National Cement Company
(Public Shareholding Co)

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2018

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working world

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.)

Introduction

We have reviewed the accompanying interim condensed financial statements of National Cement Company (Public Shareholding Co.) (the "Company") as at 30 September 2018, which comprise the interim statement of financial position as at 30 September 2018, and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and the interim statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with IAS 34 *International Accounting Standard* (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it 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.

Basis for Qualified Conclusion

(i) We were not provided with a detailed assessment from management with regards to the classification of investments in debt instruments with a fair value of AED 322 million as at 30 September 2018, which have been classified at fair value through other comprehensive income upon application of IFRS 9. As stated in Note 8 to the interim condensed financial statements, management is in the process of performing such assessment, which was incomplete as of the date of our report. Accordingly, we are unable to determine whether any adjustments to the classification of these investments were necessary in the interim statement of financial position as at 30 September 2018 and whether any adjustments were necessary to the classification of the related negative net change in fair value of AED 23.5 million recorded during the nine-month period ended 30 September 2018 under other comprehensive income.

(ii) Investments at fair value through other comprehensive income include an equity instrument with a carrying amount of AED 73.9 million, which is carried at cost as at 30 September 2018. As stated in Note 8 to the interim condensed financial statements, management is in the process of determining the fair value of this investment. Accordingly, we are unable to determine whether any adjustment to the value of this investment was necessary as of 30 September 2018 and 31 December 2017.

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Basis for Qualified Conclusion (continued)

(iii) We were not provided with a detailed impairment assessment of the loan and balance due from the Company's associate amounting to AED 316 million and AED 92 million, respectively, as at 30 September 2018. As stated in Note 10 to the interim condensed financial statements, management is in the process of performing such an assessment. Consequently, we are unable to determine whether any adjustments to these balances were necessary as of 30 September 2018 and 31 December 2017.

(iv) Movements in the investment in the Company's associate in Sudan during the current and prior periods, which were recorded in applying the equity method, were based on the associate's financial statements prepared in accordance with the associate's accounting policies under IFRS. The Company has not taken into account the necessary adjustments to give effect to uniform accounting policies while applying the equity method in its financial statements, as required by IAS 28. In addition, management has not accounted for the adjustments necessary for hyperinflationary economy, as required by IAS 29, prior to applying equity accounting. As stated in Note 9 to the interim condensed financial statements, management is in the process of preparing the financial statements of its associate in accordance with the above-mentioned accounting standards, which was incomplete as at the date of our report. Consequently, we are unable to determine whether any adjustments to the investment balance were necessary as at 30 September 2018 and 31 December 2017 carried at AED 98.8 million and AED 256.8 million, respectively, as well as whether any adjustments to the movement in the investment during the current and prior periods were necessary.

Management has committed to complete the assessments mentioned in points (i) to (iv) above before the issuance of the Company's annual financial statements as at and for the year ending 31 December 2018, whereby all necessary adjustments resulting from such assessments will be reflected in the 2018 annual financial statements. As of the date of our review report, we were unable to assess the effects, if any, on these interim condensed financial statements that would be resulting upon completion of such assessments. Accordingly, we have modified our review report.

Qualified Conclusion

Except for the adjustments to the interim condensed financial statements that we might have become aware of had it not been for the situations described in the *Basis of Qualified Conclusion* section of our report, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Other Matters

We draw attention to the fact that the financial statements of the Company as at and for the year ended 31 December 2017 were audited by another auditor who issued an unmodified audit report on those statements on 21 March 2018.

We also draw attention that the interim condensed financial statements of the Company as at and for the nine-month period ended 30 September 2017 were reviewed by another auditor who issued an unmodified review conclusion on those financial statements on 8 November 2017.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

14 November 2018

Dubai, United Arab Emirates

INTERIM INCOME STATEMENT
For the period ended 30 September 2018 (Unaudited)

