

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

**CONSOLIDATED AND PARENT COMPANY UN-AUDITED  
FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED  
31 MARCH 2016**

**Registered office and principal place of business:**

P.O. Box 1020  
Postal Code 211  
Salalah  
Sultanate of Oman

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

## **CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

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

## **CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

		Parent Company		Consolidated	
	Notes	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
<b>ASSETS</b>					
<b>Non-current assets</b>					
Goodwill	8		-	<b>45,798,586</b>	45,798,586
Property, plant and equipment	5	<b>66,387,721</b>	64,180,197	<b>93,440,065</b>	92,516,783
Investment in associates	6	<b>2,037,430</b>	2,037,430	<b>4,519,030</b>	4,338,861
Investment in subsidiaries	7	<b>66,539,735</b>	66,539,735	-	-
Advances to subsidiaries	9	<b>3,911,000</b>	5,030,000	-	-
Available-for-sale financial assets	10	<b>125,000</b>	125,000	<b>125,000</b>	125,000
<b>Total non-current assets</b>		<b>139,000,886</b>	137,912,362	<b>143,882,681</b>	142,779,230
<b>Current assets</b>					
Inventories	11	<b>8,873,440</b>	9,134,471	<b>14,251,961</b>	14,280,129
Trade receivables	12	<b>4,820,649</b>	5,203,486	<b>7,041,549</b>	8,426,644
Financial asset at fair value through profit or loss	13	<b>3,717,103</b>	3,956,182	<b>3,717,103</b>	3,956,182
Prepayments, advances and other receivables	14	<b>1,653,208</b>	5,452,527	<b>3,339,302</b>	6,538,328
Short term deposits	15	<b>10,007,057</b>	3,504,986	<b>13,164,303</b>	9,816,986
Cash and cash equivalents	16	<b>7,917,051</b>	18,531,776	<b>9,946,059</b>	23,080,546
<b>Total current assets</b>		<b>36,988,508</b>	45,783,428	<b>51,460,277</b>	66,098,815
<b>Total assets</b>		<b>175,989,394</b>	183,695,790	<b>195,342,958</b>	208,878,045
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	17	<b>20,000,000</b>	20,000,000	<b>20,000,000</b>	20,000,000
Share premium	19	<b>13,456,873</b>	13,456,873	<b>13,456,873</b>	13,456,873
Legal reserve	20	<b>6,666,667</b>	6,666,667	<b>6,666,667</b>	6,666,667
Asset replacement reserve	21	<b>3,647,566</b>	3,647,566	<b>3,647,566</b>	3,647,566
Voluntary reserve	22	<b>6,352,434</b>	6,352,434	<b>6,352,434</b>	6,352,434
Retained earnings	23	<b>80,391,446</b>	61,026,688	<b>95,974,963</b>	82,968,185
<b>Total equity</b>		<b>130,514,986</b>	111,150,228	<b>146,098,503</b>	133,091,725
<b>Non-current liabilities</b>					
Term loans – non-current portion	24	<b>28,312,500</b>	39,500,000	<b>28,312,500</b>	39,500,000
Deferred taxation	25	<b>3,265,000</b>	3,327,000	<b>3,466,707</b>	3,382,197
End of service benefits	26	<b>837,537</b>	812,591	<b>1,369,977</b>	1,281,095
<b>Total non-current liabilities</b>		<b>32,415,037</b>	43,639,591	<b>33,149,184</b>	44,163,292
<b>Current liabilities</b>					
Term loans – current portion	24	<b>4,375,000</b>	5,000,000	<b>4,375,000</b>	5,000,000
Trade and other payables	27	<b>7,867,371</b>	23,218,063	<b>10,903,271</b>	25,925,664
Taxation	37	<b>817,000</b>	687,908	<b>817,000</b>	697,364
<b>Total current liabilities</b>		<b>13,059,371</b>	28,905,971	<b>16,095,271</b>	31,623,028
<b>Total liabilities</b>		<b>45,474,408</b>	72,545,562	<b>49,244,455</b>	75,786,320
<b>Total equity and liabilities</b>		<b>175,989,394</b>	183,695,790	<b>195,342,958</b>	208,878,045
<b>Net assets per share</b>	28	<b>0.653</b>	0.556	<b>0.730</b>	0.665

The notes and other explanatory information on pages 6 to 47 form an integral part of these financial statements.

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

## **CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

	Notes	Parent Company		Consolidated	
		31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
<b>Revenue</b>	29	<b>17,734,233</b>	17,508,366	<b>25,291,946</b>	24,426,246
Cost of sales	30	<b>(9,055,099)</b>	(9,477,808)	<b>(15,034,826)</b>	(15,057,626)
<b>Gross profit</b>		<b>8,679,134</b>	8,030,558	<b>10,257,120</b>	9,368,620
General and administrative expenses	31	<b>(618,022)</b>	(602,874)	<b>(1,170,328)</b>	(1,065,998)
Selling and distribution expenses	33	<b>(1,214,959)</b>	(1,574,468)	<b>(772,352)</b>	(1,011,171)
Other income	34	<b>2,063</b>	1,777	<b>61,402</b>	84,078
<b>Profit from operations</b>		<b>6,848,216</b>	5,854,993	<b>8,375,842</b>	7,375,529
Finance cost - net	35	<b>(108,119)</b>	(402,077)	<b>(98,436)</b>	(374,275)
Fair value gain (loss) on financial assets at fair value through profit or loss	13	<b>587,940</b>	(257,096)	<b>587,940</b>	(257,096)
<b>Profit before tax</b>		<b>7,328,037</b>	5,195,820	<b>8,865,346</b>	6,744,158
Provision for Income tax	37	<b>(803,665)</b>	(651,000)	<b>(783,976)</b>	(715,653)
<b>Total profit and comprehensive income for the period</b>		<b>6,524,372</b>	4,544,820	<b>8,081,370</b>	6,028,505
<b>Basic and diluted earnings per share:</b>	38	<b>0.033</b>	0.023	<b>0.040</b>	0.030

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

## **CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **Parent Company**

	Note	Share capital RO	Share premium RO	Legal reserve RO	Asset replacement reserve RO	Voluntary reserve RO	Retained earnings RO	Total RO
At 1 January 2015		20,000,000	13,456,873	6,666,667	3,647,566	6,352,434	71,481,868	121,605,408
Comprehensive income:								
Profit and total comprehensive income for the year 2015		-	-	-	-	-	27,385,206	27,385,206
Dividend paid during the year	18	-	-	-	-	-	(15,000,000)	(15,000,000)
At 31 December 2015		20,000,000	13,456,873	6,666,667	3,647,566	6,352,434	83,867,074	133,990,614
<b>At 1 January 2016</b>		<b>20,000,000</b>	<b>13,456,873</b>	<b>6,666,667</b>	<b>3,647,566</b>	<b>6,352,434</b>	<b>83,867,074</b>	<b>133,990,614</b>
<b>Comprehensive income:</b>								
Profit and total comprehensive income for the period		-	-	-	-	-	<b>6,524,372</b>	<b>6,524,372</b>
<b>Transactions with owners:</b>								
Dividend paid for the year 2015	18	-	-	-	-	-	<b>(10,000,000)</b>	<b>(10,000,000)</b>
<b>At 31 March 2016</b>		<b>20,000,000</b>	<b>13,456,873</b>	<b>6,666,667</b>	<b>3,647,566</b>	<b>6,352,434</b>	<b>80,391,446</b>	<b>130,514,986</b>

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

## **CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **Consolidated**

	Note	Share capital RO	Share premium RO	Legal reserve RO	Asset replacement reserve RO	Voluntary reserve RO	Retained earnings RO	Total RO
At 1 January 2015		20,000,000	13,456,873	6,666,667	3,647,566	6,352,434	91,939,680	142,063,220
Comprehensive income:								
Profit and total comprehensive income for the year 2015		-	-	-	-	-	20,953,913	20,953,913
Transactions with owners:								
Dividend paid during the year	18	-	-	-	-	-	(15,000,000)	(15,000,000)
At 31 December 2015		<u>20,000,000</u>	<u>13,456,873</u>	<u>6,666,667</u>	<u>3,647,566</u>	<u>6,352,434</u>	<u>97,893,593</u>	<u>148,017,133</u>
<b>At 1 January 2016</b>		<b>20,000,000</b>	<b>13,456,873</b>	<b>6,666,667</b>	<b>3,647,566</b>	<b>6,352,434</b>	<b>97,893,593</b>	<b>148,017,133</b>
<b>Comprehensive income:</b>								
Profit and total comprehensive income for the period		-	-	-	-	-	8,081,370	8,081,370
<b>Transactions with owners:</b>								
Dividend paid for the year 2015	18	-	-	-	-	-	(10,000,000)	(10,000,000)
<b>At 31 March 2016</b>		<u><b>20,000,000</b></u>	<u><b>13,456,873</b></u>	<u><b>6,666,667</b></u>	<u><b>3,647,566</b></u>	<u><b>6,352,434</b></u>	<u><b>95,974,963</b></u>	<u><b>146,098,503</b></u>

The notes and other explanatory information on pages 6 to 47 form an integral part of these financial statements.

