

**Sharjah Cement and Industrial
Development Co. (PJSC)**

**INTERIM CONDENSED FINANCIAL
STATEMENTS**

30 SEPTEMBER 2016 (UNAUDITED)



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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Introduction

We have reviewed the accompanying interim condensed financial statements of Sharjah Cement and Industrial Development Co. (PJSC) (the “Company”) as at 30 September 2016, comprising the interim statement of financial position as at 30 September 2016 and the related interim statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim statements of cash flows and changes in equity for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Signed by:
Anthony O' Sullivan
Partner
Registration No.: 687

27 October 2016

Sharjah, United Arab Emirates

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF INCOME

For the nine months ended 30 September 2016 (Unaudited)

| | Notes | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|--|-------|---------------------------|----------------|--------------------------|----------------|
| | | <i>30 September</i> | | <i>30 September</i> | |
| | | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> |
| | | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Sales | | 126,199 | 151,148 | 469,198 | 474,019 |
| Cost of sales | | (111,530) | (136,617) | (421,804) | (427,206) |
| GROSS PROFIT | | 14,669 | 14,531 | 47,394 | 46,813 |
| General and administration expenses | | (3,728) | (3,768) | (11,156) | (11,543) |
| Selling and distribution costs | | (1,325) | (1,337) | (3,794) | (3,658) |
| Investment income, net | 3 | 2,156 | (1,296) | 12,276 | 13,115 |
| Miscellaneous income, net | | 1,735 | (160) | 3,790 | 1,652 |
| Finance costs | | (2,277) | (3,113) | (8,094) | (8,899) |
| PROFIT FOR THE PERIOD | | 11,230 | 4,857 | 40,416 | 37,480 |
| Basic and diluted earnings per share (AED) | 4 | 0.020 | 0.009 | 0.073 | 0.068 |

The attached explanatory notes 1 to 15 form part of the interim condensed financial statements.

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 September 2016 (Unaudited)

| | | (Audited) | |
|---|-------|---------------------------------|---------------------------------|
| | Notes | 30 September 2016 AED'000 | 31 December 2015 AED'000 |
| | | | 30 September 2015 AED'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 878,885 | 857,745 |
| Investment properties | 5 | 112,607 | 114,102 |
| Investment in associate | 7 | 42,125 | 42,125 |
| Available for sale investments | 6 | 249,713 | 299,112 |
| | | <u>1,283,330</u> | <u>1,292,625</u> |
| Current assets | | | |
| Inventories | | 248,015 | 264,137 |
| Accounts receivable and prepayments | | 208,330 | 223,887 |
| Trading securities | 6 | 10,657 | 9,618 |
| Bank balances and cash | 8 | 56,599 | 60,857 |
| | | <u>523,601</u> | <u>558,499</u> |
| TOTAL ASSETS | | <u><u>1,806,931</u></u> | <u><u>1,851,124</u></u> |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Share capital | | 552,958 | 552,958 |
| Statutory reserve | 9 | 334,091 | 334,091 |
| General reserve | 10 | 226,373 | 226,373 |
| Retained earnings | | 227,579 | 187,163 |
| Cumulative changes in fair value | 11 | 42,885 | 52,880 |
| Proposed cash dividend | 14 | - | 38,707 |
| Total equity | | <u>1,383,886</u> | <u>1,392,172</u> |
| Non-current liabilities | | | |
| Term loan | | 90,771 | 127,137 |
| Employees' end of service benefits | | 25,222 | 27,001 |
| | | <u>115,993</u> | <u>154,138</u> |
| Current liabilities | | | |
| Accounts payable and accruals | | 117,253 | 110,507 |
| Payable against construction of property, plant and equipment | | 6,871 | 6,035 |
| Bank overdrafts | 8 | - | 234 |
| Current portion of term loan | | 81,025 | 85,925 |
| Short term loans | | 101,903 | 102,347 |
| Dividends payable | | - | 3,212 |
| | | <u>307,052</u> | <u>304,814</u> |
| Total liabilities | | <u>423,045</u> | <u>458,952</u> |
| TOTAL EQUITY AND LIABILITIES | | <u><u>1,806,931</u></u> | <u><u>1,851,124</u></u> |


P J Batavia
Chief Executive

The attached explanatory notes 1 to 15 form part of the interim condensed financial statements.

