

RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

8

Notes to the parent company and consolidated financial statements for the nine months period ended 30 September 2020

01. Legal and principal activities

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

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

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

Subsidiary companies	Country of incorporation	Shareholding percentage %		Principal activities
		30 Sep 2020	30 Sep 2019	
Pioneer Cement Industries ('Pioneer')	United Arab Emirates	100	100	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
Sohar Cement Factory LLC	Oman	100	-	Production and sale of cement
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	51	Wholesale of cement and plastic
RCC Holding Company Limited	United Arab Emirates	100	-	Holding company
RCC Trading DMCC	United Arab Emirates	100	-	Trading activity
Duqm Cement Factory LLC	Oman	100	-	Production and sale of cement
RCC MSG Somaliland Cement Holding Limited	United Arab Emirates	55	-	Holding company
Raysut Maldives Cement Pvt Ltd	Maldives	75	-	Cement terminal
Associate company				
Mukalla Raysut Trading and Industrial Company ('MRTIC')	Republic of Yemen	49	49	Importing, exporting, packing and marketing of cement products

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements.

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 <i>Presentation of Financial Statements</i> and IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	1 January 2020
Definition of a Business – Amendments to IFRS 3 <i>Business Combinations</i>	1 January 2020
Amendments to <i>References to the Conceptual Framework in IFRS Standards</i> Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	1 January 2020
<i>IFRS 7 Financial Instruments: Disclosures</i> and <i>IFRS 9 - Financial Instruments</i> Amendments regarding pre-replacement issues in the context of the IBOR reform.	1 January 2020

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
<i>IFRS 17 Insurance Contracts</i> Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Group in the period of initial application.	1 January 2022

Statement of compliance

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Basis of preparation**

These parent company and consolidated financial statements are prepared on the historical cost basis, except for certain financial instruments measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Changes in significant accounting policies**Leases**

The Group as lessee

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Changes in significant accounting policies (continued)****Leases (continued)**

The Group as lessee (continued)

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

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

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

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

Changes in significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

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

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

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

Changes in significant accounting policies (continued)

Basis of consolidation

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

Control is achieved when the Company:

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

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)**

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

Non-controlling interest

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

Business combinations

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Business combinations (continued)**

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

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

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

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

Goodwill

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Goodwill (continued)**

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

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

Investment in associate

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Basis of consolidation (continued)****Investment in associate (continued)**

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

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

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

Property, plant and equipment

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

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

Change in estimates

In accordance with its policy, the Group reviews the estimated useful lives of its property, plant and equipment on an ongoing basis. During 2019, this review indicated that the actual lives of certain plant and machinery and civil structures were longer than the estimated useful lives used for depreciation purposes in the Group's financial statements. As a result, effective 1 January 2019, the Group changed its estimates of the useful lives of its plant and machinery and civil structures to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the plant and machinery and civil structures that previously assessed as 25 years and 30 years were increased to 32 years and 35 years respectively

Capital work-in-progress

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Impairment**

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

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

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

Intangible assets

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

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

Inventories

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments

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

Classification - Financial assets

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

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVTOCI) and Fair Value through Profit or Loss (FVTPL).

Business model assessment

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

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

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

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

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

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

Equity investments at FVOCI

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

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

Financial assets carried at fair value through profit or loss

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

IFRS 9 Financial Instruments (continued)

Impairment - Financial assets

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

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

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

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

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

- actual credit loss experience over the past 6 years
- ageing of trade receivables; and
- discount factor applied for receivables where there are corresponding payables to the same party thus mitigating the Company's exposure.

Classification - Financial liabilities

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

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss
- the Group has not designated any financial liabilities at FVTPL and it has no current intention to do so.

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****IFRS 9 Financial Instruments (continued)****Financial liabilities**

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

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

Borrowings

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

Trade and other payables

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

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

Cash and cash equivalents

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

Employees' end of service benefits

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Provisions**

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

Dividends

The Board of Directors recommends to the Shareholders the dividend to be paid out of the Group's retained profits. The Board takes into account appropriate parameters including the requirements of the Commercial Companies Law of 2019 and other relevant directives issued by Capital Market Authority while recommending the dividend. Dividends are recognised as a liability when declared and approved by the shareholders.

Borrowing costs

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

Revenue recognition

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

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

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

Interest income and expense

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

Foreign currency

Foreign currency transactions

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

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

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

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

Foreign operations

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

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

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

Group companies

The accounting records of subsidiary companies, Pioneer Cement Industries and RCC Trading DMCC are maintained in UAE Dirhams (AED) whereas the records of newly acquired Raysut Maldives Cement Pvt Ltd are maintained in USD. The Rial Omani amounts included in the consolidated financial statements have been translated at an exchange rate of 0.1052 (30 September 2019 - 0.1052) Omani Rial to each AED for the statement of comprehensive income and the statement of financial position items, as the AED to RO exchange rate has effectively remained fixed during the year, as both currencies are pegged to the US Dollar.

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****3. Summary of significant accounting policies (continued)****Discontinued operations**

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

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

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

Income tax

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

Current tax

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

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

Deferred tax

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

3. Summary of significant accounting policies (continued)

Earnings and net assets per share

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

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

Directors’ remuneration

Directors’ remuneration has been computed in accordance with the Commercial Companies Law and as per the requirements of Capital Market Authority.

Segment reporting

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

4. Business combination

On 12 August 2020, the Parent Company acquired 75% ordinary shares of Raysut Maldives Cement Pvt Ltd ('RMCPL') with total consideration of net 3.2 million. The acquisition is accounted under IFRS 3 Business Combinations. Accordingly, Raysut Cement is treated as the "accounting acquirer" and Lafarge Maldives is treated as the "accounting acquiree" for an accounting purposes.

	RO
Purchase consideration paid on acquisition	3,240,265
Less: net identifiable assets acquired in a Business Combination	(722,875)
	<hr/>
Goodwill	2,517,390
	<hr/> <hr/>

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

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****5. Critical accounting estimates and judgments**

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

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

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

Useful lives of property, plant and equipment

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

Allowance for slow moving inventories

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

Calculation of loss allowance

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

Allowance for impairment of financial assets

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****5. Critical accounting estimates and judgments (continued)****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.

Impairment of limestone mines

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

Determining the lease term

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

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

Discounting of lease payments

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

6. Financial risk management

Financial risk factors

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

Market risk

Foreign exchange risk

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

Price risk

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
MSM	231,645	289,974	231,645	289,974

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****6. Financial risk management****Financial risk factors (continued)****Interest rate risk**

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

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to maintain almost all of its borrowings in fixed rate instruments. During 2020 and 2019, the Group's borrowings were denominated in Rial Omani currency. In 2016, the Parent Company converted an Omani Rial loan to a US dollar loan. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Group.

