**NATIONAL CEMENT COMPANY**
**(PUBLIC SHAREHOLDING CO.)**
**DUBAI**

Interim condensed financial information

Period ended September 30, 2014

**National Cement Company (Public Shareholding Co.), Dubai**

**Interim condensed financial information for the period ended September 30, 2014**

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**Contents**

هاتف : ٩٧١ ٤ ٢٢٢ ٢٨٦٩+
فاكس : ٩٧١ ٤ ٢٢٧ ٠١٥١+

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**Review report to the shareholders of National Cement Company (Public Shareholding Co.), Dubai**

We have reviewed the accompanying interim condensed statement of financial position of National Cement Company (Public Shareholding Co.) ("the Company") as of September 30, 2014, and the related interim condensed statements of comprehensive income for the nine months period then ended, the interim condensed statement of changes in equity and the interim condensed cash flows for the nine months period then ended ("the interim condensed financial information"). Management is responsible for the preparation and presentation of this interim condensed financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed 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, no matter has come to our attention that causes us to believe that the accompanying interim condensed financial information as of September 30, 2014 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

**BDO CHARTERED ACCOUNTANTS & ADVISORS**
Dubai
Yunus Yusuf Saifee
Reg. No. 418

November 10, 2014

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of financial position at September 30, 2014

| | Note | Unaudited September 30 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|---|
| **Non current assets** | | | |
| Property, plant and equipment | 4 | 190,109 | 200,878 |
| Investment property | 5 | 2,924 | 2,924 |
| Investment in marketable securities | 6 | 1,614,933 | 1,354,174 |
| Investment in an associate | 7 | 60,445 | 60,445 |
| Long term receivable from associate | 8 | 316,000 | 343,000 |
| Total non current assets | | 2,184,411 | 1,961,421 |
| **Current assets** | | | |
| Investment in marketable securities | 6 | 998 | 1,219 |
| Loan receivable from associate | 8 | 49,500 | 45,000 |
| Inventories | 9 | 62,249 | 56,019 |
| Trade and other receivables | 10 | 130,973 | 131,082 |
| Due from related parties | 11 | 35,884 | 71,405 |
| Bank balances and cash | 12 | 87,084 | 37,923 |
| Total current assets | | 366,688 | 342,648 |
| **Current liabilities** | | | |
| Due to related parties | 11 | 2,784 | 2,138 |
| Bank loan | 13 | 49,500 | 45,000 |
| Trade and other payables | 14 | 49,367 | 53,676 |
| Total current liabilities | | 101,651 | 100,814 |
| Net current assets | | 265,037 | 241,834 |
| **Non current liabilities** | | | |
| Provision for employees' end of service gratuities | | 25,298 | 24,794 |
| Bank loan | 13 | 316,000 | 343,000 |
| **Net assets** | | 2,108,150 | 1,835,461 |
| **Equity** | | | |
| Share capital | 16 | 358,800 | 358,800 |
| Share application money payable | | 26 | 26 |
| Fair value reserve | 17 | 978,610 | 693,711 |
| General reserve | 18 | 316,517 | 316,517 |
| Statutory reserve | 19 | 179,402 | 179,402 |
| Foreign exchange reserve | 7 | (38,154) | (38,154) |
| Special reserve | 20 | 15,900 | - |
| Retained earnings | | 297,049 | 325,159 |
| **Total equity** | | 2,108,150 | 1,835,461 |

These interim condensed financial information were approved and authorised for issue by the Board of Director on November 10, 2014 and were signed on their behalf by:

Director

Director

The notes on pages 6 to 24 form part of these interim condensed financial information

National Cement Company (Public Shareholding Co.), Dubai

Interim condensed statement of comprehensive income for the period ended September 30, 2014

