GULF CEMENT COMPANY P.S.C.

Review report and interim financial information
For the six months period ended 30 June 2018

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 2018 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six month 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
13 August 2018
Sharjah, United Arab Emirates

GULF CEMENT COMPANY P.S.C.

Condensed statement of financial position
At 30 June 2018

	Notes	30 June 2018 (Unaudited) AED	31 December 2017 (Audited) AED
ASSETS			
Non-current assets			
Property, plant and equipment	6	820,593,881	796,330,646
Investment property		8,253,725	8,253,725
Trade and other receivables	7	4,500,000	4,500,000
Investments carried at fair value through other comprehensive income (FVTOCI)	8	42,119,726	39,518,251
Total non-current assets		875,467,332	848,602,622
Current assets			
Inventories	9	187,875,886	175,185,315
Trade and other receivables	7	144,338,579	151,181,354
Investments carried at fair value through profit or loss (FVTPL)	8	50,675,097	51,359,841
Bank balances and cash	10	12,214,704	78,046,829
Total current assets		395,104,266	455,773,339
Total assets		1,270,571,598	1,304,375,961
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	821,096,820	821,096,820
Treasury shares	11	(451,248)	(451,248)
Reserves	12	410,220,302	460,220,302
Cumulative changes in fair value - FVTOCI	8	(170,305,127)	(172,867,317)
Retained earnings		20,156,996	33,617,768
Total equity		1,080,717,743	1,141,616,325
Non-current liabilities			
Provision for employees' end of service indemnity		12,156,780	11,862,974
Finance lease liability	13	-	15,744,434
Total non-current liabilities		12,156,780	27,607,408
Current liabilities			
Finance lease liability	13	31,192,676	30,579,575
Trade and other payables	14	146,504,399	104,572,653
Total current liabilities		177,697,075	135,152,228
Total liabilities		189,853,855	162,759,636
Total equity and liabilities		1,270,571,598	1,304,375,961

Kayed Omar Saqr Mohamed Al Qassimi
Chairman

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

Condensed statement of income (unaudited)
For the six months period ended 30 June 2018

	Notes	Three months period ended 30 June 2018 AED	Three months period ended 30 June 2017 AED	Six months period ended 30 June 2018 AED	Six months period ended 30 June 2017 AED
Revenue	15	**108,793,158**	146,898,822	**244,101,945**	271,452,166
Cost of sales		**(96,695,460)**	(124,752,778)	**(225,870,981)**	(236,452,752)
Gross profit		**12,097,698**	22,146,044	**18,230,964**	34,999,414
Other operating income		**480,657**	2,290,754	**2,050,882**	4,133,764
Selling, general and administrative expenses		**(9,408,338)**	(9,715,341)	**(19,897,634)**	(21,434,875)
Investment income/(loss)	16	**6,068,138**	(633,813)	**2,365,784**	4,863,619
Finance cost		**(392,966)**	(567,924)	**(818,751)**	(1,185,821)
Other (expenses)/income		**(408,523)**	71,779	**3,593,052**	333,100
Profit for the period		**8,436,666**	13,591,499	**5,524,297**	21,709,201
Basic earnings per share	17	**0.010**	0.017	**0.007**	0.026

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 2018

	Three months period ended 30 June		Six months period ended 30 June	
	2018	2017	**2018**	2017
	AED	AED	**AED**	AED
Profit for the period	**8,436,666**	13,591,499	**5,524,297**	21,709,201
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Loss on disposal of FVTOCI	**(652,028)**	(6,180)	**(633,586)**	(364,973)
(Decrease)/increase in fair value of investments carried at FVTOCI	**(495,189)**	(2,153,956)	**2,562,190**	(925,628)
Other comprehensive (loss)/income	**(1,147,217)**	(2,160,136)	**1,928,604**	(1,290,601)
Total comprehensive income for the period	**7,289,449**	11,431,363	**7,452,901**	20,418,600

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

Condensed statement of changes in equity
For the six months period ended 30 June 2018

