

**RAS AL KHAIMAH CEMENT COMPANY P.S.C.**

**Review report and interim financial information  
for the three months period ended 31 March 2017**

## **RAS AL KHAIMAH CEMENT COMPANY P.S.C.**

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## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

**The Board of Directors**  
**Ras Al Khaimah Cement Company P.S.C.**  
**Ras Al Khaimah**  
**United Arab Emirates**

### *Introduction*

We have reviewed the accompanying condensed statement of financial position of **Ras Al Khaimah Cement Company P.S.C. (the "Company") - Ras Al Khaimah, United Arab Emirates**, as at 31 March 2017 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting.

Deloitte & Touche (M.E.)

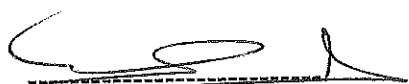


Signed by:  
Samir Madbak  
Registration No. 386  
13 May 2017  
Sharjah, United Arab Emirates

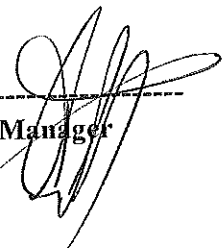
## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Condensed statement of financial position  
at 31 March 2017

|                                                                                  | Notes | 31 March<br>2017<br>(Unaudited)<br>AED | 31 December<br>2016<br>(Audited)<br>AED |
|----------------------------------------------------------------------------------|-------|----------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                    |       |                                        |                                         |
| <b>Non-current assets</b>                                                        |       |                                        |                                         |
| Property, plant and equipment                                                    | 4     | 383,663,482                            | 387,563,112                             |
| Intangible assets                                                                |       | 1,339,093                              | 1,403,438                               |
| Investment in an associate                                                       | 5     | 46,882,376                             | 46,553,984                              |
| Investments carried at fair value through<br>other comprehensive income (FVTOCI) | 6     | 48,218,718                             | 50,095,263                              |
| Due from an associate                                                            |       | 386,377                                | 1,399,800                               |
| <b>Total non-current assets</b>                                                  |       | <b>480,490,046</b>                     | <b>487,015,597</b>                      |
| <b>Current assets</b>                                                            |       |                                        |                                         |
| Inventories                                                                      | 7     | 81,192,812                             | 72,421,232                              |
| Due from an associate                                                            |       | 7,644,881                              | 7,597,100                               |
| Trade and other receivables                                                      | 8     | 75,770,224                             | 65,865,700                              |
| Bank balances and cash                                                           | 9     | 1,644,044                              | 2,321,402                               |
| <b>Total current assets</b>                                                      |       | <b>166,251,961</b>                     | <b>148,205,434</b>                      |
| <b>Total assets</b>                                                              |       | <b>646,742,007</b>                     | <b>635,221,031</b>                      |
| <b>EQUITY AND LIABILITIES</b>                                                    |       |                                        |                                         |
| <b>Capital and reserves</b>                                                      |       |                                        |                                         |
| Share capital                                                                    | 10    | 559,020,000                            | 559,020,000                             |
| Treasury shares                                                                  |       | (47,711,881)                           | (47,711,881)                            |
| Statutory reserve                                                                | 11    | 67,399,612                             | 67,399,612                              |
| Voluntary reserve                                                                | 11    | 41,137,807                             | 41,137,807                              |
| Cumulative changes in fair value (FVTOCI)                                        |       | (37,184,599)                           | (35,308,054)                            |
| Retained earnings                                                                |       | 6,052,192                              | 4,676,166                               |
| <b>Total equity</b>                                                              |       | <b>588,713,131</b>                     | <b>589,213,650</b>                      |
| <b>Non-current liabilities</b>                                                   |       |                                        |                                         |
| Provision for employees' end of service<br>indemnity                             |       | 3,933,580                              | 3,808,200                               |
| <b>Current liabilities</b>                                                       |       |                                        |                                         |
| Short-term borrowings from bank                                                  |       | 17,420,631                             | 10,870,862                              |
| Trade and other payables                                                         | 12    | 36,674,665                             | 31,328,319                              |
| <b>Total current liabilities</b>                                                 |       | <b>54,095,296</b>                      | <b>42,199,181</b>                       |
| <b>Total liabilities</b>                                                         |       | <b>58,028,876</b>                      | <b>46,007,381</b>                       |
| <b>Total equity and liabilities</b>                                              |       | <b>646,742,007</b>                     | <b>635,221,031</b>                      |