| | Note | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|---|
| **Revenue** | | 52,089 | 54,257 | 161,871 | 173,933 |
| Cost of sales | 22 | (51,286) | (44,697) | (146,352) | (153,571) |
| **Gross profit** | | 803 | 9,560 | 15,519 | 20,362 |
| Other income | 23 | 3,127 | 3,019 | 10,354 | 10,048 |
| | | 3,930 | 12,579 | 25,873 | 30,410 |
| Administration, selling and general expenses | 24 | (6,251) | (6,107) | (18,939) | (21,505) |
| Finance cost | 25 | (1) | (57) | (5) | (73) |
| **Profit/(loss) before financial income and expense** | | **(2,322)** | **6,415** | **6,929** | **8,832** |
| Financial income, net | 26 | 12,742 | 5,185 | 70,561 | 67,115 |
| **Net profit for the period** | | **10,420** | **11,600** | **77,490** | **75,947** |
| Net movement in fair value of available for sale investments | | 101,498 | 345,857 | 294,223 | 263,899 |
| Share of other comprehensive income of assoicate | | - | (22,339) | - | (22,339) |
| **Total comprehensive income for the period** | | **111,918** | **335,118** | **371,713** | **317,507** |
| Basic and diluted earnings per share (AED) | 27 | 0.03 | 0.03 | 0.22 | 0.21 |

The notes on pages 6 to 24 form part of these interim condensed financial information

Interim condensed statement of changes in equity for the period ended September 30, 2014

| | Share capital AED'000 | Share application money payable AED'000 | Fair value reserve AED'000 | General reserve AED'000 | Statutory reserve AED'000 | Foreign exchange translation reserve AED'000 | Special reserve AED'000 | Retained earnings AED'000 | Total equity AED'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance as at January 1, 2013** | **358,800** | **26** | **426,614** | **316,517** | **179,402** | **(17,949)** | **-** | **297,441** | **1,560,851** |
| Transfer on derecognition of investments to statement of comprehensive income | - | - | (7,781) | - | - | - | - | - | (7,781) |
| Total comprehensive income for the period | - | - | 263,899 | - | - | (22,339) | - | 75,947 | 317,507 |
| Dividend paid during the period | - | - | - | - | - | - | - | (71,760) | (71,760) |
| Directors' fee | - | - | - | - | - | - | - | (250) | (250) |
| **Balance as at September 30, 2013 (Unaudited)** | **358,800** | **26** | **682,732** | **316,517** | **179,402** | **(40,288)** | **-** | **301,378** | **1,798,567** |
| **Balance as at January 1, 2014** | **358,800** | **26** | **693,711** | **316,517** | **179,402** | **(38,154)** | **-** | **325,159** | **1,835,461** |
| Transfer on derecognition of investments to statement of comprehensive income | - | - | (9,324) | - | - | - | - | - | (9,324) |
| Total comprehensive income for the period | - | - | 294,223 | - | - | - | - | 77,490 | 371,713 |
| Dividend paid during the period | - | - | - | - | - | - | - | (89,700) | (89,700) |
| Transfer to special reserve (Note 20) | - | - | - | - | - | - | 15,900 | (15,900) | - |
| **Balance as at September 30, 2014 (Unaudited)** | **358,800** | **26** | **978,610** | **316,517** | **179,402** | **(38,154)** | **15,900** | **297,049** | **2,108,150** |

The notes on pages 6 to 24 form part of these interim condensed financial information

Interim condensed statement of cash flow for the period ended September 30, 2014

| | Note | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the period | | 77,490 | 75,947 |
| Adjustments for: | | | |
| Depreciation | 4 | 13,497 | 12,042 |
| Gain on disposal or property, plant and equipment | 4 | (43) | (26) |
| Provision for employees' end of service gratuities | | 994 | 2,792 |
| Financial income (net) | 26 | (70,561) | (67,115) |
| Operating profit before working capital changes | | 21,377 | 23,640 |
| (Increase)/decrease in inventories | 9 | (6,230) | 27,708 |
| Decrease in trade and other receivables | 10 | 109 | 8,427 |
| Decrease/(increase) in due from related parties | 11 | 35,521 | (46,884) |
| (Decrease)/increase in trade and other payables | 14 | (4,309) | 6,540 |
| Increase in due to related parties | 11 | 646 | 11,119 |
| Payment of end of service benefits | | (490) | (1,277) |
| *Net cash generated from operating activities* | | 46,624 | 29,273 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 4 | (2,728) | (7,515) |
| Investment in marketable securities | 6 | (169,836) | (257,823) |
| Proceeds from disposal of property, plant and equipment | | 43 | 26 |
| Proceeds from disposal of investment in marketable securities | | 197,481 | 240,459 |
| Dividend income | 26 | 42,176 | 43,492 |
| Interest income | 26 | 25,101 | 29,279 |
| *Net cash from investing activities* | | 92,237 | 47,918 |
| **Cash flows from financing activities** | | | |
| Dividend paid during the period | 21 | (89,700) | (71,760) |
| Directors' fee | | - | (250) |
| *Net cash used in financing activities* | | (89,700) | (72,010) |
| **Net increase in cash and cash equivalents** | | 49,161 | 5,181 |
| **Cash and cash equivalents at beginning of the period** | | 37,923 | 30,304 |
| **Cash and cash equivalents at end of the period** | 15 | 87,084 | 35,485 |

