**GULF CEMENT COMPANY P.S.C.**

**Review report and interim financial information for the three months period ended 31 March 2016**

GULF CEMENT COMPANY P.S.C.

**Contents**

Deloitte.

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# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**
**Gulf Cement Company P.S.C.**
**Ras Al Khaimah**
**United Arab Emirates**

*Introduction*

We have reviewed the accompanying condensed statement of financial position of **Gulf Cement Company P.S.C. (a Public Shareholding Company) "the Company" - Ras Al Khaimah, United Arab Emirates,** as at 31 March 2016 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
11 May 2016

**GULF CEMENT COMPANY P.S.C.**

**Condensed statement of financial position**
**at 31 March 2016**

| | Notes | 31 March 2016 AED (Unaudited) | 31 December 2015 AED (Audited) |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 | 725,757,322 | 726,620,277 |
| Investment property | | 8,253,725 | 8,253,725 |
| Trade and other receivables | 5 | 5,500,000 | 5,500,000 |
| Investments carried at fair value through other comprehensive income (FVTOCI) | 6 | 43,208,398 | 43,281,919 |
| **Total non-current assets** | | 782,719,445 | 783,655,921 |
| **Current assets** | | | |
| Inventories | 7 | 215,026,060 | 233,395,932 |
| Trade and other receivables | 5 | 126,564,360 | 124,658,429 |
| Investments carried at fair value through profit or loss (FVTPL) | 6 | 64,612,261 | 82,577,106 |
| Cash and cash equivalents | 8 | 247,289,991 | 220,804,428 |
| **Total current assets** | | 653,492,672 | 661,435,895 |
| **Total assets** | | 1,436,212,117 | 1,445,091,816 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 9 | 821,096,820 | 821,096,820 |
| Reserves | 10 | 502,074,473 | 502,074,473 |
| Cumulative change in fair value - FVTOCI | | (168,711,797) | (168,184,650) |
| Retained earnings | | 64,867,531 | 60,877,639 |
| **Total equity** | | 1,219,327,027 | 1,215,864,282 |
| **Non-current liabilities** | | | |
| Provision for employees' end of service indemnity | | 11,738,422 | 11,767,197 |
| Finance lease liability | 11 | 68,407,871 | 75,686,619 |
| **Total non-current liabilities** | | 80,146,293 | 87,453,816 |
| **Current liabilities** | | | |
| Finance lease liability | 11 | 28,938,819 | 28,791,078 |
| Trade and other payables | 12 | 107,799,978 | 112,982,640 |
| **Total current liabilities** | | 136,738,797 | 141,773,718 |
| **Total liabilities** | | 216,885,090 | 229,227,534 |
| **Total equity and liabilities** | | 1,436,212,117 | 1,445,091,816 |

**Omar Saqr Al Qasimi**
**Chairman**

The accompanying notes form an integral part of these condensed financial statements.

**GULF CEMENT COMPANY P.S.C.**

**Condensed statement of income (unaudited)**
**for the three months period ended 31 March 2016**

| | Notes | Three months period ended 31 March 2016 AED | 2015 AED |
|---|---|---|---|
| Revenue | 13 | **141,559,732** | 171,952,679 |
| Cost of sales | | **(112,672,850)** | (147,103,236) |
| Gross profit | | **28,886,882** | 24,849,443 |
| Other operating income | | **1,840,014** | 1,322,727 |
| Selling, general and administrative expenses | | **(10,023,256)** | (12,481,722) |
| Investment (loss)/income | 14 | **(15,968,278)** | 2,146,722 |
| Finance cost | | **(676,842)** | (869,207) |
| Other (loss)/income | | **(66,112)** | 173,992 |
| **Profit for the period** | | **3,992,408** | 15,141,955 |
| **Basic earnings per share** | 15 | **0.005** | 0.018 |

The accompanying notes form an integral part of these condensed financial statements.