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2016 (Unaudited)

| | Note | Three months ended 30 September | | Nine months ended 30 September | |
|---|------|------------------------------------|-----------------|-----------------------------------|-----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | AED'000 | AED'000 | AED'000 | AED'000 |
| PROFIT FOR THE PERIOD | | 11,230 | 4,857 | 40,416 | 37,480 |
| Other comprehensive income | | | | | |
| <i>Other comprehensive income that could be reclassified to profit or loss in subsequent periods:</i> | | | | | |
| Net (decrease)/ increase in fair value of available for sale investments | 11 | 4,976 | (25,795) | (11,138) | (29,009) |
| Net realised loss/ (gain) on disposal of available for sale investments transferred to income statement | 11 | - | - | 1,143 | (3,485) |
| Other comprehensive income/ (loss) for the period | | 4,976 | (25,795) | (9,995) | (32,494) |
| TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD | | 16,206 | (20,938) | 30,421 | 4,986 |

The attached explanatory notes 1 to 15 form part of the interim condensed financial statements.

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2016 (Unaudited)

| | | <i>30 September</i> | |
|---|--------------|----------------------|----------------------|
| | | <u>2016</u> | <u>2015</u> |
| | <i>Notes</i> | <i>AED '000</i> | <i>AED '000</i> |
| OPERATING ACTIVITIES | | | |
| Profit for the period | | 40,416 | 37,480 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | | 38,464 | 36,911 |
| Depreciation on investment properties | | 1,495 | 1,491 |
| Provision for employees' end of service benefits | | 1,740 | 2,991 |
| Profit on sale of property, plant and equipment | | (1,167) | (544) |
| Net (gain)/ loss on sale of trading securities | 3 | (68) | 107 |
| Net loss/ (gain) on sale of available for sale investments | | 1,143 | (3,485) |
| Provision for impairment of available for sale investments | 6 | 1,500 | 5,000 |
| Changes in fair values of trading securities | 3 | (176) | 2,286 |
| Dividend and other investment income | 3 | (11,384) | (12,023) |
| Net gain on sale of investments in funds | | (1,791) | - |
| Interest expense | | 8,094 | 8,899 |
| | | <u>78,266</u> | <u>79,113</u> |
| Working capital changes: | | | |
| Inventories | | 209 | 28,808 |
| Receivables | | 15,557 | (37,410) |
| Payables | | 3,877 | (7,847) |
| | | <u>97,909</u> | <u>62,664</u> |
| Cash from operations | | 97,909 | 62,664 |
| Employees' end of service benefits paid | | (3,519) | (1,373) |
| | | <u>94,390</u> | <u>61,291</u> |
| INVESTING ACTIVITIES | | | |
| Net movement in trading securities | | (795) | 4,096 |
| Purchase of property, plant and equipment | | (43,691) | (48,232) |
| Payable against construction of property, plant and equipment | | 836 | 397 |
| Dividend and other investment income | 3 | 11,384 | 12,023 |
| Net gain on sale of investments in funds | | 1,791 | - |
| Purchase of available for sale investments | 6 | (3,520) | (19,345) |
| Proceeds from disposal of available for sale investments | 6 | 19,822 | 22,335 |
| Purchase of investment properties | | - | (5,364) |
| Proceeds from sale of property, plant and equipment | | 1,167 | 544 |
| | | <u>(13,006)</u> | <u>(33,546)</u> |
| Net cash used in investing activities | | (13,006) | (33,546) |
| FINANCING ACTIVITIES | | | |
| Proceeds from term loans | | 19,154 | 58,800 |
| Proceeds from short term loans | | 312,314 | 231,427 |
| Term loan repaid | | (60,420) | (37,056) |
| Short term loans repaid | | (312,758) | (218,095) |
| Dividends paid | | (38,707) | (52,084) |
| Interest paid | | (5,225) | (5,989) |
| | | <u>(85,642)</u> | <u>(22,997)</u> |
| Net cash used in financing activities | | (85,642) | (22,997) |
| (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS | | <u>(4,258)</u> | <u>4,748</u> |
| Cash and cash equivalents at 1 January | | <u>60,857</u> | <u>53,860</u> |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | 8 | <u><u>56,599</u></u> | <u><u>58,608</u></u> |

The attached explanatory notes 1 to 15 form part of the interim condensed financial statements.