## 1. Status and activities

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), is registered in accordance with the decree issued by His Highness Ruler of Dubai on April 10, 1968 establishing a cement company in the Emirate of Dubai and in accordance with the provisions of the UAE Federal Law No. 8 of 1984 (as amended). The registered address of the Company is P.O. Box 4041, Dubai, United Arab Emirates.

The principal activity of the Company is to manufacture and sell cement and cement related products. The Company also invests in investment securities and derivative products. The Company is listed on the Dubai Financial Market since 2005.

The interim condensed financial information for the nine months period ended September 30, 2014 were authorized for issue by the Board of Directors on November 10, 2014.

These interim condensed financial information are presented in thousands of UAE Dirhams (AED'000) unless otherwise stated.

## 2. Basis of preparation

These interim condensed financial information have been prepared in accordance with International Financial Reporting Standards (IFRS) for interim condensed financial information (International Accounting Standard 34 Interim Financial Reporting). These interim condensed financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

## 3. Significant accounting policies

The accounting policies applied in the preparation of these interim condensed financial information are consistent with those applied in the annual financial statements of the Company for the year ended December 31, 2013.

These interim condensed financial information are presented in United Arab Emirates Dirhams ("AED"), rounded to the nearest thousand and are prepared under the historical cost convention except for financial instruments classified under available for sale and are in accordance with International Financial Reporting Standards.

## 4. Property, plant and equipment

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Opening net book value (as previously reported) | 200,878 | 206,516 |
| Add: Additions during the period / year | 2,728 | 10,676 |
| Less: Depreciation charge during the period / year | (13,497) | (16,314) |
| | 190,109 | 200,878 |

## 5. Investment property

Investment property represent land and villas constructed on that land held for earning rentals and capital appreciation and are stated at cost less accumulated depreciation and accumulated impairment losses at the date of statement of financial position.

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Cost | 19,499 | 19,499 |
| Accumulated Depreciation | (16,575) | (16,575) |
| | 2,924 | 2,924 |
| **Generating rentals** | | |
| Carrying value | 2,924 | 2,924 |
| Rental income | 2,580 | 4,082 |
| Direct operating expenses | 315 | 414 |

During the period there is no significant change in fair market value of investment property, including land, on comparing the same with annual financial statements of the Company for the year ended December 31, 2013.

At September 30, 2014, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal (2013: none).

## 6. Investment in marketable securities

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Opening balance | **1,355,393** | 1,061,545 |
| Additions | **169,836** | 351,377 |
| Disposals/redeemed | **(194,197)** | (324,626) |
| Reclassification adjustments on disposal of investments | **(9,324)** | (7,363) |
| Fair value changes | **294,223** | 274,460 |
| | **1,615,931** | 1,355,393 |
| Less: non-current portion | **(1,614,933)** | (1,354,174) |
| | **998** | 1,219 |

Non-current investments represents available for sale investments in securities (quoted debt and equity instruments) which are intended to be held for more than one year from the date of statement of financial position. The Company's current investments comprise investments in quoted marketable equity securities which are held as available for sale investments.

Break-up of investment in marketable securities at fair value is stated below:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Equity instruments | **1,177,226** | 894,511 |
| Other instruments | **438,705** | 460,882 |
| | **1,615,931** | 1,355,393 |

During the period, the Company has recognised a fair value gain of AED 294.22 million (September 30, 2013: fair value gain of AED 263.9 million), recognised to other comprehensive income reclassified from equity to statement of comprehensive income, for investments not yet derecognized.

At September 30, 2014, investments include AED 44.47 million (December 31, 2013: AED 53.10 million) which are stated at cost. In the opinion of the management, the fair value of these investments is not materially different from their carrying amounts.