## GULF CEMENT COMPANY P.S.C.

**Condensed statement of comprehensive income (unaudited)**
**for the three months period ended 31 March 2016**

| | Three months period ended 31 March 2016 AED | 2015 AED |
|---|---|---|
| **Profit for the period** | **3,992,408** | 15,141,955 |
| **Other comprehensive income:** | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | |
| Loss on disposal of investment at FVTOCI | **(2,516)** | - |
| (Decrease)/increase in fair value of investments carried at FVTOCI | **(527,147)** | 2,288,998 |
| Total other comprehensive (loss)/income | **(529,663)** | 2,288,998 |
| **Total comprehensive income for the period** | **3,462,745** | 17,430,953 |

The accompanying notes form an integral part of these condensed financial statements.

**GULF CEMENT COMPANY P.S.C.**

**Condensed statement of changes in equity**
**for the three months period ended 31 March 2016**

| | Share capital | Reserves | Cumulative changes in fair value – FVTOCI | Retained earnings | Total |
|---|---|---|---|---|---|
| | AED | AED | AED | AED | AED |
| Balance at 31 December 2014 (audited) | 821,096,820 | 497,786,567 | (150,465,114) | 51,923,788 | 1,220,342,061 |
| Profit for the period | - | - | - | 15,141,955 | 15,141,955 |
| Other comprehensive income for the period | - | - | 2,288,998 | - | 2,288,998 |
| Total comprehensive income for the period | - | - | 2,288,998 | 15,141,955 | 17,430,953 |
| Balance at 31 March 2015 (unaudited) | 821,096,820 | 497,786,567 | (148,176,116) | 67,065,743 | 1,237,773,014 |
| Balance at 31 December 2015 (audited) | 821,096,820 | 502,074,473 | (168,184,650) | 60,877,639 | 1,215,864,282 |
| Profit for the period | - | - | - | 3,992,408 | 3,992,408 |
| Other comprehensive loss for the period | - | - | (527,147) | (2,516) | (529,663) |
| Total comprehensive income for the period | - | - | (527,147) | 3,989,892 | 3,462,745 |
| **Balance at 31 March 2016 (unaudited)** | **821,096,820** | **502,074,473** | **(168,711,797)** | **64,867,531** | **1,219,327,027** |

The accompanying notes form an integral part of these condensed financial statements.

GULF CEMENT COMPANY P.S.C.

## Condensed statement of cash flows (unaudited) for the three months period ended 31 March 2016

| | Three months period ended 31 March 2016 AED | 2015 AED |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **3,992,408** | 15,141,955 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **13,597,728** | 14,418,081 |
| Provision for employees' end of service indemnity | **258,000** | 225,000 |
| Unrealised loss on investments at FVTPL | **17,964,845** | 4,098,582 |
| Loss on sale of investments in securities | **-** | (3,592,476) |
| Interest and dividend revenue | **(2,262,781)** | (2,652,828) |
| **Operating cash flows before changes in operating assets and liabilities** | **33,550,200** | 27,638,314 |
| Increase in trade and other receivables | **(1,905,931)** | (8,728,277) |
| Decrease in inventories | **18,369,872** | 42,350,567 |
| Decrease in trade and other payables | **(4,279,092)** | (20,579,127) |
| **Cash generated from operations** | **45,735,049** | 40,681,477 |
| Employees' end of service indemnity paid | **(286,775)** | (169,332) |
| **Net cash generated from operating activities** | **45,448,274** | 40,512,145 |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | **(12,734,773)** | (9,928,573) |
| Purchase of investments at FVTOCI | **(1,376,724)** | - |
| Purchase of investments at FVTPL | **-** | (1,236,498) |
| Proceeds on disposal of investments in securities | **920,582** | 39,627,337 |
| Dividends received | **1,640,382** | 2,393,450 |
| Interest received | **622,399** | 259,378 |
| **Net cash (used in)/generated from investing activities** | **(10,928,134)** | 31,115,094 |
| **Cash flows from financing activities** | | |
| Net movement in the finance lease liability | **(7,131,007)** | (6,944,202) |
| Dividends paid | **(903,570)** | (501,285) |
| **Net cash used in financing activities** | **(8,034,577)** | (7,445,487) |
| **Net increase in cash and cash equivalents during the period** | **26,485,563** | 64,181,752 |
| Cash and cash equivalents at the beginning of the period | **220,804,428** | 119,135,725 |
| **Cash and cash equivalents at the end of the period** | **247,289,991** | 183,317,477 |

The accompanying notes form an integral part of these condensed financial statements.