Chairman


  
General Manager

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

**RAS AL KHAIMAH CEMENT COMPANY P.S.C.**

**Condensed statement of income (unaudited)  
for the three months period ended 31 March 2017**

|                                              | Notes | Three months period ended 31 March |              |
|----------------------------------------------|-------|------------------------------------|--------------|
|                                              |       | 2017<br>AED                        | 2016<br>AED  |
| Revenue                                      | 13    | 51,636,536                         | 66,825,058   |
| Cost of sales                                |       | (46,297,805)                       | (54,059,029) |
| Gross profit                                 |       | 5,338,731                          | 12,766,029   |
| Other operating income                       |       | 357,144                            | 22,000       |
| Selling, general and administrative expenses |       | (5,486,367)                        | (5,101,502)  |
| Finance costs                                |       | (196,251)                          | (147,174)    |
| Investment income                            |       | 1,034,377                          | 1,321,250    |
| Share of profit/(loss) from an associate     |       | 328,392                            | (4,291,557)  |
| Profit for the period                        |       | 1,376,026                          | 4,569,046    |
| Basic earnings per share                     | 14    | 0.003                              | 0.009        |

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

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Condensed statement of comprehensive income (unaudited)  
for the three months period ended 31 March 2017

|                                                                           | Three months period ended 31 March |             |
|---------------------------------------------------------------------------|------------------------------------|-------------|
|                                                                           | 2017                               | 2016        |
|                                                                           | AED                                | AED         |
| Profit for the period                                                     | 1,376,026                          | 4,569,046   |
| Other comprehensive income:                                               |                                    |             |
| <i>Items that will not be reclassified subsequently to profit or loss</i> |                                    |             |
| Decrease in fair value of investments carried at FVTOCI                   | (1,876,545)                        | (1,358,618) |
| Total other comprehensive loss                                            | (1,876,545)                        | (1,358,618) |
| Total comprehensive (loss)/income for the period                          | (500,519)                          | 3,210,428   |

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

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Condensed statement of changes in equity  
for the three months period ended 31 March 2017

|                                           | Share<br>capital<br>AED | Treasury<br>Shares<br>AED | Statutory<br>Reserves<br>AED | Voluntary<br>reserve<br>AED | Cumulative<br>change in fair<br>value –<br>FVTOCI<br>AED | Retained<br>earnings<br>AED | Total<br>AED |
|-------------------------------------------|-------------------------|---------------------------|------------------------------|-----------------------------|----------------------------------------------------------|-----------------------------|--------------|
| Balance at 31 December 2015 (audited)     | 559,020,000             | (24,247,846)              | 66,815,091                   | 54,879,159                  | (36,701,120)                                             | 11,942,864                  | 631,708,148  |
| Profit for the period                     | -                       | -                         | -                            | -                           | -                                                        | 4,569,046                   | 4,569,046    |
| Other comprehensive loss                  | -                       | -                         | -                            | -                           | (1,358,618)                                              | -                           | (1,358,618)  |
| Total comprehensive income for the period | -                       | -                         | -                            | -                           | (1,358,618)                                              | 4,569,046                   | 3,210,428    |
| Payment of dividend                       | -                       | -                         | -                            | (14,325,876)                | -                                                        | (11,942,864)                | (26,268,740) |
| Purchase of treasury shares               | -                       | (6,486,142)               | -                            | -                           | -                                                        | -                           | (6,486,142)  |
| Balance at 31 March 2016 (unaudited)      | 559,020,000             | (30,733,988)              | 66,815,091                   | 40,553,283                  | (38,059,738)                                             | 4,569,046                   | 602,163,694  |
| Balance at 31 December 2016 (audited)     | 559,020,000             | (47,711,881)              | 67,399,612                   | 41,137,807                  | (35,308,054)                                             | 4,676,166                   | 589,213,650  |
| Profit for the period                     | -                       | -                         | -                            | -                           | -                                                        | 1,376,026                   | 1,376,026    |
| Other comprehensive loss                  | -                       | -                         | -                            | -                           | (1,876,545)                                              | -                           | (1,876,545)  |
| Total comprehensive income for the period | -                       | -                         | -                            | -                           | (1,876,545)                                              | 1,376,026                   | (500,519)    |
| Balance at 31 March 2017 (unaudited)      | 559,020,000             | (47,711,881)              | 67,399,612                   | 41,137,807                  | (37,184,599)                                             | 6,052,192                   | 588,713,131  |

