

GULF CEMENT COMPANY P.S.C.

**Review report and interim financial information
for the six months period ended 30 June 2016**

GULF CEMENT COMPANY P.S.C.

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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 30 June 2016 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six 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 the 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
7 August 2016

GULF CEMENT COMPANY P.S.C.

**Condensed statement of financial position
at 30 June 2016**

	Notes	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	733,430,856	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	44,494,923	43,281,919
Total non-current assets		791,679,504	783,655,921
Current assets			
Inventories	7	192,776,707	233,395,932
Trade and other receivables	5	152,476,056	124,658,429
Investments carried at fair value through profit or loss (FVTPL)	6	63,471,895	82,577,106
Cash and cash equivalents	8	176,202,498	220,804,428
Total current assets		584,927,156	661,435,895
Total assets		1,376,606,660	1,445,091,816
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	821,096,820	821,096,820
Reserves	10	477,074,473	502,074,473
Cumulative change in fair value - FVTOCI		(167,904,335)	(168,184,650)
Retained earnings		28,121,532	60,877,639
Total equity		1,158,388,490	1,215,864,282
Non-current liabilities			
Provision for employees' end of service indemnity		11,667,234	11,767,197
Finance lease liability	11	61,208,713	75,686,619
Total non-current liabilities		72,875,947	87,453,816
Current liabilities			
Finance lease liability	11	29,057,503	28,791,078
Trade and other payables	12	116,284,720	112,982,640
Total current liabilities		145,342,223	141,773,718
Total liabilities		218,218,170	229,227,534
Total equity and liabilities		1,376,606,660	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 six months period ended 30 June 2016**

	Notes	Three months period ended 30 June		Six months period ended 30 June	
		2016 AED	2015 AED	2016 AED	2015 AED
Revenue	13	158,087,611	139,708,473	299,647,343	311,661,152
Cost of sales		(133,274,617)	(116,663,832)	(245,947,467)	(263,767,068)
Gross profit		24,812,994	23,044,641	53,699,876	47,894,084
Other operating income		1,592,681	2,169,049	3,432,695	3,491,776
Selling, general and administrative expenses		(14,095,871)	(10,818,208)	(24,385,341)	(23,495,590)
Investment income/(loss)	14	2,251,124	1,679,774	(13,450,940)	4,022,156
Finance cost		(861,343)	(837,002)	(1,538,185)	(1,706,209)
Other income/(loss)		51,130	510,719	(14,982)	684,711
Profit for the period		13,750,715	15,748,973	17,743,123	30,890,928
Basic earnings per share	15	0.02	0.02	0.02	0.04

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 six months period ended 30 June 2016**

	Three months period ended 30 June		Six months period ended 30 June	
	2016	2015	2016	2015
	AED	AED	AED	AED
Profit for the period	13,750,715	15,748,973	17,743,123	30,890,928
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Loss on disposal of FVTOCI	-	-	(2,516)	-
Increase/(decrease) in fair value of investments carried at FVTOCI	807,462	(4,941,880)	280,315	(2,652,882)
Board of Directors' remuneration	(1,598,000)	(740,319)	(1,598,000)	(740,319)
Other comprehensive loss	(790,538)	(5,682,199)	(1,320,201)	(3,393,201)
Total comprehensive income for the period	12,960,177	10,066,774	16,422,922	27,497,727

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 six months period ended 30 June 2016**

	Share capital AED	Reserves AED	Cumulative change in fair value - FVTOCI AED	Retained earnings AED	Total 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	-	-	-	30,890,928	30,890,928
Other comprehensive loss for the period	-	-	(2,652,882)	(740,319)	(3,393,201)
Total comprehensive (loss)/income for the period	-	-	(2,652,882)	30,150,609	27,497,727
Transfer from voluntary reserve (Note 10)	-	(10,000,000)	-	10,000,000	-
Dividend paid (Note 16)	-	-	-	(57,476,777)	(57,476,777)
Balance at 30 June 2015 (unaudited)	821,096,820	487,786,567	(153,117,996)	34,597,620	1,190,363,011
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	-	-	-	17,743,123	17,743,123
Other comprehensive income/(loss) for the period	-	-	280,315	(1,600,516)	(1,320,201)
Total comprehensive income for the period	-	-	280,315	16,142,607	16,422,922
Transfer from voluntary reserve (Note 10)	-	(25,000,000)	-	25,000,000	-
Dividend paid (Note 16)	-	-	-	(73,898,714)	(73,898,714)
Balance at 30 June 2016 (unaudited)	821,096,820	477,074,473	(167,904,335)	28,121,532	1,158,388,490

