

Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2019

GULF CEMENT COMPANY P.S.C.

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Gulf Cement Company P.S.C. (the "Company") as at 30 June 2019 which comprise the interim statement of financial position as at 30 June 2019 and the related interim statements of profit or loss and comprehensive for the three-month and six-month period then ended and interim statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements 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 condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other matters

The financial statements of the Company as at and for the year ended 31 December 2018 were audited by another auditor who issued an unmodified opinion on those financial statements in their report dated 24 February 2019.

The interim condensed financial statements of the Company as at and for the six-month period ended 30 June 2018 were reviewed by another auditor who issued an unmodified review conclusion on those interim condensed financial statements in their report dated 13 August 2018.

For Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration No.: 687

1 August 2019

Dubai, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2019 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue	4	108,837,892	108,793,158	238,903,762	244,101,945
Cost of sales		(107,040,959)	(101,507,391)	(235,390,703)	(236,209,255)
GROSS PROFIT		1,796,933	7,285,767	3,513,059	7,892,690
Other operating income		2,755,402	480,657	4,688,397	2,050,882
Selling, general and administrative expenses		(6,121,190)	(4,596,407)	(11,971,368)	(9,559,360)
Investment income - net	5	915,093	6,068,138	1,175,300	2,365,784
Finance cost		(35,426)	(392,966)	(171,264)	(818,751)
Other income		90,916	(408,523)	3,622,370	3,593,052
(LOSS)/PROFIT FOR THE PERIOD		(598,272)	8,436,666	856,494	5,524,297
Earnings per share (EPS):					
Basic (loss) / profit per share	15	(0.0007)	0.010	0.001	0.007

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2019 (unaudited)

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
(Loss) / profit for the period	<u>(598,272)</u>	<u>8,436,666</u>	<u>856,494</u>	<u>5,524,297</u>
Other comprehensive income:				
<i>Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods</i>				
Profit / (loss) on disposal of investments carried at FVTOCI	<u>328,808</u>	<u>(652,028)</u>	<u>2,526,998</u>	<u>(633,586)</u>
Net change in fair value of investments carried at FVTOCI	<u>646,248</u>	<u>(495,189)</u>	<u>5,309,892</u>	<u>2,562,190</u>
Total other comprehensive income / (loss)	<u>975,056</u>	<u>(1,147,217)</u>	<u>7,836,890</u>	<u>1,928,604</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>376,784</u></u>	<u><u>7,289,449</u></u>	<u><u>8,693,384</u></u>	<u><u>7,452,901</u></u>

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (unaudited)

	Notes	30 June 2019 AED (unaudited)	31 December 2018 AED (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	792,739,222	815,750,345
Investment property		12,011,300	12,011,300
Trade and other receivables	7	2,667,283	3,167,283
Investments carried at fair value through other comprehensive income (FVTOCI)	8(a)	35,041,498	43,078,839
Total non-current assets		842,459,303	874,007,767
Current assets			
Inventories	9	218,130,120	173,487,716
Trade and other receivables	7	151,711,054	130,107,084
Investments carried at fair value through profit or loss (FVTPL)	8(b)	43,834,787	45,395,737
Bank balances and cash	10	3,986,603	23,053,928
Total current assets		417,662,564	372,044,465
TOTAL ASSETS		1,260,121,867	1,246,052,232
EQUITY AND LIABILITIES			
Equity			
Share capital	11	821,096,820	821,096,820
Treasury shares	11	(451,248)	(451,248)
Reserves	12	369,190,461	410,220,302
Fair value reserve	8	(164,661,346)	(169,971,238)
Accumulated losses		(14,947,823)	(18,331,315)
Total equity		1,010,226,864	1,042,563,321
Non-current liability			
Provision for employees' end of service indemnity		11,346,443	11,540,995
Current liabilities			
Finance lease liability	13	-	15,789,198
Bank Borrowings	13.1	25,143,492	-
Trade and other payables	14	213,405,068	176,158,718
Total current liabilities		238,548,560	191,947,916
Total liabilities		249,895,003	203,488,911
TOTAL EQUITY AND LIABILITIES		1,260,121,867	1,246,052,232


 Kayed Omar Saqr Mohamed Al Qassimi
 Chairman

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2019 (unaudited)