	Share capital AED	Treasury shares AED	Reserves AED	Cumulative change in fair value - FVTOCI AED	Retained earnings AED	Total AED
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 12)	-	-	(35,000,000)	-	35,000,000	-
Board of Directors' remuneration	-	-	-	-	(1,598,000)	(1,598,000)
Dividend distribution (Note 18)	-	-	-	-	(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
Balance at 31 December 2017 (audited)	821,096,820	(451,248)	460,220,302	(172,867,317)	33,617,768	1,141,616,325
Impact of adopting IFRS 9 (Note 4)	-	-	-	-	(1,403,737)	(1,403,737)
Balance at 1 January 2018 (unaudited)	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 Directors' remuneration	-	-	-	-	(1,300,000)	(1,300,000)
Dividend distribution (Note 18)	-	-	-	-	(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 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 2018

	Six months period ended 30 June 2018 AED	2017 AED
Cash flows from operating activities		
Profit for the period	5,524,297	21,709,201
Adjustments for:		
Depreciation of property, plant and equipment	26,723,545	25,134,712
Finance cost	818,751	1,185,821
Provision for employees' end of service indemnity	662,355	360,000
Unrealised gain on investments at FVTPL	(8,968)	(157,760)
Loss on disposal of investments in securities	1,760,587	32,847
Allowance for doubtful debts	34,789	-
Interest and dividend revenue	(4,117,403)	(4,738,706)
Operating cash flows before changes in operating assets and liabilities	31,397,953	43,526,115
Decrease/(increase) in trade and other receivables	5,404,249	(11,466,605)
Increase in inventories	(38,741,183)	(4,310,309)
Increase in trade and other payables	39,155,735	7,568,748
Cash generated from operations	37,216,754	35,317,949
Employees' end of service indemnity paid	(368,549)	(441,091)
Finance cost paid	(562,404)	(1,185,821)
Net cash generated from operating activities	36,285,801	33,691,037
Cash flows from investing activities		
Additions to property, plant and equipment	(24,936,168)	(33,813,865)
Purchase of investments at FVTPL	(3,020,293)	(540,926)
Purchase of investments carried at FVTOCI	(3,460,524)	(3,404,296)
Proceeds on disposal of investments in securities	4,741,071	3,050,468
Decrease in fixed deposits maturity over three months	15,000,000	49,000,000
Dividend received	3,594,703	3,488,382
Interest received	522,700	1,250,324
Net cash (used in)/generated from investing activities	(7,558,511)	19,030,087
Cash flows from financing activities		
Board of Directors remuneration paid	(1,300,000)	(1,598,000)
Net movement on finance lease liability	(15,131,333)	(14,650,733)
Dividend paid	(63,128,082)	(78,318,120)
Net cash used in financing activities	(79,559,415)	(94,566,853)
Net decrease in cash and cash equivalents during the period	(50,832,125)	(41,845,729)
Cash and cash equivalents at the beginning of the period	60,046,829	99,398,878
Cash and cash equivalents at the end of the period (Note 10)	9,214,704	57,553,149
Non-cash transaction:		
Transfer from spares parts - inventories to property, plant and equipment	26,050,612	-

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 2018

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 ("IFRS")

2.1 New IFRS applied with material effect on the interim condensed financial statements

IFRS 9 which has become effective on and after 1 January 2018, has been adopted in these interim condensed financial statements. The application of IFRS 9, summarised in Note 4.

IFRS 9 Financial Instruments: A new measurement category of fair value through other comprehensive income (FVTOCI) applies for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses applies to debt instruments measured at amortised costs or FVTOCI, trade receivables, contract assets and certain written loan commitments and financial guarantee contract.

2.2 New and revised IFRS applied with no material effect on the interim condensed financial statements

The application of the following standards, has not had material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements:

- IFRS 15 Revenue Recognition: 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. Management has preliminarily assessed that sale of goods represents a single performance obligation and accordingly, revenue will be recognised for the performance obligation when control over the corresponding goods is transferred to the customer. The timing of revenue recognition of this performance obligation will be at a point in time for sale of goods when the goods are delivered to the customer. Accordingly, no impact will be observed on revenue recognition for the Company in 2018.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures (2015).

