6,477,064

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

46.1 Cash flow used in financing activities

	As at 1 January 2018	Classification to current portion	As at 30 September 2018
Term loans - non-current portion	19,500,000	(5,875,000)	13,625,000
Classification to current portion	-	5,875,000	5,875,000
Term loans	19,500,000	-	19,500,000

47 Related parties

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

(a) *Advances to related parties at year end are as follows:*

Advances:	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Advances to subsidiaries				
Raysea Navigation S.A (note 13)	2,834,000	2,834,000	-	-
Raybulk Navigation S.A (note 13)	-	488,000	-	-
	2,834,000	3,322,000	-	-

Movement to advances to subsidiaries is as follows:

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
At 1 January	3,234,000	3,911,000	-	-
Repaid during the period	(400,000)	(589,000)	-	-
At 30 September	2,834,000	3,322,000	-	-

(b) *Amounts due from related parties at year end are as follows:*

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Due from related parties (trading receivables):				
Entities related to directors:				
Modern Contracting Company	1,160	2,320	1,160	2,320
Associate companies :				
MRTIC	559,656	2,196,256	559,656	2,196,256
OPCP	-	-	-	-
	560,816	2,198,576	560,816	2,198,576

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

47 Related parties (continued)

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Due from related parties (other receivables):		Due from related parties (other receivables):	
Raysea Navigation S.A	2,012,673	216,521	-	-
Raysut burawaqo	305	-	-	-
Pioneer Cement	-	-	-	-
MRTIC	2,563,256	850,142	2,563,256	850,142
	4,576,234	1,066,663	2,563,256	850,142

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

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Due to related parties :		Due to related parties :	
Pioneer Cement Industries LLC	1,590,774	250,571	-	-
Raybulk Navigation S. A	2,586,398	250,345	-	-
	4,177,172	500,916	-	-

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

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Sale of goods and services:		Sale of goods and services:	
Entities related to directors:				
Modern Contracting Company	10,440	9,280	10,440	9,280
Associate companies :				
MRTIC	4,597,178	6,605,082	4,597,178	6,605,082
OPCP	-	-	-	-
	4,607,618	6,614,362	4,607,618	6,614,362
	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
	Purchase of goods and services:		Purchase of goods and services:	
Subsidiary Companies :				
Pioneer Cement Industries LLC	2,160,183	749,651	-	-
Raysea Navigation S.A	111,896	892,937	-	-
Raybulk Navigation S.A	538,823	1,470,136	-	-
Qais Omani establishment	6,250	56,250	6,250	56,250
	2,817,152	3,168,974	6,250	56,250

RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

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NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)

47 Related parties (continued)

(e) Key management compensation:

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Board of directors sitting fees	37,000	30,000	37,000	30,000
Directors' remuneration (note 35)	113,000	120,000	113,000	120,000
	150,000	150,000	150,000	150,000
Salaries, allowances and performance bonus paid to Executive officers	428,519	427,798	640,923	674,152
End of service benefits	5,625	-	5,625	-
	434,144	427,798	646,548	674,152

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

48 Segment information

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

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

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

	Parent					
	Local		Export		Total	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO	RO	RO
Segment revenue	28,460,835	24,849,266	15,412,423	13,649,190	43,873,258	38,498,456
Segment gross profit	4,796,537	7,904,460	3,272,112	4,585,532	8,068,649	12,489,992
Selling and distribution expense	(402,940)	(509,928)	(4,201,066)	(3,380,708)	(4,604,006)	(3,890,636)
Unallocated costs	-	-	-	-	(4,177,638)	(3,067,981)
Other income	-	-	-	-	949,138	(62,359)
Dividend income from financial assets at fair value through profit or loss	-	-	-	-	159,825	167,259
Dividend income from subsidiary/ associate	-	-	-	-	3,667,923	359,428
Profit from sale of an associated company	-	-	-	-	-	3,575,913
Fair value gain on financial assets at fair value through profit or loss	-	-	-	-	-	-
Profit before tax	4,393,597	7,394,532	(928,954)	1,204,824	3,224,455	9,534,535
Segment assets, comprising trade receivables and related parties	5,880,934	2,425,972	1,021,913	4,374,725	6,902,847	6,800,697