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

## **STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Profit before taxation	7,328,037	5,195,820	8,865,346	6,744,158
Adjustments for:				
Depreciation	1,085,604	1,060,757	1,584,272	1,537,416
Allowance for doubtful debts	(74,114)	(59,208)	26,354	22,314
Allowance for slow-moving inventories	30,000	30,000	30,000	45,780
End of service benefits	24,738	24,576	46,317	44,968
Interest expense	226,243	439,458	226,243	439,458
Interest income	(92,053)	(34,378)	(102,488)	(61,777)
Fair value gain on financial assets at fair value through profit or loss	(587,940)	257,096	(587,940)	257,096
<b>Operating results before payment of end of service benefits and working capital changes</b>	<b>7,940,515</b>	<b>6,914,121</b>	<b>10,088,104</b>	<b>9,029,413</b>
(Increase)/decrease in trade receivables	1,710,777	(123,428)	1,953,815	44,380
(Increase)/decrease in prepayments & other receivables	(208,348)	689,761	(848,462)	670,650
Tax refunds received	711,599	-	711,599	-
(Increase)/decrease in inventory	352,734	(905,140)	385,124	(90,335)
Increase/(decrease) in trade & other payables	(306,059)	674,329	(1,009,415)	321,858
Payment of end of service benefits	(7,707)	(18,493)	(7,707)	(19,968)
<b>Cash generated from operations</b>	<b>10,193,511</b>	<b>7,231,150</b>	<b>11,273,058</b>	<b>9,955,998</b>
Income tax paid	(3,931,573)	(2,868,092)	(3,957,767)	(2,868,092)
<b>Net cash from operating activities</b>	<b>6,261,938</b>	<b>4,363,058</b>	<b>7,315,291</b>	<b>7,087,906</b>
<b>Investing Activities</b>				
Advances repaid by subsidiary company	-	425,807	-	-
(Increase)/decrease in short term deposits	3,496,724	11,502,665	2,443,478	11,502,665
Interest received	75,120	48,227	80,260	48,227
Purchase of property, plant and equipment	(673,620)	(2,006,869)	(1,025,502)	(2,126,761)
<b>Net cash from investing activities</b>	<b>2,898,224</b>	<b>9,969,830</b>	<b>1,498,236</b>	<b>9,424,131</b>
<b>Financing Activities</b>				
Long term loan paid	(2,375,000)	-	(2,375,000)	-
Dividends paid	(10,000,000)	-	(10,000,000)	-
Interest paid	(107,627)	(477,590)	(107,627)	(477,590)
<b>Net cash used in financing activities</b>	<b>(12,482,627)</b>	<b>(477,590)</b>	<b>(12,482,627)</b>	<b>(477,590)</b>
<b>Net change in cash and cash equivalents</b>	<b>(3,322,465)</b>	<b>13,855,298</b>	<b>(3,669,100)</b>	<b>16,034,447</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>11,239,516</b>	<b>4,676,478</b>	<b>13,615,159</b>	<b>7,046,099</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,917,051</b>	<b>18,531,776</b>	<b>9,946,059</b>	<b>23,080,546</b>

The notes and other explanatory information on pages 6 to 47 form an integral part of these financial statements.

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **1. Legal status and principal activities**

Raysut Cement Company SAOG ("the Parent Company" or "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 parent Company is engaged in 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.

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

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

Subsidiary companies	Country of incorporation	Shareholding percentage		Principal activities
		31.03.2016	31.03.2015	
Pioneer Cement Industries LLC	United Arab Emirates	<b>100%</b>	100%	Production and sale of cement
Raysea Navigation SA	Panama	<b>100%</b>	100%	Shipping transport company
Raybulk Navigation SA	Marshall Islands	<b>100%</b>	100%	Shipping transport company
Pioneer Cement Industries Georgia Limited*	Georgia	<b>100%</b>	100%	Limestone quarry
Raysut Cement Company S.A.O.G. (Branch) **	United Arab Emirates	<b>100%</b>	100%	Limestone quarry
<b>Associate companies</b>				
Mukalla Raysut Trading and Industrial Company	Republic of Yemen	<b>49%</b>	49%	Importing, exporting, packing and marketing of cement products
Oman Portuguese Cement Products LLC	Sultanate of Oman	<b>50%</b>	50%	Production and sale of ready mix concrete, blocks and interlocks

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

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

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

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

### **2 Summary of significant accounting policies**

The principal accounting policies are summarized below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

#### **2.1 Basis of preparation**

(a) These financial statements are prepared on the historical cost basis except for the revaluation of investments classified as available for sale financial assets, financial assets at fair value through profit or loss and in accordance with International Financial Reporting Standards (IFRS), disclosure requirements of the Capital Market Authority, the Commercial Companies Law of 1974, (as amended) and also comply with the disclosure requirements set out in the "Rules and Guidelines on Disclosure by issuer of Securities and Insider Trading" issued by the Capital Market Authority (CMA) of the Sultanate of Oman.

(b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

- (c) company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

*(c) Standards and amendments effective in 2016 and relevant for the Group's operations:*

For the period ended 31 March 2016, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2016.

The adoption of these standards and interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported for the period.

*(d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group:*

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods, but the Company has not early adopted them and the impact of these standards and interpretations is not reasonably estimable as at 31 March 2016:

IFRS 9, 'Financial instruments', (effective on or after 1 January 2018);  
IFRS 15 Revenue (effective on or after 1 January 2018);  
IFRS 16 Rent (effective on or after 1 January 2019);

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

**2.2 Segment reporting**

An operating segment is component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors ('Board') that makes strategic decisions. All operating segment operating results are reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**2.3 Consolidation**

**(a) Subsidiaries**

Subsidiaries are all entities over which Raysut Cement Company SAOG has control. Raysut Cement Company SAOG controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.3 Consolidation (continued)**

**(a) Subsidiaries (continued)**

acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**(b) Goodwill**

Goodwill arising on acquisition of subsidiary is initially recognised at cost, being the excess of cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities. Goodwill is subsequently measured at cost less accumulated impairment losses. Negative goodwill is recognised immediately in the consolidated statement of comprehensive income. Impairment losses, if any, in respect of goodwill arising on consolidation are assessed on an annual basis.

**2.4 Revenue recognition**

Revenue from the sale of goods is stated at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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

**2.5 Interest income and expense**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.6 Leases**

**Finance leases**

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. A corresponding amount is recognised as a finance leasing liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Leases of land and buildings are split into a land and a building element, in accordance with the relative fair values of the leasehold interests at the date the asset is initially recognised.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs.

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

**b-Operating leases**

The operating lease payments are charged to consolidated and parent's company statement of comprehensive income.

**2.7 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Rial Omani', which is the Parent company's functional and the Group's presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated and parent company's statement of comprehensive income.

**(c) Group companies**

The accounting records of a subsidiary, Pioneer Cement Industries LLC are maintained in UAE Dirhams (AED). The Rial Omani amounts included in the consolidated financial statements have been translated at an exchange rate of 0.1052 (31/3/2015 - 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, both currencies being pegged to the US Dollar.

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **2 Summary of significant accounting policies (continued)**

#### **2.8 Income tax**

Income tax on the results for the year comprises current and deferred tax.

Current tax recognised in the statement of comprehensive income is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred taxation. Deferred tax assets are recognized to the extent that it is probable that future tax profits will be available against which tax losses or temporary differences can be utilized. Deferred income tax assets and liabilities are offset as there is a legally enforceable right to offset these in Oman.

The principal temporary differences arise from depreciation on property, plant and equipment and allowance for impairment of receivables and slow moving inventories.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised and is subsequently reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **2.9 Earnings and net assets per share**

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

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

#### **2.10 Directors' remuneration**

Director's remuneration has been computed in accordance with the Article 101 of the Commercial Companies Law of 1974, as per the requirements of Capital Market Authority and will be recognised as an expense in the consolidated and parent company's statement of comprehensive income.

#### **2.11 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated and parent company's statement of comprehensive income during the financial period in which they are incurred.

Depreciation is charged to the consolidated and parent company's statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

Buildings and civil works	5, 20 and 30 years
Plant and machinery	25 years
Ships	15 years
Motor vehicles	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Plant vehicles, equipment and tools	3 and 5 years

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **2 Summary of significant accounting policies (continued)**

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are recognised within 'other income' and taken into account in determining operating profit.

Capital work-in-progress is stated at cost less any impairment costs. When commissioned, capital work-in-progress is transferred to the appropriate property, plant and equipment category and depreciated in accordance with the Group's policy.

Interest costs on borrowings to finance the construction of the qualifying assets is capitalised, during the period that is required to complete and prepare the asset for its intended use.

#### **2.12 Impairment**

At each reporting date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

#### **2.13 Intangible assets**

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

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

#### **2.14 Investments in associates**

Associates are all entities over which the company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting in consolidated statement of financial position. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **2. Summary of significant accounting policies (continued)**

#### **2.14 Investments in associates (continued)**

Investment in associate is carried in parent company's statement of financial position at cost less any impairment

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the statement of comprehensive income, and its share of post acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit / (loss) of an associate' in the statement of comprehensive income.

Upon loss of significant influence over an associate, the company measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognised in profit or loss.

#### **2.15 Investments in subsidiaries**

##### **Classification**

Subsidiaries are all entities over which the parent company has control. The parent company controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

##### **Valuation**

Investments in subsidiaries are stated at cost less any diminution in the value of specific investment, which is other than temporary by the Parent company. Investment income is accounted for in the year in which entitlement is established.

#### **2.16 Inventories**

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

Raw materials cost represents price of the goods, and related direct expenses. Finished goods cost represent cost of raw materials, direct labour and other attributable overheads. Work in progress cost represents proportionate cost of raw materials, direct labour and other attributable overheads. 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.