	Notes	*Nine-month ended*		*Three-month ended*	
		30 September 2018 AED '000	*30 September 2017 AED '000*	***30 September 2018 AED '000***	*30 September 2017 AED '000*
Revenue		**165,241**	153,551	**58,563**	50,362
Cost of sales		**(157,120)**	(147,209)	**(56,492)**	(52,216)
GROSS PROFIT		**8,121**	6,342	**2,071**	(1,854)
Other income	4	**15,090**	15,721	**4,841**	5,185
Administration, selling and distribution expenses		**(29,713)**	(18,764)	**(6,819)**	(6,130)
Finance costs		**(16,171)**	(12,267)	**(6,431)**	(4,129)
Finance income	5	**30,128**	22,500	**8,986**	3,386
Income from investments	6	**37,041**	33,705	**6,971**	5,371
PROFIT FOR THE PERIOD	3	**44,496**	47,237	**9,619**	1,829
Earnings per share in AED	16	**0.12**	0.13	**0.03**	0.01

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2018 (Unaudited)

	Nine-month ended		*Three-month ended*	
	30 September 2018 AED '000	*30 September 2017 AED '000*	***30 September 2018 AED '000***	*30 September 2017 AED '000*
Profit for the period	**44,496**	47,237	**9,619**	1,829
Other comprehensive income/(loss)				
Items not to be reclassified to profit or loss in subsequent periods:				
Net change in fair value on financial assets at FVTOCI	**17,769**	-	**(48,287)**	-
Exchange differences on translation of foreign operations	**(158,024)**	-	**-**	-
	(140,255)	-	**(48,287)**	-
Items that are or may be reclassified to profit or loss:				
Net change in fair value of financial assets at FVTOCI	**(23,452)**	-	**(12,049)**	-
Net change in fair value on financial assets carried at FVTOCI reclassified to profit or loss	**1,668**	-	**901**	-
Net change in fair value of available-for-sale investments reclassified to profit or loss	**-**	(1,387)	**-**	(1,166)
Net change in fair value of available-for-sale investments	**-**	68,092	**-**	33,017
	(21,784)	66,705	**(11,148)**	31,851
Other comprehensive (loss)/income for the period	**(162,039)**	66,705	**(59,435)**	31,851
Total comprehensive (loss)/income for the period	**(117,543)**	113,942	**(49,816)**	33,680

The attached notes 1 to 21 form part of these interim condensed financial statements.

National Cement Company (Public Shareholding Co.)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2018

	Notes	30 September 2018 AED '000 (Unaudited)	31 December 2017 AED '000 (Audited) Restated
ASSETS			
Non current assets			
Property, plant and equipment	7	223,227	224,486
Investment properties		2,924	2,924
Available-for-sale financial assets	8	-	1,148,227
Financial assets at FVTOCI	8	1,100,856	-
Investment in an associate	9	98,766	256,790
Loan receivable from an associate	10	260,898	260,898
		1,686,671	1,893,325
Current assets			
Financial assets at fair value through profit or loss	8	12,233	-
Available-for-sale financial assets	8	-	86,972
Financial assets at FVTOCI	8	72,770	-
Loan receivable from an associate	10	55,102	55,102
Inventories		62,746	59,696
Trade and other receivables	11	100,235	87,997
Due from related parties	12	114,124	97,940
Bank balances and cash	13	20,435	18,895
		437,645	406,602
TOTAL ASSETS		2,124,316	2,299,927
EQUITY AND LIABILITIES			
Equity			
Share capital		358,800	358,800
Share application money		26	26
Fair value reserve		551,505	550,573
General reserve		316,517	316,517
Statutory reserve		179,402	179,402
Foreign exchange reserve		146,114	304,138
Retained earnings		114,838	129,109
Total equity		1,667,202	1,838,565
Non-current liabilities			
Employees' end of service benefits		21,350	23,418
Interest-bearing loans and borrowings	14	85,720	261,497
		107,070	284,915
Current liabilities			
Trade and other payables		39,501	40,404
Interest-bearing loans and borrowings	14	288,603	105,806
Due to related parties	12	21,940	30,237
		350,044	176,447
Total liabilities		457,114	461,362
TOTAL EQUITY AND LIABILITIES		2,124,316	2,299,927

These interim condensed financial statements were authorised for issue by the Board of Directors and signed by:

Director

Director

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended 30 September 2018 (Unaudited)