## 6. Investment in marketable securities *(Continued)*

At September 30, 2014, investments in marketable securities amounting to AED 406.77 million (December 31, 2013: AED 364.33 million) are held in the personal name of one of the Company's Director for the beneficial interest of the Company.

Investments amounting to AED 676 million (December 31, 2013: AED 649 million) are pledged with the bank against the loan of AED 365.5 million (December 31, 2013: AED 388 million).

Investment in marketable securities is mainly denominated in US Dollar (USD), United Arab Emirates Dirham (AED) and Saudi Arabia Riyal (SAR).

Sensitivity analysis on market risk arising as a result of changes in the market price of investments and foreign currency risk arising as a result of fluctuation in the foreign exchange rates is explained in Note 29 to the financial instruments.

Break-up of investment in marketable securities at cost is stated below:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Equity instruments | 187,225 | 187,225 |
| Other instruments | 473,692 | 498,053 |
| | 660,917 | 685,278 |

Movements at cost in available for sale investments are as follows:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Opening balance | 685,278 | 658,528 |
| Additions | 169,836 | 351,377 |
| Disposals | (194,197) | (324,627) |
| | 660,917 | 685,278 |

## 6. Investment in marketable securities *(Continued)*

Break up of profit/(loss) on disposal of available for sale investment is as follows:

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| Realised (loss)/gain on disposal attributable to difference between selling price and carrying amount of investments | (1,500) | (7,022) | 3,285 | 2,125 |
| Reclassification adjustments on disposal of investments | (3,192) | 2,038 | (9,324) | (7,781) |
| | (4,692) | (4,984) | (6,039) | (5,656) |

The geographical distribution of available for sale investments is as follows:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| United Arab Emirates | 1,159,582 | 944,020 |
| Saudi Arabia | 303,403 | 261,208 |
| Other countries | 152,946 | 150,165 |
| | 1,615,931 | 1,355,393 |

## 7. Investment in an associate

| Name of the associate | Place of incorporation | Ownership Interest % | Principal activity |
|---|---|---|---|
| Berber Cement Company Limited | Republic of Sudan | 22.74 | Manufacture and sell cement |

The Company's share in net assets of the associate has been accounted as per equity method as at December 31, 2013 based on the financial statements of the associate as at December 31, 2013.

The foreign exchange reserve has been created due to translation of financial statements from Sudanese Pound into AED where Sudanese Pound is the functional currency.

During the period there is no addition or disposal in investment. The Company accounts net assets of associate on equity method on an annual basis.

## 8. Loan receivable from associate

This amount represents loan given to associate and is recoverable in thirteen installments over a period of six years beginning October 2013. The interest rate on this loan is charged on the same terms as the long term loan from the bank which is 6 months EIBOR +3.45%. Refer note 13 for the bank liability against this loan.

The installments receivable after twelve months from the date of interim condensed statement of financial position has been classified under non-current assets.

## 9. Inventories

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Raw materials | **19,131** | 22,882 |
| Work in progress | **21,563** | 11,408 |
| Finished goods | **3,061** | 4,383 |
| Consumable and spare parts | **25,616** | 24,468 |
| Provision for obsolence | **(7,122)** | (7,122) |
| | **62,249** | 56,019 |

## 10. Trade and other receivables

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Trade receivables | **51,493** | 56,019 |
| Allowance for doubtful debts | **(6,000)** | (6,000) |
| | **45,493** | 50,019 |
| Advances and other receivables | **10,421** | 6,789 |
| Advance towards investment | **73,868** | 73,868 |
| Prepayments and other receivables | **1,191** | 406 |
| | **130,973** | 131,082 |

## 11. Related party disclosures

Related parties include the shareholders, key management personnel, associates any businesses which are controlled directly or indirectly by the Company or over which they exercise significant management influence. The balances due to/from such parties, which have been disclosed separately in the interim condensed financial information are unsecured and repayable on demand.

