

# **Gulf Cement Company P.S.C.**

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 SEPTEMBER 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 September 2019 which comprise the interim statement of financial position as at 30 September 2019 and the related interim statements of profit or loss and comprehensive income for the three-month and nine-month period then ended and interim statements of changes in equity and cash flows for the nine-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 nine-month period ended 30 September 2018 were reviewed by another auditor who issued an unmodified review conclusion on those interim condensed financial statements in their report dated 11 November 2018.

For Ernst & Young



Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No.: 690

13 November 2019

Dubai, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2019 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
		<i>30 September</i> <i>2019</i> <i>AED</i>	<i>30 September</i> <i>2018</i> <i>AED</i>	<i>30 September</i> <i>2019</i> <i>AED</i>	<i>30 September</i> <i>2018</i> <i>AED</i>
Revenue	4	102,108,911	127,574,016	341,012,673	371,675,961
Cost of sales		(103,804,551)	(135,584,100)	(339,195,254)	(371,793,355)
<b>GROSS (LOSS) / PROFIT</b>		<b>(1,695,640)</b>	<b>(8,010,084)</b>	<b>1,817,419</b>	<b>(117,394)</b>
Other operating income		3,021,827	1,350,133	7,710,224	3,401,015
Selling, general and administrative expenses		(5,411,602)	(4,168,448)	(17,382,970)	(13,727,808)
Investment (loss)/ income - net	5	(1,340,512)	6,103,932	(165,212)	8,469,716
Finance cost		(99,777)	(324,504)	(271,041)	(1,143,255)
Other income		812,910	1,129,011	4,435,280	4,722,063
<b>(LOSS)/PROFIT FOR THE PERIOD</b>		<b>(4,712,794)</b>	<b>(3,919,960)</b>	<b>(3,856,300)</b>	<b>1,604,337</b>
Earnings per share (EPS):					
Basic (loss) / profit per share	16	(0.006)	(0.005)	(0.005)	0.002

The accompanying notes 1 to 23 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 September 2019 (unaudited)

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2019 AED</i>	<i>30 September 2018 AED</i>	<i>30 September 2019 AED</i>	<i>30 September 2018 AED</i>
(Loss) / profit for the period	<u>(4,712,794)</u>	<u>(3,919,960)</u>	<u>(3,856,300)</u>	<u>1,604,337</u>
<b>Other comprehensive income:</b>				
<i>Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods</i>				
(Loss) / profit on disposal of investments carried at FVTOCI	-	(8,639)	2,526,998	(642,225)
Net change in fair value of investments carried at FVTOCI	<u>(2,421,381)</u>	<u>6,443,640</u>	<u>2,888,511</u>	<u>9,005,830</u>
Total other comprehensive income / (loss)	<u>(2,421,381)</u>	<u>6,435,001</u>	<u>5,415,509</u>	<u>8,363,605</u>
<b>TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD</b>	<u><u>(7,134,175)</u></u>	<u><u>2,515,041</u></u>	<u><u>1,559,209</u></u>	<u><u>9,967,942</u></u>


The accompanying notes 1 to 23 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 September 2019 (unaudited)

	Notes	30 September 2019 AED (unaudited)	31 December 2018 AED (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	788,481,114	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)	32,620,097	43,078,839
<b>Total non-current assets</b>		<b>835,779,794</b>	<b>874,007,767</b>
<b>Current assets</b>			
Inventories	9	235,021,233	173,487,716
Trade and other receivables	7	148,687,750	130,107,084
Investments carried at fair value through profit or loss (FVTPL)	8(b)	42,492,458	45,395,737
Bank balances and cash	10	6,561,351	23,053,928
<b>Total current assets</b>		<b>432,762,792</b>	<b>372,044,465</b>
<b>TOTAL ASSETS</b>		<b>1,268,542,586</b>	<b>1,246,052,232</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	821,096,820	821,096,820
Treasury shares	11	-	(451,248)
Reserves	12	369,190,461	410,220,302
Fair value reserve	8(a)	(167,082,727)	(169,971,238)
Accumulated losses		(19,786,676)	(18,331,315)
<b>Total equity</b>		<b>1,003,417,878</b>	<b>1,042,563,321</b>
<b>Non-current liability</b>			
Provision for employees' end of service indemnity		11,388,959	11,540,995
<b>Current liabilities</b>			
Finance lease liability	13	-	15,789,198
Bank Borrowings	14	33,926,896	-
Trade and other payables	15	219,808,853	176,158,718
<b>Total current liabilities</b>		<b>253,735,749</b>	<b>191,947,916</b>
<b>Total liabilities</b>		<b>265,124,708</b>	<b>203,488,911</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,268,542,586</b>	<b>1,246,052,232</b>