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2016 (Unaudited)

| | Share capital AED '000 | Statutory reserve AED '000 | General reserve AED '000 | Retained earnings AED '000 | Cumulative changes in fair value AED '000 | Proposed cash dividend AED '000 | Total AED '000 |
|---|------------------------------|----------------------------------|--------------------------------|----------------------------------|--|--|-------------------|
| At 1 January 2016 (Audited) | 552,958 | 334,091 | 226,373 | 187,163 | 52,880 | 38,707 | 1,392,172 |
| Profit for the period | - | - | - | 40,416 | - | - | 40,416 |
| Other comprehensive income for the period | - | - | - | - | (9,995) | - | (9,995) |
| Total comprehensive income for the period | - | - | - | 40,416 | (9,995) | - | 30,421 |
| Dividends paid (Note 14) | - | - | - | - | - | (38,707) | (38,707) |
| At 30 September 2016 | 552,958 | 334,091 | 226,373 | 227,579 | 42,885 | - | 1,383,886 |

Sharjah Cement and Industrial Development Co. (PJSC)

INTERIM STATEMENT OF CHANGES IN EQUITY (continued)

For the nine months ended 30 September 2016 (Unaudited)

| | Share capital AED '000 | Statutory reserve AED '000 | General reserve AED '000 | Retained earnings AED '000 | Cumulative changes in fair value AED '000 | Proposed cash dividend AED '000 | Total AED '000 |
|---|------------------------------|----------------------------------|--------------------------------|----------------------------------|--|--|-------------------|
| At 1 January 2015 | 552,958 | 334,091 | 226,373 | 166,072 | 105,344 | 55,296 | 1,440,134 |
| Profit for the period | - | - | - | 37,480 | - | - | 37,480 |
| Other comprehensive income for the period | - | - | - | - | (32,494) | - | (32,494) |
| Total comprehensive income for the period | - | - | - | 37,480 | (32,494) | - | 4,986 |
| Dividends payable transferred to current liabilities (Note 14) | - | - | - | - | - | (55,296) | (55,296) |
| At 30 September 2015 | 552,958 | 334,091 | 226,373 | 203,552 | 72,850 | - | 1,389,824 |

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

1 ACTIVITIES

Sharjah Cement and Industrial Development Co. (PJSC) (the "Company") was incorporated in Sharjah, United Arab Emirates in 1977 under an Emiri Decree issued by H.H. The Ruler of Sharjah and has since been registered under the Commercial Companies Law No. 8 of 1984 (as amended) as a public shareholding company. The Federal Law No.2 of 2015, concerning Commercial Companies has come into effect from 28 June 2015, replacing the existing Federal Law No.8 of 1984. The Company is currently assessing the impact of the new law and expects to be fully compliant on or before the end of the grace period on 30 June 2017. It is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Company invests its surplus funds in investment securities, private equities and properties.

The Company operates from Sharjah, UAE and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia. The Company's registered office is at P O Box 2083 Sharjah, UAE. The shares of the Company are traded on the Abu Dhabi Securities Market and the Kuwait Stock Exchange.

These interim condensed financial statements were authorised for issue on 27 October 2016.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed financial statements of the Company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2015 except for the adoption of the new and amended IFRS and IFRIC interpretations which became effective as of 1 January 2016. The adoption of these standards and interpretations did not have any material impact on the financial position or performance of the Company during the period.