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

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

**Condensed statement of cash flows (unaudited)**  
**for the three months period ended 31 March 2017**

|                                                                                | <b>Three months period ended 31 March</b> |              |
|--------------------------------------------------------------------------------|-------------------------------------------|--------------|
|                                                                                | <b>2017</b>                               | <b>2016</b>  |
|                                                                                | <b>AED</b>                                | <b>AED</b>   |
| <b>Cash flows from operating activities</b>                                    |                                           |              |
| Profit for the period                                                          | 1,376,026                                 | 4,569,046    |
| Adjustments for:                                                               |                                           |              |
| Depreciation                                                                   | 7,422,044                                 | 7,373,077    |
| Amortisation of intangible assets                                              | 64,345                                    | 58,441       |
| Provision for employees' end of service indemnity                              | 205,514                                   | 171,728      |
| Interest and dividend income                                                   | (1,034,377)                               | (1,321,250)  |
| Share of (profit)/loss from associate                                          | (328,392)                                 | 4,291,557    |
| Allowance for slow moving inventories                                          | 300,000                                   | 300,000      |
| Gain on sale of property, plant and equipment                                  | (35,000)                                  | (22,000)     |
| Finance cost                                                                   | 196,251                                   | 147,174      |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Operating cash flows before changes in operating assets and liabilities</b> | 8,166,411                                 | 15,567,773   |
| (Increase)/decrease in inventories                                             | (9,071,580)                               | 4,515,595    |
| Decrease/(increase) in due from associate                                      | 965,642                                   | (284,565)    |
| Increase in trade and other receivables                                        | (8,870,252)                               | (3,702,480)  |
| Increase /(decrease) in trade and other payables                               | 5,346,346                                 | (7,226,971)  |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Cash (used in)/ generated from operations</b>                               | (3,463,433)                               | 8,869,352    |
| Employees' end of service indemnity paid                                       | (80,134)                                  | (8,945)      |
| Finance costs paid                                                             | (196,251)                                 | (147,174)    |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Net cash (used in)/ generated from operating activities</b>                 | (3,739,818)                               | 8,713,233    |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Cash flows from investing activities</b>                                    |                                           |              |
| Purchase of property, plant and equipment                                      | (3,522,414)                               | (2,613,217)  |
| Proceeds on sale of property, plant and equipment                              | 35,000                                    | 22,000       |
| Interest received                                                              | 105                                       | 73,587       |
| Dividend received                                                              | -                                         | 1,247,663    |
| Decrease in term deposits with maturity period exceeding three months          | 743,820                                   | -            |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Net cash used in from investing activities</b>                              | (2,743,489)                               | (1,269,967)  |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Cash flows from financing activities</b>                                    |                                           |              |
| Increase/(decrease) in short term borrowings from bank                         | 6,549,769                                 | (8,439,865)  |
| Purchase of treasury shares                                                    | -                                         | (6,486,142)  |
| Dividend paid                                                                  | -                                         | (26,268,740) |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Net cash generated/ (used in) financing activities</b>                      | 6,549,769                                 | (41,194,747) |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Net increase/(decrease) in cash and cash equivalents during the period</b>  | 66,462                                    | (33,751,481) |
| Cash and cash equivalents at the beginning of the period                       | 1,280,067                                 | 35,222,809   |
|                                                                                | <hr/>                                     | <hr/>        |
| <b>Cash and cash equivalents at the end of the period (Note 17)</b>            | 1,346,529                                 | 1,471,328    |
|                                                                                | <hr/>                                     | <hr/>        |