## 1. General information

Gulf Cement Company P.S.C. (a Public Shareholding Company), Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295 Ras Al Khaimah, United Arab Emirates.

The principal activities of the Company are production and marketing of all types of cement.

## 2. Application of new and revised International Financial Reporting Standards ("IFRSs")

### 2.1 New and revised IFRSs applied with no material effect on the condensed financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 Agriculture relating to bearer plants.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

## 2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

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

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.<br><br>A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.<br><br>A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract. | 1 January 2018 |
| IFRS 15 *Revenue from Contracts with Customers* | 1 January 2018 |

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.
The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

## 2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

### 2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

| New and revised IFRSs | Effective for annual periods beginning on or after |
|---|---|
| IFRS 16 *Leases*: IFRS 16 specifies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17, | 1 January 2019 |
| Amendments to IAS 12 *Income taxes* seeks to clarify the requirements on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, to address diversity in practice. | 1 January 2017 |
| Amendments to IAS 7 *Statement of Cash Flows*, which are intended to clarify the standard to improve information provided to users of financial statements about an entity's financing activities. | 1 January 2017 |
| Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. | Effective date deferred indefinitely |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2017 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the financial statements of the Company in the period of initial application.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Company performs a detailed review.

## 3. Summary of significant accounting policies

### 3.1. Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

## 3. Summary of significant accounting policies (continued)

### 3.1. Basis of preparation (continued)

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment property.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2015.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2015. In addition, results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

As required by the Securities and Commodities Authority ("SCA") notification dated 12 October 2008, accounting policies relating to property, plant and equipment, investment property and investments in securities have been disclosed in the condensed financial statements.

### 3.2 Property, plant and equipment

Property, plant and equipment, except properties under construction, are stated at their cost, less any subsequent accumulated depreciation and any subsequent identified impairment losses.

Properties in the course of construction for production, administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The following useful lives are used in the calculation of depreciation:

| | Years |
|---|---|
| Building and roads | 27 – 35 |
| Plant and machinery | 5 – 15 |
| Power stations | 10 – 30 |
| Vehicles and equipment | 2 – 5 |
| New clinker production line | 20 – 30 |
| IT computer & hardware | 3 |

## 3. Summary of significant accounting policies (continued)

### 3.3 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss.

Investment property is located in U.A.E.

### 3.4 Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue.

### 3.5 Financial assets at FVTOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

## 4. Property, plant and equipment

During the period, additions to property, plant and equipment amounted to AED 12,734,773 (three months period ended 31 March 2015: AED 9,928,573) and depreciation for the three months period ended 31 March 2016 amounted to AED 13,597,728 (three months period ended 31 March 2015: AED 14,418,081).

At 31 March 2016 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 332,248,009 (31 December 2015: AED 332,248,009).

The factory and its related buildings are constructed on plots of land leased from the Government of Ras Al Khaimah and renewable on annual basis.

All property, plant and equipment are located in U.A.E.

## 5. Trade and other receivables

| | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED |
|---|---|---|
| Trade receivables | **100,374,676** | 97,395,796 |
| Other receivables | **25,689,684** | 26,762,633 |
| Receivable from sale of an associate | **6,000,000** | 6,000,000 |
| | **132,064,360** | 130,158,429 |
| Receivable from sale of an associate due after one year | **(5,500,000)** | (5,500,000) |
| | **126,564,360** | 124,658,429 |

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 88 million (31 December 2015: AED 83 million) fully covered by unconditional bank guarantees from the customers to secure the collectibility of these trade receivables.