At the reporting date, if the interest rate were to increase or decrease by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 301,900 (30 September 2019: RO 179,862) on the parent company and consolidated financial statements.

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

Credit risk

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

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

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

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

6. Financial risk management

Financial risk factors (continued)

Credit risk (continued)

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Trade receivables	11,950,370	14,586,075	22,273,964	26,146,013
Other receivables	5,687,422	5,434,265	5,581,126	3,540,363
Cash at bank	1,085,725	78,366	1,846,998	352,859
	18,723,517	20,098,706	29,702,088	30,039,235

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

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

	Gross		Allowance for impairment of trade receivables	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Parent Company				
Not due - up to 180 days	8,200,052	13,393,851	-	-
Past due 181 to 365 days	3,750,318	1,316,311	103,356	124,087
More than 1 year	788,180	387,490	684,824	387,490
	12,738,550	15,097,652	788,180	511,577
Consolidated				
Not due - up to 180 days	14,468,283	24,453,696	-	-
Past due 181 to 365 days	7,805,680	1,348,210	1,090,274	155,986
More than 1 year	1,878,454	387,490	788,180	387,490
	24,152,417	26,189,396	1,878,454	543,476

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

6. Financial risk management

Financial risk factors (continued)

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.

	30 September 2020			30 September 2019		
	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
Parent						
Trade and other payables	30,119,846	(30,119,846)	-	19,244,176	(19,244,176)	-
Short term borrowing	16,919,268	(16,919,268)	-	7,393,196	(7,393,196)	-
Lease liabilities	11,702,200	(1,529,872)	(10,172,328)	-	-	-
Long term loans	31,758,616	(8,382,484)	(23,376,132)	35,972,476	(8,095,676)	(27,876,800)
	90,499,929	(56,951,469)	(33,548,460)	62,609,848	(34,733,048)	(27,876,800)
Consolidated						
Trade and other payables	36,058,564	(36,058,564)	-	23,924,178	(23,924,178)	-
Short term borrowing	21,895,542	(21,895,542)	-	9,481,300	(9,481,300)	-
Lease liabilities	5,401,284	(237,711)	(5,163,573)	-	-	-
Long term loans	40,584,947	(17,610,865)	(22,974,082)	45,688,457	(9,636,476)	(36,051,981)
	103,940,336	(75,802,681)	(28,137,655)	79,093,935	(43,041,954)	(36,051,981)

7. Capital risk management

Equity of the Parent Company and Group comprises share capital, share premium, legal reserves, special reserves and retained earnings. Management's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital. Capital requirements are prescribed by the Commercial Companies Law of 2019, amended, and the Capital Market Authority.

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

7. Capital risk management (continued)

The gearing ratios at 30 September 2020 and 30 September 2019 were as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Borrowings	31,758,616	35,972,476	40,584,947	45,688,457
Lease liabilities	11,702,200	-	5,401,284	-
Short term borrowings	16,919,268	7,393,196	21,895,542	9,481,300
Total borrowings	60,380,084	43,365,672	67,881,772	55,169,757
Less: cash and bank balances (note 20)	(1,097,508)	(89,871)	(1,925,244)	(388,054)
Net debt	59,282,576	43,275,801	65,956,528	54,781,703
Equity	118,995,289	129,858,027	135,745,118	144,619,024
Total capital	178,277,864	173,133,828	201,701,646	199,400,727
Gearing ratio	33.25%	25.00%	32.70%	27.47%

8. Goodwill

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

The carrying amount of goodwill at 30 September 2020 allocated to each of the cash-generating units is as follows:

	30 September 2020 RO	30 September 2019 RO
Pioneer Cement Industries	45,798,586	45,798,586
Sohar Cement Factory LLC	818,482	5,951,203
Raysut Maldives Cement Pvt Ltd	2,517,390	-
	49,134,458	51,749,789

At the reporting date, the management has tested the goodwill for impairment in accordance with IAS 36 "Impairment of Assets" and has not accounted for any impairment losses at 31 December 2019 since the estimated recoverable amount of the related business to which the goodwill relates exceeds its carrying value.

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

8. Goodwill (continued)

Key assumptions used in discounted cash flow projection calculations

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

Discount rate

The discount rate used for value in use calculations in 2020 ranges from 9% to 13% (2019 – 9% to 13%) for various cash generating units.

Terminal value calculations

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

Growth rate

Growth rate based on assumption that business shall grow at 9% per annum (2019 - 9%)

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

RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

37

Notes to the parent company and consolidated financial statements for the nine months period ended 30 September 2020 (continued)

9. Property, plant and equipment

Parent	Land, buildings and civil works and mines RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Lease hold vehicles RO	Capital work- in-progress RO	Total RO
Cost									
At 1 January 2019	37,097,904	92,086,865	356,185	226,231	864,205	7,165,759	222,400	1,874,737	139,894,286
Additions	167,250	352,422	-	10,601	394,468	725,901	17,700	5,557,784	7,226,126
Disposals / write off	(519,151)	(5,079,257)	(42,050)	(5,415)	-	(72,100)	-	-	(5,717,973)
Transfers	-	-	-	-	299,302	181,638	-	(480,940)	-
At 1 January 2020	36,746,003	87,360,030	314,135	231,417	1,557,975	8,001,198	240,100	6,951,581	141,402,439
Additions	1,560	-	-	-	69,715	192,851	-	4,922,031	5,186,157
Transfers	1,380	-	-	-	36,827	537,261	-	(575,468)	-
At 30 September 2020	36,748,943	87,360,030	314,135	231,417	1,664,517	8,731,310	240,100	11,298,144	146,588,596
Depreciation									
At 1 January 2019	19,594,937	52,355,158	296,008	209,925	706,530	5,248,819	13,695	-	78,425,072
Charge for the period	967,375	2,313,637	22,073	13,058	113,376	409,089	48,020	-	3,886,628
Write off	(362,014)	(4,580,977)	(42,050)	(5,415)	-	(72,100)	-	-	(5,062,556)
At 1 January 2020	20,200,298	50,087,818	276,031	217,568	819,906	5,585,808	61,715	-	77,249,144
Charge for the period	723,543.45	1,358,627	9,765	3,413	143,147	400,387	36,015	-	2,674,898
Disposals	-	-	-	-	-	-	-	-	-
At 30 September 2020	20,923,841	51,446,445	285,796	220,981	963,053	5,986,195	97,730	-	79,924,042
Net carrying value									
At 30 September 2020	15,825,102	35,913,585	28,339	10,436	701,464	2,745,115	142,370	11,298,144	66,664,554
At 31 December 2019	16,545,705	37,272,212	38,104	13,849	738,069	2,415,390	178,385	6,951,581	64,153,295

RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

38

Notes to the parent company and consolidated financial statements for the nine months period ended 30 September 2020 (continued)

9. Property, plant and equipment (continued)

Consolidated	Land, buildings and civil works and mines RO	Plant and machinery RO	Ships and dry dock costs	Motor vehicles RO	Lease hold vehicles	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work- in-progress RO	Total RO
Cost										
At 1 January 2019	48,862,925	119,547,298	6,209,189	609,020	222,400	392,600	1,284,839	9,445,459	5,501,655	192,075,385
Acquisitions	3,293,090	18,078,004	-	43,078	-	36,668	164,978	76,487	-	21,692,305
Additions	193,032	352,422	-	-	17,700	19,693	439,927	725,901	7,459,276	9,207,951
Disposal / write-off	(519,151)	(5,079,257)	-	(109,101)	-	(5,415)	-	(72,100)	-	(5,785,024)
Transfers	252,884	690,489	-	10,563	-	-	299,302	460,844	(1,714,082)	-
At 1 January 2020	52,082,780	133,588,956	6,209,189	553,560	240,100	443,546	2,189,046	10,636,591	11,246,849	217,190,617
Additions	74,884	419,317	-	9,968	-	2,367	73,830	193,050	8,052,974	8,826,390
Transfers	19,523	49,128	-	-	-	-	36,827	1,027,767	(1,133,245)	-
At 30 September 2020	52,177,187	134,057,401	6,209,189	563,528	240,100	445,913	2,299,703	11,857,408	18,166,578	226,017,007
Depreciation										
At 1 January 2019	23,390,238	68,226,121	2,260,846	469,253	13,695	350,904	1,047,152	6,276,163	-	102,034,372
Charge for the period	1,488,345	3,218,752	741,300	51,415	48,020	28,118	143,650	763,398	-	6,482,998
Reversal of impairment loss	(553,536)	-	-	-	-	-	-	-	-	(553,536)
Disposal	(362,014)	(4,580,977)	-	(109,101)	-	(5,413)	-	(72,100)	-	(5,129,605)
At 1 January 2020	23,963,033	66,863,896	3,002,146	411,567	61,715	373,610	1,190,802	6,967,461	-	102,834,230
Charge for the period	1,146,380	2,242,796	517,224	35,678	36,015	14,348	169,630	705,860	-	4,867,931
At 30 September 2020	25,109,414	69,106,693	3,519,370	447,243	97,730	387,955	1,360,433	7,673,323	-	107,702,161
Net carrying value										
At 30 September 2020	27,067,773	64,950,708	2,689,819	116,283	142,370	57,956	939,271	4,184,087	18,166,578	118,314,847
At 31 December 2019	28,119,747	66,725,060	3,207,043	141,993	178,385	69,937	998,244	3,669,130	11,246,849	114,356,388

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

9. Property, plant and equipment (continued)

The limestone mining rights of Pioneer Cement are located in UAE and Georgia and are included in property, plant and equipment. The Board of Directors of the Group has reviewed the limestone capacity of these mines and based on the expected output and expenditure, an impairment provision of RO 1.2 million had been recorded against the limestone mine located in Georgia as of 31 December 2019 due to non-utilisation of the Georgia mine. During the last year, the Group has entered into a contract to sublease Georgia mining rights for a fixed period and receive a payment based on output extracted by the contractor. Therefore, an impairment loss of RO 0.53 million has been reversed during the last year in accordance with IAS 36.

Depreciation is allocated as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Cost of sales (note 34)	2,520,632	3,618,152	4,564,282	5,437,101
General and administrative expenses (note 35)	154,266	99,779	303,649	198,965
	2,674,898	3,717,931	4,867,931	5,636,066

10. Right-of-use assets

Parent	Leasehold properties RO	Ships charter contracts RO	Total RO
Cost			
At 1 January 2020	3,446,229	30,116,283	33,562,512
Additions / (de-recognition)	-	(19,758,199)	(19,758,199)
At 30 September 2020	3,446,229	10,358,084	13,804,313
Depreciation			
At 1 January 2020	224,402	4,287,384	4,511,786
De-recognition of ROU assets	-	(2,807,657)	(2,807,657)
Charge for the period	168,302	1,109,794	1,278,096
At 30 September 2020	392,704	2,589,521	2,982,225
Net carrying value			
At 30 September 2020	3,053,525	7,768,563	10,822,088
At 31 December 2019	3,221,827	25,828,899	29,050,726

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

10. Right-of-use assets (continued)

	Leasehold properties RO	Ships charter contracts RO	Total RO
Consolidated			
Cost			
Initially recognised on adoption of IFRS 16	4,925,521	19,758,199	24,683,720
Additions / (adjustment)	516,176	(19,758,199)	(19,242,023)
At 30 September 2020	5,441,697	-	5,441,697
Depreciation			
At 1 January 2020	298,468	2,807,658	3,106,126
Adjustments	25,586	(2,807,658)	(2,782,072)
Charge for the period	227,032	-	227,032
At 30 September 2020	551,086	-	551,086
Net carrying value			
At 30 September 2020	4,890,611	-	4,890,611
At 31 December 2019	4,627,053	16,950,541	21,577,594

Right-of-use assets include leasehold property agreements for factories and charter hire contracts for ships to transport Group's products. Ships charter contract (ROU assets) are de-recognized because all charter hire contracts are under arbitration process for revision of terms.

The Parent Company has been granted leasehold rights by His Majesty Sultan Qaboos bin Said for the use of land, on which the factory has been constructed for a period of thirty years from 1 July 1984. During the last year, the leasehold renewed for one year, on yearly basis, the Parent Company has applied for the extension of lease period and is done on yearly basis. The Parent Company has considered the lease term considering all relevant factors including remaining useful life of the plant and machinery constructed on the land.

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

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

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

11. Investment in an associate

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Mukalla Raysut Trading and Industrial Company (MRTIC)				
Cost	113,343	113,343	234,759	234,759
Less: allowance for impairment loss	(113,343)	-	(234,759)	-
	-	113,343	-	234,759

Investment in MRTIC represents 49% (30 September 2019: 49%) equity interest in MRTIC, a limited liability company, incorporated in Republic of Yemen. No profit or loss recognised during the period as latest financial statements of the associate are not available at the time of issuance of these parent company and consolidated financial statements.