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 six months period ended 30 June 2016**

	Six months period ended 30 June	
	2016	2015
	AED	AED
Cash flows from operating activities		
Profit for the period	17,743,123	30,890,928
Adjustments for:		
Depreciation of property, plant and equipment	27,415,913	28,878,005
Provision for employees' end of service indemnity	516,000	450,000
Unrealised loss on investments at FVTPL	19,105,161	11,488,478
Gain on disposal of investments in securities	-	(7,885,015)
Interest and dividend revenue	(5,654,221)	(7,151,990)
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	59,125,976	56,670,406
Increase in trade and other receivables	(27,817,627)	(10,248,813)
Decrease in inventories	40,619,225	19,669,623
Decrease in trade and other payables	(2,661,103)	(15,544,570)
	<hr/>	<hr/>
Cash generated from operations	69,266,471	50,546,646
Employees' end of service indemnity paid	(615,963)	(319,415)
	<hr/>	<hr/>
Net cash generated from operating activities	68,650,508	50,227,231
	<hr/>	<hr/>
Cash flows from investing activities		
Purchase of property, plant and equipment	(34,226,492)	(20,074,754)
Purchase of investments at FVTPL	-	(1,616,244)
Purchase of investments carried at FVTOCI	(1,855,787)	(11,424,293)
Proceeds on disposal of investments in securities	920,632	103,173,733
Dividend received	3,834,809	6,410,467
Interest received	1,819,412	741,523
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(29,507,426)	77,210,432
	<hr/>	<hr/>
Cash flows from financing activities		
Board of Directors remuneration paid	(1,598,000)	(740,319)
Net movement on finance lease liability	(14,211,481)	(13,962,182)
Dividend paid	(67,935,531)	(52,430,662)
	<hr/>	<hr/>
Net cash used in financing activities	(83,745,012)	(67,133,163)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents during the period	(44,601,930)	60,304,500
Cash and cash equivalents at the beginning of the period	220,804,428	119,135,725
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period (Note 8)	176,202,498	179,440,225
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The accompanying notes form an integral part of these condensed financial statements.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2016

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.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2016 (continued)

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
1 January 2018**

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.

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.

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.

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.

GULF CEMENT COMPANY P.S.C.

**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**

**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 15 Revenue from Contracts with Customers (continued)

Amendments were further issued on IFRS 15 clarifying some requirements and providing additional relief for companies that are implementing the new standard. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied.

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 2 *Share-based Payment* that clarify the classification and measurement of share-based payment transactions.

1 January 2018

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.

GULF CEMENT COMPANY P.S.C.**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)****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.

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 six months period ended 30 June 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.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2016 (continued)

3. Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

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

	<u>Years</u>
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

3.3 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.

GULF CEMENT COMPANY P.S.C.**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)****3. Summary of significant accounting policies (continued)****3.5 Financial assets at FVTOCI (continued)**

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 34,226,492 (six months ended 30 June 2015: AED 20,074,754) and depreciation for the six months ended 30 June 2016 amounted to AED 27,415,913 (six months ended 30 June 2015: AED 28,878,005).

At 30 June 2016 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 342,821,433 (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 renewable on annual basis.

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

5. Trade and other receivables

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Trade receivables	106,382,928	97,395,796
Advances to suppliers	28,990,898	13,663,155
Prepayments and other receivables	16,602,230	13,099,478
Receivable from sale of an associate	6,000,000	6,000,000
	<hr/>	<hr/>
	157,976,056	130,158,429
Receivable from sale of an associate due after one year	(5,500,000)	(5,500,000)
	<hr/>	<hr/>
	152,476,056	124,658,429
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GULF CEMENT COMPANY P.S.C.