	Share capital AED	Treasury shares AED	Reserves AED	Fair value reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2018	821,096,820	(451,248)	460,220,302	(172,867,317)	32,214,031	1,140,212,588
Profit for the period	-	-	-	-	5,524,297	5,524,297
Other comprehensive income for the period	-	-	-	2,562,190	(633,586)	1,928,604
Total comprehensive income for the period	-	-	-	2,562,190	4,890,711	7,452,901
Transfer from voluntary reserve (note 12)	-	-	(50,000,000)	-	50,000,000	-
Board of Director's remuneration (note 16)	-	-	-	-	(1,300,000)	(1,300,000)
Dividend distribution (note 16)	-	-	-	-	(65,647,746)	(65,647,746)
Balance at 30 June 2018 (unaudited)	821,096,820	(451,248)	410,220,302	(170,305,127)	20,156,996	1,080,717,743

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2019 (unaudited)

	Share capital AED	Treasury shares AED	Reserves AED	Fair value reserve AED	Accumulated losses AED	Total AED
Balance at 1 January 2019	821,096,820	(451,248)	410,220,302	(169,971,238)	(18,331,315)	1,042,563,321
Profit for the period	-	-	-	-	856,494	856,494
Other comprehensive income for the period	-	-	-	5,309,892	2,526,998	7,836,890
Total comprehensive income for the period	-	-	-	5,309,892	3,383,492	8,693,384
Transfer from voluntary reserve (note 16)	-	-	(41,029,841)	-	41,029,841	-
Dividend distribution (note 16)	-	-	-	-	(41,029,841)	(41,029,841)
Balance at 30 June 2019 (unaudited)	821,096,820	(451,248)	369,190,461	(164,661,346)	(14,947,823)	1,010,226,864

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 June 2019 (unaudited)

	Notes	<i>Six-month period ended</i>	
		<i>30 June 2019</i>	<i>30 June 2018</i>
		<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
Profit for the period		856,494	5,524,297
Adjustments to reconcile profit to cash flows:			
Depreciation of property, plant and equipment	6	34,382,352	26,723,545
Finance cost		171,264	818,751
Provision for employees' end of service indemnity		480,000	662,355
Unrealised loss / (gain) on investments carried at FVTPL	5	1,166,710	(8,968)
Allowance for expected credit losses		-	34,789
(Gain) / loss on sale of investments in securities	5	(74,751)	1,760,587
Interest and dividend income	5	(2,267,259)	(4,117,403)
		<u>34,714,810</u>	<u>31,397,953</u>
Working capital adjustments			
Trade and other receivables		(21,103,970)	5,404,249
Inventories		(53,338,611)	(38,741,183)
Trade and other payables		35,207,087	39,155,735
		<u>(4,520,684)</u>	<u>37,216,754</u>
Employees' end of service indemnity paid		(674,552)	(368,549)
Finance cost paid		(171,264)	(562,404)
		<u>(5,366,500)</u>	<u>36,285,801</u>
Net cash flows (used in) / generated from operating activities			
		<u>(5,366,500)</u>	<u>36,285,801</u>
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	(2,675,022)	(24,936,168)
Purchase of investments carried at FVTOCI		(441,506)	(3,020,293)
Purchase of investments carried at FVTPL		-	(3,460,524)
Proceeds on disposal of investments in securities		16,784,728	4,741,071
Net movement in short-term deposits		-	15,000,000
Dividends received	5	2,206,228	3,594,703
Interest received	5	61,031	522,700
		<u>15,935,459</u>	<u>(7,558,511)</u>
Net cash generated from / (used in) investing activities			
		<u>15,935,459</u>	<u>(7,558,511)</u>
FINANCING ACTIVITIES			
Board of Directors remuneration paid		-	(1,300,000)
Bank Borrowings		25,143,492	-
Net movement in the finance lease liability		(15,789,198)	(15,131,333)
Dividends paid		(38,990,578)	(63,128,082)
		<u>(29,636,284)</u>	<u>(79,559,415)</u>
Net cash used in financing activities			
		<u>(29,636,284)</u>	<u>(79,559,415)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD			
		<u>(19,067,325)</u>	<u>(50,832,125)</u>
Cash and cash equivalents at the beginning of the period	10	23,053,928	60,046,829
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	10	<u>3,986,603</u>	<u>9,214,704</u>

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

1 CORPORATE 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 Company's shares are listed on Abu Dhabi Securities Exchange (ADX) and Kuwait Stock Exchange (Boursa Kuwait).