12. Investment in subsidiaries

	Parent	
	30 September 2020 RO	30 September 2019 RO
Investments		
Pioneer Cement Industries	66,532,035	66,532,035
Sohar Cement Factory LLC	12,524,568	12,742,335
Raysut Burwaqo Cement Company LLC	102,000	102,000
Raysea Navigation S.A.	3,850	3,850
Raysut Maldives Cement Pvt Ltd	3,240,265	-
Total investments	82,402,718	79,384,070

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

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

On 12 August 2020, the Parent Company acquired 75% ordinary shares of Raysut Maldives Cement Pvt Ltd ('RMCPL') formerly Lafarge Maldives Cement Pvt Ltd. RMCPL was incorporated on 2 June 1998 in K' Male, Republic of Maldives.

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

12. Investment in subsidiaries (continued)

Investment in Raysut Burwaqo Cement Company (‘RBCC’) represents 51% (30 September 2019: 51%) equity interest. RBCC was incorporated in January 2017 in the Sultanate of Oman. RBCC has not commenced its commercial operations as of 30 September 2020.

Investment in Raysea Navigation S.A. (‘Raysea’) represents 100% (30 September 2019: 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.

Summarized 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 2020					
Pioneer	55,550,070	19,661,316	35,888,756	15,128,668	194,561
RBCC	150,945	609	150,336	-	-
Raysea	2,732,385	2,512,384	220,001	1,391,539	367,788
SCF	31,269,995	17,990,701	13,279,294	16,345,203	1,000,195
RCC Trading	5,686,864	6,995,779	1,308,917	22,215,850	(1,395,677)
Raysut Maldives Cement Pvt Ltd	2,029,555	1,054,458	2,531,402	466,750	29,240
30 September 2019					
Pioneer	54,910,465	19,731,132	35,179,333	18,669,116	218,030
Raysea	3,408,392	5,500,067	(2,091,675)	1,077,765	(45,209)
RBCC	151,445	305	151,140	-	-
Raybulk	1,995,545	4,599	1,990,946	-	(80,555)
Sohar Cement	21,318,790	14,274,678	7,044,112	5,298,466	252,980

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

13. Advance to subsidiaries

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Advances				
Sohar Cement Factory LLC [note 47(a)]	-	500,093	-	-
Raysea Navigation S.A [note 47(a)]	<u>849,000</u>	<u>2,834,000</u>	<u>-</u>	<u>-</u>
	<u>849,000</u>	<u>3,334,093</u>	<u>-</u>	<u>-</u>

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

14. Financial assets at fair value through other comprehensive income

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Unquoted local equity investment	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>

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

15. Inventories

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Raw materials	8,753,079	10,159,725	10,439,559	12,968,194
Work-in-progress	6,195,874	4,566,581	7,577,509	6,488,236
Finished goods	<u>2,232,422</u>	<u>1,507,351</u>	<u>3,458,911</u>	<u>1,900,430</u>
	<u>17,181,376</u>	<u>16,233,657</u>	<u>21,475,979</u>	<u>21,356,860</u>
Spares and consumables	9,230,919	11,926,487	12,222,622	15,336,082
Allowance for slow-moving inventories	<u>(2,470,369)</u>	<u>(2,330,342)</u>	<u>(2,888,281)</u>	<u>(2,807,228)</u>
	<u>23,941,926</u>	<u>25,829,802</u>	<u>30,810,320</u>	<u>33,885,714</u>

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

15. Inventories (continued)

Movement in allowance for slow moving inventories is as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
At 1 January	2,380,369	2,310,342	2,774,611	2,763,569
Charge during the period (note 34)	90,000	20,000	113,670	43,659
At 30 September	2,470,369	2,330,342	2,888,281	2,807,228

16. Trade receivables – net

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Trade receivables	8,324,215	14,391,570	23,469,502	25,983,407
Due from related parties [note 47(a)]	4,414,335	706,082	682,916	706,082
	12,738,550	15,097,652	24,152,418	26,689,489
Less: allowance for expected credit losses	(788,180)	(511,577)	(1,878,454)	(543,476)
	11,950,370	14,586,075	22,273,964	26,146,013

At the reporting date 62% (30 September 2019 - 66%) of trade receivables are due from 6 customers (30 September 2019 - 6 customers) of the Parent Company. Details of gross exposure of trade receivables are set out below:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Not due	8,200,052	6,458,210	13,604,206	11,119,628
Past due but not impaired	3,750,318	8,127,865	8,669,757	15,026,385
Past due and impaired	788,180	511,577	1,878,454	543,476
	12,738,550	15,097,652	24,152,418	26,689,489

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

16. Trade receivables – net (continued)

As of 30 September 2020, trade receivables relating to parent company of RO 3,750,318 (30 September 2019 - RO 8,127,865) and Group trade receivables of RO 8,669,757 (30 September 2019 - RO 15,026,385), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The movement in allowance for impairment of trade receivables during the year is as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
At 1 January	615,708	477,890	1,898,945	509,789
Charge / (write back) during the period	172,472	33,697	(20,491)	33,687
At 30 September	788,180	511,577	1,878,454	543,476

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Rial Omani	11,972,999	9,551,050	14,092,456	12,460,783
US Dollar	765,551	5,546,602	1,380,921	5,546,602
UAE Dirhams	-	-	8,679,041	8,282,104
	12,738,550	15,097,652	24,152,418	26,689,489

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

17. Financial assets at fair value through profit or loss

	Parent and consolidated	
	30 September 2020 RO	30 September 2019 RO
Non-marketable securities		
Fair value		
Bank Dhofar SAOG	1,806,287	2,339,572
Dhofar Insurance Company SAOG	124,666	114,666
Dhofar University SAOC	385,500	445,500
	2,316,453	2,899,738
Cost		
Bank Dhofar SAOG	1,229,700	1,229,700
Dhofar Insurance Company SAOG	29,600	29,600
Dhofar University SAOC	300,000	300,000
	1,559,300	1,559,300

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

	Parent and consolidated	
	30 September 2020 RO	30 September 2019 RO
At 1 January	2,616,102	3,229,002
Fair value changes	(299,649)	(329,264)
At 30 September	2,316,453	2,899,738

Investment in banking sector represents 81% (30 September 2019: 81%) of the Group's above investment portfolio.