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

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

### **2 Summary of significant accounting policies (continued)**

#### **2.17 Financial assets**

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

##### **(a) Held-to-maturity investments**

Financial assets classified as held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity and are intended to be held to maturity. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment.

##### **(b) Financial assets at fair value through profit or loss**

###### **Classification**

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

###### **Valuation**

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets at fair value through profit or loss are subsequently carried at fair value.

The fair values of quoted investments are based on current market bid prices. Gains or losses arising from changes in the fair value including interest income are presented in the consolidated and parent company's statement of comprehensive income in the period in which they arise.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred subsequently all risks and rewards of ownership.

All purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the asset.

##### **(c) Available-for-sale financial assets**

###### **Classification**

Available-for-sale financial assets are non-derivatives and are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Management determines the appropriate classification of its investments at the time of the purchase.

###### **Valuation**

Regular purchases and sales of investments are recognised on the trade date which is the date on which the company commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at fair value. The fair value of quoted investments is based on current bid prices. Where the market is not active or the securities are not listed, fair value is estimated based on valuation techniques.

Any diminution in value of a particular investment is charged against the fair value reserve to the extent that reserve includes a surplus in respect of the same investment, and thereafter to the statement of profit or loss and other comprehensive income.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.17 Financial assets (continued)**

**(c) Available-for-sale financial assets (continued)**

**Valuation (continued)**

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Changes in fair value of available-for-sale financial assets are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in statement of changes in equity are included in the consolidated and parent company's statement of comprehensive income as gains or losses from investments available-for-sale.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in statement of comprehensive income is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the consolidated and parent company's statement of comprehensive income on equity instruments are not reversed through the statement of profit or loss and other comprehensive income.

**(d) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, bank deposits and cash and cash equivalents in the consolidated and parent company's statement of financial position.

**2.18 Trade and other receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated and parent company's statement of comprehensive income within 'general and administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'general and administrative expenses' in the consolidated and parent company's statement of comprehensive income.

**2.19 Cash and cash equivalents**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.20 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 the statement of profit or loss and other comprehensive income. 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.

**2.21 Employees' end of service benefits**

End of service benefits are accrued in accordance with the terms of employment of the Group's employees at the reporting date, having regard to the requirements of the applicable labour laws of the countries in which the Group operates and in accordance with IAS 19. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of comprehensive income as incurred.

**2.22 Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

**2.23 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.

**2.24 Dividend distribution**

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

**2.25 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. All other borrowing costs are recognized as expenses in the period in which they are incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**2.26 Goodwill**

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

The Group measures the goodwill at the acquisition date as:

- Fair value of consideration transferred, plus
- Recognizable amount of any non-controlling interests in the acquire, less.
- The net recognised amount (generally the fair value) of the assets acquired and liabilities assumed.
- Impairment losses, if any in respect of goodwill arising on consolidation are assessed on annual basis.

**3 Financial risk management**

**3.1 Financial risk factors**

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

**(a) Market risk**

**(i) Foreign exchange risk**

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

At 31 March 2016, if the Rial Omani had weakened/strengthened by 10% against the Euro in case of the parent company and the Group, with all other variables held constant, it would have an insignificant impact on the pre-tax profit for the year of the parent company and the Group.

The Group is also exposed to foreign currency risk on investment in an associate in the aggregate amount of approximately RO 113,343 (31/3/2015: 113,343) denominated in Yemeni Rials.

**(ii) Price risk**

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

3. Financial risk management

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Parent and consolidated	Impact on the company's pre-tax profits (on financial assets at fair value through profit or loss) Parent Company		Impact on the company's pre-tax profits (on financial assets at fair value through profit or loss) Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
MSM	<u>371,710</u>	<u>395,618</u>	<u>371,710</u>	<u>395,618</u>

(iii) Fair value 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 2016 and 2015, the Group's borrowings were denominated in Rial Omani currency. The Group analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Group.

At the reporting date, if the interest rate were to shift by 0.5%, there would be a maximum increase or decrease in the interest expense of RO 163,438 (31/3/2015 - RO 222,500) of the parent company and the Group.

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

(b) Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations 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.

Trade and other receivables

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 company's and Group's concentration of credit risk are disclosed in note 12. 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 CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Trade receivables	4,820,649	5,203,486	7,041,549	8,426,644
Other receivables	108,317	69,110	34,817	131,717
Bank deposits	10,007,057	3,504,986	13,164,303	9,816,986
Cash at bank	7,913,265	18,525,276	9,894,907	23,019,882
	<b>22,849,288</b>	<b>27,302,858</b>	<b>30,135,576</b>	<b>41,395,229</b>

Most of the customers have provided bank guarantees to the Parent Company. 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 establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of profit or loss and other comprehensive income.

The age of trade receivables and related impairment loss at the end of the reporting period is:

	31/3/2016		31/3/2015	
	Gross RO	Allowance for impairment of trade receivables RO	Gross RO	Allowance for impairment of trade receivables RO
<b>Parent Company</b>				
Due 0 to 180 days	4,820,849	-	5,203,486	-
Past due 181 to 365 days	91,470	91,470	38,221	38,221
Past due 1 to 2 years	5,889	5,889	21,538	21,538
More than 2 years	384,859	384,859	383,765	383,765
	<b>5,302,867</b>	<b>482,218</b>	<b>5,647,010</b>	<b>443,524</b>
<b>Consolidated</b>				
Due 0 to 180 days	7,041,549	-	8,426,644	-
Past due 181 to 365 days	348,073	348,073	286,817	286,817
Past due 1 to 2 years	5,889	5,889	49,489	49,489
More than 2 years	384,859	384,859	389,102	389,102
	<b>7,780,370</b>	<b>738,821</b>	<b>9,152,052</b>	<b>725,408</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**3 Financial risk management (continued)**

**3.1 Financial risk factors (continued)**

**(c) 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.

<b>Parent Company</b>						
<b>31/3/2016</b>			<b>31/3/2015</b>			
<b>Carrying amount RO</b>	<b>6 months or less RO</b>	<b>6 months and above RO</b>	<b>Carrying amount RO</b>	<b>6 months or less RO</b>	<b>6 months and above RO</b>	
Dividend payable	-	-	15,000,000	15,000,000	-	
Trade and other payables	7,867,371	7,867,371	8,218,063	8,218,063	-	
Term loans	32,687,500	2,187,500	44,500,000	2,500,000	42,000,000	
<b>40,554,871</b>	<b>10,054,871</b>	<b>30,500,000</b>	<b>67,718,063</b>	<b>25,718,063</b>	<b>42,000,000</b>	

  

<b>Consolidated</b>						
<b>31/3/2016</b>			<b>31/3/2015</b>			
<b>Carrying amount RO</b>	<b>6 months or less RO</b>	<b>6 months and above RO</b>	<b>Carrying amount RO</b>	<b>6 months or less RO</b>	<b>6 months and above RO</b>	
Dividend payable	-	-	15,000,000	15,000,000	-	
Trade and other payables	10,903,271	10,903,271	10,925,664	10,925,664	-	
Term loans	32,687,500	2,187,500	44,500,000	2,500,000	42,000,000	
<b>43,590,771</b>	<b>13,090,771</b>	<b>30,500,000</b>	<b>70,425,664</b>	<b>28,425,664</b>	<b>42,000,000</b>	

**3.2 Fair value estimation**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**3 Financial risk management (continued)**

	Parent Company and Consolidated			
	Level 1 RO	Level 2 RO	Level 3 RO	Total RO
<b>31/3/2016</b>				
Available-for-sale financial assets	-	-	125,000	125,000
Financial assets at fair value through profit or loss	3,717,103	-	-	3,717,103
	<b>3,717,103</b>	<b>-</b>	<b>125,000</b>	<b>3,842,103</b>
<b>31/3/2015</b>				
Available-for-sale financial assets	-	-	125,000	125,000
Financial assets at fair value through profit or loss	3,956,182	-	-	3,956,182
	<b>3,956,182</b>	<b>-</b>	<b>125,000</b>	<b>4,081,182</b>

There were no transfers between the levels during the year.

**3.3 Capital risk management**

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

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

The gearing ratios at 31 March 2016 and 31 March 2015 were as follows:

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Total borrowings (note 24)	32,687,500	44,500,000	32,687,500	44,500,000
Less: cash and cash equivalents	(7,917,051)	(18,531,776)	(9,946,059)	(23,080,546)
Net debt	24,770,449	25,968,224	22,741,441	21,419,454
Equity	130,514,986	111,150,228	146,098,503	133,091,725
Total capital	155,285,435	137,118,452	168,839,944	154,511,179
Gearing Ratio	15.95%	18.94%	13.47%	13.86%

**4 Critical accounting estimates and judgments**

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 estimates and assumptions 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:

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**4 Critical accounting estimates and judgments**

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

**(a) Classification of investments**

Management decides on acquisition of an investment whether it should be classified as held-to-maturity or available-for-sale, financial assets at fair value through profit or loss and loan and receivables.

**(i) Available-for-sale financial assets**

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

**(ii) Financial assets at fair value through profit or loss**

Management follows the guidance set out in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement on classifying non-derivative financial assets as at fair value through profit or loss.

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

**(b) Fair value estimation**

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

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

**(c) Impairment of available-for-sale financial assets**

The Group follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; 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.