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



# RAS AL KHAIMAH CEMENT COMPANY P.S.C.

## Notes to the condensed financial statements for the three months period ended 31 March 2017

### 1. General information

Ras Al Khaimah Cement Company P.S.C., Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 4 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1995. The Company started its commercial production in April 2000. The Company is listed in Abu Dhabi Securities Market. The address of the Company's registered office is P. O. Box 2499 Ras Al Khaimah, United Arab Emirates.

The principal activities of the Company are production and marketing of all types of Portland cement (except white cement).

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

#### 2.1 New and revised IFRS applied with no material effect on the condensed financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

#### 2.2 New and revised 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<br>annual periods<br>beginning on or after |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2015). | 1 January 2018                                           |
| Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.                                                                                            | 1 January 2018                                           |

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)2. Application of new and revised International Financial Reporting Standards ("IFRSs")  
(continued)

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

| New and revised IFRSs                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Effective for annual periods beginning on or after |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9                                                                                                                                                                                                                                                                                                                                                | When IFRS 9 is first applied                       |
| IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9                                                                                                                                                                                                                                                             | When IFRS 9 is first applied                       |
| Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.                                                                                                                                                                | 1 January 2018                                     |
| A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.                                                                                                                                                                                                                         |                                                    |
| A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.                                                                                                                                                                                                                                        |                                                    |
| IFRS 16 <i>Leases</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 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. |                                                    |

# RAS AL KHAIMAH CEMENT COMPANY P.S.C.

## Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

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

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

##### New and revised IFRSs

Effective for  
annual periods  
beginning on or after

##### IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

1 January 2018

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

1 January 2018

Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

1 January 2018

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred  
indefinitely

##### IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

### Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

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

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

##### New and revised IFRSs

Effective for  
annual periods  
beginning on or after

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

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

1 January 2018

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

The application of finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of these standard as the Company is in the process of performing a detailed review.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

### Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

#### 3. Summary of significant accounting policies

##### 3.1. Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, *"Interim Financial Reporting"* and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2016. In addition, results for the three months period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

##### 3.2 Property, plant and equipment

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

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

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

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

# **RAS AL KHAIMAH CEMENT COMPANY P.S.C.**

## **Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **3.2 Property, plant and equipment (continued)**

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

|                                    | <u>Years</u> |
|------------------------------------|--------------|
| Factory building                   | 28 – 30      |
| Plant and equipment                | 15 – 30      |
| Motor vehicle and mobile equipment | 4-10         |
| Office furniture and equipment     | 3 – 10       |
| Land improvements                  | 4-5          |
| Specialised tools                  | 4-5          |
| Capital spare parts                | 30           |

#### **3.3 Intangible assets**

Purchased intangible assets are shown at historical cost. Intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the intangible assets over their estimated useful lives.

#### **3.4 Investment in associate**

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these condensed financial statements using the equity method of accounting. Under the equity method, investment in associates are initially recognised in the condensed statement of financial position at cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the associates. When the Company's share of losses of associates exceeds the Company's interest in that associates (which includes any long-term interests that, in substance, form part of the Company's net investment in the associates), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associates.