## 11. Related party disclosures *(Continued)*

The significant related party transactions during the period are as follows:

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| **With associate:** | | | | |
| - Interest income | - | - | 11,181 | - |
| - Loan repaid | - | - | 22,500 | - |
| **With other related parties:** | | | | |
| - Sale of cement | 21,272 | 6,278 | 64,879 | 40,985 |
| - Purchase of materials and services | 12,363 | 11,818 | 58,661 | 34,998 |
| **With Key Management Personnel:** | | | | |
| - Salaries & other short term benefits | 792 | 739 | 2,369 | 2,301 |
| - E.O.S benefits charged | 43 | 43 | 128 | 121 |
| - E.O.S benefits at period end | 5,171 | 5,008 | 5,171 | 5,008 |
| - Directors' fee | - | - | - | 250 |

Related party balances are as under:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| **Payables:** | | |
| - To other related parties | 2,784 | 2,138 |
| **Receivables:** | | |
| - From Associate - others | 4,825 | 39,715 |
| - From Associate - short term loan | 49,500 | 45,000 |
| - From Associate - long term loan | 316,000 | 343,000 |
| - From other related parties | 25,072 | 25,685 |
| - From Director | 5,987 | 6,005 |

## 12. Bank balances and cash

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Cash at hand | 629 | 550 |
| Current accounts with banks | 86,455 | 37,373 |
| | 87,084 | 37,923 |

## 13. Bank loans

This represents loan from the bank with interest rate of 6 months EIBOR +3.45% and total facility of AED 440 million out of which AED 413 million is withdrawn. This loan is obtained by the Company to finance its associate. The loan is repayable in thirteen equal installments over a period of six years. Please refer note 6 for details of investments pledged against this loan and note 8 for loan receivable from associate against this loan.

The installments payable after twelve months from the date of interim condensed statement of financial position has been classified under non-current liabilities.

## 14. Trade and other payables

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Trade payables | 4,649 | 9,338 |
| Other accruals and payables | 18,217 | 19,772 |
| Advances | 505 | 481 |
| Directors' fees | 250 | 2,000 |
| Dividend payable | 25,746 | 22,085 |
| | 49,367 | 53,676 |

## 15. Cash and cash equivalents

| | Unaudited September 30, 2014 AED'000 | Unaudited September 30, 2013 AED'000 |
|---|---|---|
| Bank balances and cash | 87,084 | 39,586 |
| Bank overdraft | - | (4,101) |
| | 87,084 | 35,485 |

## 16. Share capital

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| **Issued and fully paid up:** | | |
| 358,800,000 shares of AED 1 each | 358,800 | 358,800 |

## 17. Fair value reserve

This reserve represents the cumulative changes in fair value of investments in marketable securities. Movement in fair value reserve is as follows:

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Opening balance | 693,711 | 426,614 |
| Net movement in changes in fair value | 294,223 | 274,460 |
| Reclassification adjustments on disposal of investments | (9,324) | (7,363) |
| | 978,610 | 693,711 |

## 18. General reserve

As required by Article 57.2 of the Article of Association of the Company, 10% of the net profit has to be transferred to general reserve. It can be discontinued by the resolution of the ordinary general meeting on the proposal of Board of Directors or if it reaches 10% of the paid up capital of the Company. Such reserve shall be used for the purpose designated by the ordinary general meeting on the proposal of the Board of Directors. No such transfer has been made during the period under review.

## 19. Statutory reserve

In accordance with Article 57.1 of the Memorandum of Association of the Company and the UAE Federal Law No.8 of 1984 (as amended), a minimum of 10% of the net profit of the Company is to be allocated every year to a non-distributable reserve. Such allocation may be ceased when the statutory reserve equals 50% of the paid up share capital.

No further allocation has been made to the statutory reserve as the reserve equaled 50% of the paid share capital as at December 31, 2013.

## 20. Special reserve

Special reserve has been created on the recommendation of the board and on approval by the shareholders in the annual general meeting, to take care of any contingencies. Any movement towards transfer, utilization and discontinuation will be subject to approval of the shareholders in the annual general meeting. Accordingly, AED 15.9 million was transferred to this reserve during the period representing the accumulated profit from the associate accounted till December 31, 2013.

## 21. Dividend

On April 1, 2014 shareholders of the Company approved dividend of AED 89.7 million (AED 0.25 fils per share) (2013: AED 71.76 million that is AED 0.20 fils per share) for the financial year ended on December 31, 2013.