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

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

**(e) Allowance for slow moving 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**4 Critical accounting estimates and judgements (continued)**

**(f) Allowance for impairment of trade receivables**

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

Allowance for impairment of trade receivables is based on management assessment of various factors such as the Group's past experience of collecting receivables from customers and the age of trade receivable depending on transaction.

**(g) 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.(refer note 8)

**(h) Investment in an associate**

Share of profit of associate companies, Oman Portuguese Cement Products LLC and Mukalla Raysut Trading and Industrial Company are recognized at the year end .



## RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

#### 5. Property, plant and equipment

Parent Company	Land, buildings and civil works RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work in progress (CWIP)* RO	Total RO
Cost								
At 1 January 2015	31,354,791	83,523,921	332,195	257,607	968,948	5,245,387	2,800,310	124,483,159
Additions during the year	75,906	1,874,575	15,450	9,605	-	103,855	5,732,658	7,812,049
Transfers during the year	1,804,235	345,033	-	-	-	-	(2,149,268)	-
Disposals during the year								
At 31 December 2015	33,234,932	85,743,529	347,645	267,212	968,948	5,349,242	6,383,700	132,295,208
<b>At 1 January 2016</b>	<b>33,234,932</b>	<b>85,743,529</b>	<b>347,645</b>	<b>267,212</b>	<b>968,948</b>	<b>5,349,242</b>	<b>6,383,700</b>	<b>132,295,208</b>
Additions during the period	-	366,825	-	-	-	31,800	274,995	673,620
Transfers during the period	1,442,881	824,821	-	-	-	-	(2,267,702)	-
<b>At 31 March 2016</b>	<b>34,677,813</b>	<b>86,935,175</b>	<b>347,645</b>	<b>267,212</b>	<b>968,948</b>	<b>5,381,042</b>	<b>4,390,993</b>	<b>132,968,828</b>

\* CWIP figure include intangible assets of RO 48,737 (2015 – RO 33,488)

## RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

#### 5. Property, plant and equipment (continued)

Parent Company	Land, buildings and civil works RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work in progress (CWIP) RO	Total RO
Accumulated Depreciation								
At 1 January 2015	15,439,678	39,701,304	267,584	108,440	935,460	4,796,608	-	61,249,074
Charge for the year	963,735	3,033,456	23,842	39,036	13,229	173,131	-	4,246,429
Disposals								
At 31 December 2015	<u>16,403,413</u>	<u>42,734,760</u>	<u>291,426</u>	<u>147,476</u>	<u>948,689</u>	<u>4,969,739</u>	<u>-</u>	<u>65,495,503</u>
At 1 January 2016	<b>16,403,413</b>	<b>42,734,760</b>	<b>291,426</b>	<b>147,476</b>	<b>948,689</b>	<b>4,969,739</b>	<b>-</b>	<b>65,495,503</b>
Charge for the period	<u>251,662</u>	<u>773,723</u>	<u>4,702</u>	<u>9,251</u>	<u>2,909</u>	<u>43,357</u>	<u>-</u>	<u>1,085,604</u>
At 31 March 2016	<u>16,655,075</u>	<u>43,508,483</u>	<u>296,128</u>	<u>156,727</u>	<u>951,598</u>	<u>5,013,096</u>	<u>-</u>	<u>66,581,107</u>
Net book amount								
31 March 2016	<u>18,022,738</u>	<u>43,426,692</u>	<u>51,517</u>	<u>110,485</u>	<u>17,350</u>	<u>367,946</u>	<u>4,390,993</u>	<u>66,387,721</u>
31 December 2015	<u>16,831,519</u>	<u>43,008,769</u>	<u>56,219</u>	<u>119,736</u>	<u>20,259</u>	<u>379,503</u>	<u>6,383,700</u>	<u>66,799,705</u>

## RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

#### 5. Property, plant and equipment (continued)

Consolidated	Land, buildings and civil works RO	Plant and machinery RO	Ships RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work in progress (CWIP) RO	Total RO
<b>Cost</b>									
At 1 January 2015	41,414,721	109,426,163	7,486,652	543,553	386,669	1,264,687	5,592,458	3,625,208	169,740,111
Additions during the year	75,905	1,942,601	-	15,450	12,371	4,677	115,953	6,414,785	8,581,742
Impairment of LS mines	(315,600)	-	-	-	-	-	-	-	(315,600)
Transfers during the year	1,862,727	1,134,519	-	-	-	14,129	276,448	(3,287,823)	-
Disposals during the year	-	-	-	-	-	-	-	-	-
At 31 December 2015	<u>43,037,753</u>	<u>112,503,283</u>	<u>7,486,652</u>	<u>559,003</u>	<u>399,040</u>	<u>1,283,493</u>	<u>5,984,859</u>	<u>6,752,170</u>	<u>178,006,253</u>
<b>At 1 January 2016</b>	<b>43,037,753</b>	<b>112,503,283</b>	<b>7,486,652</b>	<b>559,003</b>	<b>399,040</b>	<b>1,283,493</b>	<b>5,984,859</b>	<b>6,752,170</b>	<b>178,006,253</b>
<b>Additions during the period</b>	<b>-</b>	<b>366,825</b>	<b>-</b>	<b>-</b>	<b>1,481</b>	<b>-</b>	<b>86,933</b>	<b>570,263</b>	<b>1,025,502</b>
<b>Transfers during the period</b>	<b>1,442,881</b>	<b>824,821</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>--</b>	<b>-</b>	<b>(2,267,702)</b>	<b>-</b>
<b>At 31 March 2016</b>	<u><b>44,480,634</b></u>	<u><b>113,694,929</b></u>	<u><b>7,486,652</b></u>	<u><b>559,003</b></u>	<u><b>400,521</b></u>	<u><b>1,283,493</b></u>	<u><b>6,071,792</b></u>	<u><b>5,054,731</b></u>	<u><b>179,031,755</b></u>

## RAYSUT CEMENT COMPANY SAOG AND ITS SUBSIDIARIES

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

#### 5. Property, plant and equipment (continued)

##### Consolidated (continued)

	Land, buildings and civil works RO	Plant and machinery RO	Ships RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Plant, vehicles, equipment and tools RO	Capital work in progress (CWIP) RO	Total RO
<b>Accumulated Depreciation</b>									
At 1 January 2015	17,853,215	51,230,005	1,804,259	462,763	215,574	1,107,911	5,138,945	-	77,812,672
Charge for the year	1,261,055	4,097,281	499,110	30,997	46,912	54,917	204,474	-	6,194,746
Disposals	-	-	-	-	-	-	-	-	-
At 31 December 2015	19,114,270	55,327,286	2,303,369	493,760	262,486	1,162,828	5,343,419	-	84,007,418
At 1 January 2016	19,114,270	55,327,286	2,303,369	493,760	262,486	1,162,828	5,343,419	-	84,007,418
Charge for the period	<u>327,892</u>	<u>1,041,321</u>	<u>124,778</u>	<u>6,294</u>	<u>10,533</u>	<u>13,832</u>	<u>59,622</u>	-	<u>1,584,272</u>
At 31 March 2016	19,442,162	56,368,607	2,428,147	500,054	273,019	1,176,660	5,403,041	-	85,591,690
Net book amount									
31 March 2016	<u>25,038,472</u>	<u>57,326,322</u>	<u>5,058,505</u>	<u>58,949</u>	<u>127,502</u>	<u>106,833</u>	<u>668,751</u>	<u>5,054,731</u>	<u>93,440,065</u>
31 December 2015	23,923,483	57,175,997	5,183,283	65,243	136,554	120,665	641,440	6,752,170	93,998,835

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

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

- (i) The limestone mines of the subsidiary company Pioneer Cements LLC are located in UAE and Georgia. These mines are currently not being used by the Group and are retained in order to procure limestone in the future. The Board of Directors of the Group have reviewed the limestone capacity of these mines and based on the expected output are of the view that no impairment loss needs to be recorded against the carrying value of these mines.
- (ii) Buildings of the subsidiary Pioneer Cements LLC are constructed and the site development is carried out on a plot of land leased from a minority shareholder for a period of 25 years. Upon its expiry, the lease can be renewed for a further term to be decided by the parties at that time and the management believes that it will be able to renew the lease for future periods.
- (iii) Depreciation is allocated as follows:

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Cost of sales (note 30)	1,062,523	1,037,162	1,542,690	1,495,106
General and administrative expenses (note 31)	23,081	23,595	41,582	42,310
	<b>1,085,604</b>	<b>1,060,757</b>	<b>1,584,272</b>	<b>1,537,416</b>

**6. Investment in associates**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Mukalla Raysut Trading and Industrial Company (MRTIC)	113,343	113,343	945,436	1,297,528
Oman Portuguese Cement Products LLC (OPCP)	1,924,087	1,924,087	3,573,594	3,041,333
	<b>2,037,430</b>	<b>2,037,430</b>	<b>4,519,030</b>	<b>4,338,861</b>

• **MRTIC**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Cost	113,343	113,343	113,343	113,343
Add : share of profits at 1 January	-	-	832,093	1,184,185
	<b>113,343</b>	<b>113,343</b>	<b>945,436</b>	<b>1,297,528</b>

Investment in MRTIC represents 49% (31/03/2015: 49%) equity interest in MRTIC, a limited liability company, incorporated in Yemen.