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

18. Prepayments, advances and other receivables

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Advances and deposits	988,691	389,015	1,917,503	395,452
Less: allowances for impairment	-	-	(119,086)	(119,086)
	988,691	389,015	1,798,417	276,366
Other receivables from related parties (note 47(b))	5,011,911	4,319,353	3,400,766	1,750,412
Receivable from tax authorities	559,139	559,139	559,139	559,139
Advance to vendors	4,968,345	502,362	5,830,118	728,816
Prepayments	431,538	763,710	1,163,347	1,194,375
Advances to staff	126,016	50,021	140,955	113,341
Advances for projects under study	-	1,159,870	-	1,159,870
Deferred expenses	-	8,100	-	467,592
Other receivables	1,975,511	1,114,912	2,180,360	1,789,951
	14,061,519	8,866,482	15,073,102	8,039,862
Less: receivable from a related party reclassified to non-current	(1,300,000)	-	-	-
	12,761,511	8,866,482	15,073,102	8,039,862

19. Short term borrowings

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Short term loan	11,946,867	3,430,000	14,295,129	3,430,000
Overdraft	4,972,400	3,963,196	5,454,036	6,051,300
	16,919,268	7,393,196	21,895,542	9,481,300

Parent company

Short term loan is obtained from commercial banks carrying interest rates of 5.25% to 6.25% per annum (30 September 2019 : 5.25% to 6%) per annum for a period of 180 days and overdraft is availed from commercial banks at an interest rates ranging from 5.25% to 6.25% per annum (30 September 2019 : 5.25% to 5.5%) per annum.

Subsidiary company

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

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

20. Cash and bank balances

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Cash in hand	11,783	11,505	78,245	35,195
Cash at bank				
Current accounts	217,497	78,366	978,771	352,859
Call deposits	868,227	-	868,227	-
	1,097,508	89,871	1,925,244	388,054

Call deposits are placed with the commercial banks at interest rates ranging from 0.5% to 1.5% (30 September 2019: 0.5% - 1.5%) per annum.

21. Share capital

	Parent company	
	30 September 2020 RO	30 September 2019 RO
Authorised, issued and paid up share capital	20,000,000	20,000,000

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

At 30 September, the shareholders who own 10% or more of the Parent Company's share capital are:

	Parent and Consolidated			
	% Share holding		Shares held	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Abu Dhabi Fund for Development	15.00	15.00	30,000,000	30,000,000
Islamic Development Bank	11.72	11.72	23,415,000	23,415,000
Dolphin International	10.32	10.32	20,657,710	20,657,710
Baader Bank Aktiengesellschaft	10.00	10.00	20,001,001	20,001,001
	47.04	47.04	94,073,711	94,073,711
Others	52.96	52.96	105,926,289	105,926,289
	100.00	100.00	200,000,000	200,000,000

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)****22. Share premium**

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

23. Legal reserve

Commercial Companies Law of 2019 requires that 10% of the Parent Company's net profit be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Parent Company's issued share capital. During the year, the Parent Company has not added to this reserve as the stipulated limit has already been reached.

24. Asset replacement reserve

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

25. Voluntary reserve

The Board of Directors have resolved that 10% of the Parent Company's net profit to be transferred to voluntary reserve. During the year, the Parent Company has not added to this reserve as the stipulated limit has already been reached as mentioned in note 24 for Asset replacement reserve.

26. Proposed dividend

The Board of Directors at the meeting held on 28 February 2019 proposed a cash dividend of 12.5 Baisas per share, for the year 2018. A resolution to approve the dividend was presented to the shareholders at the Annual General Meeting, and subsequently a payment of dividend was made.

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

27 Borrowings

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Non-current portion				
Bank Nizwa SAOG	11,165,726	11,165,726	11,165,726	11,165,726
Bank Dhofar SAOG	2,000,000	4,000,000	2,000,000	4,000,000
Bank Sohar SAOG	2,812,500	3,750,000	2,812,500	3,750,000
Al Masraf Bank	-	-	7,853,641	8,489,058
Alizz Bank	-	-	-	8,474,401
Loan from a subsidiary	7,486,271	8,788,278	-	-
Lease hold vehicles	105,451	172,796	105,451	172,796
Transaction costs deferred	(193,816)	-	(308,766)	-
	23,376,132	27,876,800	22,974,082	36,051,981
Current portion				
Bank Nizwa SAOG	834,274	834,274	834,274	834,274
Bank Dhofar SAOG	4,000,000	4,000,000	4,000,000	4,000,000
Bank Sohar SAOG	1,875,000	1,875,000	1,875,000	1,875,000
Al Masraf Bank	-	-	1,308,940	1,352,232
Alizz Bank	-	-	9,244,801	1,540,800
Loan from a subsidiary	1,636,175	1,352,232	-	-
Lease hold vehicle	65,380	34,170	65,380	34,170
Transaction costs deferred	(28,345)	-	(44,765)	-
	8,382,484	8,095,676	17,610,865	9,636,476
	31,758,616	35,972,476	40,584,947	46,341,472

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

30 September 2020

Parent	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
Bank Nizwa SAOG	6.35	12,000,000	834,274	3,624,317	7,541,409
Bank Dhofar SAOG	3 month LIBOR +260	6,000,000	4,000,000	2,000,000	-
Bank Sohar SAOG	4.5	4,687,500	1,875,000	2,812,500	-
Loan from a subsidiary	3 month EIBOR +3%	9,122,446	1,636,175	2,704,464	4,781,807
Lease hold vehicle	19.66% – 26.5%	170,831	65,380	105,451	-
Transaction cost		(222,161)	(28,345)	(56,690)	(137,126)
		31,758,616	8,382,484	11,190,042	12,186,090

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

27 Borrowings (continued)

Consolidated	RO	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
AL Masraf Bank		8,835,346	1,636,175	2,413,588	4,785,583
Bank Nizwa	6.35	12,000,000	834,274	3,624,317	7,541,409
	3 month				
Bank Dhofar SAOG	LIBOR +260	6,000,000	4,000,000	2,000,000	-
Bank Sohar SAOG	4.5	4,687,500	1,875,000	2,812,500	-
	3 month				
Alizz Bank	EIBOR +3%	9,244,801	9,244,801	-	-
Lease hold vehicle	19.66% – 26.5%	170,831	65,380	105,451	-
Transaction costs		(353,531)	(44,765)	(100,476)	(208,290)
		<u>40,584,947</u>	<u>17,610,865</u>	<u>10,855,380</u>	<u>12,118,702</u>

30 September 2019

Parent	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
	3 Month				
Bank Dhofar SAOG	LIBOR +260	8,000,000	4,000,000	4,000,000	-
Bank Sohar SAOG	4.5	5,625,000	1,875,000	3,750,000	-
	3 Month				
Loan from a subsidiary	EIBOR +3%	10,140,510	1,352,232	2,704,464	6,083,814
Bank Nizwa loan-Wakala	6.35%	12,000,000	-	3,511,897	8,488,103
Lease hold vehicle	19.66% – 26.5%	206,966	34,180	96,762	76,034
		<u>35,972,476</u>	<u>8,095,676</u>	<u>14,175,543</u>	<u>13,701,257</u>