An investment in associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of associates recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the income statement in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Company's investment in associates. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

### Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

#### 3. Summary of significant accounting policies (continued)

##### 3.4 Investment in associate (continued)

The Company discontinues the use of equity method from the date when the investment ceases to be an associate. When the Company retains its interest in the former associate and the retained interest is a financial asset, the Company measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Company accounts for all amounts previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Company reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Company reduces its ownership interest in an associate but the Company continues to use the equity method, the Company reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Company's entity transacts with an associate of the Company, profits and losses resulting from the transactions with the associate are recognised in the Company's condensed financial statements only to the extent of interests in the associates that are not related to the Company.

##### 3.5 Financial assets at Fair value through Other Comprehensive Income (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.

# **RAS AL KHAIMAH CEMENT COMPANY P.S.C.**

## **Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)**

### **3. Summary of significant accounting policies (continued)**

#### **3.5 Financial assets at Fair value through Other Comprehensive Income (FVTOCI) (continued)**

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 dividend is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

### **4. Property, plant and equipment**

During the period, additions to property, plant and equipment amounted to AED 3.52 million (three months period ended 31 March 2016: AED 2.61 million) and depreciation for the three months period ended 31 March 2017 amounted to AED 7.42 million (three months period ended 31 March 2016: AED 7.37 million).

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

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

### **5. Investment in an associate**

Investment in an associate represents the Company's investment in capital of Reem Ready Mix LLC, Abu Dhabi. The Company presently Owns 20% of the share capital of Reem Ready Mix LLC. Investment in an associate is accounted for using the equity method.

The movement in investment in associate is as follows:

|                                             | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|---------------------------------------------|----------------------------------------|-----------------------------------------|
| Balance at the beginning of the period/year | 46,553,984                             | 53,684,922                              |
| Share of profit/ (loss) from an associate   | 328,392                                | (3,549,138)                             |
| Impairment loss during the year             | -                                      | (3,581,800)                             |
| Balance at the end of the period/year       | 46,882,376                             | 46,553,984                              |



## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

## 5. Investment in an associate (continued)

The summarised financial information of an associate is as follows:

|                                                       | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|-------------------------------------------------------|----------------------------------------|-----------------------------------------|
| Total assets                                          | 186,932,419                            | 154,807,443                             |
| Total liabilities                                     | (95,615,618)                           | (65,098,446)                            |
| Net assets                                            | 91,316,801                             | 89,708,997                              |
| Total revenue                                         | 40,435,730                             | 142,545,406                             |
| Net profit/(loss) for the period/year                 | 1,641,961                              | (17,745,690)                            |
| Share of associates profit/(loss) for the period/year | 328,392                                | (3,549,138)                             |

## 6. Investments carried at fair value through other comprehensive income (FVTOCI)

|          | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|----------|----------------------------------------|-----------------------------------------|
| Quoted   | 38,521,142                             | 40,397,687                              |
| Unquoted | 9,697,576                              | 9,697,576                               |
|          | 48,218,718                             | 50,095,263                              |

The investments are in United Arab Emirates.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

## 7. Inventories

|                                       | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|---------------------------------------|----------------------------------------|-----------------------------------------|
| Finished goods                        | 5,030,599                              | 4,723,365                               |
| Raw materials                         | 3,809,030                              | 2,995,886                               |
| Work in progress                      | 39,529,801                             | 33,713,545                              |
|                                       | <hr/> 48,369,430                       | <hr/> 41,432,796                        |
| Spare parts - maintenance department  | 34,598,311                             | 33,029,492                              |
| Consumable items                      | 3,658,595                              | 3,092,468                               |
|                                       | <hr/> 38,256,906                       | <hr/> 36,121,960                        |
| Allowance for slow-moving inventories | (5,433,524)                            | (5,133,524)                             |
|                                       | <hr/> 32,823,382                       | <hr/> 30,988,436                        |
|                                       | <hr/> 81,192,812                       | <hr/> 72,421,232                        |

## 8. Trade and other receivables

|                       | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|-----------------------|----------------------------------------|-----------------------------------------|
| Trade receivables     | 70,824,207                             | 62,502,143                              |
| Advances to suppliers | 1,100,469                              | 613,040                                 |
| Prepayments           | 523,603                                | 519,816                                 |
| Other receivables     | 3,321,945                              | 2,230,701                               |
|                       | <hr/> 75,770,224                       | <hr/> 65,865,700                        |

The credit risk associated with the Company's trade receivable is considered limited as the Company holds trade receivables amounting to AED 62.71 million (31 December 2016: AED 54.78 million) covered by unconditional bank guarantees and letter of credit from the customers to secure the collectability of these trade receivables.