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

2 BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements of the Company for the six-month period ended 30 June 2019 have been prepared in accordance with IAS 34 "Interim Financial Reporting".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2018.

In addition, results for the six months period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The interim condensed financial statements have been prepared in United Arab Emirates Dirhams (AED), which is the Company's functional and presentation currency, and all values are rounded to the nearest AED except where otherwise indicated.

The interim condensed financial statements have been prepared on a historical cost basis except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment property that have been measured at fair value.

2.2 New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applies, for the first time, IFRS 16 Leases and several other amendments and interpretations effective 1 January 2019, but these do not have any material impact on the interim condensed financial statements of the Company.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Since the Company did not have any operating leases, the adoption of IFRS 16 did not have a material impact on the interim condensed financial statements of the Company.

Other amendments

1. IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
2. Amendments to IFRS 9: Prepayment Features with Negative Compensation
3. Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
4. Amendments to IAS 28: Long-term interests in associates and joint ventures

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

2.2 New standards, interpretations and amendments adopted by the Company (continued)

Annual Improvements 2015-2017 Cycle

1. IFRS 3 Business Combinations
2. IFRS 11 Joint Arrangements
3. IAS 12 Income Taxes
4. IAS 23 Borrowing Costs

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim 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 interim 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 2018.

4 REVENUE

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Local sales	23,582,558	36,608,726	58,333,848	80,667,452
Export sales	85,255,334	72,184,432	180,569,914	163,434,493
	108,837,892	108,793,158	238,903,762	244,101,945

5 INVESTMENT INCOME/(LOSS) – NET

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Unrealised (loss) / gain on investments carried at FVTPL	(493,013)	4,471,915	(1,166,710)	8,968
(Loss) / gain on disposal of investment in securities	-	(1,041,571)	74,751	(1,760,587)
Dividend income	1,373,325	2,576,045	2,206,228	3,594,703
Interest income	34,781	61,749	61,031	522,700
	915,093	6,068,138	1,175,300	2,365,784

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

6 PROPERTY, PLANT AND EQUIPMENT

During the six month period ended 30 June 2019, additions to property, plant and equipment amounted to AED 11,371,229 (30 June 2018: AED 50,986,780) including capitalisation of spare parts inventories AED 8,696,207 (30 June 2018: 26,050,612) and depreciation for the six month ended 30 June 2019 amounted to AED 34,382,352 (30 June 2018: AED 26,723,545).

The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.

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

7 TRADE AND OTHER RECEIVABLES

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Trade receivables	132,130,741	112,115,083
Less: allowance for expected credit losses	(1,491,010)	(1,491,010)
	<u>130,639,731</u>	<u>110,624,073</u>
Other receivables	18,571,323	17,483,011
Receivable from sale of an associate	5,167,283	5,167,283
	<u>154,378,337</u>	<u>133,274,367</u>
Receivable from sale of an associate due after one year	(2,667,283)	(3,167,283)
	<u>151,711,054</u>	<u>130,107,084</u>

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 106 million (31 December 2018: AED 109 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.

Other receivables include AED 7.21 million (31 December 2018: AED 8.25 million) being outstanding balance of shutdown costs incurred unevenly during the period which are being allocated to cost of production as per a predetermined index defined by a third-party expert in cement industry.

8 INVESTMENT IN SECURITIES

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

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Quoted — at fair value	32,960,238	40,997,579
Unquoted — at fair value	2,081,260	2,081,260
	<u>35,041,498</u>	<u>43,078,839</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

8. INVESTMENT IN SECURITIES (continued)

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

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
In U.A.E.	109,100	181,250
In other GCC countries	34,932,398	42,897,589
	<u>35,041,498</u>	<u>43,078,839</u>

The cumulative changes in fair value of investments carried at FVTOCI amounted to negative AED 164,661,346 as at 30 June 2019 (unaudited), (31 December 2018: negative AED 169,971,238 (audited)) and is shown separately within equity.