	Share capital AED'000	*Share application money 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 1 January 2018 (audited)	358,800	26	550,573	316,517	179,402	304,138	-	129,109	1,838,565
Adjustment on initial application of IFRS 9	-	-	4,947	-	-	-	-	(4,947)	-
Profit for the period	-	-	-	-	-	-	-	44,496	44,496
Other comprehensive loss for the period	-	-	(4,015)	-	-	(158,024)	-	-	(162,039)
Total comprehensive income for the period	-	-	(4,015)	-	-	(158,024)	-	44,496	(117,543)
Dividends (Note 15)	-	-	-	-	-	-	-	(53,820)	(53,820)
Balance as at 30 September 2018 (unaudited)	**358,800**	**26**	**551,505**	**316,517**	**179,402**	**146,114**	-	**114,838**	**1,667,202**
Balance as at 1 January 2017 (audited)	358,800	26	504,299	316,517	179,402	(56,927)	38,129	307,470	1,647,716
Profit for the period	-	-	-	-	-	-	-	47,237	47,237
Other comprehensive loss for the period	-	-	66,705	-	-	-	-	-	66,705
Total comprehensive income for the period	-	-	66,705	-	-	-	-	47,237	113,942
Dividends (Note 15)	-	-	-	-	-	-	-	(89,700)	(89,700)
Balance as at 30 September 2017 (Unaudited)	358,800	26	571,004	316,517	179,402	(56,927)	38,129	265,007	1,671,958

The attached notes 1 to 21 form part of these interim condensed financial statements.

INTERIM STATEMENT OF CASH FLOWS
For the nine-month period ended 30 September 2018 (Unaudited)

	Notes	*Nine months ended* *30 September 2018 AED '000*	*30 September 2017 AED '000*
OPERATING ACTIVITIES			
Profit for the period		**44,496**	47,237
Adjustments for:			
Depreciation on property, plant and equipment	3	**11,204**	11,286
Gain on disposal of property, plant and equipment	7	**(30)**	(113)
Gain on change in fair value of financial assets at fair value through profit and loss	8	**(1,847)**	-
Loss on disposal of financial assets at fair value through other comprehensive income	6	**1,668**	2,243
Allowance for doubtful debts		**9,000**	-
Provision for employees' end of services benefits		**974**	2,221
Dividend income	6	**(36,862)**	(35,948)
Finance income		**(30,128)**	(22,500)
Finance expenses		**16,171**	12,267
		14,646	16,693
Working capital changes:			
Inventories		**(3,050)**	(10,892)
Trade and other receivables		**(21,238)**	33,457
Due from related parties		**(2,217)**	6,187
Trade and other payables		**(4,114)**	1,507
Due to related parties		**2,949**	(1,098)
Cash (used in)/from operating activities		**(13,024)**	45,854
Employees' end of service benefits paid		**(3,042)**	(1,580)
Net cash flows (used in)/from operating activities		**(16,066)**	44,274
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	**(9,945)**	(37,348)
Purchase of available for sale investments	8	**-**	(186,951)
Purchase of investments at FVTOCI	8	**(89,462)**	-
Proceeds from disposal of property, plant and equipment	7	**30**	113
Proceeds from disposal of available for sale investments		**-**	225,032
Proceeds from disposal of investments at FVTOCI		**134,966**	-
Dividend income received		**36,862**	35,948
Finance income received		**16,161**	13,496
Net cash flows from investing activities		**88,612**	50,290
FINANCING ACTIVITIES			
Dividend paid		**(65,066)**	(89,700)
Proceeds from interest-bearing loans and borrowings		**60,000**	85,000
Repayment of interest-bearing loans and borrowings		**(67,848)**	(52,259)
Finance costs paid		**(12,960)**	(12,267)
Net cash used in financing activities		**(85,874)**	(69,226)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,328)**	25,338
Cash and cash equivalents at 1 January		**18,078**	22,701
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	13	**4,750**	48,039

The attached notes 1 to 21 form part of these interim condensed financial statements.