# RAS AL KHAIMAH CEMENT COMPANY P.S.C.

## Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

### 9. Bank balances and cash

|                                  | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|----------------------------------|----------------------------------------|-----------------------------------------|
| Cash on hand                     | 158,793                                | 143,243                                 |
| Bank balances:                   |                                        |                                         |
| Current accounts                 | 1,021,750                              | 947,485                                 |
| Dividend payment deposit account | 165,986                                | 189,339                                 |
| Margin deposits                  | 297,515                                | 1,041,335                               |
|                                  | <u>1,644,044</u>                       | <u>2,321,402</u>                        |

Bank balances and cash are maintained in United Arab Emirates.

### 10. Share capital

|                                           | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|-------------------------------------------|----------------------------------------|-----------------------------------------|
| Issued and fully paid:                    |                                        |                                         |
| 559,020,000 ordinary shares of AED 1 each | <u>559,020,000</u>                     | <u>559,020,000</u>                      |

During 2015 and 2016, the Company has bought back 55,902,000 ordinary shares from the stock market at a total cash consideration of AED 47,711,881. These shares are held as treasury shares as at 31 March 2017. This buyback programme of up to 10% of the Company's shares was approved by the Securities & Commodities Authority and the Company's shareholders.

### 11. Reserves

#### i) Statutory reserve

As required by the UAE Federal Law No. (2) of 2015, a minimum of 10% of the profit for the year is to be allocated annually to a non-distributable statutory reserve account and such appropriation shall be suspended when the reserve balance reaches an amount equal to 50% of the Company's paid-up capital. Such appropriation will be resumed whenever the reserve balance becomes less than 50% of the Company's paid-up capital.

#### ii) Voluntary reserve

Another 10% of the profit for the year is to be transferred for the creation of a voluntary reserve account. This appropriation will be suspended by a resolution from the ordinary general assembly meeting based on a proposal put forward by the Board of Directors, or if such reserve amounts to 20% of Company's paid-up capital. This reserve can be utilized by the Company for the objects as determined by the ordinary general assembly meeting on proposals submitted by the Board of Directors.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

## 12. Trade and other payables

|                             | 31 March<br>2017<br>(unaudited)<br>AED | 31 December<br>2016<br>(audited)<br>AED |
|-----------------------------|----------------------------------------|-----------------------------------------|
| Trade payables              | 24,465,101                             | 17,945,834                              |
| Advance from customers      | 548,049                                | 240,008                                 |
| Dividends payable           | 4,141,706                              | 4,164,803                               |
| Accruals and other payables | 7,519,809                              | 8,977,674                               |
|                             | <u>36,674,665</u>                      | <u>31,328,319</u>                       |

## 13. Revenue

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

|              | Three months period ended 31 March |                            |
|--------------|------------------------------------|----------------------------|
|              | 2017<br>(unaudited)<br>AED         | 2016<br>(unaudited)<br>AED |
| Local sales  | 32,868,622                         | 24,880,309                 |
| Export sales | 18,767,914                         | 41,944,749                 |
|              | <u>51,636,536</u>                  | <u>66,825,058</u>          |

## 14. Basic earnings per share

|                                   | Three months period ended 31 March |                     |
|-----------------------------------|------------------------------------|---------------------|
|                                   | 2017<br>(unaudited)                | 2016<br>(unaudited) |
| Profit for the period (in AED)    | <u>1,376,026</u>                   | <u>4,569,046</u>    |
| Weighted average number of shares | <u>503,118,000</u>                 | <u>528,405,579</u>  |
| Basic earnings per share (in AED) | <u>0.003</u>                       | <u>0.009</u>        |