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

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Quoted	43,834,787	45,395,737
	<u>43,834,787</u>	<u>45,395,737</u>
	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
In U.A.E.	26,544,327	27,461,694
In other GCC countries	17,290,460	17,934,043
	<u>43,834,787</u>	<u>45,395,737</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

9 INVENTORIES

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Finished goods	9,256,968	2,241,853
Raw materials	13,330,854	8,627,783
Work in progress	43,471,932	12,734,120
Bags, fuel and lubricants	37,760,906	32,668,474
	<u>103,820,660</u>	<u>56,272,230</u>
Spare parts - maintenance department	109,818,605	115,136,660
Consumable items	22,271,147	19,808,787
Tools	421,528	471,859
	<u>132,511,280</u>	<u>135,417,306</u>
Less: allowance for slow-moving inventories	<u>(18,201,820)</u>	<u>(18,201,820)</u>
	<u>114,309,460</u>	<u>117,215,486</u>
	<u>218,130,120</u>	<u>173,487,716</u>

10 BANK BALANCES AND CASH

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Cash on hand	162,422	77,396
Bank balances:		
Current accounts	2,850,287	1,951,617
Call deposits	973,894	21,024,915
Total bank balances	<u>3,824,181</u>	<u>22,976,532</u>
Bank balances and cash	<u>3,986,603</u>	<u>23,053,928</u>
	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Bank balances		
In U.A.E.	948,791	22,114,438
In other GCC countries	2,875,390	862,094
	<u>3,824,181</u>	<u>22,976,532</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

11 SHARE CAPITAL

	<i>30 June 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Issued and fully paid:		
821,096,820 ordinary shares of AED 1 each	<u>821,096,820</u>	<u>821,096,820</u>

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 2019. This buyback programme of up to 10% of the Company's shares was approved by the Securities Commodities Authority and the Company's shareholders.

12 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. 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.

According to the Company's Articles of Association 10% of the profit for each year is transferred to the voluntary reserve. 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.

	<i>Statutory reserve AED</i>	<i>Voluntary reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2017 (audited)	<u>364,457,977</u>	<u>95,762,325</u>	<u>460,220,302</u>
Balance at 30 June 2018 (unaudited)	<u>364,457,977</u>	<u>45,762,325</u>	<u>410,220,302</u>
Balance at 31 December 2018 (audited)	<u>364,457,977</u>	<u>45,762,325</u>	<u>410,220,302</u>
Balance at 30 June 2019 (unaudited)	<u>364,457,977</u>	<u>4,732,484</u>	<u>369,190,461</u>

At the Annual General Meeting held on 18 April 2019, the shareholders approved the transfer of AED 41.0 million from voluntary reserve to retained earnings (2018: AED 50 million).

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

13 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 in quarterly instalments over the term of the lease of five years, the Company has utilised AED 146,301,950 (31 December 2018: AED 146,301,950) out of available lease facility of AED 192,500,000. During the six-month period ended, the liability has been fully repaid.

The payments due under leasing arrangement are as follows:

	<i>Minimum lease payments</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Due within one year	-	16,080,843
Less: embedded future finance costs	-	(291,645)
Present value of minimum lease payments	-	15,789,198

13.1 BANK BORROWINGS

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Bank overdraft facilities	6,482,567	-
Short term loan	18,660,925	-
Total Bank Borrowings	25,143,492	-

The Company has an overdraft balance that is repayable on demand. The overdraft carries interest rates at market competitive variable rates based on EIBOR plus a spread.

14 TRADE AND OTHER PAYABLES

	<i>30 June</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables	176,922,879	134,950,153
Dividend payable	30,423,157	28,383,894
Accrued expenses	2,831,102	9,425,915
Other payables	3,227,930	3,398,756
	213,405,068	176,158,718

Gulf Cement Company P.S.C.

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At 30 June 2019 (unaudited)

15 BASIC EARNINGS PER SHARE

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
(Loss) / profit for the period (in AED)	<u>(598,272)</u>	<u>8,436,666</u>	<u>856,494</u>	<u>5,524,297</u>
Weighted average number of shares	<u>820,596,820</u>	<u>820,596,820</u>	<u>820,596,820</u>	<u>820,596,820</u>
Basic earnings /(loss) per share (in AED)	<u>(0.0007)</u>	<u>0.010</u>	<u>0.001</u>	<u>0.007</u>

The denominator for the purpose of calculation of basic earnings / (loss) per share has been adjusted to reflect the buyback of shares (note 11).

The Company has not issued any instruments which would have a dilutive impact on earnings per share when exercised.