- Amendments to IFRS 2 Share Based Payment regarding classification and measurement of share based payment transactions.

- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
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.	
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 2019
Amendments to IAS 19 *Employee benefits*: relating to plan amendments, curtailments or settlements	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards as the Company is in the process of 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.

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

These 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 2017 except for the adoption of the new IFRSs which became effective as of 1 January 2018.

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 financial statements as at and for the year ended 31 December 2017. In addition, results for the six month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

3.2 Property, plant and equipment

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

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

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

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

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

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

3. Summary of significant accounting policies (continued)

3.3 Investment property

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

Investment property is located in U.A.E.

3.4 Financial assets at FVTPL

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading 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, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.5 Financial assets at FVTOCI

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

A financial asset is held for trading if:

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

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

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

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

4. Impact of changes in accounting policies due to adoption of new standards

The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Effective 1 January 2018 the Company has adopted two new accounting standards, the impact of the adoption of these standards is elaborated below.

Other amendments and interpretations apply for the first time in 2018, but do not have an impact on the condensed financial statements of the Company.

4.1 IFRS 9: Financial instruments

The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January, 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the condensed financial information. The Company did not early adopt any of IFRS 9 requirements in previous periods, except for "Classification and measurement".

As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

There were no changes to the classification and measurement of financial liabilities. The accounting policies of financial instruments as per IFRS 9 are disclosed in note 3.4 and 3.5 to the condensed financial statements. Comparatives for statement of cash flows are not affected on account of this adoption of IFRS 9.

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Classification and measurement - Financial assets (continued)

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
- the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Bank balances, cash, trade and other receivables

Bank balances, cash and trade and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

Equity instruments at FVTOCI

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 of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings. 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, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL are:
(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Financial assets at FVTPL

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). The Company recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Cash and bank balances; and
- Trade and other receivables; and

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for cash and bank balances and trade and other receivables at an amount equal to life time ECLs.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial asset, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the interim condensed statement of income and other comprehensive income.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.1 IFRS 9: Financial instruments (continued)

Measurement of ECL

The Company employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. At each reporting date, the Company assesses whether financial assets carried at amortised costs and debt securities at FVTOCI are credit-impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Presentation of allowance for ECL in the condensed financial information

Loss allowances for ECL are presented in the in the condensed financial information as follows:

- for financial assets measured at amortised cost (loans and advances, cash and bank balances): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the interim condensed statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income;

4. Impact of changes in accounting policies due to adoption of new standards (continued)

4.2 Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new five-step model that will apply to revenue arising from contracts with customers:

Step I **Identify the contract with a customer:** A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 **Identify the performance obligations in the contract:** A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 **Determine the transaction price:** Transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 **Allocate the transaction price to the performance obligations in the contract:** For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 **Recognise revenue as and when the entity satisfies a performance obligation.**

The Company recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs; or

- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance obligation completed to date.

The Company allocates the transaction price to the performance obligations in a contract based on the input method which requires revenue recognition on the basis of the Company's efforts or inputs to the satisfaction of the performance obligations. The Company estimates the total costs to complete the projects in order to determine the amount of revenue to be recognised.

When the Company satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable, taking into account the contractually agreed terms of payment. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent and has concluded that it is acting as a principal in all of its revenue arrangements.

Revenue is recognised in the interim condensed financial statements to the extent that it is probable that the economic benefits will flow to the Company and the revenue and costs, if and when applicable, can be measured reliably.