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

48 Segment information (continued)

	Consolidated					
	Local		Export		Total	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017	30 September 2018	30 September 2017 (Restated)
Segment revenue	RO 38,887,461	RO 27,955,605	RO 25,145,793	RO 26,753,061	RO 64,033,254	RO 54,708,666
Segment gross profit	5,534,656	8,270,132	4,565,338	5,694,097	10,099,994	13,964,229
Selling and distribution	(402,940)	(509,928)	(4,413,895)	(1,392,645)	(4,816,835)	(1,902,573)
Unallocated costs				-	(5,563,166)	(4,530,772)
Other income				-	3,855,289	109,956
Dividend income from financial assets at fair value through profit or loss				-	159,825	167,259
Profit on sale of investment in associate					-	1,112,356
Fair value gain on financial assets at fair value through profit or loss					(839,436)	(37,081)
Profit before tax	5,131,716	7,760,204	151,443	4,301,452	2,895,671	8,883,374
Segment assets, comprising trade receivables and related parties	13,522,393	4,462,484	(429,648)	4,791,525	13,092,745	8,671,786

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

Revenue from major products

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

	Parent		Consolidated	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	RO	RO	RO	RO
Ordinary Portland Cement (OPC)	35,311,600	32,091,578	48,325,738	46,513,191
Sulphate Resistant Cement (SRC)	2,707,930	3,203,359	4,356,992	4,991,957
Others (OWC & Pozmix)	2,929,767	3,203,519	3,766,731	3,203,519
Clinker	2,923,961	-	7,583,792	-
	43,873,258	38,498,456	64,033,253	54,708,667

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

48 Segment information (continued)

Information about major customers

Included in revenue from export sale to Yemen and GCC countries of RO 15,412,423 (30 September 2017: RO 13,649,190) is the revenue of RO 4,597,178 (30 September 2017: RO 6,605,082) which arise from sale to the Group's largest customer, MRTC.

49 Financial instruments

(a) Categories of financial instruments

The accounting policies for financial instruments have been applied to the line items below:

Parent

	Loans and receivables RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO
Assets as per statement of financial position				
Fair value through other comprehensive income	-	-	125,000	125,000
Financial assets at fair value through profit or loss	-	3,177,514	-	3,177,514
Trade and other receivables (excluding advances and prepayments)	12,183,600	-	-	12,183,600
Cash and cash equivalents	1,309,389	-	-	1,309,389
	13,492,989	3,177,514	125,000	16,795,503

	Loans and receivables RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO	Other financial liabilities RO
					30 September 2018
Liabilities as per statement of financial position					
Term loans current and non-current				19,500,000	
Short term borrowings				2,161,224	
Trade and other payables				15,091,691	
				36,752,915	

	Loans and receivables RO	Held-to-maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO
Assets as per statement of financial position					
Available-for-sale financial assets	-	-	-	125,000	125,000
Financial assets at fair value through profit or loss	-	-	3,868,086	-	3,868,086
Trade and other receivables (excluding advances and prepayments)	7,569,214	-	-	-	7,569,214
Short term deposit	-	8,000,000	-	-	8,000,000
Cash and cash equivalents	3,281,436	-	-	-	3,281,436
	10,850,650	8,000,000	3,868,086	125,000	22,843,736

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

49 Financial instruments (continued)

		Other financial liabilities
30 September 2017		
Liabilities as per statement of financial position		RO
Term loans current and non-current		25,375,000
Trade and other payables		10,529,376
		<u>35,904,376</u>