## 22. Cost of sales

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| Material expenses | **30,759** | 24,092 | **74,287** | 89,600 |
| Factory utilities | **10,866** | 12,038 | **43,741** | 35,801 |
| Staff costs | **5,701** | 4,853 | **16,471** | 17,086 |
| Depreciation | **3,960** | 3,714 | **11,853** | 11,084 |
| | **51,286** | 44,697 | **146,352** | 153,571 |

## 23. Other income

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| Rental income from investment property | **823** | 697 | **2,580** | 2,444 |
| Other rental income | **1,679** | 1,619 | **5,118** | 5,097 |
| Income from scrap sales | **399** | 616 | **2,135** | 2,297 |
| Gain on disposal of P.P.E. | **-** | 26 | **43** | 26 |
| Other income | **226** | 61 | **478** | 184 |
| | **3,127** | 3,019 | **10,354** | 10,048 |

## 24. Administration, selling and general expenses

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| Staff salaries and benefits | 4,192 | 3,990 | 11,859 | 14,295 |
| License fees | - | - | 193 | 214 |
| Insurance | 13 | 62 | 277 | 528 |
| Communication | 37 | 21 | 128 | 91 |
| Repair and maintenance | 849 | 838 | 2,634 | 3,128 |
| Travelling and conveyance expenses | 26 | 36 | 142 | 159 |
| Legal and professional | 50 | 81 | 223 | 249 |
| Electricity and water | 86 | 68 | 247 | 244 |
| Depreciation | 434 | 329 | 1,643 | 959 |
| Other | 452 | 274 | 984 | 761 |
| Finance Charges | 112 | 408 | 609 | 877 |
| | 6,251 | 6,107 | 18,939 | 21,505 |

## 25. Finance costs

Finance costs represent interest paid on overdrafts and bank loans. The Company has paid interest on bank loan obtained to finance its associate and such interest has been recovered in full from associate.

## 26. Financial income

| | Unaudited Three months period ended September 30, 2014 AED'000 | Unaudited Three months period ended September 30, 2013 AED'000 | Unaudited Nine months period ended September 30, 2014 AED'000 | Unaudited Nine months period ended September 30, 2013 AED'000 |
|---|---|---|---|---|
| Interest income: | | | | |
| - bank deposits | - | - | - | - |
| - investments | 8,977 | 5,265 | 25,101 | 29,278 |
| Gain on disposal of available for sale financial assets | - | 4,819 | 6,168 | 4,819 |
| Dividend income on available for sale of financial assets | 5,302 | 4,905 | 42,176 | 43,491 |
| **Financial income** | 14,279 | 14,989 | 73,445 | 77,588 |
| Loss on disposal of available for sale investments | 1,537 | 9,804 | 2,884 | 10,473 |
| **Financial expense** | 1,537 | 9,804 | 2,884 | 10,473 |
| **Financial income net** | 12,742 | 5,185 | 70,561 | 67,115 |

## 27. Earnings per share

| | Unaudited Three months period ended September 30, 2014 | Unaudited Three months period ended September 30, 2013 | Unaudited Nine months period ended September 30, 2014 | Unaudited Nine months period ended September 30, 2013 |
|---|---|---|---|---|
| Net profit attributable to shareholders | 10,420 | 11,600 | 77,490 | 75,947 |
| Weighted average number of shares | 358,800 | 358,800 | 358,800 | 358,800 |
| Earnings per share | 0.03 | 0.03 | 0.22 | 0.21 |

## 28. Segment reporting

The Company's activities comprise two main business segments, manufacturing and selling cement and cement related products and investment in marketable securities and derivative products. The details of segment revenue, segment result, segment assets and segment liabilities have been provided on page 24.

## 29. Financial instruments

### Capital risk management

The capital is managed by the Company in a way that it is able to continue as a going concern while maximizing return to stakeholders.

The capital structure of the Company consists of borrowings, cash and cash equivalents and equity attributable to equity holders comprising of issued capital, reserves and retained earnings.

As a risk management policy, the Company reviews its cost of capital and risks associated with capital. The Company balances its capital structure based on the above review.

### Market risk management

The Company is primarily exposed to the financial risks of changes in foreign currency exchange rates (currency risk), interest rates (interest rate risk) and market prices (other price risk).

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument of the Company, or factors affecting all similar financial instruments traded in the market.

*Foreign currency risk management*

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuation arise. The Company is mainly exposed to US Dollars. The US Dollar has been pegged against the United Arab Emirates Dirham ("AED"), hence no exchange risk is considered to exist.

*Interest rate risk management*

The Company is exposed to interest rate risk on cash at bank, available for sale investments and interest rate swap contracts.