5. 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 2017, except for the adoption of IFRS 9 which has resulted in changes in accounting judgements for recognition, of financial assets and liabilities and impairment of financial assets, as set out below:

5.1 Critical judgments in applying the Company's accounting policies in respect of IFRS 9

- Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

- Significant increase of credit risk: ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

- Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics (e.g. instrument type, credit risk grade, collateral type, date of initial recognition, remaining term to maturity, industry, geographic location of the borrower, etc). The Company monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

- Models and assumptions used: The Company uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

5. Critical accounting judgements and key sources of estimation uncertainty (continued)

5.2 Key sources of estimation uncertainty in respect of IFRS 9

The following are key estimations that the management has used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in condensed interim financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of Default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

6. Property, plant and equipment

During the six month period ended 30 June 2018, additions to property, plant and equipment amounted to AED 50,986,780 (30 June 2017: AED 33,813,865) including capitalisation of spare parts inventories AED 26,050,612 and depreciation for the six month ended 30 June 2018 amounted to AED 26,723,545 (30 June 2017: AED 25,134,712).

At 30 June 2018 the cost of fully depreciated property, plant and equipment that was still in use amounted to AED 512,610,892 (31 December 2017: AED 503,513,478).

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.

7. Trade and other receivables

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Trade receivables	**116,004,270**	132,647,095
Less: Allowance for doubtful debts	**(1,438,526)**	-
	114,565,744	132,647,095
Other receivables	**28,272,835**	17,034,259
Receivable from sale of an associate	**6,000,000**	6,000,000
	148,838,579	155,681,354
Receivable from sale of an associate due after one year	**(4,500,000)**	(4,500,000)
	144,338,579	151,181,354

The movement on allowance for doubtful debts during the period was as follows:-

	Six months period ended 30 June 2018 (unaudited) AED	Year ended 31 December 2017 (audited) AED
Balance at the beginning of the period/year	-	-
Effect of adoption of IFRS 9 charged to retained earnings as at 1 January 2018	**1,403,737**	-
Allowance for doubtful debts	**34,789**	-
Balance at the end of the period/year	**1,438,526**	-

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 102 million (31 December 2017: AED 109 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.

During the period, the Company has recognised expected credit loss (ECL) amounted to AED 1,403,737 as a result of the first-time application of IFRS 9 effectively as at 1 January 2018. The ECL amount was charged to the current period opening retained earnings.

Other receivables include AED 16.02 million (31 December 2017: 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. Investments in securities

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

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Quoted – at fair value	**40,038,447**	37,436,991
Unquoted – at fair value	**2,081,279**	2,081,260
	42,119,726	39,518,251
In U.A.E.	**179,300**	629,862
In other GCC countries	**41,940,426**	38,888,389
	42,119,726	39,518,251

The cumulative changes in fair value of investments carried at FVTOCI amounted to AED 170,305,127 as at 30 June 2018 (unaudited), (31 December 2017: AED 172,867,317 (audited) is shown under equity.

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

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Quoted	**50,675,097**	51,359,841
In U.A.E.	**28,571,928**	30,326,387
In other GCC countries	**22,103,169**	21,033,454
	50,675,097	51,359,841

9. Inventories

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Finished goods	**6,408,186**	5,033,031
Raw materials	**10,719,075**	9,429,631
Work in progress	**30,301,115**	11,032,019
Bags, fuel and lubricants	**23,758,720**	21,519,930
	71,187,096	47,014,611
Spare parts - maintenance department	**113,699,000**	121,730,799
Consumable items	**20,771,365**	24,182,335
Tools	**420,245**	459,390
	134,890,610	146,372,524
Allowance for slow-moving inventories	**(18,201,820)**	(18,201,820)
	116,688,790	128,170,704
	187,875,886	175,185,315

10. Bank balances and cash

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Cash on hand	**146,989**	52,301
Bank balances:		
Current accounts	**4,649,245**	4,664,883
Call deposits	**4,418,470**	3,819,395
Short term deposits	**3,000,000**	69,510,250
	12,067,715	77,994,528
Total bank balances and cash	**12,214,704**	78,046,829
Less: Fixed deposits with maturity greater than three months	**(3,000,000)**	(18,000,000)
Cash and cash equivalents	**9,214,704**	60,046,829

