GULF CEMENT COMPANY P.S.C.

Review report and interim financial information for the six months period ended 30 June 2017

GULF CEMENT COMPANY P.S.C.

Contents

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To 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 2017 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 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.)

Signed by:
Samir Madbak
Registration No. 386
2 August 2017
Sharjah, United Arab Emirates

GULF CEMENT COMPANY P.S.C.

Condensed statement of financial position at 30 June 2017

	Notes	30 June 2017 AED (Unaudited)	31 December 2016 AED (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	5	785,594,055	776,914,902
Investment property		8,253,725	8,253,725
Trade and other receivables	6	5,500,000	5,500,000
Investments carried at fair value through other comprehensive income (FVTOCI)	7	39,719,411	40,032,243
Total non-current assets		839,067,191	830,700,870
Current assets			
Inventories	8	187,524,965	183,214,656
Trade and other receivables	6	157,215,979	145,749,374
Investments carried at fair value through profit or loss (FVTPL)	7	53,447,902	53,406,004
Bank balances and cash	9	75,553,149	166,398,878
Total current assets		473,741,995	548,768,912
Total assets		1,312,809,186	1,379,469,782
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	821,096,820	821,096,820
Treasury shares	10	(451,248)	(451,248)
Reserves	11	452,097,612	487,097,612
Cumulative changes in fair value - FVTOCI	7	(173,848,082)	(172,922,454)
Retained earnings		23,157,511	50,470,965
Total equity		1,122,052,613	1,185,291,695
Non-current liabilities			
Provision for employees' end of service indemnity		11,345,669	11,426,760
Finance lease liability	12	31,074,130	46,275,280
Total non-current liabilities		42,419,799	57,702,040
Current liabilities			
Finance lease liability	12	30,107,566	29,557,149
Trade and other payables	13	118,229,208	106,918,898
Total current liabilities		148,336,774	136,476,047
Total liabilities		190,756,573	194,178,087
Total equity and liabilities		1,312,809,186	1,379,469,782

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 2017

	Notes	Three months period ended 30 June		Six months period ended 30 June	
		2017	2016	**2017**	2016
		AED	AED	**AED**	AED
Revenue	14	**146,898,822**	158,087,611	**271,452,166**	299,647,343
Cost of sales		**(124,752,778)**	(133,274,617)	**(236,452,752)**	(245,947,467)
Gross profit		**22,146,044**	24,812,994	**34,999,414**	53,699,876
Other operating income		**2,290,754**	1,592,681	**4,133,764**	3,432,695
Selling, general and administrative expenses		**(9,715,341)**	(14,095,871)	**(21,434,875)**	(24,385,341)
Investment (loss)/income	15	**(633,813)**	2,251,124	**4,863,619**	(13,450,940)
Finance cost		**(567,924)**	(861,343)	**(1,185,821)**	(1,538,185)
Other income/(loss)		**71,779**	51,130	**333,100**	(14,982)
Profit for the period		**13,591,499**	13,750,715	**21,709,201**	17,743,123
Basic earnings per share	16	**0.02**	0.02	**0.03**	0.02

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 2017

	Three months period ended 30 June		Six months period ended 30 June	
	2017	2016	**2017**	2016
	AED	AED	**AED**	AED
Profit for the period	**13,591,499**	13,750,715	**21,709,201**	17,743,123
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Loss on disposal of FVTOCI	**(6,180)**	-	**(364,973)**	(2,516)
(Decrease)/increase in fair value of investments carried at FVTOCI	**(2,153,956)**	807,462	**(925,628)**	280,315
Other comprehensive (loss)/income	**(2,160,136)**	807,462	**(1,290,601)**	277,799
Total comprehensive income for the period	**11,431,363**	14,558,177	**20,418,600**	18,020,922

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 2017

	Share capital AED	Treasury shares AED	Reserves AED	Cumulative change in fair value - FVTOCI AED	Retained earnings AED	Total AED
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	(2,516)	277,799
Total comprehensive income for the period	-	-	-	280,315	17,740,607	18,020,922
Transfer from voluntary reserve (Note 11)	-	-	(25,000,000)	-	25,000,000	-
Board of Directors' remuneration	-	-	-	-	(1,598,000)	(1,598,000)
Dividend distribution (Note 17)	-	-	-	-	(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
Balance at 31 December 2016 (audited)	821,096,820	(451,248)	487,097,612	(172,922,454)	50,470,965	1,185,291,695
Profit for the period	-	-	-	-	21,709,201	21,709,201
Other comprehensive loss for the period	-	-	-	(925,628)	(364,973)	(1,290,601)
Total comprehensive income for the period	-	-	-	(925,628)	21,344,228	20,418,600
Transfer from voluntary reserve (Note 11)	-	-	(35,000,000)	-	35,000,000	-
Board of Directors' remuneration	-	-	-	-	(1,598,000)	(1,598,000)
Dividend distribution (Note 17)	-	-	-	-	(82,059,682)	(82,059,682)
Balance at 30 June 2017 (unaudited)	**821,096,820**	**(451,248)**	**452,097,612**	**(173,848,082)**	**23,157,511**	**1,122,052,613**