30 September 2019

Consolidated	Interest rate %	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
	3 Month				
Bank Dhofar SAOG	LIBOR +260	8,000,000	4,000,000	4,000,000	-
Bank Sohar SAOG	4.5%	5,625,000	1,875,000	3,750,000	-
	3 Month				
AL Masraf Bank	EIBOR +3%	9,841,290	1,352,232	2,704,464	5,784,594
Bank Nizwa loan-Wakala	6.35%	12,000,000	-	3,624,317	7,541,409
Alizz Islamic Bank	6.25%	10,015,201	1,540,800	3,081,600	5,392,801
Lease hold vehicle	19.66% – 26.5%	206,966	34,170	96,762	76,034
		<u>45,688,467</u>	<u>9,636,476</u>	<u>17,146,924</u>	<u>20,390,929</u>

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

27 Borrowings (continued)

Parent Company

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

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

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

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

Subsidiary Companies

Pioneer Cement Industries

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

Sohar Cement Factory LLC

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

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

28. Lease liabilities

(47) lease liability at 30 September 2020

	Parent RO	Consolidated RO
Gross value of the lease liability against Right-of-use asset	14,957,318	8,102,948
Future finance charges on finance leases	(3,255,118)	(2,701,664)
	<hr/>	<hr/>
Present value of minimum lease payment	11,702,200	5,401,284
	<hr/> <hr/>	<hr/> <hr/>
 (b) Maturity analysis of lease liability		
Due within 1 year – current portion	1,529,872	237,711
Due after one year but within five years	7,216,133	1,472,292
Due after five years	2,956,195	3,691,281
	<hr/>	<hr/>
At 30 September	11,702,200	5,401,284
	<hr/> <hr/>	<hr/> <hr/>

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

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 2019: 15%). Net deferred tax liability in statement of financial position and the net deferred tax charge in the statement of comprehensive income are attributable to the following items:

30 September 2020	1 January	Charge /	30
Parent company	2020	(credit) for	September
	RO	the period	2020
		RO	RO
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	(4,725,023)	(72,253)	(4,760,401)
Deferred tax assets			
Tax effects of allowance for inventories	382,226	44,342	426,193
Tax effect of allowance for doubtful debts	229,797	84,911	310,208
Net deferred tax liability	(4,113,000)	57,000	(4,056,000)
30 September 2020	1 January	Charge /	30
Consolidated	2020	(credit) for	September
	RO	the period	2020
		RO	RO
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	(4,725,023)	(72,253)	(4,760,401)
Deferred tax assets			
Tax effects of allowance for inventories	382,226	44,342	426,193
Tax effect of allowance for doubtful debts	229,797	84,911	310,208
Net deferred tax liability	(4,113,000)	57,000	(4,056,000)
30 September 2019	1 January	Charge /	30 September
Parent company and consolidated	2019	(credit) for	2020
	RO	the year	RO
		RO	
Deferred tax liability			
Tax effect of excess of tax allowances over book depreciation	(4,447,199)	115,300	(4,331,899)
Deferred tax assets			
Tax effects of allowance for inventories	347,217	19,390	361,554
Tax effect of allowance for doubtful debts	149,982	72,310	219,292
Net deferred tax liability	(3,950,000)	207,000	(3,743,000)

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

30. End of service benefits

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
At 1 January	672,155	824,698	1,267,139	1,456,051
Charge for the year (note 36)	102,700	78,021	167,598	104,461
Paid during the period	(95,305)	(174,482)	(172,977)	(260,676)
At 30 September	<u>679,550</u>	<u>728,237</u>	<u>1,261,760</u>	<u>1,299,836</u>

31. Trade and other payables

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Trade payables	14,329,974	7,873,630	28,411,513	18,318,251
Due to related parties [note 47©]	10,531,224	6,911,644	-	-
Customer Advances	676,684	682,395	1,317,528	755,049
Accrued expenses	4,150,118	3,731,377	5,650,136	4,696,781
Accrued interest expense	422,848	-	496,260	57,919
Other payables	8,998	45,130	183,126	96,178
	<u>30,119,846</u>	<u>19,244,176</u>	<u>36,058,564</u>	<u>23,924,178</u>

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 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Net assets (RO)	<u>118,995,289</u>	<u>129,858,027</u>	<u>135,745,118</u>	<u>144,619,024</u>
Number of shares outstanding at 30 September	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
Net asset per share (RO)	<u>0.595</u>	<u>0.649</u>	<u>0.679</u>	<u>0.723</u>

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

33. Revenue

Local sales - Oman/ UAE	27,707,560	24,533,706	38,740,487	36,189,175
Export sales	18,513,293	18,491,732	26,498,584	25,936,498
	46,220,853	43,025,438	65,239,071	62,125,673

34. Cost of sales

Cost of sales includes the following:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Fuel, gas and electricity	11,704,520	10,590,805	20,632,065	20,065,866
Staff costs (note 36)	3,777,058	3,320,690	5,754,702	4,637,035
Depreciation (note 9)	2,520,632	3,618,152	4,564,282	5,437,101
Spares and consumables	2,111,356	1,518,276	2,803,541	2,773,164
Raw materials consumed	4,265,078	3,959,293	11,578,769	10,251,166
Packing materials	1,479,318	1,409,520	1,998,309	2,199,955
Shipping/terminal expenses	1,591,699	2,537,892	1,591,699	2,060,629
Cement purchased	12,863,262	5,656,365	-	851,064
Clinker purchased	-	3,231,903	914,646	3,231,903
Provision for slow moving inventories (note 15)	90,000	20,000	113,670	43,659
Movement in finished and semi-finished goods	(268,617)	(3,977,620)	(1,329,542)	(4,362,541)
Depreciation on ROU assets	1,278,097	-	1,620,999	-
Other factory overheads	2,262,389	2,192,465	8,062,200	2,809,394
	43,674,791	34,077,741	58,305,340	49,998,395

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

35. General and administrative expenses

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Staff costs (note 36)	2,454,955	1,891,710	3,402,288	2,801,048
Donations	601,000	231,600	601,000	231,600
Directors' fees and remuneration [note 47(f)]	34,070	53,879	34,320	53,879
Recruitment, training and seminars	13,357	44,675	18,642	50,014
Advertisement and business promotion	27,633	33,632	660,735	149,492
Travelling	144,381	216,813	235,165	306,685
Communication expenses	132,479	101,014	188,977	142,890
Rent and utilities	105,055	88,578	258,432	300,634
Depreciation (note 9)	154,266	99,779	303,648	198,965
Legal and professional expenses	481,424	76,555	727,327	96,572
Bank charges	38,078	33,248	101,787	95,475
Management fees	-	-	33,518	30,508
Allowance for expected credit losses [note 16]	172,472	33,687	388,122	33,687
Others	345,693	291,630	394,761	510,581
	4,704,863	3,196,800	7,348,723	5,002,030