10. Bank balances and cash (continued)

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Bank balances		
In U.A.E.	**2,632,842**	75,496,988
In other GCC countries	**9,434,873**	2,497,540
	12,067,715	77,994,528

11. Share capital

	30 June 2018 (unaudited) AED	31 December 2017 (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 2018. 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 and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED	Voluntary reserve AED	Total AED
Balance at 31 December 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
Balance at 31 December 2017 (audited)	364,457,977	95,762,325	460,220,302
Movement during the period**	-	(50,000,000)	(50,000,000)
Balance at 30 June 2018 (unaudited)	**364,457,977**	**45,762,325**	**410,220,302**

12. Reserves (continued)

** At the Annual General Meeting held on 11 April 2018, the shareholders approved the transfer of AED 50 million from voluntary reserve to retained earnings (2017: Approved the transfer of AED 35 million from voluntary reserve to retained earnings).

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 on quarterly instalments over the term of the lease of five years, the Company has utilized AED 146,301,950 (31 December 2017: AED 146,301,950) out of available lease facility of AED 192,500,000.

The payments due under leasing arrangement are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED	**30 June 2018 (unaudited) AED**	31 December 2017 (audited) AED
Due within one year	**32,164,087**	31,952,205	**31,192,676**	30,579,575
Due in the second through fifth year	-	15,976,103	-	15,744,434
	32,164,087	47,928,308	**31,192,676**	46,324,009
Less: Embedded future finance costs	**(971,411)**	(1,604,299)	-	-
	31,192,676	46,324,009	**31,192,676**	46,324,009

Included in the condensed financial statements as:

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Current portion of finance lease liability	**31,192,676**	30,579,575
Non-current portion of finance lease liability	-	15,744,434
	31,192,676	46,324,009

GULF CEMENT COMPANY P.S.C.

Notes to the condensed financial statements
For the six months period ended 30 June 2018 (continued)

14. Trade and other payables

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Trade payables	**100,572,733**	54,421,193
Dividend payable	**29,967,049**	27,447,385
Accrued expenses	**12,511,815**	15,810,276
Other payables	**3,452,802**	6,893,799
	146,504,399	104,572,653

15. Revenue

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

	Three months period ended 30 June		Six months period ended 30 June	
	2018 (unaudited) AED	2017 (unaudited) AED	**2018 (unaudited) AED**	2017 (unaudited) AED
Local sales	**36,608,726**	46,784,170	**80,667,452**	84,543,871
Export sales	**72,184,432**	100,114,652	**163,434,493**	186,908,295
	108,793,158	146,898,822	**244,101,945**	271,452,166

16. Investment income/(loss)

	Three months period ended 30 June		Six months period ended 30 June	
	2018 (unaudited) AED	2017 (unaudited) AED	**2018 (unaudited) AED**	2017 (unaudited) AED
Unrealised gain/(loss) on investments at FVTPL	**4,471,915**	(2,608,448)	**8,968**	157,760
Loss on disposal of investments in securities	**(1,041,571)**	(6,096)	**(1,760,587)**	(32,847)
Dividend income	**2,576,045**	1,624,537	**3,594,703**	3,488,382
Interest income	**61,749**	356,194	**522,700**	1,250,324
	6,068,138	(633,813)	**2,365,784**	4,863,619

17. Basic earnings per share

	Three months period ended 30 June 2018 (unaudited)	2017 (unaudited)	Six months period ended 30 June 2018 (unaudited)	2017 (unaudited)
Profit for the period (in AED)	**8,436,666**	13,591,499	**5,524,297**	21,709,201
Weighted average number of shares	820,596,820	820,596,820	820,596,820	820,596,820
Basic earnings per share (in AED)	**0.010**	0.017	**0.007**	0.026

The denominator for the purpose of calculating basic earnings per share has been adjusted to reflect the buyback of shares (Note 11).