• **OPCP**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Cost	1,924,087	1,924,087	1,924,087	1,924,087
Add: Share of profits at 1 January	-	-	1,649,507	1,117,246
	<b>1,924,087</b>	<b>1,924,087</b>	<b>3,573,594</b>	<b>3,041,333</b>

Investment in OPCP represents 50% (31/3/2015: 50%) of equity interest and it is a limited liability Company, registered in Oman acquired in 2011 (40% in February 2011 and 10% in July 2011).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

7 Investment in subsidiaries

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
<b>Investments</b>				
Raysea Navigation S.A	3,850	3,850	-	-
Raybulk Navigation S.A	3,850	3,850	-	-
Pioneer Cement Industry LLC	66,532,035	66,532,035	-	-
Total investments	66,539,735	66,539,735	-	-

Investment in Raysea Navigation S.A (“Raysea”) represents 100% (31/3/2015: 100%) equity interest. Raysea was incorporated in October 2008 in Panama. The assets of Raysea represent a ship (Raysut 1) which is used to transport cement of the Parent Company to various destinations. Raysea started its commercial operations in January 2011.

Investment in Raybulk Navigation (“Raybulk”) represents 100% (31/3/2015: 100%) equity interest. Raybulk was incorporated in October 2010 in Marshall Islands. The assets of Raybulk represent a ship (Raysut 2) which is used to transport cement of the Parent Company to various destinations. Raybulk started its commercial operations in October 2011.

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

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

	Total assets RO	Total liabilities RO	Net assets RO	Revenue RO	Profit / (loss) RO
<b>31/3/2016</b>					
Pioneer	36,063,873	3,885,028	32,178,845	7,804,500	1,752,962
Raysea	2,864,632	2,915,694	(51,062)	227,942	(116,637)
Raybulk	3,240,191	1,524,908	1,715,283	231,156	(79,327)
<b>31/3/2015</b>					
Pioneer	42,353,335	3,580,809	38,772,526	7,002,208	1,355,923
Raysea	3,415,122	3,398,255	16,867	363,495	1,451
Raybulk	3,473,667	1,881,845	1,591,822	484,660	126,311

8 Goodwill

The goodwill was recognized as a result of acquisition of Pioneer as follows:

	31/3/2016 RO	31/3/2015 RO
Total consideration transferred	66,532,035	66,532,035
Fair value of identifiable assets at acquisition	(20,733,449)	(20,733,449)
	45,798,586	45,798,586

Goodwill includes certain expenses incurred as part of transactions. At 31 December 2015, 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 2015 since the estimated recoverable amount of the related business in the amount exceeds its carrying value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**8 Goodwill (continued)**

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

- Growth Rate based on assumption that business shall grow at 3.8% (31.03.2015-4.2% per annum)
- Terminal value based on assumption that cash flow shall grow at 1.5% (31.03.2015-1.5%)
- The discount factor in determining the recoverable amount is 8.8%.(31.03.2015-8%)

**9 Advances to subsidiaries**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
<b>Advances</b>				
Raysea Navigation S.A [note 42(a)]	2,834,000	3,280,000	-	-
Raybulk Navigation S. A [note 42(a)]	1,077,000	1,750,000	-	-
Total	3,911,000	5,030,000	-	-

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

**10 Available-for-sale financial assets**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Unquoted local equity instrument	125,000	125,000	125,000	125,000

Board of director's believe that the fair value of investments available-for-sale at 31 March 2016 is not materially different than their cost.

**11 Inventories**

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Raw materials	769,510	1,103,588	2,182,522	1,818,027
Work in progress	846,382	746,223	1,867,734	1,813,884
Finished goods	489,617	616,913	539,166	750,386
	2,105,509	2,466,724	4,589,422	4,382,297
Spares and consumables	8,738,323	8,457,158	11,928,116	12,074,047
Allowance for slow-moving inventories	(1,970,392)	(1,789,411)	(2,265,577)	(2,176,215)
	8,873,440	9,134,471	14,251,961	14,280,129

Movement in allowance for slow moving inventories is as follows:

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
At 1 January	1,940,392	1,759,411	2,235,577	2,130,435
Charge during the year (note 30)	30,000	30,000	30,000	45,780
At 31 March	1,970,392	1,789,411	2,265,577	2,176,215

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**12 Trade receivables**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade receivables	<b>3,973,525</b>	4,830,466	<b>6,451,028</b>	7,795,850
Due from related parties [note 42(b)]	<b>1,329,342</b>	816,544	<b>1,329,342</b>	1,356,202
	<b>5,302,867</b>	5,647,010	<b>7,780,370</b>	9,152,052
Allowance for impairment of trade receivables	<b>(482,218)</b>	(443,524)	<b>(738,821)</b>	(725,408)
	<b>4,820,649</b>	5,203,486	<b>7,041,549</b>	8,426,644

(a) At the reporting date, 47% (31/3/2015 - 48%) of trade receivables are due from 6 customers of parent company and 55% (31/3/2015 - 55%) of trade receivables are due from 10 customers of the Group.

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Not due (up to 3 months)	<b>4,219,834</b>	4,368,040	<b>6,035,029</b>	6,436,678
Past due but not impaired (3 to 6 months)	<b>600,815</b>	835,446	<b>1,006,520</b>	1,989,966
Past due and impaired (6 months and above)	<b>482,218</b>	443,524	<b>738,821</b>	725,408
	<b>5,302,867</b>	5,647,010	<b>7,780,370</b>	9,152,052

(c) As of 31 March 2016, trade receivables relating to parent company of RO 600,815 (31/3/2015- RO 835,446) and Group trade receivables of RO 1,006,520 (31/3/2015- RO 1,989,966), were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default and a significant portion of these debts are covered through bank guarantees.

d) The individually impaired receivables during the period amounting to RO 738,821 (31/3/2015 - RO 725,408) related to parties specifically identified by the Group and were fully provided for. The movement in allowance for impairment of trade receivables during the year is as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	<b>556,332</b>	502,732	<b>712,467</b>	703,094
(Reversal) charge during the period	<b>(74,114)</b>	(59,208)	<b>26,354</b>	22,314
At 31 March	<b>482,218</b>	443,524	<b>738,821</b>	725,408

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Rial Omani	<b>3,845,432</b>	2,822,310	<b>3,845,432</b>	2,822,310
US Dollar	<b>1,457,435</b>	2,824,700	<b>1,457,435</b>	2,824,700
UAE Dirhams	-	-	<b>2,477,503</b>	3,505,042
	<b>5,302,867</b>	5,647,010	<b>7,780,370</b>	9,152,052

(f) The fair value of trade receivables are assumed to be the same as their carrying amounts.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

13 Financial assets at fair value through profit or loss

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
<b>Marketable securities</b>				
Bank Dhofar SAOG	2,998,270	3,210,015	2,998,270	3,210,015
Dhofar Insurance Company SAOG	273,333	306,667	273,333	306,667
Dhofar University SAOG	445,500	439,500	445,500	439,500
	<b>3,717,103</b>	<b>3,956,182</b>	<b>3,717,103</b>	<b>3,956,182</b>
<b>Cost</b>				
Bank Dhofar SAOG	938,044	938,044	938,044	938,044
Dhofar Insurance Company SAOG	29,600	29,600	29,600	29,600
Dhofar University SAOG	300,000	300,000	300,000	300,000
	<b>1,267,644</b>	<b>1,267,644</b>	<b>1,267,644</b>	<b>1,267,644</b>

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

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
At 1 January	3,129,163	4,213,278	3,129,163	4,213,278
Fair value changes	587,940	(257,096)	587,940	(257,096)
At 31 March	<b>3,717,103</b>	<b>3,956,182</b>	<b>3,717,103</b>	<b>3,956,182</b>

Investment in banking sector represents 80% (31/3/2015: 81%) of the Group's above investment portfolio.

14 Prepayments, advances and other receivables

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Advances and deposits	773,806	1,389,560	1,864,430	1,879,861
Receivable from tax authorities (note 37)	476,348	1,187,947	476,348	1,187,947
Receivables from a related party (note 42(a))	80,533	58,825	-	58,825
Advances for capital projects	-	2,406,944	-	2,406,944
Advances to staff	24,601	26,057	45,086	35,356
Prepayments	270,136	372,909	918,621	896,503
Accrued interest	27,784	10,285	34,817	72,892
	<b>1,653,208</b>	<b>5,452,527</b>	<b>3,339,302</b>	<b>6,538,328</b>

- (a) The carrying amounts of the Group's prepayments advances and other receivables are denominated in Rial Omani.
- (b) The fair value of prepayments, advances and other receivables are assumed to be the same as their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

15 Short term deposit

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Short term deposit	10,007,057	3,504,986	13,164,303	9,816,986

Short-term deposits are placed with the commercial bank at an interest rates of ranging from 1% to 2.7% (31/3/2015: 1%-1.25% ) per annum and have maturity less than one year from date of placement. For Pioneer Cement, short term deposits are placed with the commercial bank at an interest rates of ranging from 1.2 % to 1.8% ( 2015- 1.0 % to 1.75%) per annum and have maturity of nine to twelve months from date of placement

16 Cash and cash equivalent

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Cash in hand	3,786	6,500	51,152	60,664
Cash at bank				
Current account	2,330,842	7,391,595	4,312,484	11,886,201
Call deposits	5,582,423	11,133,681	5,582,423	11,133,681
	7,917,051	18,531,776	9,946,059	23,080,546

Call deposits are placed with the commercial bank at an interest rates of 0.6%-1.5% (31/3/2015: 0.5%-1.5% ) per annum.