Interim reporting

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Company's annual financial statements as of 31 December 2015. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

3 INVESTMENT INCOME

| | <i>Three months ended</i> | | <i>Nine months ended</i> | |
|---|---------------------------|---------------------|--------------------------|---------------------|
| | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> | <i>30 September</i> |
| | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> |
| | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> | <i>AED'000</i> |
| Realised gains / (loss) | | | | |
| Net (loss)/ gain on sale of available for sale securities | (183) | - | 648 | 3,485 |
| Net gain/ (loss) on sale of trading securities | 9 | (35) | 68 | (107) |
| | <u>(174)</u> | <u>(35)</u> | <u>716</u> | <u>3,378</u> |
| Fair value movements | | | | |
| Changes in fair value of trading securities | 908 | (1,818) | 176 | (2,286) |
| | <u>908</u> | <u>(1,818)</u> | <u>176</u> | <u>(2,286)</u> |
| Other investment income | | | | |
| Rental income from investment properties, net of depreciation | 740 | 853 | 2,534 | 2,422 |
| Dividend income - available for sale investments | 150 | 197 | 8,548 | 10,987 |
| Interest income | 96 | 242 | 390 | 759 |
| (Loss)/ profit on derivatives | 5 | (18) | (1,810) | (1,472) |
| Others | 431 | (717) | 1,722 | (673) |
| | <u>1,422</u> | <u>557</u> | <u>11,384</u> | <u>12,023</u> |
| | <u>2,156</u> | <u>(1,296)</u> | <u>12,276</u> | <u>13,115</u> |

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

4 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net profit for the period by the weighted average number of shares outstanding during the period of 552,958 thousand shares as follows:

| | <i>Three months ended 30 September</i> | | <i>Nine months ended 30 September</i> | |
|---|--|----------------|---|----------------|
| | <i>2016</i> | <i>2015</i> | <i>2016</i> | <i>2015</i> |
| Profit for the period (AED '000) | <u>11,230</u> | <u>4,857</u> | <u>40,416</u> | <u>37,479</u> |
| Weighted average number of shares outstanding during the period ('000) | <u>552,958</u> | <u>552,958</u> | <u>552,958</u> | <u>552,958</u> |
| Basic and diluted earnings per share (AED) | 0.020 | 0.009 | 0.073 | 0.068 |

No figures for diluted earnings has been presented because the Company has not issued any instruments which would have an impact on earnings per share when exercised.

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

5 INVESTMENT PROPERTY

| | 30 September 2016 | | | 31 December 2015 | | | 30 September 2015 | | |
|------------------------|-------------------|---------------------|------------------|------------------|---------------------|------------------|-------------------|---------------------|------------------|
| | Land AED'000 | Building AED'000 | Total AED'000 | Land AED'000 | Building AED'000 | Total AED'000 | Land AED'000 | Building AED'000 | Total AED'000 |
| Investment properties: | | | | | | | | | |
| Local | 87,717 | 24,890 | 112,607 | 87,717 | 26,385 | 114,102 | 87,719 | 26,887 | 114,606 |

6 INVESTMENTS

| | 30 September 2016 | | | 31 December 2015 | | | 30 September 2015 | | |
|---------------------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|-------------------|---------------------|------------------|
| | Quoted AED'000 | Unquoted AED'000 | Total AED'000 | Quoted AED'000 | Unquoted AED'000 | Total AED'000 | Quoted AED'000 | Unquoted AED'000 | Total AED'000 |
| Available for sale investments: | | | | | | | | | |
| Equity and debt securities | | | | | | | | | |
| Local | 174,656 | 5,100 | 179,756 | 177,542 | 4,394 | 181,936 | 195,681 | 3,744 | 199,425 |
| Overseas | 37,868 | 32,089 | 69,957 | 35,799 | 60,918 | 96,717 | 37,630 | 62,057 | 99,687 |
| | 212,524 | 37,189 | 249,713 | 213,341 | 65,312 | 278,653 | 233,311 | 65,801 | 299,112 |

| | 30 September 2016 | | | 31 December 2015 | | | 30 September 2015 | | |
|---------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|-------------------|------------------|------------------|
| | Quoted AED'000 | Total AED'000 | Total AED'000 | Quoted AED'000 | Total AED'000 | Total AED'000 | Quoted AED'000 | Total AED'000 | Total AED'000 |
| Trading securities: | | | | | | | | | |
| Overseas | 10,657 | 10,657 | 10,657 | 9,618 | 9,618 | 9,618 | 9,176 | 9,176 | 9,176 |