Consolidated

	Loans and receivables RO	Held-to-maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO
30 September 2018					
Assets as per statement of financial position					
Fair value through other comprehensive income	-	-	-	125,000	125,000
Financial assets at fair value through profit or loss	-	-	3,177,514	-	3,177,514
Trade and other receivables (excluding advances and prepayments)	16,666,960	-	-	-	16,666,960
Term deposits	-	210,400	-	-	210,400
Cash and cash equivalents	2,246,471	-	-	-	2,246,471
	18,913,431	210,400	3,177,514	125,000	22,426,345

30 September 2018

Liabilities as per statement of financial position

	Other financial liabilities
Term loans current and non-current	RO
Short term borrowings	19,500,000
Trade and other payables	2,161,224
	<u>18,609,472</u>
	<u>40,270,696</u>

	Loans and receivables RO	Held-to-maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO
30 September 2017					
Assets as per statement of financial position					
Available-for-sale financial assets	-	-	-	125,000	125,000
Financial assets at fair value through profit or loss	-	-	3,868,086	-	3,868,086
Trade and other receivables (excluding advances and prepayments)	9,234,045	-	-	-	9,234,045
Term deposits	-	11,366,400	-	-	11,366,400
Cash and cash equivalents	4,726,100	-	-	-	4,726,100
	13,960,145	11,366,400	3,868,086	125,000	29,319,631

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

49 Financial instruments (continued)

(a) *Categories of financial instruments*

30 September 2017		Other financial liabilities
Liabilities as per statement of financial position		RO
Term loans current and non-current		25,375,000
Trade and other payables		15,147,730
		<u>40,522,730</u>

As per the credit policy of the Group, customers are extended a credit period of up to 120 days in the normal course of business. However, in some cases, due to the market conditions and historical business relationship with the customer the credit period may be extended by a further period of 90 days. The credit quality of financial assets is determined by the customers history of meeting commitments, market intelligence related information and management's trade experience.

Trade receivables	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
Counterparties without external credit rating:				
Up to 6 months	6,467,800	6,353,274	12,625,799	8,044,828
Due above 6 months	435,047	447,423	466,946	626,959
	<u>6,902,847</u>	<u>6,800,697</u>	<u>13,092,745</u>	<u>8,671,787</u>

Cash and cash equivalents and short term deposits

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
P-1	708,309	6,926,570	726,350	8,462,331
P-2	49,736	3,987,265	1,225,837	6,647,978
P-3	-	-	77,940	63,532
Not rated	541,345	363,315	391,532	804,837
	<u>1,299,390</u>	<u>11,277,150</u>	<u>2,421,659</u>	<u>15,978,678</u>

The rest of the statement of consolidated and separate financial position item 'cash and cash equivalents' is cash in hand.

50 Assets classified as held for sale

The Group intends to dispose some vehicles it no longer utilises in the next 12 months. These vehicles have been fully depreciated.

51 Short term borrowings

	Parent		Consolidated	
	30 September 2018 RO	30 September 2017 RO	30 September 2018 RO	30 September 2017 RO
Short term loan	2,000,000	-	2,000,000	-
Overdraft	161,224	-	161,224	-
	<u>2,161,224</u>	<u>-</u>	<u>2,161,224</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**
51 Sort term borrowings (continued)

Short term loan is obtained from a Bank Dhofar SAOG at an interest rates of 5% per annum for a period of 60 days.

Overdraft is obtained from a commercial banks at an interest rates ranging from 4% per annum to 5% per annum.