1 ACTIVITIES

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), is registered in accordance with a decree issued by His Highness Ruler of Dubai on 10 April 1968 establishing a cement company in the Emirate of Dubai and in accordance with the provisions of the UAE Federal Law No. 2 of 2015. The Company is listed on the Dubai Financial Market ("DFM"). 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 interim condensed financial statements have been approved by the Board of Directors on 14 November 2018.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
The interim condensed financial statements of the Company for the nine months period ended 30 September 2018 have been prepared in accordance with IAS 34 "*Interim Financial Reporting*".

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017.

In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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

The interim condensed financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or through other comprehensive income that have been measured at fair value, and the investment in associate that has been measured using equity accounting.

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

IFRS 15 Revenue from contracts with customers
IFRS 15 supersedes IAS 11 Constructions Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The Standard also specifies the accounting for the incremental costs of obtaining contract and the costs directly related to fulfilling a contract.

The Company has a singly main source of revenue and has assessed the impact of the adoption of IFRS 15 on its interim condensed financial statements as follows:

Sale of goods
In relation to the Company's activities related to sales of cement, in which the sale of goods and delivery is generally expected to be the only performance obligation, adoption of IFRS 15 did not have any major impact on the Company's revenue and profit or loss. The Company concluded that the revenue recognition will occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods or collection of goods by customers.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 15 Revenue from contracts with customers (continued)
Advances received from customers
Generally, the Company receives only short-term advances from its customers. They are presented as part of trade and other payables. Accordingly, there are no financing components in the Company's contracts with customers.

Other adjustments
In addition to the adjustments described above, upon adoption of IFRS 15, other items of the primary financial statements such as investments in associate and a joint venture, share of profit of an associate and a joint venture, and retained earnings, were adjusted as necessary. However, such adjustments did not have a material impact on the Company's interim condensed financial statements.

Presentation and disclosure requirements
The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's interim condensed financial statements. Many of the disclosure requirements in IFRS 15 are assessed by the Company and this are not significant as there are no judgments or assumptions made, whether or not significant, in determining the transaction price, the Company has a single performance obligation in any sale transaction, and the Company acts as principal in all of its revenue arrangements.

In summary, the impact of IFRS 15 adoption did not have material effect on the Company's interim condensed financial statements.

IFRS 9 Financial instruments
'IFRS 9 Financial Instruments' replaces 'IAS 39 Financial Instruments: Recognition and Measurement' for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Company has opted exemption not to restate comparative information with respect to reclassification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 is under accounting policies disclosed in annual financial statements of the Company as per IAS 39 and related interpretations.

(a) Classification and measurement

IFRS 9 retains most of the existing requirements of IAS 39 for the classification and measurement of financial liabilities, though, it has removed held to maturity, loans and receivables and available-for-sale classification under IAS 39 for financial assets.

Adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The impact of IFRS 9 on the classification and measurement of financial assets of the Company is set out below.

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under IFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (FVPL), amortised cost, or fair value through other comprehensive income (FVOCI).

The classification is based on two criteria:

- The Company's business model for managing the assets; and
- Whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion').

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial instruments (continued)

(a) Classification and measurement (continued)

The new classification and measurement of the Company's debt financial assets are, as follows:

• Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Company's trade and other receivables, due from related parties, loan to associate included under other non-current financial assets.

• Debt instruments at FVOCI, with gains or losses recycled to profit or loss on derecognition. Financial assets in this category are the Company's quoted debt instruments that meet the SPPI criterion and are held within a business model both to collect cash flows and to sell. Under IAS 39, the Company's quoted debt instruments were classified as available-for-sale (AFS) financial assets.

Other financial assets are classified and subsequently measured, as follows:

• Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category includes equity instruments and other structured products of investments, which the Company intends to hold for the foreseeable future and which the Company has irrevocably elected to so classify upon initial recognition or transition. The Company classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9. Under IAS 39, the Company's unquoted equity instruments were classified as AFS financial assets.

• Financial assets at FVPL comprise quoted equity instruments which the Company had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under IAS 39, the Company's quoted equity securities were classified as AFS financial assets. Upon transition the AFS reserve relating to quoted equity securities, which had been previously recognised under accumulated OCI, was reclassified to retained earnings.