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 2017

	Six months period ended 30 June	
	2017	2016
	AED	AED
Cash flows from operating activities		
Profit for the period	21,709,201	17,743,123
Adjustments for:		
Depreciation of property, plant and equipment	25,134,712	27,415,913
Finance cost	1,185,821	1,538,185
Provision for employees' end of service indemnity	360,000	516,000
Unrealised loss on investments at FVTPL	(157,760)	19,105,161
(Loss) on disposal of investments in securities	32,847	-
Interest and dividend revenue	(4,738,706)	(5,654,221)
Operating cash flows before changes in operating assets and liabilities	43,526,115	60,664,161
Increase in trade and other receivables	(11,466,605)	(27,817,627)
(Increase)/decrease in inventories	(4,310,309)	40,619,225
Increase/(decrease) in trade and other payables	7,568,748	(2,661,103)
Cash generated from operations	35,317,949	70,804,656
Employees' end of service indemnity paid	(441,091)	(615,963)
Finance cost paid	(1,185,821)	(1,538,185)
Net cash generated from operating activities	33,691,037	68,650,508
Cash flows from investing activities		
Purchase of property, plant and equipment	(33,813,865)	(34,226,492)
Purchase of investments at FVTPL	(540,926)	-
Purchase of investments carried at FVTOCI	(3,404,296)	(1,855,787)
Proceeds on disposal of investments in securities	3,050,468	920,632
Decrease in fixed deposits maturity over three months	49,000,000	-
Dividend received	3,488,382	3,834,809
Interest received	1,250,324	1,819,412
Net cash generated from/(used in) investing activities	19,030,087	(29,507,426)
Cash flows from financing activities		
Board of Directors remuneration paid	(1,598,000)	(1,598,000)
Net movement on finance lease liability	(14,650,733)	(14,211,481)
Dividend paid	(78,318,120)	(67,935,531)
Net cash used in financing activities	(94,566,853)	(83,745,012)
Net decrease in cash and cash equivalents during the period	(41,845,729)	(44,601,930)
Cash and cash equivalents at the beginning of the period	99,398,878	220,804,428
Cash and cash equivalents at the end of the period (Note 9)	57,553,149	176,202,498

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 2017

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 IFRS, which became effective for annual periods beginning on or after 1 January 2017, 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.

- Amendments to IAS 12 Income Taxes relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 Statement of Cash flows to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of Interests in Other Entities.

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

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

New and revised IFRS	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Assocates and Joint Ventures (2015)*	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 7 Financial Instruments: Disclosures relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 Financial Instruments: Disclosures relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied

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

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

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.	1 January 2018
A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:	1 January 2018

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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

2.2 New and revised IFRS 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*	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.

Amendments to IFRS 15 *Revenue from Contracts* with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter 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.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2017 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	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
IFRS 17 'Insurance contracts'. The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts	1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the financial statements of the Company in the period of initial application.

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

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

Management anticipates that IFRS 9 and IFRS 16 will be adopted in the Company's financial statements for the annual period beginning 1 January 2018 and 1 January 2019 respectively. The application of IFRS 9 and IFRS 16 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of their standard until the Company performing 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.

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 2016 except for the adoption of the new IFRSs which became effective as of 1 January 2017.

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 2016. In addition, results for the six months period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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.

3. Summary of significant accounting policies (continued)

3.2 Property, plant and equipment (continued)

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

3.3 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.

3. Summary of significant accounting policies (continued)

3.5 Financial assets at FVTOCI (continued)

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. Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the year ended 31 December 2016.

5. Property, plant and equipment

During the period, additions to property, plant and equipment amounted to AED 33,813,865 (six months ended 30 June 2016: AED 34,226,492) and depreciation for the six months ended 30 June 2017 amounted to AED 25,134,712 (six months ended 30 June 2016: AED 27,415,913).

At 30 June 2017 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 489,034,258 (31 December 2016: AED 478,016,772).

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.

6. Trade and other receivables

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Trade receivables	**136,999,321**	123,503,697
Other receivables	**19,716,658**	21,745,677
Receivable from sale of an associate	**6,000,000**	6,000,000
	162,715,979	151,249,374
Receivable from sale of an associate due after one year	**(5,500,000)**	(5,500,000)
	157,215,979	145,749,374

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 123 million (31 December 2016: AED 114 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.