**GULF CEMENT COMPANY P.S.C.**

**Notes to the condensed financial statements**
**for the three months period ended 31 March 2016 (continued)**

## 6. Investments in securities

### a) Investments carried at fair value through other comprehensive income (FVTOCI)

| | 31 March 2016 (unaudited) AED | 31 December 2015 (audited) AED |
|---|---|---|
| Quoted – at fair value | **34,552,138** | 34,625,668 |
| Unquoted – at fair value | **8,656,260** | 8,656,251 |
| | **43,208,398** | 43,281,919 |
| In U.A.E. | **6,000,000** | 6,000,000 |
| In other GCC countries | **37,208,398** | 37,281,919 |
| | **43,208,398** | 43,281,919 |

### b) Investments carried at fair value through profit or loss (FVTPL)

| | 31 March 2016 (unaudited) AED | 31 December 2015 (audited) AED |
|---|---|---|
| Quoted | **64,612,261** | 82,577,106 |
| In U.A.E. | **35,492,996** | 55,938,775 |
| In other GCC countries | **29,119,265** | 26,638,331 |
| | **64,612,261** | 82,577,106 |

**GULF CEMENT COMPANY P.S.C.**

**Notes to the condensed financial statements**
**for the three months period ended 31 March 2016 (continued)**

## 7. Inventories

| | 31 March 2016 (unaudited) AED | 31 December 2015 (audited) AED |
|---|---|---|
| Finished goods | **6,895,023** | 8,323,772 |
| Raw materials | **16,354,005** | 15,915,208 |
| Work in progress | **25,587,776** | 35,599,884 |
| Bags, fuel and lubricants | **17,047,746** | 18,497,535 |
| | **65,884,550** | 78,336,399 |
| Spare parts - maintenance department | **149,125,034** | 151,139,971 |
| Consumable items | **17,800,109** | 21,748,702 |
| Tools | **418,187** | 372,680 |
| | **167,343,330** | 173,261,353 |
| Allowance for slow-moving inventories | **(18,201,820)** | (18,201,820) |
| | **149,141,510** | 155,059,533 |
| | **215,026,060** | 233,395,932 |

## 8. Cash and cash equivalents

| | 31 March 2016 (unaudited) AED | 31 December 2015 (audited) AED |
|---|---|---|
| Cash on hand | **99,366** | 59,543 |
| Bank balances: | | |
| Current accounts | **19,578,159** | 3,068,482 |
| Call deposits | **4,612,466** | 3,676,403 |
| Short term deposits | **223,000,000** | 214,000,000 |
| | **247,190,625** | 220,744,885 |
| | **247,289,991** | 220,804,428 |
| Bank balances | | |
| In U.A.E. | **245,512,174** | 218,694,846 |
| In other GCC countries | **1,678,451** | 2,050,039 |
| | **247,190,625** | 220,744,885 |

**Notes to the condensed financial statements**
**for the three months period ended 31 March 2016 (continued)**

## 9. Share capital

| | 31 March 2016 (unaudited) AED | 31 December 2015 (audited) AED |
|---|---|---|
| Issued and fully paid: | | |
| 821,096,820 ordinary shares of AED 1 each | **821,096,820** | 821,096,820 |

## 10. Reserves

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Law No (2) of 2015, 10% of the profit of each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

| | Statutory Reserve AED | Voluntary reserve AED | Total AED |
|---|---|---|---|
| Balance at 31 December 2014 (audited) | 348,241,109 | 149,545,458 | 497,786,567 |
| Balance at 31 March 2015 (unaudited) | 348,241,109 | 149,545,458 | 497,786,567 |
| Balance at 31 December 2015 (audited) | 355,385,062 | 146,689,411 | 502,074,473 |
| **Balance at 31 March 2016 (unaudited)** | **355,385,062** | **146,689,411** | **502,074,473** |

## 11. Finance lease liability

During 2012, The Company entered into a sale and lease back arrangement with a leasing company registered in the United Arab Emirates to finance the purchase and installation of a waste heat recovery plant. The finance charges are based on 3 months LIBOR plus a margin of 2.5% per annum. The lease is repayable on quarterly installments over the term of the lease of five years, the Company has utilized AED 146,301,950 (31 December 2015: AED 146,301,950) out of available lease facility of AED 192,500,000.