The assessment of the Company's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018 as below:

In AED'000 Financial assets	***Original classification Under IAS 39***	***New classification Under IFRS 9***	***Original carrying value Under IAS 39***	***New carrying value Under IFRS 9***
Equity instruments held for trading	Available for sale investments	Mandatorily at FVTPL	-	10,386
Equity instruments held for long term	Available for sale investments	Investments at FVOCI	1,235,199	833,743
Other structured products of investment	Available for sale investments	Investments at FVOCI	-	391,070
Trade and other receivables	Loans and receivables	Amortised cost	87,350	87,350
Due from related parties	Loans and receivables	Amortised cost	97,940	97,940
Loan to associate	Loans and receivables	Amortised cost	316,000	316,000
Cash and bank balances	-	Amortised cost	18,895	18,895

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

IFRS 9 Financial instruments (continued)

(a) Classification and measurement (continued)

The following table summarises the impact of transition to IFRS 9 on the opening balance of fair value reserves and retained earnings as at January 1, 2018:

	Impact of adopting IFRS 9 on opening balance In AED '000
Retained earnings	
Transfer of fair value reserve to retained earning upon reclassification of equity investments from available for sale investments to FVTPL under IFRS 9	(4,947)
Impact at 1 January 2018	**(4,947)**
Fair value reserve	
Transfer of fair value reserve to retained earning upon reclassification of equity investments from available for sale investments to FVTPL under IFRS 9	4,947
Impact at 1 January 2018	**4,947**

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of profit or loss.

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach under IAS 39 with a forward-looking expected credit loss (ECL) approach.

ECL are based on the difference between contractual cash flows due in accordance with the contract and all the cash flows that the Company expect to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For 'Trade and other receivables', the Company has applied the standard's simplified approach and has calculated the ECLs based on lifetime expected credit losses. The ECLs were calculated based on actual credit loss experience over the past three years. The Company performed the calculation of ECL rates for other customers & related party receivables. The current already applied provision for the receivables is more than the calculated Expected credit loss on the trade receivables. Furthermore, 86.76% of trade receivable balances are covered by bank guarantees.

For other debt financial assets (i.e., loans and debt securities at FVOCI), the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Company's debt instruments at FVOCI comprised solely of quoted bonds that are graded in the top investment category (Very Good and Good) by the Good Credit Rating Agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. In all cases, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is likely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

The adoption of the ECL requirements of IFRS 9 did not result in any significant changes in impairment allowances.

2 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any significant impact on the Company's interim condensed financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Company does not provide share-base payments. Therefore, these amendments did not have any impact on the Company's interim condensed financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company's interim condensed financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Company.

Use of judgements and estimates
The preparation of interim condensed financial statements requires management to make judgment, estimates and assumptions that effect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The Company has consistently applied the estimates and judgements as applied by the Company in the annual financial statements for the year ended 31 December 2017, except for estimates and judgements applicable on adoption of IFRS 15 and IFRS 9, which are noted above.

3 PROFIT FOR THE PERIOD

The profit for the nine-month period is stated after charging:

	30 September 2018 AED'000	30 September 2017 AED'000
Staff costs	**28,370**	29,085
Depreciation expense	**11,204**	11,286
Inventories recognised as expense	**91,267**	76,608

4 OTHER INCOME

	30 September 2018 AED'000	30 September 2017 AED'000
Sale of scrap and other non-trading materials	**7,109**	6,061
Rental income from investment properties	**2,736**	2,875
Other rental income	**4,538**	5,585
Others	**707**	1,200
	15,090	15,721

5 FINANCE INCOME

	30 September 2018 AED'000	30 September 2017 AED'000
Interest income on loan to associate	**13,967**	9,004
Interest income on investments in financial assets	**16,161**	13,496
	30,128	22,500

6 INCOME FROM INVESTMENTS

	30 September 2018 AED'000	30 September 2017 AED'000
Dividend income on equity instruments	**36,862**	35,948
Net change in fair value on financial assets at FVTPL	**1,847**	-
Loss on disposal of available-for-sale financial assets	**-**	(2,243)
Loss on disposal of financial assets at FVTOCI	**(1,668)**	-
	37,041	33,705

7 PROPERTY, PLANT AND EQUIPMENT

During the nine-month period ended 30 September 2018, additions to property, plant and equipment amounted to AED 9,945 thousands (period ended 30 September 2017: AED 3,734 thousands) mainly representing work-in-progress in relation to waste heat recovery system for the Company's factory.