18. Dividends

At the annual general meeting held on 11 April 2018, the shareholders approved cash dividend at 8% of share capital amounting to AED 65.6 million for the year ended 31 December 2017 (2017: 10% of share capital amounting to AED 82.1 million for the year ended 31 December 2016). Shareholders also approved the Board of Directors' remuneration of AED 1.3 million for the year ended 31 December 2017 (2017: AED 1.6 million for 2016). Further, the Shareholders have approved the Board of Directors' proposal to transfer AED 50 million from voluntary reserve to retained earnings (2017: AED 35 million).

19. Related party transactions

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

	Three months period ended 30 June 2018 (unaudited) AED	2017 (unaudited) AED	Six months period ended 30 June 2018 (unaudited) AED	2017 (unaudited) AED
Attendance expenses for Board of Directors and committees' meetings	-	-	**562,500**	731,250
Board of Directors' remuneration	**1,300,000**	1,598,000	**1,300,000**	1,598,000

20. Contingent liabilities and commitments

	30 June 2018 (unaudited) AED	31 December 2017 (audited) AED
Letters of credit	**641,851**	1,537,598
Letters of guarantee	**200,000**	200,000

21. 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 2018 (continued)

21. **Segment information** (continued)

	Six months period ended 30 June 2018			Six months period ended 30 June 2017		
	Manufacturing	**Investments**	**Total**	Manufacturing	Investments	Total
	(unaudited) AED	**(unaudited) AED**	**(unaudited) AED**	(unaudited) AED	(unaudited) AED	(unaudited) AED
Segment revenue	**244,101,945**	**-**	**244,101,945**	271,452,166	-	271,452,166
Depreciation	**(26,723,545)**	**-**	**(26,723,545)**	(25,134,712)	-	(25,134,712)
Finance cost	**(818,751)**	**-**	**(818,751)**	(1,185,821)	-	(1,185,821)
Segment result	**3,158,513**	**2,365,784**	**5,524,297**	16,845,582	4,863,619	21,709,201

	30 June 2018				31 December 2017			
	Manufacturing	**Investments**	**Other**	**Total**	Manufacturing	Investments	Other	Total
	(unaudited) AED	**(unaudited) AED**	**(unaudited) AED**	**(unaudited) AED**	(audited) AED	(audited) AED	(audited) AED	(audited) AED
Segment assets	**1,151,308,346**	**114,467,018**	**4,796,234**	**1,270,571,598**	1,121,197,315	178,461,462	4,717,184	1,304,375,961
Segment liabilities	**189,853,855**	**-**	**-**	**189,853,855**	162,759,636	-	-	162,759,636

There are no transactions between the business segments.

22. 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 2017.

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 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000				
Quoted equity investments – FVTOCI	**40,038**	37,437	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.	Net assets value.	Management has used net assets valuation method, which is appropriate fair value as per management.
Quoted equity investments – FVTPL	**50,675**	51,360	Level 1	Quoted bid prices in an active market.	None.	NA

22. 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 2018 (unaudited):

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Investment property	-	-	**8,253,725**	**8,253,725**
Financial assets at FVTPL	**50,675,097**	-	-	**50,675,097**
FVTOCI				
Quoted equities	**40,038,447**	-	-	**40,038,447**
Unquoted equities	-	-	**2,081,279**	**2,081,279**
	90,713,544	-	**10,335,004**	**101,048,548**

31 December 2017 (audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment property	-	-	8,253,725	8,253,725
Financial assets at FVTPL	51,359,841	-	-	51,359,841
FVTOCI				
Quoted equities	37,436,991	-	-	37,436,991
Unquoted equities	-	-	2,081,260	2,081,260
	88,796,832	-	10,334,985	99,131,817

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.

23. Seasonality of results

Investment income includes dividend income of AED 3,594,703 for the six months period ended 30 June 2018 (Six months period ended 30 June 2017: AED 3,488,382), which is of a seasonal nature.

24. Exposure to Abraaj Group

As required by the Emirates Securities and Commodities Authority, the Company's management has reviewed its accounts and concluded that the Company has no exposure to Abraaj Group.

25. Approval of condensed financial statements

The condensed financial statements were approved by the Chairman of the Board of Directors and authorised for issue on 13 August 2018.