## 11. Finance lease liability (continued)

The payments due under leasing arrangement are as follows:

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED |
| Due within one year | **31,453,282** | 31,453,282 | **28,938,819** | 28,791,078 |
| Due in the second through fifth year | **70,769,885** | 78,633,205 | **68,407,871** | 75,686,619 |
| | **102,223,167** | 110,086,487 | **97,346,690** | 104,477,697 |
| Less: Embedded future finance costs | **(4,876,477)** | (5,608,790) | **-** | - |
| | **97,346,690** | 104,477,697 | **97,346,690** | 104,477,697 |

Included in the condensed financial statements as:

| | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED |
|---|---|---|
| Current portion of finance lease liability | **28,938,819** | 28,791,078 |
| Non-current portion of finance lease liability | **68,407,871** | 75,686,619 |
| | **97,346,690** | 104,477,697 |

## 12. Trade and other payables

| | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED |
|---|---|---|
| Trade payables | **35,816,533** | 40,364,470 |
| Dividends payable | **22,274,733** | 23,178,303 |
| Accrued expenses | **46,305,946** | 47,725,816 |
| Other payables | **3,402,766** | 1,714,051 |
| | **107,799,978** | 112,982,640 |

## 13. Revenue

An analysis of the Company's revenue is as follows:

| | Three months period ended 31 March 2016 (unaudited) AED | 2015 (unaudited) AED |
|---|---|---|
| Local sales | **36,001,125** | 29,308,065 |
| Export sales | **105,558,607** | 142,644,614 |
| | **141,559,732** | 171,952,679 |

## 14. Investment (loss)/ income

| | Three months period ended 31 March 2016 (unaudited) AED | 2015 (unaudited) AED |
|---|---|---|
| Unrealised loss on investments carried at FVTPL | **(17,964,845)** | (4,098,582) |
| (Loss)/profit on disposal of investment in securities | **(266,214)** | 3,592,476 |
| Dividends income | **1,640,382** | 2,393,450 |
| Interest income | **622,399** | 259,378 |
| | **(15,968,278)** | 2,146,722 |

## 15. Basic earnings per share

| | Three months period ended 31 March 2016 (unaudited) | 2015 (unaudited) |
|---|---|---|
| Profit for the period (in AED) | **3,992,408** | 15,141,955 |
| Number of shares | **821,096,820** | 821,096,820 |
| Basic earnings per share (in AED) | **0.005** | 0.018 |

## 16. Dividends

At the annual general meeting held on 20 April 2016, the shareholders approved cash dividend of 9% amounting to AED 73.90 million for the year ended 31 December 2015 (2015: 7% of share capital amounting to AED 57.48 million for the year ended 31 December 2014). Shareholders also approved the Board of Directors' remuneration of AED 1.6 million for the year ended 31 December 2015 (2015: AED 0.7 million for 2014). The approved cash dividend for the year 2015 have not been reported as liabilities in these condensed financial statements as the same were approved after the end of the current period.

## 17. Related party transactions

During the period, the Company entered into the following transactions with related parties:

| | **Three months period ended 31 March** | |
|---|---|---|
| | **2016 (unaudited) AED** | 2015 (unaudited) AED |
| Attendance expenses for Board of Directors and committees' meetings | **288,645** | 400,265 |

## 18. Contingent liabilities and commitments

| | **31 March 2016 (unaudited) AED** | 31 December 2015 (audited) AED |
|---|---|---|
| Letters of credit | - | 255,395 |
| Letters of guarantee | **200,000** | 200,000 |

## 19. Segment information

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks and investment properties.