During the nine-month period ended 30 September 2018, assets with a net book value of AED Nil were disposed of by the Company (2017: AED 2,130 thousands), resulting in a net gain on disposal of AED 30 thousands (2017: 113 thousands).

8 INVESTMENTS IN FINANCIAL ASSETS

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited) Restated*
Current assets		
Investments at FVOCI	**72,770**	-
Investments available-for-sale	**-**	86,972
Investments at FVTPL	**12,233**	-
Non-current assets		
Investments at FVOCI	**1,100,856**	-
Investments available-for-sale	**-**	1,148,227
	1,185,859	1,235,199

The categories of investments in financial assets are as follows:

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Quoted equity instruments – at fair value	**789,877**	770,261
Debt instruments – at fair value	**307,552**	371,209
Unquoted equity instruments – at cost	**73,868**	73,868
Debt instruments – at cost	**14,562**	19,861
	1,185,859	1,235,199

Management is in the process of developing a valuation model for its investments carried at cost, to reflect their fair values by year-end in the Company's annual financial statements, in accordance with the requirements of IFRS 9.

The movement in investments in financial assets during the period/year was as follows:

	FVTPL	**FVTOCI**	**Available-for-sale**	
	30 September 2018 AED'000	***30 September 2018 AED'000***	***30 September 2018 AED'000***	*31 December 2017 AED'000*
Opening balance	**-**	**-**	**1,235,199**	1,213,772
Reclassification on initial application of IFRS 9	**10,386**	**1,224,813**	**(1,235,199)**	-
Additions during the period/year	**-**	**89,462**	**-**	267,294
Matured/redeemed	**-**	**(134,966)**	**-**	(292,141)
Change in fair value	**1,847**	**(5,683)**	**-**	46,274
Closing balance	**12,233**	**1,173,626**	**-**	1,235,199

8 INVESTMENTS IN FINANCIAL ASSETS (continued)

Investments at FVTPL comprise quoted equity instruments, which are held for trading, as per management's decision. Upon initial application of IFRS 9, management elected to classify all other quoted and unquoted equity investments at FVTOCI.

Upon initial application of IFRS 9, management preliminarily classified all debt instruments as investments at FVTOCI. Management is currently performing a detailed analysis of its debt instruments portfolio and reassessing the business model of its investments. Any changes in the final classification of debt instruments will be reflected in the Company's 31 December 2018 financial statements. It is the intention of management to classify such investments at FVTOCI, unless when not permitted under IFRS 9.

At September 30, 2018, investments in marketable securities amounting to AED 8.1 million (31 December 2017: AED 334.46 million) are held in the personal name of one of the Company's General Manager for the beneficial interest of the Company.

Investments in financial assets amounting to AED 648 million (31 December 2017: AED 620 million) are pledged with banks against loans and borrowings (Note 14).

The geographical distribution of financial assets are as follows:

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
United Arab Emirates	**726,579**	814,815
Saudi Arabia	**215,477**	176,712
Other countries	**243,803**	243,672
	1,185,859	1,235,199

9 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 25.43% (2017: 25.43%) share in Berber Cement Company Ltd, a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. The Company's share in net assets of the associate has been equity accounted as at 31 December 2017 based on the management accounts as at 31 December 2017. Considering the continuous fall in the rate of the Sudanese pound against the UAE dirham, the management has prudently decided to incorporate the effect of change due to this decline in the interim condensed financial statements.

The following table summarizes the investment in Berber Cement Company Ltd:

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Opening balance	**256,790**	74,339
Add: Foreign exchange translation reserve*	**(158,024)**	361,064
Add: Share of results in associate**	-	(178,613)
	98,766	256,790

*Represents the impact of devaluation of the Sudanese pound in January 2018 on account of the Sudan Government's decision to devalue the Sudanese pound against the USD. The rate of translation between Sudanese pound and AED was 1 SDG = AED 0.20 on 30 June 2018 as against 1SDG = AED 0.52 as on 31 December 2017.