17 Share capital

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Authorised, issued and paid up share capital	20,000,000	20,000,000	20,000,000	20,000,000

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

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

	Parent and Consolidated			
	31/3/2016		31/3/2015	
	% Share holding	Shares Held	% Share Holding	Shares held
Abu Dhabi Fund for Development	15.00	30,000,000	15.00	30,000,000
Islamic Development Bank	11.71	23,415,000	11.71	23,415,000
Dolphin International	10.32	20,657,710	10.32	20,657,710
Baader Bank Aktiengesellschaft	10.00	20,010,501	10.00	20,010,501
	47.03	94,083,211	47.03	94,083,211
Others	52.97	105,916,789	52.96	105,916,789
	100.00	200,000,000	100.00	200,000,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**18 Proposed and approved dividend**

The Board of Directors at the meeting held on 22 February 2016 proposed a cash dividend of 50 Baizas per share, for the year 2015 (2014: 75 Baizas per share). A resolution to approve the dividend was approved by the shareholders at the Annual General Meeting held on 29 March 2016.

**19 Share premium**

In the year 1988, 1994, 2005 and 2006, the parent company made an offering of shares to the public at a premium. As a result of the offering, a share premium account with an amount of RO 13,456,873 (31/3/2015: 13,456,873) was established. Share premium account is not available for distribution.

**20 Legal reserve**

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

In accordance with the UAE Company Law No. 8 of 1984 (as amended), a minimum of 10% of the profit of the Subsidiary (Pioneer Cement Industries LLC) is to be allocated annually to a non-distributable statutory reserve. Such allocations may be ceased when the statutory reserve becomes equal to half of the share capital. Since the statutory reserve has reached this limit, no further transfers have been made in the current year and the previous year.

**21 Asset replacement reserve**

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

**22 Voluntary reserve**

The Board of Directors have resolved that 10% of the Parent Company's net profit to be transferred to voluntary reserve. During the year, the Parent Company has not added to this reserve as the stipulated limit is already reached as mentioned in note 21 for Asset replacement reserve.

**23 Retained earnings**

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

**24 Term loans**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Non-current portion</b>				
Bank Dhofar SAOG	<b>18,000,000</b>	24,500,000	<b>18,000,000</b>	24,500,000
Bank Muscat SAOG	-	10,250,000	-	10,250,000
Oman Arab Bank SAOC	-	4,750,000	-	4,750,000
Bank Sohar SAOG	<b>10,312,500</b>	-	<b>10,312,500</b>	-
	<b>28,312,500</b>	39,500,000	<b>28,312,500</b>	39,500,000

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**24 Term loans (continued)**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
<b>Current portion</b>				
Bank Dhofar SAOG	2,500,000	2,500,000	2,500,000	2,500,000
Bank Muscat SAOG	-	1,500,000	-	1,500,000
Oman Arab Bank SAOC	-	1,000,000	-	1,000,000
Bank Sohar SAOG	1,875,000	-	1,875,000	-
	<b>4,375,000</b>	<b>5,000,000</b>	<b>4,375,000</b>	<b>5,000,000</b>
Total Loan	<b>32,687,500</b>	<b>44,500,000</b>	<b>32,687,500</b>	<b>44,500,000</b>

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

	Interest rate	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
<b>31/3/2016 – Parent &amp; Consolidated</b>					
Bank Dhofar SAOG	3%	20,500,000	2,500,000	8,000,000	10,000,000
Bank Sohar SAOG	2.4%	12,187,500	1,875,000	3,750,000	6,562,500
		<b>32,687,500</b>	<b>4,375,000</b>	<b>11,750,000</b>	<b>16,562,500</b>

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

	Interest rate	Total RO	One year RO	2 to 3 years RO	4 to 10 years RO
<b>31/3/2015 – Parent &amp; Consolidated</b>					
Bank Dhofar SAOG	3.5 to 4%	27,000,000	2,500,000	6,500,000	18,000,000
Bank Muscat SAOG	3.5 to 4%	11,750,000	1,500,000	4,000,000	6,250,000
Oman Arab Bank SAOC	3.5 to 4%	5,750,000	1,000,000	2,500,000	2,250,000
		<b>44,500,000</b>	<b>5,000,000</b>	<b>13,000,000</b>	<b>26,500,000</b>

A loan of RO 32 million was obtained from Bank Dhofar SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over fixed assets of the Parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 1.0 million for the first 5 instalments, RO 1.25 million from 6<sup>th</sup> to 9<sup>th</sup> instalments, and RO 2 million for last 11 instalments. During last year, the company has early paid RO 4.0 million.

A loan of RO 20 million was obtained from Bank Muscat SAOG repayable in 20 semi-annual variable instalments starting from December 2012. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 0.6 million for the first 5 instalments, RO 0.75 million from 6<sup>th</sup> to 9<sup>th</sup> instalments, RO 1.25 million for next 10 instalments with last instalment of RO 1.50 million. During the year parent company has early paid RO 2.375 million (2015: RO 7.875 million).

A loan of RO 12 million was obtained from Oman Arab Bank SAOG repayable in 20 semi-annual variable instalments. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The repayment commitment is RO 0.40 million for the first 5 instalments, RO 0.50 million from 6<sup>th</sup> to 9<sup>th</sup> instalments, RO 0.75 million for the next 10 instalments with

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**24 Term loans (continued)**

last instalment of RO 0.50 million. During last year the company has early paid RO 5.25 million. And the loan is fully settled.

The interest rates applicable for the above loans are:

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

A loan of RO 13.125 million at 2.4% interest was obtained from Bank Sohar SAOG repayable in 14 equal semi-annual instalments starting from December 2015, to prepay the loans that were at higher rate. The loan is secured by first pari pasu charge over the fixed assets of the parent Company and assignment of insurance policies along with other banks. The interest rate is subject to reset after 3 years on a negotiated basis.

**25 Deferred taxation**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (31/3/2015 - 12%). Net deferred tax liability in statement of financial position and the net deferred tax charge in the statement of comprehensive income are attributable to the following items:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	<b>3,277,000</b>	3,335,000	<b>3,498,390</b>	3,335,000
Charge for the year				
Tax effect of excess of tax allowances over book depreciation	<b>(17,294)</b>	(11,505)	<b>(36,977)</b>	43,692
Tax effects of allowance for inventories and doubtful debts	<b>5,294</b>	3,505	<b>5,294</b>	3,505
At 31 March	<b>3,265,000</b>	3,327,000	<b>3,466,707</b>	3,382,197

**26 End of service benefits**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	<b>820,506</b>	806,508	<b>1,331,367</b>	1,256,095
Charge for the year (note 32)	<b>24,738</b>	24,576	<b>46,317</b>	44,968
Paid during the period	<b>(7,707)</b>	(18,493)	<b>(7,707)</b>	(19,968)
At 31 March	<b>837,537</b>	812,591	<b>1,369,977</b>	1,281,095

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**27 Trade and other payables**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Trade payables				
-Due to related parties [note 42(c)]	<b>564,050</b>	590,151	-	-
-Others	<b>2,099,210</b>	2,173,144	<b>3,952,730</b>	4,252,522
Accrued expenses	<b>4,963,756</b>	5,212,387	<b>6,512,210</b>	6,337,427
Accrued interest	<b>158,927</b>	116,901	<b>158,927</b>	116,901
Others payable	<b>43,428</b>	51,655	<b>241,404</b>	144,989
Provision for Director's remuneration	<b>38,000</b>	42,000	<b>38,000</b>	42,000
Dividend payable	-	15,000,000	-	15,000,000
Project payables	-	31,825	-	31,825
	<b>7,867,371</b>	23,218,063	<b>10,903,271</b>	25,925,664

**28 Net assets per share**

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Net assets (RO)	<b>130,514,986</b>	111,150,228	<b>146,098,503</b>	133,091,725
Number of shares outstanding at reporting date	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Net asset per share (RO)	<b>0.653</b>	0.556	<b>0.730</b>	0.665

**29 Revenue**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Local sales - Oman / UAE	<b>10,920,838</b>	10,695,358	<b>12,814,948</b>	12,700,140
Export sales	<b>6,813,395</b>	6,813,008	<b>12,476,998</b>	11,726,106
	<b>17,734,233</b>	17,508,366	<b>25,291,946</b>	24,426,246

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**30 Cost of sales**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Raw materials consumed	493,388	665,158	1,427,667	1,469,755
Imported clinker	-	1,201,453	-	1,201,453
Employee related expenses (note 32)	1,269,726	1,178,380	1,768,978	1,688,807
Fuel, gas and electricity	3,030,740	3,029,445	6,063,489	6,342,417
Spares and consumables	825,969	915,347	1,257,927	1,308,983
Purchase of finished goods	246,787	84,328	-	-
Packing materials	664,277	518,543	1,063,227	879,854
Depreciation (note 5)	1,062,523	1,037,162	1,542,690	1,495,106
Other factory overheads	527,728	457,100	724,149	737,356
Allowance for slow moving inventories	30,000	30,000	30,000	45,780
Shipping / terminal expenses	407,348	830,301	407,348	552,526
Inventory change	496,613	(469,409)	749,351	(664,411)
	<b>9,055,099</b>	<b>9,477,808</b>	<b>15,034,826</b>	<b>15,057,626</b>

The Parent Company has acquired mining rights from the Government for a period of twenty-five years from 1 October 1984, and further renewal of the same is done. Effective March 2006, the Ministry of Commerce and Industry is levying Royalty on the Raw Materials and the cost of RO 188,728 (31/3/2015 RO 96,084) is included in the "other factory overheads". Effective July 15, Public Authority for Mines has increased the royalty rate from 5% to 10% and Ministry of Housing has increased the annual land rent from RO 15,872 to RO 114,358.