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

6 INVESTMENTS (continued)

Movements in the available for sale investments were as follows:

| | <i>Nine months ended 30 September 2016 AED'000</i> | <i>Year ended 31 December 2015 AED'000</i> | <i>Nine months ended 30 September 2015 AED'000</i> |
|--|--|--|--|
| At 1 January | 278,653 | 336,111 | 336,111 |
| Purchased during the period/ year | 3,520 | 21,282 | 19,345 |
| Changes in fair value | (11,138) | (48,979) | (29,009) |
| Disposed during the period/ year | (19,822) | (24,761) | (22,335) |
| Provision for impairment of available for sale investments | (1,500) | (5,000) | (5,000) |
| At the end of the period/year | <u>249,713</u> | <u>278,653</u> | <u>299,112</u> |

Determination of fair value and 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; and

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| <i>30 September 2016</i> | <i>Level 1 AED'000</i> | <i>Level 2 AED'000</i> | <i>Level 3 AED'000</i> | <i>Total AED'000</i> |
|--|----------------------------|----------------------------|----------------------------|--------------------------|
| Financial assets | | | | |
| Investments available for sale | | | | |
| <i>Quoted investments</i> | | | | |
| Equity and debt securities | 212,524 | - | - | 212,524 |
| | <u>212,524</u> | <u>-</u> | <u>-</u> | <u>212,524</u> |
| Trading securities: | | | | |
| Equity securities | 10,657 | - | - | 10,657 |
| | <u>10,657</u> | <u>-</u> | <u>-</u> | <u>10,657</u> |
| Derivative financial instruments | | | | |
| Foreign currency contracts | - | 68 | - | 68 |
| | <u>-</u> | <u>68</u> | <u>-</u> | <u>68</u> |
| Non-financial assets | | | | |
| <i>Investment properties (disclosure only)</i> | - | - | 250,647 | 250,647 |
| | <u>-</u> | <u>-</u> | <u>250,647</u> | <u>250,647</u> |
| Financial liability | | | | |
| <i>Derivative financial instruments</i> | | | | |
| Foreign currency contracts | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

6 INVESTMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

| 31 December 2015 | Level 1 AED'000 | Level 2 AED'000 | Level 3 AED'000 | Total AED'000 |
|--|--------------------|--------------------|--------------------|------------------|
| Financial assets | | | | |
| <i>Investments available for sale</i> | | | | |
| <i>Quoted investments</i> | | | | |
| Equity and debt securities | 213,341 | - | - | 213,341 |
| | <u>213,341</u> | <u>-</u> | <u>-</u> | <u>213,341</u> |
| <i>Trading securities:</i> | | | | |
| Equity securities | 9,618 | - | - | 9,618 |
| | <u>9,618</u> | <u>-</u> | <u>-</u> | <u>9,618</u> |
| <i>Derivative financial instruments</i> | | | | |
| Foreign currency contracts | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Non-financial assets | | | | |
| <i>Investment properties (disclosure only)</i> | - | - | 250,647 | 250,647 |
| | <u>-</u> | <u>-</u> | <u>250,647</u> | <u>250,647</u> |
| Financial liability | | | | |
| <i>Derivative financial instruments</i> | | | | |
| Foreign currency contracts | - | (214) | - | (214) |
| | <u>-</u> | <u>(214)</u> | <u>-</u> | <u>(214)</u> |

Investments in unquoted available-for-sale securities are carried at cost less provision for impairment, where relevant as management believes that no reliable fair values are available.

Financial instruments recorded at fair value

Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Company's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Company. Therefore, unobservable inputs reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Company's own data.

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

6 INVESTMENTS (continued)

Fair value of financial assets and liabilities not carried at fair value

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Available for sale investments

For available for sale investments in unquoted private equities and funds, where no fair value is currently available, these are carried at cost less provision for impairment, where relevant.

Trade and other receivables and trade payables

For trade and other receivables and trade and other payables it is assumed that the carrying amounts approximate their fair values as these have short term maturities.

Fair value of non-financial assets and liabilities

Investment properties

Fair value of investment properties is determined by independent property consultants and brokers based on the market value of similar properties.