  
 Kayed Omar Saqr Mohamed Al Qassimi  
 Chairman

The accompanying notes 1 to 23 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 September 2019 (unaudited)

	<i>Share capital AED</i>	<i>Treasury shares AED</i>	<i>Reserves AED</i>	<i>Fair value reserve AED</i>	<i>Retained earnings AED</i>	<i>Total AED</i>
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	-	-	-	-	1,604,337	1,604,337
Other comprehensive income for the period	-	-	-	9,005,830	(642,225)	8,363,605
Total comprehensive income for the period	-	-	-	9,005,830	962,112	9,967,942
Transfer from voluntary reserve (note 12)	-	-	(50,000,000)	-	50,000,000	-
Board of Director's remuneration (note 17)	-	-	-	-	(1,300,000)	(1,300,000)
Dividend distribution (note 17)	-	-	-	-	(65,647,746)	(65,647,746)
Balance at 30 September 2018 (unaudited)	<u>821,096,820</u>	<u>(451,248)</u>	<u>410,220,302</u>	<u>(163,861,487)</u>	<u>16,228,397</u>	<u>1,083,232,784</u>

The accompanying notes 1 to 23 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 September 2019 (unaudited)

	<i>Share capital AED</i>	<i>Treasury shares AED</i>	<i>Reserves AED</i>	<i>Fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2019	821,096,820	(451,248)	410,220,302	(169,971,238)	(18,331,315)	1,042,563,321
Loss for the period	-	-	-	-	(3,856,300)	(3,856,300)
Other comprehensive income for the period	-	-	-	2,888,511	2,526,998	5,415,509
Total comprehensive income for the period	-	-	-	2,888,511	(1,329,302)	1,559,209
Transfer from voluntary reserve (note 12)	-	-	(41,029,841)	-	41,029,841	-
Issuance of treasury shares (note 11)	-	451,248	-	-	-	451,248
Loss on issuance of treasury shares (note 11)	-	-	-	-	(126,059)	(126,059)
Dividend distribution (note 17)	-	-	-	-	(41,029,841)	(41,029,841)
<b>Balance at 30 September 2019 (unaudited)</b>	<b>821,096,820</b>	<b>-</b>	<b>369,190,461</b>	<b>(167,082,727)</b>	<b>(19,786,676)</b>	<b>1,003,417,878</b>

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.



Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019 (unaudited)