**31 General and administrative expenses**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Employee related costs (note 32)	412,632	416,233	707,163	647,310
Donations	1,350	-	1,350	-
Advertisement and business promotion	7,751	5,416	35,337	29,488
Director's sitting fees and remuneration	50,000	50,000	50,000	50,000
Travelling	25,499	23,152	26,067	24,307
Rent & Utilities	26,981	22,280	65,318	42,912
Depreciation (note 5)	23,081	23,595	41,582	42,310
Telephone/Fax/Internet	17,352	15,238	23,326	23,713
(Reversal) provision for doubtful debts	(74,114)	(59,208)	26,354	22,314
Recruitment, training and seminars	27,457	9,419	27,861	12,221
Legal expenses	9,058	8,005	9,058	8,005
Management fees	-	-	19,706	45,309
Audit fees	4,400	3,500	7,665	6,737
Stock exchange fees	24,100	24,100	24,100	24,100
Bank charge	2,999	2,678	8,784	8,763
Others	59,476	58,466	96,657	78,509
	<b>618,022</b>	<b>602,874</b>	<b>1,170,328</b>	<b>1,065,998</b>

**32 Employee related costs**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Wages and salaries	1,279,478	1,273,218	1,821,187	1,780,342
Other benefits	315,434	242,452	542,124	454,069
Social security expenses	62,708	54,367	66,514	56,738
Other benefits	24,738	24,576	46,316	44,968
	<b>1,682,358</b>	<b>1,594,613</b>	<b>2,476,141</b>	<b>2,336,117</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

**32 Employee related costs (continued)**

Employee related costs are allocated as follows:

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Cost of sales (note 30)	1,269,726	1,178,380	1,768,978	1,688,807
General and administrative expenses (note 31)	412,632	416,233	707,163	647,310
	<b>1,682,358</b>	<b>1,594,613</b>	<b>2,476,141</b>	<b>2,336,117</b>

**33 Selling and distribution expense**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Transportation charge- Dhofar	214,370	245,539	214,370	245,539
Export expenses	1,000,589	1,328,929	557,982	765,632
	<b>1,214,959</b>	<b>1,574,468</b>	<b>772,352</b>	<b>1,011,171</b>

**34 Other income**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Miscellaneous income	2,063	1,777	61,402	84,078
	<b>2,063</b>	<b>1,777</b>	<b>61,402</b>	<b>84,078</b>

**35 Finance cost – net**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Interest expense on long term loan	226,243	439,458	226,243	439,458
Exchange loss(gain)	(26,071)	(3,003)	(25,319)	(3,406)
Interest income on bank deposits	(92,053)	(34,378)	(102,488)	(61,777)
Finance cost – net	<b>108,119</b>	<b>402,077</b>	<b>98,436</b>	<b>374,275</b>

**36 Investment income**

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Fair value (loss) / gain on financial assets at fair value through profit or loss	587,940	(257,096)	587,940	(257,096)
	<b>587,940</b>	<b>(257,096)</b>	<b>587,940</b>	<b>(257,096)</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**37 Income tax**

(a) The tax charge / (credit) for the period is analysed as follows

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Current tax:</b>				
- In respect of current period	<b>817,000</b>	659,000	<b>817,000</b>	668,456
- In respect of prior period	<b>(1,335)</b>	-	<b>(1,341)</b>	-
	<b>815,665</b>	659,000	<b>815,659</b>	668,456
<b>Deferred tax</b>				
- In respect of current period	<b>(12,000)</b>	(8,000)	<b>(31,683)</b>	47,197
	<b>803,665</b>	651,000	<b>783,976</b>	715,653

(b) The reconciliation of tax on the accounting profit at the applicable rate of 12 % (31/3/2015 - 12%) after the basic exemption limit of RO 30,000 (31/3/2015 - RO 30,000) with the taxation charge in the statement of profit or loss and other comprehensive income is as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
Tax charge on accounting profit	<b>875,764</b>	619,898	<b>1,060,242</b>	805,699
<b>Add/(less) tax effect of:</b>				
Current tax charge in respect of prior years	<b>(1,335)</b>		<b>(1,341)</b>	
Tax effect of expenses/(income) not eligible	<b>(70,764)</b>	31,102	<b>(274,925)</b>	(90,046)
<b>Taxation charge for the period</b>	<b>803,665</b>	651,000	<b>783,976</b>	715,653

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	<b>3,932,908</b>	2,897,000	<b>3,959,108</b>	2,897,000
Charge for the period	<b>817,000</b>	659,000	<b>817,000</b>	668,456
Paid during the period	<b>(3,931,573)</b>	(2,868,092)	<b>(3,957,767)</b>	(2,868,092)
Charge for prior year	<b>(1,335)</b>	-	<b>(1,341)</b>	-
At 31 March	<b>817,000</b>	687,908	<b>817,000</b>	697,364

(d) The Parent Company's income tax assessments for the tax years up to 2010 have been finalised by the tax authorities. The income tax assessments of the Parent Company for the years 2011 to 2015 have not yet been finalised by the tax department. Management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Group's statement of financial position at reporting date. In March 2015, the taxation department has taken up years 2011-2014 for assessment.

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 12% on taxable profits in excess of RO 30,000.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**37 Income tax (continued)**

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

For the year 2002, the appeal has been decided in parent company's favour by the Supreme Court and accordingly all additional tax of RO 1,187,946 till 2009 is receivable from tax department and has been dealt accordingly.

During the year 2016, the parent company received from tax authority RO 638,058 and we adjusted RO 73,542 against tax due on 2016 against amount receivable from tax authority for the years 2002 to 2007. Years 2008 and 2009 are under appeal process.

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

**38 Basic and diluted earnings per share**

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
Net profit for the year (RO)	<b>6,524,372</b>	4,544,820	<b>8,081,370</b>	6,028,505
Weighted average number of shares	<b>200,000,000</b>	200,000,000	<b>200,000,000</b>	200,000,000
Earnings per share: basic and diluted (RO)	<b>0.033</b>	0.023	<b>0.040</b>	0.030

**39 Operating lease commitments**

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

At 31 March, the future minimum lease commitments under non-cancellable operating leases are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Less than one year	<b>1,000</b>	1,000	<b>1,000</b>	1,000

**40 Commitments**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Capital Commitments</b>				
Civil and structural	<b>168,966</b>	2,105,217	<b>429,377</b>	2,105,277
Plant and machinery	<b>3,558,837</b>	2,351,661	<b>6,070,262</b>	2,871,959
Others	<b>142,813</b>	45,867	<b>180,191</b>	45,867
	<b>3,870,616</b>	4,502,745	<b>6,679,830</b>	5,023,043
<b>Purchase Commitments</b>	<b>4,708,106</b>	2,463,614	<b>9,298,062</b>	10,747,095

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**41 Contingent liabilities**

Letters of credit, guarantee and performance bond	<b>1,575,156</b>	333,506	<b>3,855,477</b>	1,134,880
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**42 Related parties**

The Group has entered into transactions with its executive officers, directors and entities in which certain directors of the Group have an interest. In the ordinary course of business, the Group sells goods to related parties and purchases goods from, occupies the premises of and receives services from related parties. These transactions are entered into on terms and conditions, which the directors believe could be obtained on an arm's length basis from independent third parties.

(a) Advances to related parties at reporting date are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
<b>Advances:</b>	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Advances to subsidiaries</b> (note 9)				
Raysea Navigation S.A	<b>2,834,000</b>	3,280,000	-	-
Raybulk Navigation S.A	<b>1,077,000</b>	1,750,000	-	-
	<b>3,911,000</b>	5,030,000	-	-

Movement to advances to subsidiaries is as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January	<b>3,911,000</b>	5,455,807	-	-
Advances repaid during the period	-	(425,807)	-	-
At 31 March	<b>3,911,000</b>	5,030,000	-	-

(b) Amounts due from related parties at reporting date are as follows:

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Due from related parties:</b> (note 12)				
<b>Entities related to directors:</b>				
Modern Contracting Company	<b>3,480</b>	3,480	<b>3,480</b>	3,480
<b>Associate companies :</b>				
MRTIC	<b>1,325,862</b>	811,449	<b>1,325,862</b>	811,449
OPCP	-	1,615	-	541,273
	<b>1,329,342</b>	816,544	<b>1,329,342</b>	1,356,202

**Other receivables:**

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016</b>	<b>31/3/2015</b>	<b>31/3/2016</b>	<b>31/3/2015</b>
	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
<b>Other receivable from related parties:</b> (note 14)				
Raybulk navigation	<b>80,533</b>	-	-	-
MRTIC	-	58,825	-	58,825
	<b>80,533</b>	58,825	-	58,825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

42 Related parties (continued)

(c) Amounts due to related parties at reporting date are as follows:

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
<b>Due to related parties</b> ⊕note 27)				
Pioneer Cement Company LLC	359,506	85,100	-	-
Raysea Navigation S. A	204,544	251,108	-	-
Raybulk Navigation S.A	-	253,943	-	-
	<b>564,050</b>	<b>590,151</b>	<b>-</b>	<b>-</b>

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

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
<b>Sale of goods and services:</b>				
<b>Entities related to directors:</b>				
Modern Contracting Company	5,800	5,800	5,800	5,800
<b>Associate companies :</b>				
MRTIC	1,959,384	3,573,020	1,959,384	3,573,020
OPCP	17,239	2,432	17,239	310,899
	<b>1,982,423</b>	<b>3,581,252</b>	<b>1,982,423</b>	<b>3,889,719</b>

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
<b>Purchase of goods and services:</b>				
<b>Subsidiary Companies :</b>				
Pioneer Cement Industries LLC	246,787	95,512	-	-
Raysea Navigation S.A	227,942	363,495	-	-
Raybulk Navigation S.A	231,156	484,660	-	-
	<b>705,885</b>	<b>943,667</b>	<b>-</b>	<b>-</b>

(c) Board of directors sitting fees and remuneration:

	Parent Company		Consolidated	
	31/3/2016	31/3/2015	31/3/2016	31/3/2015
	RO	RO	RO	RO
Board of directors sitting fees	12,000	8,000	12,000	8,000
Directors' remuneration (note 31)	38,000	42,000	38,000	42,000
	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>	<b>50,000</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**43 Segment information**

The Group has adopted IFRS 8 Operating Segments with effect from 1 January 2009. 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 its management 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 and Yemen and other Gulf Co-operation Council ("GCC") countries. Information comprising segment revenue, results and the related receivables are based on geographical location of customers.