7. Investments in securities

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

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Quoted – at fair value	**37,638,161**	37,950,983
Unquoted – at fair value	**2,081,250**	2,081,260
	39,719,411	40,032,243
In U.A.E.	**556,100**	607,500
In other GCC countries	**39,163,311**	39,424,743
	39,719,411	40,032,243

The cumulative changes in fair value of investments carried at FVTOCI amounted to AED 173,848,082 as at 30 June 2017 (unaudited), (31 December 2016: AED 172,922,454 (audited)) is shown under equity.

7. Investments in securities (continued)

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

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Quoted	**53,447,902**	53,406,004
In U.A.E.	**27,758,178**	29,213,196
In other GCC countries	**25,689,724**	24,192,808
	53,447,902	53,406,004

8. Inventories

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Finished goods	**5,629,992**	9,053,550
Raw materials	**13,639,545**	15,875,539
Work in progress	**24,219,217**	7,446,295
Bags, fuel and lubricants	**18,055,377**	22,291,438
	61,544,131	54,666,822
Spare parts - maintenance department	**125,363,720**	125,243,942
Consumable items	**18,422,352**	21,123,353
Tools	**396,582**	382,359
	144,182,654	146,749,654
Allowance for slow-moving inventories	**(18,201,820)**	(18,201,820)
	125,980,834	128,547,834
	187,524,965	183,214,656

9. Bank balances and cash

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Cash on hand	220,572	36,063
Bank balances:		
Current accounts	5,009,047	8,584,307
Call deposits	9,313,280	5,278,508
Short term deposits	61,010,250	152,500,000
	75,332,577	166,362,815
Total bank balances and cash	75,553,149	166,398,878
Less: Fixed deposits with maturity greater than three months	(18,000,000)	(67,000,000)
Cash and cash equivalents	57,553,149	99,398,878

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Bank balances:		
In U.A.E.	69,505,175	162,682,865
In other GCC countries	5,827,402	3,679,950
	75,332,577	166,362,815

10. Share capital

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Issued and fully paid:		
821,096,820 ordinary shares of AED 1 each	821,096,820	821,096,820

During 2016, the Company bought back 500,000 ordinary shares from the stock market at a total cash consideration of AED 451,248. These shares are held as treasury shares as at 30 June 2017. This buyback programme of up to 10% of the Company's shares was approved by the Securities Commodities Authority and the Company's shareholders.

11. 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 12 April 2017, the shareholders approved the transfer of AED 35 million from voluntary reserve to retained earnings (2016: Approved the transfer of AED 25 million from voluntary reserve to retained earnings).

	Statutory reserve AED	Voluntary reserve AED	Total AED
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)
Balance at 30 June 2016 (unaudited)	355,385,062	121,689,411	477,074,473
Balance at 31 December 2016 (audited)	360,396,632	126,700,980	487,097,612
Movement during the period	-	(35,000,000)	(35,000,000)
Balance at 30 June 2017 (unaudited)	360,396,632	91,700,980	452,097,612

12. 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 2016: AED 146,301,950) out of available lease facility of AED 192,500,000.

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2017 (continued)

12. Finance lease liability (continued)

The payments due under leasing arrangement are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED	**30 June 2017 (unaudited) AED**	31 December 2016 (audited) AED
Due within one year	**31,782,101**	31,782,101	**30,107,566**	29,557,149
Due in the second through fifth year	**31,782,101**	47,673,152	**31,074,130**	46,275,280
	63,564,202	79,455,253	**61,181,696**	75,832,429
Less: Embedded future finance costs	**(2,382,506)**	(3,622,824)	-	-
	61,181,696	75,832,429	**61,181,696**	75,832,429

Included in the condensed financial statements as:

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Current portion of finance lease liability	**30,107,566**	29,557,149
Non-current portion of finance lease liability	**31,074,130**	46,275,280
	61,181,696	75,832,429

13. Trade and other payables

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Trade payables	**57,594,976**	44,037,752
Dividend payable	**28,619,885**	24,878,323
Accrued expenses	**25,493,239**	33,257,875
Other payables	**6,521,108**	4,744,948
	118,229,208	106,918,898

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements for the six months period ended 30 June 2017 (continued)

14. Revenue

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

	Three months period ended 30 June		Six months period ended 30 June	
	2017	2016	**2017**	2016
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	AED	AED	**AED**	AED
Local sales	**46,784,170**	32,265,799	**84,543,871**	68,266,923
Export sales	**100,114,652**	125,821,812	**186,908,295**	231,380,420
	146,898,822	158,087,611	**271,452,166**	299,647,343