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

## 15. Dividends

At the Annual General Meeting held on 20 April 2017, the Shareholders approved a cash dividend of 3% of Share Capital (after reducing treasury shares) amounting to AED 15.09 million for the year ended 31 December 2016. Shareholders approved to utilize AED 4.68 million from retained earnings and the balance amount of AED 10.41 million from voluntary reserve. The approved cash dividends for the year 2016 have not been reported as a liability in these condensed financial statement as the same were approved after the end of the current period.

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

## 16. Related party transactions

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

|         | Three months period ended 31 March |             |
|---------|------------------------------------|-------------|
|         | 2017                               | 2016        |
|         | (unaudited)                        | (unaudited) |
|         | AED                                | AED         |
| Revenue | 59,358                             | 284,565     |

## Compensations of key management staff and Board of Directors

|                                                                 | Three months period ended 31 March |             |
|-----------------------------------------------------------------|------------------------------------|-------------|
|                                                                 | 2017                               | 2016        |
|                                                                 | (unaudited)                        | (unaudited) |
|                                                                 | AED                                | AED         |
| Attendance fees for Board of Directors and Committees' meetings | 250,000                            | 250,000     |
| Key management staff:                                           |                                    |             |
| Short-term and long term benefits                               | 643,384                            | 609,736     |
| Executive compensation charges                                  | 75,000                             | 75,000      |

## 17. Cash and cash equivalents

|                                                    | 31 March<br>2017 | 31 March<br>2016 |
|----------------------------------------------------|------------------|------------------|
|                                                    | AED '000         | AED '000         |
|                                                    | (unaudited)      | (unaudited)      |
| Bank balances and cash – net                       | 1,644,044        | 1,471,328        |
| Term deposits with maturity more than three months | (297,515)        | -                |
|                                                    | <u>1,346,529</u> | <u>1,471,328</u> |

## 18. Contingent liabilities and commitments

|                      | 31 March<br>2017 | 31 December<br>2016 |
|----------------------|------------------|---------------------|
|                      | (unaudited)      | (audited)           |
|                      | AED              | AED                 |
| Letters of guarantee | 65,600           | 65,600              |
| Letters of Credit    | 297,515          | 1,065,609           |

The Company have issued an irrevocable guarantee in favor of its associate, Reem Readymix LLC – against credit facilities extended to them. The bank guarantee have been signed by the Company as guarantor and guaranteed sum is upto the extent of 20% of all credit facilities and financial obligations of Reem Readymix LLC.

## 19. Segment information

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities and deposits with banks.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

19. Segment information (continued)

|                     | Three months period ended 31 March 2017 |                                   |                             | Three months period ended 31 March 2016 |                                   |                             |
|---------------------|-----------------------------------------|-----------------------------------|-----------------------------|-----------------------------------------|-----------------------------------|-----------------------------|
|                     | Manufacturing<br>(unaudited)<br>AED     | Investments<br>(unaudited)<br>AED | Total<br>(unaudited)<br>AED | Manufacturing<br>(unaudited)<br>AED     | Investments<br>(unaudited)<br>AED | Total<br>(unaudited)<br>AED |
| Segment revenue     | 51,636,536                              | -                                 | 51,636,536                  | 66,825,058                              | -                                 | 66,825,058                  |
| Segment result      | 13,257                                  | 1,362,769                         | 1,376,026                   | 7,539,353                               | (2,970,307)                       | 4,569,046                   |
|                     |                                         |                                   |                             |                                         |                                   |                             |
|                     | 31 March 2017                           |                                   |                             | 31 December 2016                        |                                   |                             |
|                     | Manufacturing<br>(unaudited)<br>AED     | Investments<br>(unaudited)<br>AED | Total<br>(unaudited)<br>AED | Manufacturing<br>(audited)<br>AED       | Investments<br>(audited)<br>AED   | Total<br>(audited)<br>AED   |
| Segment assets      | 550,294,384                             | 95,101,094                        | 645,395,478                 | 537,291,717                             | 96,649,247                        | 633,940,964                 |
| Unallocated assets  | -                                       | -                                 | 1,346,529                   | -                                       | -                                 | 1,280,067                   |
| Total assets        |                                         |                                   | 646,742,007                 |                                         |                                   | 635,221,031                 |
| Segment liabilities | 58,028,876                              | -                                 | 58,028,876                  | 46,007,381                              | -                                 | 46,007,381                  |