	Parent Company					
	Local		Export		Total	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Segment revenue	10,920,838	10,695,358	6,813,395	6,813,008	17,734,233	17,508,366
Segment gross profit	5,130,403	4,491,763	3,548,731	3,538,795	8,679,134	8,030,558
Selling and distribution expense	(214,370)	(245,539)	(1,000,589)	(1,328,929)	(1,214,959)	(1,574,468)
Unallocated costs					(726,141)	(1,004,951)
Other income					2,063	1,777
Fair value gain (loss) on financial assets at fair value through profit or loss					587,940	(257,096)
Profit before tax	4,916,033	4,246,224	2,548,142	2,209,866	7,328,037	5,195,820
Segment assets, comprising trade receivables and related parties	3,691,328	4,476,229	1,611,539	1,170,781	5,302,867	5,647,010

	Consolidated					
	Local		Export		Total	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Segment revenue	12,814,948	12,700,140	12,476,998	11,726,106	25,291,946	24,426,246
Segment gross profit	5,635,790	5,005,656	4,621,330	4,362,964	10,257,120	9,368,620
Selling and distribution expense	(214,370)	(245,539)	(557,982)	(765,632)	(772,352)	(1,011,171)
Unallocated costs					(1,268,764)	(1,440,273)
Other income					61,402	84,078
Fair value gain/ (loss) on financial assets at fair value through profit or loss					587,940	(257,096)
Profit before tax	5,421,420	4,760,117	4,063,348	3,597,332	8,865,346	6,744,158
Segment assets, comprising trade receivables and related parties	5,923,194	7,199,840	1,857,176	1,952,212	7,780,370	9,152,052

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**43 Segment information (continued)**

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

**Revenue from major products**

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

	<b>Parent Company</b>		<b>Consolidated</b>	
	<b>31/3/2016 RO</b>	<b>31/3/2015 RO</b>	<b>31/3/2016 RO</b>	<b>31/3/2015 RO</b>
Ordinary Portland Cement (OPC)	<b>15,169,209</b>	15,111,673	<b>21,790,246</b>	21,214,975
Sulphate Resistant Cement (SRC)	<b>1,211,340</b>	1,042,316	<b>2,148,017</b>	1,856,894
Others (OWC & Pozmix)	<b>1,353,684</b>	1,267,303	<b>1,353,683</b>	1,267,303
Clinker	-	87,074	-	87,074
	<b>17,734,233</b>	17,508,366	<b>25,291,946</b>	24,426,246

**Information about major customers**

Included in revenue from export sale to Yemen and GCC countries of RO 6,813,395 (31/3/2015: RO 6,813,008) is the revenue of RO 1,959,384 (31/3/2015: RO 3,573,020) which arise from sale to the Group's largest customer, MRTIC (Associate).

**44 Financial instruments**

**(a) Categories of financial instruments**

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

**Parent Company**

<b>31/3/ 2016</b>	<b>Loans and receivables RO</b>	<b>Held-to- maturity financial assets RO</b>	<b>Financial assets at fair value through profit or loss RO</b>	<b>Available-for- sale financial assets RO</b>	<b>Total RO</b>
<b>Assets as per statement of financial position</b>					
Available-for-sale financial assets	-	-	-	<b>125,000</b>	<b>125,000</b>
Financial assets at fair value through profit or loss	-	-	<b>3,717,103</b>	-	<b>3,717,103</b>
Trade and other receivables (excluding advances and prepayments)	<b>4,928,966</b>	-	-	-	<b>4,928,966</b>
Short term deposit	-	<b>10,007,057</b>	-	-	<b>10,007,057</b>
Cash and cash equivalents	<b>7,917,051</b>	-	-	-	<b>7,917,051</b>
	<b>12,846,017</b>	<b>10,007,057</b>	<b>3,717,103</b>	<b>125,000</b>	<b>26,695,177</b>
<b>31/3/ 2016</b>					<b>Other financial liabilities RO</b>
<b>Liabilities as per statement of financial position</b>					
Term loans					<b>32,687,500</b>
Trade and other payables					<b>7,867,371</b>
					<b>40,554,871</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**44 Financial instruments (continued)**

31/3/2015	Loans and receivables RO	Held-to- maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for- sale financial assets RO	Total RO
Assets as per statement of financial position					
Available-for-sale financial assets	-	-	-	125,000	<b>125,000</b>
Financial assets at fair value through profit or loss	-	-	3,956,182	-	<b>3,956,182</b>
Trade and other receivables (excluding advances and prepayments)	5,272,596	-	-	-	<b>5,272,596</b>
Short term deposits	-	3,504,986	-	-	<b>3,504,986</b>
Cash and cash equivalents	18,531,776	-	-	-	<b>18,531,776</b>
	<b>23,804,372</b>	<b>3,504,986</b>	<b>3,956,182</b>	125,000	<b>31,390,540</b>
31/3/2014					Other financial liabilities RO
Liabilities as per statement of financial position					
Term loans - current and non-current					<b>44,500,000</b>
Trade and other payables					<b>23,218,083</b>
					<b>67,718,083</b>

**Consolidated**

31/3/ 2016	Loans and receivables RO	Held-to- maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for- sale financial assets RO	Total RO
Assets as per statement of financial position					
Available-for-sale financial assets	-	-	-	125,000	<b>125,000</b>
Financial assets at fair value through profit or loss	-	-	3,717,103	-	<b>3,717,103</b>
Trade and other receivables (excluding advances and prepayments)	7,076,366	-	-	-	<b>7,076,366</b>
Short term deposits	-	13,164,303	-	-	<b>13,164,303</b>
Cash and cash equivalents	9,946,059	-	-	-	<b>9,946,059</b>
	<b>17,022,425</b>	<b>13,164,303</b>	<b>3,717,103</b>	<b>125,000</b>	<b>34,028,831</b>
Liabilities as per statement of financial position					Other financial liabilities RO
Term loans - current and non-current					<b>32,687,500</b>
Trade and other payables					<b>10,903,271</b>
Dividend payable					-
Liabilities as per statement of financial position					<b>43,590,771</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)

44 Financial instruments (continued)

(a) Categories of financial instruments (continued)

31 March 2015	Loans and receivables RO	Held-to-maturity financial assets RO	Financial assets at fair value through profit or loss RO	Available-for-sale financial assets RO	Total RO
Assets as per statement of financial position					
Available-for-sale financial assets	-	-	-	125,000	125,000
Financial assets at fair value through profit or loss	-	-	3,956,182	-	3,956,182
Trade and other receivables (excluding advances and prepayments)	8,558,361	-	-	-	8,558,361
Short term deposits	-	9,816,986	-	-	9,816,986
Cash and cash equivalents	23,080,546	-	-	-	23,080,546
	<b>31,638,907</b>	<b>9,816,986</b>	<b>3,956,182</b>	<b>125,000</b>	<b>45,537,075</b>
			31 March 2015		Other financial liabilities RO
Liabilities as per statement of financial position					
Term loans - current and non-current					44,500,000
Trade and other payables					10,925,664
Dividend payable					15,000,000
					<b>70,425,664</b>

(b) Credit quality of financial assets

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

	Parent company		Consolidated	
Trade receivables	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
Counterparties without external credit rating:				
Up to 6 months	4,820,649	5,203,486	7,041,549	8,426,644
Due above 6 months	482,218	443,524	738,821	725,408
	<b>5,302,867</b>	<b>5,647,010</b>	<b>7,780,370</b>	<b>9,152,052</b>

Cash and cash equivalent and short term deposits

	Parent Company		Consolidated	
	31/3/2016 RO	31/3/2015 RO	31/3/2016 RO	31/3/2015 RO
P-1	8,292,157	17,837,906	9,969,879	19,786,223
P-2	4,687,244	4,192,356	6,095,918	4,516,681
P-3	-	-	114,774	1,703,495
Not rated	4,940,921	-	6,878,639	6,830,469
	<b>17,920,322</b>	<b>22,030,262</b>	<b>23,059,210</b>	<b>32,836,868</b>

The rest of the statement of financial position item 'cash and cash equivalents' is cash on hand.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2016 (continued)**

**45 Comparative figures**

Certain comparative figures have been reclassified in order to conform the presentation for the current period. These have no impact on the profit for the period or total equity.