	Notes	<i>Nine-month period ended</i>	
		<i>30 September 2019 AED</i>	<i>30 September 2018 AED</i>
<b>OPERATING ACTIVITIES</b>			
(Loss) / profit for the period		(3,856,300)	1,604,337
Adjustments to reconcile (loss)/ profit to cash flows:			
Depreciation of property, plant and equipment	6	53,330,821	42,228,139
Finance cost		271,041	1,143,255
Provision for employees' end of service indemnity		720,000	872,355
Unrealised loss / (gain) on investments carried at FVTPL	5	2,509,039	(2,788,226)
Allowance for expected credit losses		-	(615,211)
Gain on sale of investments in securities	5	(74,752)	(458,713)
Interest and dividend income	5	(2,269,075)	(5,222,777)
		<u>50,630,774</u>	<u>36,763,159</u>
Working capital adjustments			
Trade and other receivables		(18,080,666)	20,686,176
Inventories		(84,920,085)	(39,392,313)
Trade and other payables		42,628,910	47,200,527
		<u>(9,741,067)</u>	<u>65,257,549</u>
Employees' end of service indemnity paid		(872,036)	(393,734)
Finance cost paid		(271,041)	(949,026)
Net cash flows (used in) / generated from operating activities		<u>(10,884,144)</u>	<u>63,914,789</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(2,675,022)	(42,714,812)
Purchase of investments carried at FVTOCI		(441,506)	(3,020,293)
Purchase of investments carried at FVTPL		-	(5,481,459)
Proceeds on disposal of investments in securities		16,784,749	5,986,397
Net movement in short-term deposits		-	18,000,000
Dividends received	5	2,206,227	4,696,041
Interest received	5	62,848	526,736
Net cash generated from / (used in) investing activities		<u>15,937,296</u>	<u>(22,007,390)</u>
<b>FINANCING ACTIVITIES</b>			
Board of Directors remuneration paid		-	(1,300,000)
Net movement in finance lease liability		(15,789,198)	(22,785,733)
Proceeds from issuance of treasury shares		325,189	-
Bank borrowings		33,926,896	-
Dividends paid		(40,008,616)	(64,395,833)
Net cash used in financing activities		<u>(21,545,729)</u>	<u>(88,481,566)</u>
<b>NET DECREASE IN BANK BALANCES AND CASH DURING THE PERIOD</b>		<u>(16,492,577)</u>	<u>(46,574,167)</u>
Bank balances and cash at the beginning of the period	10	<u>23,053,928</u>	<u>60,046,829</u>
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>	10	<u><u>6,561,351</u></u>	<u><u>13,472,662</u></u>

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

**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 nine-month period ended 30 September 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 nine-month period ended 30 September 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

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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>Nine-month period ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 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	27,946,407	28,676,693	86,280,255	109,344,145
Export sales	74,162,504	98,897,323	254,732,418	262,331,816
	<u>102,108,911</u>	<u>127,574,016</u>	<u>341,012,673</u>	<u>371,675,961</u>

5. INVESTMENT (LOSS)/ INCOME – NET

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2019</i>	<i>30 September 2018</i>	<i>30 September 2019</i>	<i>30 September 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	(1,342,329)	2,779,258	(2,509,039)	2,788,226
Gain on disposal of investment in securities	-	2,219,300	74,752	458,713
Dividend income	-	1,101,338	2,206,227	4,696,041
Interest income	1,817	4,036	62,848	526,736
	<u>(1,340,512)</u>	<u>6,103,932</u>	<u>(165,212)</u>	<u>8,469,716</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019 (unaudited)

6. PROPERTY, PLANT AND EQUIPMENT

During the nine month period ended 30 September 2019, additions to property, plant and equipment amounted to AED 26,061,590 (30 September 2018: AED 78,944,452) including capitalisation of spare parts of inventories AED 23,386,568 (30 September 2018: AED 36,229,640) and depreciation for the nine month ended 30 September 2019 amounted to AED 53,330,821 (30 September 2018: AED 42,228,139).

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 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Trade receivables	132,912,744	112,115,083
Less: allowance for expected credit losses	(1,491,010)	(1,491,010)
	<u>131,421,734</u>	<u>110,624,073</u>
Other receivables	14,766,016	17,483,011
Receivable from sale of an associate	5,167,283	5,167,283
	<u>151,355,033</u>	<u>133,274,367</u>
Receivable from sale of an associate due after one year	(2,667,283)	(3,167,283)
	<u>148,687,750</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 113 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.