There are no transactions between the business segments.

# RAS AL KHAIMAH CEMENT COMPANY P.S.C.

## Notes to the condensed financial statements for the three months period ended 31 March 2017 (continued)

### 20. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

#### *Fair value of financial instruments carried at amortised cost*

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed financial statements approximate their fair values.

#### *Valuation techniques and assumptions applied for the purposes of measuring fair value*

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2016.

#### *Fair value of the Company's financial assets that are measured at fair value on recurring basis*

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

| Financial assets                     | Fair value as at                    |                                      | Fair value hierarchy | Valuation techniques and key inputs                                                                                                                                                       | Significant unobservable input | Relationship of unobservable inputs to fair value                    |
|--------------------------------------|-------------------------------------|--------------------------------------|----------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------|
|                                      | 31 March 2017<br>(unaudited)<br>AED | 31 December 2016<br>(audited)<br>AED |                      |                                                                                                                                                                                           |                                |                                                                      |
| <b>Investments carried at FVTOCI</b> |                                     |                                      |                      |                                                                                                                                                                                           |                                |                                                                      |
| Quoted equity securities             | 38,521,142                          | 40,397,687                           | Level 1              | Quoted bid prices in an active market.                                                                                                                                                    | None                           | N/A                                                                  |
| Unquoted equity securities           | 9,697,576                           | 9,697,576                            | Level 3              | Net assets valuation method due to the unavailability of market and comparable financial information. Net asset values were determined based on audited/historical financial information. | Net assets value               | Higher the net assets value of the investees, higher the fair value. |

## RAS AL KHAIMAH CEMENT COMPANY P.S.C.

Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)

## 20. Fair value measurement (continued)

*Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)*

*Fair value measurements recognised in the condensed statement of financial position*

The following table provides an analysis of financial 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).

## 31 March 2017 (unaudited):

|                   | Level 1<br>AED    | Level 2<br>AED | Level 3<br>AED   | Total<br>AED      |
|-------------------|-------------------|----------------|------------------|-------------------|
| <b>FVTOCI</b>     |                   |                |                  |                   |
| Quoted equities   | 38,521,142        | -              | -                | 38,521,142        |
| Unquoted equities | -                 | -              | 9,697,576        | 9,697,576         |
|                   | <u>38,521,142</u> | <u>-</u>       | <u>9,697,576</u> | <u>48,218,718</u> |

## 31 December 2016 (audited)

|                   | Level 1<br>AED    | Level 2<br>AED | Level 3<br>AED   | Total<br>AED      |
|-------------------|-------------------|----------------|------------------|-------------------|
| <b>FVTOCI</b>     |                   |                |                  |                   |
| Quoted equities   | 40,397,687        | -              | -                | 40,397,687        |
| Unquoted equities | -                 | -              | 9,697,576        | 9,697,576         |
|                   | <u>40,397,687</u> | <u>-</u>       | <u>9,697,576</u> | <u>50,095,263</u> |

There were no transfers between each of level 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.



**RAS AL KHAIMAH CEMENT COMPANY P.S.C.****Notes to the condensed financial statements  
for the three months period ended 31 March 2017 (continued)****21. Seasonality of results**

Investment income includes dividend income of AED 1,034,272 for the three months period ended 31 March 2017 (three months period ended 31 March 2016: AED 1,247,663), which is of a seasonal nature.

**22. 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 May 2017.