36. Staff costs

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Wages and salaries	5,361,270	4,638,117	7,857,369	6,607,937
Other benefits	506,778	231,745	820,160	461,168
Social security expense	280,923	264,517	331,522	264,517
End of service benefits (note 30)	83,043	78,021	147,941	104,461
	6,232,014	5,212,400	9,156,991	7,438,083

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

36. Staff costs (continued)

Staff costs are allocated as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Cost of sales (note 34)	3,777,058	3,320,690	5,754,702	4,637,035
General and administrative expenses (note 35)	2,454,955	1,891,710	3,402,288	2,801,048
	6,232,014	5,212,400	9,156,990	7,438,083

37. Selling and distribution expenses

Export expenses	5,773,866	3,527,725	5,492,122	3,442,520
Transport charges	454,112	112,372	1,266,639	906,428
	6,227,978	3,640,097	6,758,761	4,348,948

38. Other income

Insurance claim adjustment	-	(117,753)	-	(117,753)
Other miscellaneous income	485,569	67,069	585,211	95,754
	485,569	(50,684)	585,211	(21,999)

39. Finance cost - net

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Interest expense on borrowings	1,418,868	1,252,534	1,927,806	1,492,010
Interest on Overdrafts	533,220	39,162	705,786	149,337
Interest income on bank deposits	(272)	(22,495)	(272)	(22,495)
Interest on lease liabilities	578,683	-	1,196,550	-
Net exchange gain	(23,504)	(18,859)	(18,181)	(8,938)
	2,506,995	1,250,342	3,811,688	1,609,914

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

40. Investment income

Dividend on financial assets at fair value through profit or loss	51,608	199,273	51,608	199,273
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

41. Taxation

The tax charge for the year is analysed as follows:

	Parent		Consolidated	
	30	30	30	30
	September	September	September	September
	2020	2019	2020	2019
	RO	RO	RO	RO
Current tax				
- current period	-	207,000	-	207,000
- prior year	(225,939)	5,527	(225,939)	5,527
	<u>(225,939)</u>	<u>212,527</u>	<u>(225,939)</u>	<u>212,527</u>
Deferred tax				
- current period	(57,000)	(207,000)	(57,000)	(207,000)
	<u>(282,939)</u>	<u>5,527</u>	<u>(282,939)</u>	<u>5,527</u>

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

	Parent		Consolidated	
	30	30	30	30
	September	September	September	September
	2020	2019	2020	r 2019
	RO	RO	RO	RO
Tax at domestic tax rate	(1,598,437)	101,967	(1,597,241)	152,159
Add/ (less) tax effect of:				
Current tax charge in respect of prior year	(225,939)	5,527	(225,939)	5,527
The effect of expenses/ income not Eligible	1,541,437	(101,967)	1,540,241	(152,159)
Taxation charge for the year	<u>(282,939)</u>	<u>5,527</u>	<u>(282,939)</u>	<u>5,527</u>

The movement in current tax liability is as follows:

At 1 January	454,000	842,000	454,000	1,179,004
Charge for the period	-	135,000	-	135,000
Paid during the period	(228,061)	(847,527)	(228,061)	(1,184,531)
Charge to prior years taxes	(225,939)	5,527	(225,939)	5,527
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 September	<u> </u>	<u>135,000</u>	<u> </u>	<u>135,000</u>

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

41. Taxation (continued)

The Parent Company's income tax assessments for the tax years up to 2014 have been finalised by the Tax Authorities. The income tax assessments of the Parent Company for the years 2015 to 2018 have not yet been finalised by the Tax Department. Management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the parent company and consolidated statement of financial position at 30 September 2020.

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

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

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

RCC Trading DMCC (subsidiary company) is registered in UAE as a limited liability company on 29 April 2020 and is not subject to taxation in the UAE.

Lafarge Maldives (subsidiary company) is registered in Maldives as a limited liability company and is subject to taxation in the Maldives.

For the assessment years 2008 to 2009, the Tax Authorities have included the dividend income of RO 4,659,492 received from associate company, MRTIC in the taxable income against which the Parent Company has filed an appeal and has paid the tax department claims and accounted it as receivable from tax department.

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

42. Basic and diluted earnings per share

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Net (loss)/profit for the period (RO)	(10,373,307)	674,256	(10,365,332)	1,008,869
Weighted average number of shares	200,000,000	200,000,000	200,000,000	200,000,000
(Loss)/earnings per share: basic and diluted (RO)	(0.052)	0.003	(0.052)	0.005

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

43. Commitments

Capital commitments

Civil and structural	72,722	3,900	72,722	251,700
Plant and machinery	12,884,534	13,633,330	13,854,055	7,649,608
Others	58,623	-	58,623	946,297
	<u>13,015,879</u>	<u>13,637,230</u>	<u>13,985,400</u>	<u>8,847,605</u>
Purchase commitments	<u>6,087,149</u>	<u>6,842,656</u>	<u>9,301,670</u>	<u>11,831,150</u>

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

44. Contingent liabilities

	Parent		Consolidated	
	30	30	30	30
	September	September	September	September
	2020	2019	2020	2019
	RO	RO	RO	RO
Shipping Contracts under arbitration	-	-	13,319,017	-
Letters of credit, Guarantee and performance bond,	<u>6,787,965</u>	<u>162,810</u>	<u>11,753,660</u>	<u>2,322,213</u>

45. Cash and cash equivalents

Cash in hand	11,783	11,505	78,245	35,195
Cash at bank				
Current accounts	217,497	78,366	978,771	352,859
Call deposits	868,227	-	868,227	-
Total cash and bank balances	<u>1,097,508</u>	<u>89,871</u>	<u>1,925,244</u>	<u>388,054</u>
Bank overdrafts (Note 19)	<u>(4,972,400)</u>	<u>(3,963,196)</u>	<u>(5,454,036)</u>	<u>(6,051,300)</u>
Cash and cash equivalents	<u>(3,874,893)</u>	<u>(3,873,325)</u>	<u>(3,528,793)</u>	<u>(5,663,246)</u>

46. Fair value estimation

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

46. Fair value estimation (continued)

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Parent and consolidated			
	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
30 September 2020				
Financial assets at fair value through OCI	-	-	125,000	125,000
Financial assets at fair value through profit or loss	2,316,453	-	-	2,316,453
	<u>2,316,453</u>		<u>125,000</u>	<u>2,441,453</u>
30 September 2019				
Available-for-sale	-	-	125,000	125,000
Financial assets at fair value through profit or loss	2,899,738	-	-	2,899,738
	<u>2,899,738</u>		<u>125,000</u>	<u>3,024,738</u>

There were no transfers between the levels during the period.