52 Cash and cash equivalent

	Parent		Consolidated	
	30 September	30 September	30 September	30 September
	2018	2017	2018	2017
	RO	RO	RO	RO
Cash in hand	9,999	4,286	35,212	113,822
Cash at bank				
Current account	642,520	362,316	1,554,389	1,697,444
Call deposits	656,870	2,914,834	656,870	2,914,834
Total cash and bank balances	1,309,389	3,281,436	2,246,471	4,726,100
Less: Borrowings				
Short term loan	2,000,000	-	2,000,000	-
Overdraft	161,224	-	161,224	-
Total short term loan and overdraft	2,161,224	-	2,161,224	-
Cash and cash equivalents	(851,835)	3,281,436	85,247	4,726,100

53 Correction of error

During the current period, two subsidiary companies undertook a detailed review of measurement basis of value of its property, plant and equipment i.e. vessels and discovered that the measurement basis for valuation of property, plant and equipment had been misinterpreted. As a consequence, the carrying value of property, plant and equipment had been incorrectly accounted for on the initial recognition of vessels. The error has been corrected by overstating each of the affected financial statements line items for the prior periods as follows:

Consolidated Statement of financial position (extract)

	At 30	Increase/ (decrease)	At 30 September (Restated)	At 30 September 2016	Increase/ (decrease)	At 30
	September					September
	2017					2016
	RO	RO	RO	RO	RO	RO
Property, plant and equipment	94,808,842	(4,088,972)	90,719,870	94,296,400	(3,864,761)	90,431,639
Others	105,558,293	-	105,558,293	112,267,029	-	112,267,029
Total assets	200,367,135	(4,088,972)	196,278,163	206,563,429	(3,864,761)	202,698,668
Deferred taxation	4,332,970	(296,664)	4,036,306	3,482,404	(223,404)	3,259,000
Others	43,478,522	-	43,478,522	48,304,667	-	48,304,667
Total liabilities	47,811,492	(296,664)	47,514,828	51,787,071	(223,404)	51,563,667
Retained earnings	102,357,212	(3,792,308)	98,564,904	104,555,248	(3,641,357)	100,913,891
Others	50,198,431	-	50,198,431	50,221,110	-	50,221,110
Net assets	152,555,643	(3,792,308)	148,763,335	154,776,358	(3,641,357)	151,135,001

**NOTES TO THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED 30 September 2018 (continued)**

53 Correction of error (continued)

Consolidated Statement of profit or loss and other comprehensive income (extract)

	At 30 September 2017	(Increase)/ decrease	At 30 September 2017 (Restated)	At 30 September 2016	(Increase)/ decrease	At 30 September 2016 (Restated)
	RO	RO	RO	RO	RO	RO
Cost of sales	(40,520,226)	(224,211)	(40,744,437)	(46,652,866)	(409,707)	(47,062,573)
Income tax expenses	(2,377,154)	73,260	(2,303,894)	(1,754,660)	10,914	(1,734,746)
Others	49,627,811	-	49,627,811	65,068,751	-	65,068,751
Profit	<u>6,730,431</u>	<u>(150,951)</u>	<u>6,579,480</u>	<u>16,661,225</u>	<u>(398,793)</u>	<u>16,262,432</u>

Total profit and comprehensive income attributable to:

Owners of the Company	6,730,387	(150,951)	6,579,436	16,661,655	(398,793)	16,262,862
Non-controlling interest	44		44	(430)		(430)
Basic and diluted earnings per share	6,730,431	(150,951)	6,579,480	16,661,225	398,793	16,262,432
Earnings per share	0.034		0.033	0.083		0.081
Net assets per share	0.763		0.744	0.774		0.756

Basic and diluted earnings per share and net assets for the prior year have also been restated. The amount of the correction for both basic and diluted earnings per share was decrease of RO 0.001 per share in the period 2017 and RO 0.002 in the period 2016 and for net assets decrease of RO 0.019 per share for the period 2017 and RO 0.018 per share for the period 2016.

The correction affected some of the amounts disclosed in note 34 and note 41. Depreciation expense for the prior period was increased by RO 224,211 in the period 2017 and RO 409,707 in the period 2016 and deferred tax expense reduced to RO 73,260 in the period 2017 and RO 10,917 in the period 2016 relating to property, plant and equipment. Further, is no impact on total operating, investing and financing activities cash flows for the period ended 30 September 2017 and 2016.