16 DIVIDENDS

At the annual general meeting held on 18 April 2019, the shareholders approved a cash dividend at 5% of share capital amounting to AED 41.03 million (AED 0.05 per share) for the year ended 31 December 2018 (2018: 8% of share capital amounting to AED 65.7 million (AED 0.08 per share) for the year ended 31 December 2017). Shareholders also approved the Board of Directors' remuneration of AED nil for the year ended 31 December 2018 (2017: AED 1.3 million for the year ended 31 December 2017). Further, the Shareholders have approved the Board of Directors' proposal to transfer AED 41.0 million from voluntary reserve to retained earnings.

17 RELATED PARTY BALANCES

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2019</i>	<i>30 June 2018</i>	<i>30 June 2019</i>	<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Attendance expenses for Board of Directors and committees' meetings	622,500	-	622,500	562,500
Board of Directors' remuneration	-	1,300,000	-	1,300,000

18 CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 June 2019</i>	<i>31 December 2018</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Letters of credit	33,823,214	21,972,063
Letters of guarantee	200,000	200,000

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

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.

	Six-month period ended 30 June 2019			Six-month period ended 30 June 2018			
	Manufacturing AED (unaudited)	Investments AED (unaudited)	Other AED (unaudited)	Manufacturing AED (unaudited)	Investments AED (unaudited)	Other AED (unaudited)	Total AED (unaudited)
Segment revenue	238,903,762	-	-	244,101,945	-	-	244,101,945
Segment result	(318,806)	1,175,300	-	3,158,513	2,365,784	-	5,524,297
	30 June 2019			31 December 2018			
	Manufacturing (unaudited) AED	Investments (unaudited) AED	Other (unaudited) AED	Manufacturing (audited) AED	Investments (audited) AED	Other (audited) AED	Total (audited) AED
Segment assets	1,169,234,282	90,887,585	-	1,145,566,356	100,485,876	-	1,246,052,232
Segment liabilities	249,895,003	-	-	203,488,911	-	-	203,488,911

There are no transactions between the business segments.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

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 2018

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;

<i>Financial assets</i>	<i>Fair value as at</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>30 June 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>				
Quoted equity investments carried at FVTOCI	32,960,238	40,997,579	Level 1	Quoted bid prices in an active market.	None.	N/A
Unquoted equity investments carried at FVTOCI	2,081,260	2,081,260	Level 3	Net assets valuation method.	Net assets value.	Management has used net assets valuation method, which is appropriate fair value as per management.
Quoted equity instruments carried at FVTPL	43,834,787	45,395,737	Level 1	Quoted bid prices in an active market.	None.	N/A
	<u>78,876,285</u>	<u>88,474,576</u>				

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

20 FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

30 June 2019 (unaudited):

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	12,011,300	12,011,300
Investments carried at FVTPL	43,834,787	-	-	43,834,787
Investments carried at FVTOCI:				
- Quoted equities	32,960,238	-	-	32,960,238
- Unquoted equities	-	-	2,081,260	2,081,260
	<u>76,795,025</u>	<u>-</u>	<u>14,092,560</u>	<u>90,887,585</u>

31 December 2018 (audited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	12,011,300	12,011,300
Investments carried at FVTPL	45,395,737	-	-	45,395,737
FVTOCI				
- Quoted equities	40,997,579	-	-	40,997,579
- Unquoted equities	-	-	2,081,260	2,081,260
	<u>86,393,316</u>	<u>-</u>	<u>14,092,560</u>	<u>100,485,876</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 INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2019 (unaudited)

21 COMPARATIVE INFORMATION

The corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported loss or shareholder's equity.

	<i>Three-month period ended</i>		
	<i>As reported earlier</i>	<i>Reclassification</i>	<i>As reported now</i>
	<i>30 June 2018</i>		<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
Interim condensed statement of profit or loss			
Selling, general and administration expenses	9,408,338	(4,811,931)	4,596,407
Cost of sales	96,695,460	4,811,931	101,507,391

	<i>Six-month period ended</i>		
	<i>As reported earlier</i>	<i>Reclassification</i>	<i>As reported now</i>
	<i>30 June 2018</i>		<i>30 June 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
Interim condensed statement of profit or loss			
Selling, general and administration expenses	19,897,634	(10,338,274)	9,559,360
Cost of sales	225,870,981	10,338,274	236,209,255

These changes have been made to improve the quality of information presented.

22 APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 31 July 2019.