8. INVESTMENT IN SECURITIES

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

	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Quoted — at fair value	30,538,837	40,997,579
Unquoted — at fair value	2,081,260	2,081,260
	<u>32,620,097</u>	<u>43,078,839</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019 (unaudited)

8. INVESTMENT IN SECURITIES (continued)

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

	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
In U.A.E.	117,050	181,250
In other GCC countries	32,503,047	42,897,589
	<u>32,620,097</u>	<u>43,078,839</u>

The cumulative changes in fair value of investments carried at FVTOCI amounted to negative AED 167,082,727 as at 30 September 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 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Quoted	42,492,458	45,395,737
	<u>42,492,458</u>	<u>45,395,737</u>
	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
In U.A.E.	23,632,271	27,461,694
In other GCC countries	18,860,187	17,934,043
	<u>42,492,458</u>	<u>45,395,737</u>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019 (unaudited)

9. INVENTORIES

	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Finished goods	6,839,941	2,241,853
Raw materials	11,333,278	8,627,783
Work in progress	60,497,007	12,734,120
Bags, fuel and lubricants	39,746,961	32,668,474
	<u>118,417,187</u>	<u>56,272,230</u>
Spare parts - maintenance department	112,957,353	115,136,660
Consumable items	21,420,751	19,808,787
Tools	427,762	471,859
	<u>134,805,866</u>	<u>135,417,306</u>
Less: allowance for slow-moving inventories	(18,201,820)	(18,201,820)
	<u>116,604,046</u>	<u>117,215,486</u>
	<u>235,021,233</u>	<u>173,487,716</u>

10. BANK BALANCES AND CASH

	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Cash on hand	80,615	77,396
Bank balances:		
Current accounts	5,152,078	1,951,617
Call deposits	1,328,658	21,024,915
Total bank balances	<u>6,480,736</u>	<u>22,976,532</u>
Bank balances and cash	<u>6,561,351</u>	<u>23,053,928</u>
	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Bank balances		
In U.A.E.	4,623,242	22,114,438
In other GCC countries	1,857,494	862,094
	<u>6,480,736</u>	<u>22,976,532</u>

# Gulf Cement Company P.S.C.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019 (unaudited)

### 11. SHARE CAPITAL

	<i>30 September 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>

In 2016, the Company bought back 500,000 ordinary shares from the stock market at a total cash consideration of AED 451,248. This buyback programme of up to 10% of the Company's shares was approved by the Securities and Commodities Authority and the Company's shareholders. During the period ended 30 September 2019, the shares were sold in the stock market for a consideration of AED 325,189 resulting in a loss of AED 126,059 after obtaining the approval of the Securities and 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 September 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 September 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 41.03 million from voluntary reserve to retained earnings (2018: AED 50 million).

### 13. FINANCE LEASE LIABILITY

In 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 nine-month period ended, the liability has been fully repaid. The payments due under leasing arrangement are as follows:

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At 30 September 2019 (unaudited)

13. FINANCE LEASE LIABILITY (continued)

	<i>Minimum lease payments</i>	
	<i>30 September</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)
<b>Present value of minimum lease payments</b>	<b>-</b>	<b>15,789,198</b>

14. BANK BORROWINGS

	<i>30 September</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	6,567,123	-
Short term loan	27,359,773	-
<b>Total Bank Borrowings</b>	<b>33,926,896</b>	<b>-</b>

The Company has an overdraft balance that is repayable on demand. The overdraft and short term loan carries interest rates at market competitive variable rates based on EIBOR plus a spread and are secured against promissory note issued by the Company and certain other securities such as assignment of insurance policy over inventory and movable fixed assets, pledge over inventories and property, plant and equipment.

15. TRADE AND OTHER PAYABLES

	<i>30 September</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	179,535,664	134,950,153
Dividend payable	29,405,119	28,383,894
Accrued expenses	7,820,004	9,425,915
Other payables	3,048,066	3,398,756
	<b>219,808,853</b>	<b>176,158,718</b>



At 30 September 2019 (unaudited)

## 16. BASIC EARNINGS PER SHARE

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2019 AED (unaudited)</i>	<i>30 September 2018 AED (unaudited)</i>	<i>30 September 2019 AED (unaudited)</i>	<i>30 September 2018 AED (unaudited)</i>
(Loss) / profit for the period (in AED)	<u>(4,712,794)</u>	<u>(3,919,960)</u>	<u>(3,856,300)</u>	<u>1,604,337</u>
Weighted average number of shares	<u>820,763,487</u>	<u>820,596,820</u>	<u>820,652,376</u>	<u>820,596,820</u>
Basic (loss) / earnings per share (in AED)	<u>(0.006)</u>	<u>(0.005)</u>	<u>(0.005)</u>	<u>0.002</u>

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

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

## 17. DIVIDENDS

At the annual general meeting held on 18 April 2019 (2018: 11 April 2018), 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 65.6 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).