15. Investment (loss)/income

	Three months period ended 30 June		Six months period ended 30 June	
	2017	2016	**2017**	2016
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
	AED	AED	**AED**	AED
Unrealised (loss)/gain on investments at FVTPL	**(2,608,448)**	(1,140,316)	**157,760**	(19,105,161)
Loss on disposal of investments in securities	**(6,096)**	-	**(32,847)**	-
Dividend income	**1,624,537**	2,194,427	**3,488,382**	3,834,809
Interest income	**356,194**	1,197,013	**1,250,324**	1,819,412
	(633,813)	2,251,124	**4,863,619**	(13,450,940)

16. Basic earnings per share

	Three months period ended 30 June		Six months period ended 30 June	
	2017	2016	**2017**	2016
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period (in AED)	**13,591,499**	13,750,715	**21,709,201**	17,743,123
Weighted average number of shares	820,596,820	821,096,820	820,596,820	821,096,820
Basic earnings per share (in AED)	**0.02**	0.02	**0.03**	0.02

Notes to the condensed financial statements for the six months period ended 30 June 2017 (continued)

16. Basic earnings per share (continued)

The denominator for the purpose of calculation basic earnings per share has been adjusted to reflect the buyback of shares (Note 10)

17. Dividends

At the annual general meeting held on 12 April 2017, the shareholders approved cash dividend of 10% amounting to AED 82.1 million for the year ended 31 December 2016 (2016: 9% of share capital amounting to AED 73.9 million for the year ended 31 December 2015). Shareholders also approved the Board of Directors' remuneration of AED 1.6 million for the year ended 31 December 2016 (2016: AED 1.6 million for 2015). Further, the Shareholders have approved the Board of Directors' proposal to transfer AED 35 million from voluntary reserve to retained earnings.

18. Related party transactions

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

	Three months period ended 30 June		**Six months period ended 30 June**	
	2017 (unaudited) AED	2016 (unaudited) AED	**2017 (unaudited) AED**	2016 (unaudited) AED
Attendance expenses for Board of Directors and committees' meetings	-	248,170	**731,250**	536,815
Board of Directors' remuneration	**1,598,000**	1,598,000	**1,598,000**	1,598,000

19. Contingent liabilities and commitments

	30 June 2017 (unaudited) AED	31 December 2016 (audited) AED
Letters of credit	**5,787,290**	3,493,449
Letters of guarantee	**200,000**	200,000

20. 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 2017 (continued)

20. Segment information (continued)

	Six months period ended 30 June 2017			Six months period ended 30 June 2016		
	Manufacturing (unaudited) AED	**Investments (unaudited) AED**	**Total (unaudited) AED**	Manufacturing (unaudited) AED	Investments (unaudited) AED	Total (unaudited) AED
Segment revenue	**271,452,166**	**-**	**271,452,166**	299,647,343	-	299,647,343
Segment result	**16,845,582**	**4,863,619**	**21,709,201**	31,194,063	(13,450,940)	17,743,123

	30 June 2017			31 December 2016		
	Manufacturing (unaudited) AED	**Investments (unaudited) AED**	**Total (unaudited) AED**	Manufacturing (audited) AED	Investments (audited) AED	Total (audited) AED
Segment assets	**1,129,834,999**	**177,744,568**	**1,307,579,567**	1,105,878,932	264,970,480	1,370,849,412
Unallocated assets			**5,229,619**			8,620,370
Total assets			**1,312,809,186**			1,379,469,782
Segment liabilities	**190,756,573**	**-**	**190,756,573**	194,178,087	-	194,178,087

There are no transactions between the business segments.

21. 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 2016.

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 2017 AED'000 (Unaudited)	31 December 2016 AED'000 (Audited)				
Quoted equity investments – FVTOCI	**37,638**	37,951	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	**2,081**	2,081	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	**53,448**	53,406	Level 1	Quoted bid prices in an active market.	None.	NA

21. 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).

30 June 2017 (unaudited):

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Investment property	-	-	**8,253,725**	**8,253,725**
Financial assets at FVTPL	**53,447,902**	-	-	**53,447,902**
FVTOCI				
Quoted equities	**37,638,161**	-	-	**37,638,161**
Unquoted equities	-	-	**2,081,250**	**2,081,250**
	91,086,063	-	**10,334,975**	**101,421,038**

31 December 2016 (audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment property	-	-	8,253,725	8,253,725
Financial assets at FVTPL	53,406,004	-	-	53,406,004
FVTOCI				
Quoted equities	37,950,983	-	-	37,950,983
Unquoted equities	-	-	2,081,260	2,081,260
	91,356,987	-	10,334,985	101,691,972

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

22. Seasonality of results

Investment income includes dividend income of AED 3,488,382 for the six months period ended 30 June 2017 (Six months period ended 30 June 2016: AED 3,834,809), which is of a seasonal nature.

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 2 August 2017.