7 INVESTMENT IN ASSOCIATE

| | <i>30 September 2016 AED'000</i> | <i>31 December 2015 AED'000</i> | <i>30 September 2015 AED'000</i> |
|-------------------------|--|---|--|
| Investment in associate | <u>42,125</u> | <u>42,125</u> | <u>42,125</u> |

The investment in associate represents a 34.48% (2015: 34.48%) holding in Auto Line Industrial Parks Limited, which is registered in India. The investment in Auto Line Industrial Parks Limited is treated as an investment in an associate as the Company does not have the power to govern the financial and operating policies of the investee company.

8 CASH AND CASH EQUIVALENTS

| | <i>30 September 2016 AED'000</i> | <i>31 December 2015 AED'000</i> | <i>30 September 2015 AED'000</i> |
|------------------------|--|---|--|
| Bank balances and cash | 56,599 | 60,857 | 58,842 |
| Bank overdrafts | - | - | (234) |
| | <u>56,599</u> | <u>60,857</u> | <u>58,608</u> |

Bank balances and cash include balances amounting to AED 7,636 thousand (31 December 2015: AED 8,339 thousand) placed with foreign banks abroad.

9 STATUTORY RESERVE

As required by the UAE Commercial Companies Law and the Company's Articles of Association, at least 10% of the profit for the year is to be transferred to statutory reserve. Such transfers may be discontinued when the reserve totals 50% of the issued share capital. No transfer has been made during the nine months period to 30 September 2016, as this will be based on the results for the year. The reserve is not available for distribution, except in the circumstances stipulated by the law.

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

10 GENERAL RESERVE

No transfer has been made to the general reserve during the nine months period to 30 September 2016, as this will be based on the results for the year.

11 CUMULATIVE CHANGES IN FAIR VALUE

| | <i>30 September 2016 AED'000</i> | <i>31 December 2015 AED'000</i> | <i>30 September 2015 AED'000</i> |
|--|--|---|--|
| <i>Available for sale securities</i> | | | |
| At 1 January | 52,880 | 105,344 | 105,344 |
| Net decrease in fair value during the period/ year | (11,138) | (48,979) | (29,009) |
| Less: realised loss/ (gains) during the period/ year | 1,143 | (3,485) | (3,485) |
| At the end of the period/year | <u>42,885</u> | <u>52,880</u> | <u>72,850</u> |

12 SEGMENT INFORMATION

Primary segment information

For management purposes, the Company is organised into two major operating segments as follows:

- Manufacturing segment comprises cement, paper sacks and ropes products.
- Investment segment comprises investment and cash management for the Company's own account.

Manufacturing segment is organised into three operating business units as follows:

- Cement division is engaged in the manufacture and supply of cement.
- Paper sacks division is engaged in the manufacture and supply of paper sacks.
- Ropes division is engaged in the manufacture and supply of plastic ropes.

Investment segment is organised into two business units as follows:

- Investment and letting out of properties, mainly in the UAE and Kuwait.
- Investment in public and private equities & funds, mainly in the GCC and Asia.

The above segments are the basis on which the management monitors the operating results of these segments for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are conducted at estimated market rates on an arm's length basis and eliminated on consolidation.

During the current period, the Company has disclosed the manufacturing segment of cement, paper sacks and ropes product together, while previously it was shown separately.

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

12 SEGMENT INFORMATION (continued)

Segmental information is presented below:

| | <i>Three months ended 30 September</i> | | <i>Nine months ended 30 September</i> | |
|---|--|-------------------------|---|-------------------------|
| | <i>2016 AED'000</i> | <i>2015 AED'000</i> | <i>2016 AED'000</i> | <i>2015 AED'000</i> |
| <i>Manufacturing</i> | | | | |
| Sales | 126,199 | 151,148 | 469,198 | 474,019 |
| Cost of sales | (111,530) | (136,617) | (421,804) | (427,206) |
| Gross profit | 14,669 | 14,531 | 47,394 | 46,813 |
| Miscellaneous income/ (expenses) | 1,281 | (1,901) | 2,389 | (241) |
| Expenses | (2,368) | (2,400) | (6,609) | (6,681) |
| Net segment results | 13,582 | 10,230 | 43,174 | 39,891 |
| <i>Investment</i> | | | | |
| Income from investment in private and public equities and funds | 1,315 | (2,373) | 11,162 | 11,406 |
| Profit/ (Loss) on derivatives | 5 | (18) | (1,810) | (1,472) |
| Interest income | 96 | 242 | 390 | 759 |
| | 1,416 | (2,149) | 9,742 | 10,693 |
| Income from investment properties | 1,244 | 1,355 | 4,031 | 3,913 |
| Depreciation | (504) | (502) | (1,497) | (1,491) |
| | 740 | 853 | 2,534 | 2,422 |
| Net segment results | 2,156 | (1,296) | 12,276 | 13,115 |
| <i>Finance costs</i> | (2,277) | (3,113) | (8,094) | (8,899) |
| <i>Unallocated income and expenses – Head office</i> | (2,231) | (964) | (6,940) | (6,627) |
| Profit for the period | 11,230 | 4,857 | 40,416 | 37,480 |

For operational and management reporting purposes, the Company is organised as one geographical segment.

Sharjah Cement and Industrial Development Co. (PJSC)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

12 SEGMENT INFORMATION (continued)

Other segment information

Segmental information in respect of assets and liabilities relating to the Company's operating segments is as follows:

30 September 2016

| | <i>Manufacturing AED'000</i> | <i>Investment AED'000</i> | <i>Total AED'000</i> |
|---------------------|----------------------------------|-------------------------------|--------------------------|
| Segment assets | <u>1,364,621</u> | <u>442,310</u> | <u>1,806,931</u> |
| Segment liabilities | <u>423,045</u> | <u>-</u> | <u>423,045</u> |

31 December 2015

| | <i>Manufacturing AED'000</i> | <i>Investment AED'000</i> | <i>Total AED'000</i> |
|---------------------|----------------------------------|-------------------------------|--------------------------|
| Segment assets | <u>1,397,617</u> | <u>453,507</u> | <u>1,851,124</u> |
| Segment liabilities | <u>458,738</u> | <u>214</u> | <u>458,952</u> |

Other segment information

30 September 2016

| | <i>Manufacturing AED'000</i> | <i>Investment AED'000</i> | <i>Total AED'000</i> |
|---------------------|----------------------------------|-------------------------------|--------------------------|
| Depreciation | <u>38,464</u> | <u>1,495</u> | <u>39,959</u> |
| Capital expenditure | <u>43,691</u> | <u>-</u> | <u>43,691</u> |

30 September 2015

| | <i>Manufacturing AED'000</i> | <i>Investment AED'000</i> | <i>Total AED'000</i> |
|---------------------|----------------------------------|-------------------------------|--------------------------|
| Depreciation | <u>36,911</u> | <u>1,491</u> | <u>38,402</u> |
| Capital expenditure | <u>48,232</u> | <u>-</u> | <u>48,232</u> |

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

As at 30 September 2016 (Unaudited)

13 SEASONALITY OF RESULTS

Investment income (note 3) depends on market conditions, investment activities of the Company and declaration of profits by investee companies, which are of a seasonal nature. Furthermore, sales are affected by construction activities in the region as well as the economic climate and meteorological conditions. Accordingly, results for the period ended 30 September 2016 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2016.

14 DIVIDENDS

The Board of Directors had proposed a cash dividend amounting to AED 38,707 thousand at AED 0.07 per share of AED 1 each. No scrip dividend was proposed. Subsequently, the shareholders, at the annual general meeting held on 2 April 2016 (2015: 4 April 2015), approved a cash dividend amounting to AED 38,707 thousand at AED 0.07 per share of AED 1 each.

15 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Commitment

Estimated capital expenditure commitment at the statement of financial position date amounted to AED Nil (31 December 2015: AED 27,275 thousand).

The Company also has commitments of AED 6,092 thousand (31 December 2015: AED 6,359 thousand) on account of investments made in securities and funds. The Company has to pay as and when calls are made by the fund's managers/investee companies.

Contingent liability

At 30 September 2016, the Company had contingent liabilities in respect of bank guarantees relating to performance bonds, from which it is anticipated that no material liabilities will arise, amounting to AED 4,470 thousand (31 December 2015: AED 2,631 thousand).