**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**

5. Trade and other receivables (continued)

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 81 million (31 December 2015: AED 83 million) fully covered by unconditional bank guarantees from the customers to secure the collectability of these trade receivables.

6. Investments in securities

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

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Quoted – at fair value	35,838,664	34,625,668
Unquoted – at fair value	8,656,259	8,656,251
	<u>44,494,923</u>	<u>43,281,919</u>
In U.A.E.	6,000,000	6,000,000
In other GCC countries	38,494,923	37,281,919
	<u>44,494,923</u>	<u>43,281,919</u>

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

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Quoted	63,471,895	82,577,106
In U.A.E.	33,999,940	55,938,775
In other GCC countries	29,471,955	26,638,331
	<u>63,471,895</u>	<u>82,577,106</u>

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)

7. Inventories

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Finished goods	5,981,743	8,323,772
Raw materials	14,305,260	15,915,208
Work in progress	5,598,133	35,599,884
Bags, fuel and lubricants	17,994,734	18,497,535
	<u>43,879,870</u>	<u>78,336,399</u>
Spare parts - maintenance department	149,076,031	151,139,971
Consumable items	17,606,762	21,748,702
Tools	415,864	372,680
	<u>167,098,657</u>	<u>173,261,353</u>
Allowance for slow-moving inventories	(18,201,820)	(18,201,820)
	<u>148,896,837</u>	<u>155,059,533</u>
	<u>192,776,707</u>	<u>233,395,932</u>

8. Cash and cash equivalents

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Cash on hand	86,083	59,543
Bank balances:		
Current accounts	3,405,401	3,068,482
Call deposits	10,311,014	3,676,403
Short term deposits	162,400,000	214,000,000
	<u>176,116,415</u>	<u>220,744,885</u>
	<u>176,202,498</u>	<u>220,804,428</u>

GULF CEMENT COMPANY P.S.C.

**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**

8. Cash and cash equivalents (continued)

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Bank balances		
In U.A.E.	168,273,291	218,694,846
In other GCC countries	7,843,124	2,050,039
	<u>176,116,415</u>	<u>220,744,885</u>

9. Share capital

	30 June 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
	<u>821,096,820</u>	<u>821,096,820</u>

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. At the Annual General Meeting held on 20 April 2016, the shareholders approved the transfer of AED 25 million from voluntary reserve to retained earnings (2015: Approved the transfer of AED 10 million from voluntary reserve to retained earnings).

GULF CEMENT COMPANY P.S.C.

**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**

10. Reserves (continued)

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 31 December 2014 (audited)	348,241,109	149,545,458	497,786,567
Movement during the period	-	(10,000,000)	(10,000,000)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015 (unaudited)	348,241,109	139,545,458	487,786,567
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015 (audited)	355,385,062	146,689,411	502,074,473
Movement during the period	-	(25,000,000)	(25,000,000)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2016 (unaudited)	355,385,062	121,689,411	477,074,473
	<hr/>	<hr/>	<hr/>

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 instalments 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.

The payments due under leasing arrangement are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Due within one year	31,453,282	31,453,282	29,057,503	28,791,078
Due in the second through fifth year	<u>62,906,564</u>	<u>78,633,205</u>	<u>61,208,713</u>	<u>75,686,619</u>
	94,359,846	110,086,487	90,266,216	104,477,697
Less: Embedded future finance costs	<u>(4,093,630)</u>	<u>(5,608,790)</u>	-	-
	<u>90,266,216</u>	<u>104,477,697</u>	<u>90,266,216</u>	<u>104,477,697</u>

GULF CEMENT COMPANY P.S.C.