**As per the management practice, the share in the results of associate for the nine months period ended 30 September 2018 is not incorporated in these interim condensed financial statements, and will be incorporated at year-end in the annual 2018 financial statements, consistent with the prior year practice.

9 INVESTMENT IN AN ASSOCIATE (continued)

Management is in the process of assessing whether the financial statements of the associate in Sudan need to be prepared in accordance with the requirements of IAS 29, whereby management is considering whether Sudan falls under the definition of a hyperinflationary economy. Also, management has identified certain inconsistencies in the accounting policies adopted by the associate in preparing its financial statements under IFRS, and is currently assessing the effect on the Company's financial statements. Adjustments resulting from the above assessments will be reflected in the Company's 2018 annual financial statements.

10 LOAN RECEIVABLE FROM ASSOCIATE

Loan of AED 316 million at 30 September 2018, represents AED denominated loan given to the associate and is recoverable in ten installments over a period of five years beginning from December 2015. The interest rate on this loan is charged at the rate of 5.85% per annum. The loan carries pledge against the assets of the associate and is guaranteed by the personal guarantees of certain shareholders of the associate.

The associate has defaulted on several payments, and management is in the process of assessing the associate's ability to repay the loan and current account balances based on the associate's projected cash flows and current results of operations, and whether there are any impairments that need to be recognized on those balances, which will be concluded by year-end.

11 TRADE AND OTHER RECEIVABLES

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Trade receivables	**100,053**	78,922
Less: allowance for doubtful debts	**(12,600)**	(3,600)
	87,453	75,322
Advances to suppliers	**2,501**	2,274
Margin money with banks	**6,308**	2,726
Prepayments	**1,591**	647
Other receivables	**2,382**	7,028
	100,235	87,997

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a. Significant transactions with related parties:

	Nine months ended		*Three month ended*	
	30 September 2018 AED'000	*30 September 2017 AED'000*	***30 September 2018 AED'000***	*30 September 2017 AED'000*
Sale of cement (other related parties)	**28,683**	21,243	**10,642**	7,650
Purchase of materials and services (other related parties)	**6,828**	7,376	**2,019**	2,565
Interest income (associate)	**13,967**	9,004	**4,724**	2,823

12 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a. Significant transactions with other related parties: (continued)

Compensation of key management personnel

The remuneration of directors and other key members of management during the period was as follows:

	Nine months ended		*Three month ended*	
	30 September 2018 AED'000	*30 September 2017 AED'000*	***30 September 2018 AED'000***	*30 September 2017 AED'000*
Salaries and other short term benefits	**2,712**	2,607	**1,164**	889
End of service benefits	**130**	131	**43**	44
	2,842	2,738	**1,207**	933

b. Due to related parties

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Shareholders	**17,529**	27,025
Director	**-**	1,750
Other related parties	**4,411**	1,462
	21,940	30,237

c. Due from related parties

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Associate – current account	**92,341**	84,110
Other related parties	**21,783**	13,830
	114,124	97,940
Associate – current portion of term loan	**55,102**	55,102
Associate -- long term portion of term loan	**260,898**	260,898
	430,124	413,940

13 CASH AND CASH EQUIVALENTS

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Cash in hand	**1,520**	668
Cash at banks – current accounts	**18,915**	18,227
Bank balances and cash	**20,435**	18,895
Less: bank overdraft (note 14)	**(15,685)**	(817)
Cash and cash equivalents	**4,750**	18,078

14 INTEREST-BEARING LOANS AND BORROWINGS

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Bank overdraft (1)	**15,685**	817
Murabaha (2)	**171,438**	214,286
Short-term loans (3)	**187,200**	152,200
	374,323	367,303

(1) Bank overdraft carries interest rates of 5.50% per annum (31 December 2017: 5.50% per annum).

(2) The Company has entered into a Murabaha agreement with a local Islamic bank for a total amount of USD 100 million (equivalent to AED 367.3 million) repayable in ten semi-annual instalments over a period of five years maturing in 2025, plus profit at the rate of 6 months LIBOR plus 3.25% per annum (31 December 2017: 6 months LIBOR plus 3.25% per annum). This facility was obtained by the Company and extended to its associate (note 10). The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 424 million at 30 September 2018 (31 December 2017: AED 436 million).