If the interest rates on available for sale investments have had been 50 base points higher or lower and all other variables were held constant, the Company's profits would have increased or decreased by AED 44,890 (September 30, 2013: AED 146,395).

## 29. Financial instruments *(Continued)*

*Other price risk management*

The Company is exposed to other price risks in market on its equity investments. Investments in equity instruments are generally held for long term and are not traded actively.

If equity prices in market had been 10% higher/lower:

- Available for sale investment valuation reserve would increase/decrease by AED 117.72 million (December 31, 2013: AED 89.43 million).
- The profit would be unaffected as equity investments are classified as available for sale.

**Credit risk management**

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company is exposed to credit risk from its financial assets which comprise principally of fixed deposits, bank balances, trade and other receivables, due from related parties and investments. The credit risk on trade receivables is subjected to credit evaluations and an allowance may be made for estimated irrecoverable amounts. The Company is not exposed to any significant concentration of credit risk because its exposure is spread over financial institutions.

**Liquidity risk management**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company has built appropriate liquidity risk management framework for the management of its short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cashflows.

## 29. Financial instruments *(Continued)*

### Financial instruments by category

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| **Financial assets** | | |
| Available for sale investments | **1,615,931** | 1,355,393 |
| Loans and receivables: | | |
| - Trade and other receivables | **129,782** | 130,676 |
| - Due from related parties | **35,884** | 71,405 |
| - Loan to associate | **365,500** | 388,000 |
| Cash and bank balances | **87,084** | 37,923 |
| **Financial liabilities** | | |
| Other financial liabilities | | |
| - Trade and other payables | **49,367** | 53,676 |
| - Due to related parties | **2,784** | 2,138 |
| - Bank loans | **365,500** | 388,000 |

## 30. Contingent liabilities

| | Unaudited September 30, 2014 AED'000 | Audited December 31, 2013 AED'000 |
|---|---|---|
| Letters of guarantee | **3,109** | 3,109 |
| Letters of credit | **477** | 3,493 |

## 31. Operating leases

### Leases as lessee

The Company has leased plots of land under operating leases on which residential flats for staff accommodation are located. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

### Leases as lessor

The Company had leased residential villas on operating leases to earn rental income. These leases typically run for a period of one year, with an option to renew the lease after that date. The lease rentals are usually renewed to reflect market rentals.

## 32. Comparative figures

Comparative figures which were not material have been regrouped or reclassified wherever necessary to make them comparable to those of the current period.

Segment report as on September 30, 2014

| | Nine months period ended September 30, 2014 (Unaudited) | | | Nine months period ended September 30, 2013 (Unaudited) | | |
|---|---|---|---|---|---|---|
| | Cement | Investment in marketable securities | Total | Cement | Investment in marketable securities | Total |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| **Segment revenue** | 161,871 | 70,561 | 232,432 | 173,933 | 67,115 | 241,048 |
| **Segment result** | 15,519 | 70,561 | 86,080 | 20,362 | 67,115 | 87,477 |
| Other income | - | - | 10,354 | - | - | 10,048 |
| Unallocated expenses | - | - | (18,944) | - | - | (21,578) |
| **Net profit for the year** | - | - | 77,490 | - | - | 75,947 |
| Capital expenditure | 2,728 | - | 2,728 | 7,515 | 257,823 | 265,338 |
| Depreciation | 13,497 | - | 13,497 | 12,042 | - | 12,042 |

| | As at September 30, 2014 (Unaudited) | | | As at December 31, 2013 (Audited) | | |
|---|---|---|---|---|---|---|
| | Cement | Investment in marketable securities | Total | Cement | Investment in marketable securities | Total |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| **Segment assets** | 506,299 | 1,615,931 | 2,122,230 | 497,307 | 1,355,393 | 1,852,700 |
| Investment in equity accounted investee | - | - | 60,445 | - | - | 60,445 |
| Other assets | - | | 368,424 | - | - | 390,924 |
| **Total assets** | 506,299 | 1,615,931 | 2,551,099 | 497,307 | 1,355,393 | 2,304,069 |
| Segment liabilities | 77,449 | - | 77,449 | 80,608 | - | 80,608 |
| Other liabilities | - | - | 365,500 | | - | 388,000 |
| **Total liabilities** | 77,449 | - | 442,949 | 80,608 | - | 468,608 |