47. Related parties

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

Advances to related parties at period end are as follows:

47 (a) Advances	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Advance to a subsidiary				
Sohar Cement Factory LLC (note 13)	-	500,093	-	-
Raysea Navigation S.A (note 13)	-	2,834,000	-	-
	<u>-</u>	<u>3,334,093</u>	<u>-</u>	<u>-</u>

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

47. Related parties (continued)

Movement in advances to subsidiaries is as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
At 1 January	849,000	2,834,000	-	-
Availed during the period	-	500,093	-	-
At 31 December	849,000	3,334,093	-	-

Amounts due from related parties at reporting period are as follows:

Due from related parties (trading receivables):

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Entities related to directors:				
Modern Contracting Company	2,320	1,160	2,320	1,160
Subsidiary Companies :				
RCC Trading DMCC	3,731,419	-	-	-
Associate company :				
MRTIC	680,596	704,922	680,596	704,922
	4,414,335	706,082	682,916	706,082

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Subsidiary Companies				
Raysea Navigation S.A	1,610,904	2,568,636	-	-
Raysut Burwaqo Cement Company LLC	241	305	-	-
RCC Holding Company	45,685	-	45,685	-
RCC MSG Somaliland	32,963	-	32,963	-
Associate Companies				
MRTIC	3,322,118	1,750,412	3,322,118	1,750,412
	5,011,911	4,319,353	3,400,766	1,750,412

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

47. Related parties (continued)

Amounts due to related parties at reporting period are as follows:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
47 (c) Due to related parties :				
Subsidiary Companies				
Pioneer Cement Industries	5,104,345	3,487,506	-	-
Raybulk Navigation S. A	603	1,995,545	-	-
Sohar Cement Factory LLC	5,426,276	1,430,842	-	-
	<u>10,531,224</u>	<u>6,911,644</u>	<u>-</u>	<u>-</u>

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

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Sale of goods and services:				
Entities related to directors:				
Modern Contracting Company	3,480	5,800	3,480	5,800
Subsidiary Companies:				
SCF	416,378	-	416,378	-
RCC Trading DMCC	14,348,239	-	14,348,239	-
Associate Companies:				
MRTIC	-	3,516,537	-	3,516,537
	<u>14,768,097</u>	<u>2,522,337</u>	<u>14,768,097</u>	<u>2,522,337</u>
Purchase of goods and services:				
Entities related to directors:				
Qais Omani establishment	-	-	-	-
Salim bin Ahmed Al Barami	-	19,500	-	19,500
Qabas International LLC	-	167,910	-	167,910
Subsidiary Companies:				
Pioneer Cement Industries	-	1,527,696	-	-
Sohar Cement Factory LLC	12,832,099	3,339,651	-	-
RCC Trading	251,533	-	-	-
Raysea Navigation S.A	1,391,539	1,077,765	-	-
	<u>14,475,171</u>	<u>5,945,112</u>	<u>-</u>	<u>187,410</u>

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

47. Related parties (continued)

47 (f) Key management compensation:

	Parent		Consolidated	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Board of directors sitting fees	34,070	53,879	34,320	53,879
Directors' remuneration	-	-	250	-
	34,070	53,879	34,570	53,879
Salaries, allowances and performance bonus paid to Executive officers	374,162	409,073	595,931	620,691
End of service benefits	12,866	11,891	17,606	16,471
	387,028	420,964	613,537	637,162

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) and Yemen and other Gulf Co-operation Council ("GCC"), Bangladesh, Africa (exports). Information comprising segment revenue, results and the related receivables are based on geographical location of customers.

Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)

48. Segment information (continued)

Parent	Local		Export		Total	
	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO	30 September 2020 RO	30 September 2019 RO
Segment revenue	27,707,560	24,533,706	18,513,293	18,491,732	46,220,853	43,025,438
Segment gross (loss) / profit	3,707,577	5,089,708	(1,161,515)	3,857,989	2,546,062	8,947,697
Selling and distribution expense	(454,112)	(112,372)	(5,773,866)	(3,527,725)	(6,227,978)	(3,640,097)
Unallocated costs					(7,211,859)	(4,447,142)
Other income					485,569	(50,684)
Dividend income from financial assets at fair value through profit or loss					51,608	199,273
Fair value gain on financial assets at fair value through profit or loss					(299,649)	(329,264)
Profit / (loss) before tax	3,253,465	4,977,336	(6,935,381)	330,264	(10,656,246)	679,783
Segment assets, comprising trade receivables and related parties	8,233,313	8,371,613	4,505,237	6,214,462	12,738,550	6,902,847
Consolidated						
Segment revenue	38,740,487	36,189,175	26,498,584	25,936,498	65,239,071	62,125,673
Segment gross profit	7,362,541	7,341,527	(460,892)	4,785,751	6,933,731	12,127,278
Selling and distribution expense	(643,939)	(112,372)	(6,114,822)	(4,236,576)	(6,758,761)	(4,348,948)
Unallocated costs					(11,160,411)	(6,611,948)
Other income					585,211	(21,999)
Dividend income from financial assets at fair value through profit or loss					51,608	199,273
Fair value gain on financial assets at fair value through profit or loss					(299,649)	(329,264)
Profit / (loss) before tax	6,718,602	7,229,155	(6,575,714)	549,175	(10,648,271)	1,014,396
Segment assets, comprising trade receivables and related parties	18,831,870	14,198,107	5,804,863	11,423,773	24,152,418	25,621,880

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.

**Notes to the parent company and consolidated financial statements
for the nine months period ended 30 September 2020 (continued)**

Revenue from major products

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

	Parent		Consolidated	
	30	30	30	30
	September	September	September	September
	2020	2019	2020	2019
	RO	RO	RO	RO
Ordinary Portland Cement (OPC)	23,552,673	16,456,686	44,062,631	27,819,290
Sulphate Resistant Cement (SRC)	2,993,820	2,157,625	5,124,142	3,467,976
Others (OWC & Pozmix)	13,924,067	18,527,840	13,936,096	19,649,344
Clinker	5,750,293	5,883,287	2,116,202	11,189,064
	46,220,853	43,025,438	65,239,071	62,125,674

Information about major customers

The Group's revenue includes sales to top 10 customers amounting to RO 27.3 million (30 September 2019: RO 19.6 million). The parent company's revenue includes sales to top 10 customers amounting to RO 35 million (30 September 2019: RO 17.7 million).