(3) Short-term loans are obtained under a revolving bank facility obtained from a local bank with a limit of AED 145.2 million for working capital requirements. The term of each loan obtained under this facility is for a period of 1 year. This facility bears interest at the rate of 3 months EIBOR plus 3% per annum (31 December 2017: 3 months EIBOR plus 3% per annum). This facility, along with other facilities obtained from the bank, is obtained against pledge of quoted equity shares having a fair value of AED 224 million at 30 September 2018 (31 December 2017: AED 184 million).

15 DIVIDENDS

In the Annual General Meeting held on 23 April 2018, a cash dividend of AED 53,820 thousands (AED 0.15 fils per share) was proposed and approved by the shareholders of the Company related to 2017. (2017: AED 0.25 per share totaling to AED 89,700 thousands relating to 2016).

16 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company of AED 44,496 thousands (period ended 30 September 2017: AED 47,237 thousands) by the weighted average number of shares outstanding during the period of 358,800 thousand shares (period ended 30 September 2017: 358,800 thousand shares).

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

17 SEGMENT REPORTING

The Company's activities comprise two main business segments: 1) manufacturing and selling cement and related products and 2) investments in securities, properties and associate. The details of segment revenue, result, assets and liabilities have been provided below:

	Nine months period ended 30 September 2018 (Unaudited)			*Nine months period ended 30 September 2017 (Unaudited)*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Revenue/income	**165,241**	**37,041**	**202,282**	153,551	33,705	187,256
Costs & expenses	**(186,833)**	**-**	**(186,833)**	(165,973)	-	(165,973)
Other income	**12,354**	**2,736**	**15,090**	12,845	2,876	15,721
Finance costs	**(8,142)**	**(8,029)**	**(16,171)**	(4,959)	(7,308)	(12,267)
Finance income	**-**	**30,128**	**30,128**	-	22,500	22,500
(Loss)/profit	**(17,380)**	**61,876**	**44,496**	(4,536)	51,773	47,237

	30 September 2018 (Unaudited)			*31 December 2017 (Audited)*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Segment assets*	**416,991**	**1,686,890**	**2,103,881**	386,009	1,895,023	2,281,032
Segment liabilities	**288,615**	**171,438**	**460,053**	247,076	214,286	461,362

* Cash and bank balances are not allocated to individual segments as these are managed and utilized as needed.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

a) Information about geographical segments

During the nine month period ended 30 September 2018, revenue from customers located in the Company's country of domicile (UAE) is AED 165,177 thousands (nine month period ended 30 September 2017: AED 153,551 thousands) and revenue from customers outside UAE (foreign customers) is AED 64 thousands (period ended 30 September 2017: AED Nil).

b) Major customers

During the nine month period ended 30 September 2018, there were 3 customers (2017: 3 customers) with revenues greater than 10% of the total revenue of the Company.

18 CONTINGENCIES AND CAPITAL COMMITMENTS

	30 September 2018 AED'000 (Unaudited)	*31 December 2017 AED'000 (Audited)*
Bank guarantees	**3,009**	4,619
Letter of credit	**-**	4,607

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash on hand and bank balances, trade receivables, loan receivables, due from related parties, financial assets at fair value. Financial liabilities consist of interest bearing loans and borrowings, trade and other payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values.

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not base on observable market data.

30 September 2018 (unaudited)	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Financial assets at FVTOCI	**1,097,429**	**-**	**-**	**1,097,429**
Financial assets at fair value through profit or loss	**12,233**	**-**	**-**	**12,233**
Total	**1,109,662**	**-**	**-**	**1,109,662**

31 December 2017 (audited)	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale financial assets	1,141,470	-	-	1,141,470

20 COMPARITIVE FIGURES

Available-for-sale financial assets amounting to AED 86,271 thousands were reclassified from non-current assets to current assets in the statement of financial position as at 31 December 2017, whereby those investments have a maturity date of less than 12 months from the 2017 reporting date.

21 OTHER INFORMATION

The Company has no investments in Abraaj Group, any of its projects, funds or any business relationship with or exposure to it.