## 18. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

## 19. CONTINGENT LIABILITIES AND COMMITMENTS

	<i>30 September 2019 AED (unaudited)</i>	<i>31 December 2018 AED (audited)</i>
Letters of credit	38,276,063	21,972,063
Letters of guarantee	200,000	200,000

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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.

	<i>Nine-month period ended 30 September 2019</i>				<i>Nine-month period ended 30 September 2018</i>			
	<i>Manufacturing</i> <i>AED</i> <i>(unaudited)</i>	<i>Investments</i> <i>AED</i> <i>(unaudited)</i>	<i>Other</i> <i>AED</i> <i>(unaudited)</i>	<i>Total</i> <i>AED</i> <i>(unaudited)</i>	<i>Manufacturing</i> <i>AED</i> <i>(unaudited)</i>	<i>Investments</i> <i>AED</i> <i>(unaudited)</i>	<i>Other</i> <i>AED</i> <i>(unaudited)</i>	<i>Total</i> <i>AED</i> <i>(unaudited)</i>
Segment revenue	341,012,673	-	-	341,012,673	371,675,961	-	-	371,675,961
Segment result	(3,691,088)	(165,212)	-	(3,856,300)	(6,865,379)	8,469,716	-	1,604,337

	<i>30 September 2019</i>			<i>31 December 2018</i>		
	<i>Manufacturing</i> <i>(unaudited)</i> <i>AED</i>	<i>Investments</i> <i>(unaudited)</i> <i>AED</i>	<i>Total</i> <i>(unaudited)</i> <i>AED</i>	<i>Manufacturing</i> <i>(audited)</i> <i>AED</i>	<i>Investments</i> <i>(audited)</i> <i>AED</i>	<i>Total</i> <i>(audited)</i> <i>AED</i>
Segment assets	1,181,418,731	87,123,855	1,268,542,586	1,145,566,356	100,485,876	1,246,052,232
Segment liabilities	265,124,708	-	265,124,708	203,488,911	-	203,488,911

There are no transactions between the business segments.

At 30 September 2019 (unaudited)

**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 interim 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 September 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>				
Quoted equity investments carried at FVTOCI	30,538,837	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	42,492,458	45,395,737	Level 1	Quoted bid prices in an active market.	None.	N/A
	<u>75,112,555</u>	<u>88,474,576</u>				

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2019 (unaudited)

21. 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 September 2019 (unaudited):

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Investment property	-	-	12,011,300	12,011,300
Investments carried at FVTPL	42,492,458	-	-	42,492,458
Investments carried at FVTOCI:				
- Quoted equities	30,538,837	-	-	30,538,837
- Unquoted equities	-	-	2,081,260	2,081,260
	<u>73,031,295</u>	<u>-</u>	<u>14,092,560</u>	<u>87,123,855</u>

31 December 2018 (audited)

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>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.

**22. COMPARATIVE INFORMATION**

Certain 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 September 2018</i>		<i>30 September 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Interim condensed statement of profit or loss</b>			
Selling, general and administration expenses	9,748,156	(5,579,708)	4,168,448
Cost of sales	130,004,392	5,579,708	135,584,100
	<i>Nine-month period ended</i>		
	<i>As reported earlier</i>	<i>Reclassification</i>	<i>As reported now</i>
	<i>30 September 2018</i>		<i>30 September 2018</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Interim condensed statement of profit or loss</b>			
Selling, general and administration expenses	29,645,790	(15,917,982)	13,727,808
Cost of sales	355,875,373	15,917,982	371,793,355

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

**23. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 13 November 2019.