**Notes to the condensed financial statements**
**for the three months period ended 31 March 2016 (continued)**

## 19. Segment information (continued)

| | **Three months period ended 31 March 2016** | | | Three months period ended 31 March 2015 | | |
|---|---|---|---|---|---|---|
| | **Manufacturing (unaudited) AED** | **Investments (unaudited) AED** | **Total (unaudited) AED** | Manufacturing (unaudited) AED | Investments (unaudited) AED | Total (unaudited) AED |
| **Segment revenue** | **141,559,732** | | **141,559,732** | 171,952,679 | - | 171,952,679 |
| Segment result | **19,960,686** | **(15,968,278)** | **3,992,408** | 12,995,233 | 2,146,722 | 15,141,955 |

| | **31 March 2016** | | | 31 December 2015 | | |
|---|---|---|---|---|---|---|
| | **Manufacturing (unaudited) AED** | **Investments (unaudited) AED** | **Total (unaudited) AED** | Manufacturing (audited) AED | Investments (audited) AED | Total (audited) AED |
| **Segment assets** | **1,066,847,742** | **349,686,850** | **1,416,534,592** | 1,084,174,638 | 357,789,153 | 1,441,963,791 |
| Unallocated assets | - | - | **19,677,525** | - | - | 3,128,025 |
| Total assets | **1,066,847,742** | **349,686,850** | **1,436,212,117** | 1,084,174,638 | 357,789,153 | 1,445,091,816 |
| **Segment liabilities** | **216,885,090** | - | **216,885,090** | 229,227,534 | - | 229,227,534 |

There are no transactions between the business segments.

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**Notes to the condensed financial statements**
**for the three months period ended 31 March 2016 (continued)**

## 20. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

*Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values.

*Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2015.

*Fair value of the Company's financial assets that are measured at fair value on recurring basis*

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

| **Financial assets** | **Fair value as at** | | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable input** | **Relationship of unobservable inputs to fair value** |
|---|---|---|---|---|---|---|
| | **31 March 2016 AED'000 (Unaudited)** | 31December 2015 AED'000 (Audited) | | | | |
| Quoted equity investments – FVTOCI | **34,552** | 34,626 | Level 1 | Quoted bid prices in an active market. | None. | NA |
| Unquoted equity investments – FVTOCI | **8,656** | 8,656 | Level 3 | Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information. | Net assets value. | Higher the net assets value of the investees, higher the fair value. |
| Quoted equity instruments – FVTPL | **64,612** | 82,577 | Level 1 | Quoted bid prices in an active market. | None. | NA |

## 20. Fair value measurement (continued)

*Fair value hierarchy*

The following table provides an analysis of financial and nonfinancial 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).

**31 March 2016 (unaudited):**

| | **Level 1 AED** | **Level 2 AED** | **Level 3 AED** | **Total AED** |
|---|---|---|---|---|
| **Financial assets at FVTPL** | **64,612,261** | - | - | **64,612,261** |
| **FVTOCI** | | | | |
| Quoted equities | **34,552,138** | - | - | **34,552,138** |
| Unquoted equities | - | - | **8,656,260** | **8,656,260** |
| **Investment property** | - | - | **8,253,725** | **8,253,725** |
| | **99,164,399** | - | **16,909,985** | **116,074,384** |

31 December 2015 (audited)

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|---|---|---|---|---|
| Financial assets at FVTPL | 82,577,106 | - | - | 82,577,106 |
| FVTOCI | | | | |
| Quoted equities | 34,625,668 | - | - | 34,625,668 |
| Unquoted equities | - | - | 8,656,251 | 8,656,251 |
| Investment property | - | - | 8,253,725 | 8,253,725 |
| | 117,202,774 | - | 16,909,976 | 134,112,750 |

There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

### 21. Seasonality of results

Investment income includes dividend income of AED 1,640,382 for the three months period ended 31 March 2016 (Three months period ended 31 March 2015: AED 2,393,450), which is of a seasonal nature.

### 22. Reclassification

Certain comparative figures have been reclassified in order to conform to the presentation for the current period. These changes have been made to improve the quality and comparability of information presented. Such reclassification does not affect previously reported net profit or equity.

### 23. Approval of condensed financial statements

The condensed financial statements were approved by the Chairman of the Board of Directors and authorised for issue on 11 May 2016.