**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**

11. Finance lease liability (continued)

Included in the condensed statement of financial position as follows:

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Current portion of finance lease liability	29,057,503	28,791,078
Non-current portion of finance lease liability	61,208,713	75,686,619
	<u>90,266,216</u>	<u>104,477,697</u>

12. Trade and other payables

	30 June 2016 (unaudited) AED	31 December 2015 (audited) AED
Trade payables	38,828,794	40,364,470
Dividends payable	29,141,486	23,178,303
Accrued expenses	46,237,361	47,725,816
Other payables	2,077,079	1,714,051
	<u>116,284,720</u>	<u>112,982,640</u>

13. Revenue

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

	Three months period ended 30 June		Six months period ended 30 June	
	2016 (unaudited) AED	2015 (unaudited) AED	2016 (unaudited) AED	2015 (unaudited) AED
Local sales	32,265,799	27,880,360	68,266,923	57,188,425
Export sales	125,821,812	111,828,113	231,380,420	254,472,727
	<u>158,087,611</u>	<u>139,708,473</u>	<u>299,647,343</u>	<u>311,661,152</u>

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)

14. Investment income/ (loss)

	Three months period ended		Six months period ended	
	2016	30 June	2016	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Unrealised loss on investments at FVTPL	(1,140,316)	(7,389,897)	(19,105,161)	(11,488,479)
Gain on disposal of investments in securities	-	4,570,509	-	8,358,645
Dividend income	2,194,427	4,017,017	3,834,809	6,410,467
Interest income	1,197,013	482,145	1,819,412	741,523
	<u>2,251,124</u>	<u>1,679,774</u>	<u>(13,450,940)</u>	<u>4,022,156</u>

15. Basic earnings per share

	Three months period ended		Six months period ended	
	2016	30 June	2016	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period (in AED)	13,750,715	15,748,973	17,743,123	30,890,928
Number of shares	821,096,820	821,096,820	821,096,820	821,096,820
Basic earnings per share (in AED)	0.02	0.02	0.02	0.04

16. Dividend

At the annual general meeting held on 20 April 2016, the shareholders approved cash dividend of 9% of share capital 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). The 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).

GULF CEMENT COMPANY P.S.C.**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)****17. Related party transactions**

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

	Three months period ended		Six months period ended	
	2016	30 June	2016	30 June
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	AED	AED	AED	AED
Attendance expenses for Board of Directors and committees' meetings	248,170	237,180	536,815	637,445
Board of Directors' remuneration	1,598,000	740,319	1,598,000	740,319

18. Contingent liabilities and commitments

	30 June	31 December
	2016	2015
	(unaudited)	(audited)
	AED	AED
Letters of credit	35,897,440	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 six months period ended 30 June 2016 (continued)

19. Segment information (continued)

	Six months period ended 30 June 2016			Six months period ended 30 June 2015		
	Manufacturing (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED	Manufacturing (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED
Segment revenue	299,647,343	-	299,647,343	311,661,152	-	311,661,152
Segment result	31,194,063	(13,450,940)	17,743,123	26,868,772	4,022,156	30,890,928
	30 June 2016			31 December 2015		
	Manufacturing (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED	Manufacturing (audited) AED	Investments (audited) AED	Total (audited) AED
Segment assets	1,078,683,619	294,431,557	1,373,115,176	1,084,174,638	357,789,153	1,441,963,791
Unallocated assets			3,491,484			3,128,025
Total assets			1,376,606,660			1,445,091,816
Segment liabilities	218,218,170	-	218,218,170	229,227,534	-	229,227,534

There are no transactions between the business segments.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 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
	30 June 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000				
Quoted equity investments – FVTOCI	35,838	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	63,471	82,577	Level 1	Quoted bid prices in an active market.	None.	NA

GULF CEMENT COMPANY P.S.C.
**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)**
20. Fair value measurement (continued)

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).

30 June 2016 (unaudited):

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Equity instruments:-				
Quoted at FVTPL	63,471,895	-	-	63,471,895
At FVTOCI				
Quoted equities	35,838,664	-	-	35,838,664
Unquoted equities	-	-	8,656,259	8,656,259
Investment property	-	-	8,253,725	8,253,725
	<u>99,310,559</u>	<u>-</u>	<u>16,909,984</u>	<u>116,220,543</u>

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
	<u>117,202,774</u>	<u>-</u>	<u>16,909,976</u>	<u>134,112,750</u>

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.

GULF CEMENT COMPANY P.S.C.**Notes to the condensed financial statements
for the six months period ended 30 June 2016 (continued)****21. Seasonality of results**

Investment income includes dividend income of AED 3,834,809 for the six months period ended 30 June 2016 (Six months period ended 30 June 2015: AED 6,410,467), 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 7 August 2016.