

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS**

30 SEPTEMBER 2020

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

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of Sharjah Cement and Industrial Development Co. (PJSC) (the “Company”) and its subsidiary (the “Group”), which comprise the interim consolidated statement of financial position as at 30 September 2020 and the related interim consolidated statements of income and comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these condensed consolidated interim 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Other Matters

The condensed consolidated interim financial statements of the Group as of 30 September 2019 were reviewed by another auditor whose report dated 2 November 2019 expressed an unqualified conclusion on those condensed consolidated interim financial statements. Also, the consolidated financial statements as of 31 December 2019 were audited by another auditor whose report dated 7 March 2020 expressed an unqualified opinion on those consolidated financial statements.

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

12 November 2020

Sharjah, United Arab Emirates

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

INTERIM CONSOLIDATED INCOME STATEMENT

For the three month and nine month periods ended 30 September 2020 (unaudited)

	Notes	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Revenue	16	101,498	137,695	325,221	435,446
Cost of sales	16	(113,755)	(131,209)	(336,276)	(420,751)
Gross (loss) / profit		(12,257)	6,486	(11,055)	14,695
Administrative and general expenses		(4,160)	(3,523)	(13,714)	(13,092)
Selling and distribution expenses		(1,426)	(1,370)	(4,267)	(4,291)
Investment income	4	(919)	1,026	(5,581)	12,880
Finance expenses		(4,831)	(5,319)	(15,032)	(11,252)
Other income		862	2,940	2,246	3,849
(Loss) / Profit for the period		(22,731)	240	(47,403)	2,789
(Loss) / Profit attributable to:					
Owners of the Company		(22,731)	240	(47,403)	2,789
Earnings per share					
Basic and diluted earnings per share (AED)	13	(0.037)	0.0004	(0.078)	0.005

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary
**INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
 COMPREHENSIVE INCOME**

For the three month and nine month periods ended 30 September 2020 (unaudited)

	Note	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
		<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
(Loss) / Profit for the period		(22,731)	240	(47,403)	2,789
Other comprehensive income for the period					
<i>Items that will not be reclassified to profit or loss:</i>					
Investments carried at FVTOCI - net change in fair value	6.1	3,385	559	(25,174)	2,279
<i>Items that may be reclassified to profit or loss:</i>					
Change in fair value of interest rate swap	6.1	393	-	(2,385)	-
Other comprehensive (loss) / income for the period		3,778	559	(27,559)	2,279
Total comprehensive (loss) / income for the period		(18,953)	799	(74,962)	5,068
Total comprehensive income / (loss) attributable to:					
Equity holders of the parent		(18,953)	799	(74,962)	5,068

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020 (unaudited)

		<i>30 September 2020</i>	<i>31 December 2019</i>	<i>30 September 2019</i>
	<i>Notes</i>	<i>AED'000 (Unaudited)</i>	<i>AED'000 (Audited)</i>	<i>AED'000 (Unaudited)</i>
Assets				
Non-current assets				
Property, plant and equipment		976,970	1,002,205	1,014,691
Investment properties	7	273,907	275,578	262,444
Investments carried at FVTOCI	6.1	122,984	148,064	169,046
Long term receivables		-	7,892	12,128
		1,373,861	1,433,739	1,458,309
Current assets				
Inventories		254,673	357,732	315,655
Trade and other receivables		231,028	293,151	263,068
Investments carried at FVTPL	6.2	21,993	27,680	25,645
Cash in hand and at bank	8	32,957	20,493	43,013
Assets held for sale	5	22,508	22,508	22,508
		563,159	721,564	669,889
Current liabilities				
Trade and other payables		(91,356)	(181,569)	(125,336)
Short term borrowings	9	(277,576)	(337,826)	(372,750)
		(368,932)	(519,395)	(498,086)
Net current assets		194,227	202,169	171,803
Non-current liabilities				
Long term borrowings	9	(199,297)	(191,353)	(193,425)
Provision for staff terminal benefits		(27,917)	(28,719)	(28,371)
NET ASSETS		1,340,874	1,415,836	1,408,316
Represented by				
Share capital	10	608,254	608,254	608,254
Statutory reserve	11	334,091	334,091	334,091
General reserve	12	226,373	226,373	226,373
Fair value reserve	6.1	(15,274)	12,324	15,448
Retained earnings		187,430	234,794	224,150
		1,340,874	1,415,836	1,408,316


Chairman


Chief Executive

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine month periods ended 30 September 2020 (unaudited)

	<i>Nine month period ended 30 September</i>	
<i>Notes</i>	2020 AED'000	2019 AED'000
OPERATING ACTIVITIES:		
(Loss) / Profit for the period	(47,403)	2,789
<i>Adjustments for:</i>		
Depreciation on property, plant and equipment	52,347	46,455
Depreciation on investment properties	6,591	1,966
Provision for staff terminal benefits	1,789	1,704
Allowance for expected credit loss	550	(605)
Provision for inventory (net off)	(1,550)	-
Gain on disposal of property, plant and equipment	-	(686)
Net gain on disposal of investments carried at FVTPL	(142)	(725)
(Gain)/Loss on change in fair value of investments carried at FVTPL	4,965	(3,173)
Rental income from investment properties	(503)	(3,186)
Dividend income	(5,114)	(5,929)
Interest expense	15,032	11,252
	26,562	49,862
<i>Changes in:</i>		
inventories	104,609	170
trade and other receivables	69,465	(1,266)
trade and other payables	(92,598)	(15,358)
Staff terminal benefits paid	(2,591)	(1,130)
Net cash from operating activities	105,447	32,278
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (including advances)	(23,423)	(79,071)
Additions to investment properties	(8,608)	(74,203)
Proceeds from disposal of property, plant and equipment	-	686
Purchase of investments carried at FVTOCI	(2,021)	(3,384)
Proceeds from disposal investments carried at FVTOCI	1,927	3,408
Dividend income	5,114	5,929
Rental income from investment properties	503	3,186
Purchase of investment carried at FVTPL	(4,198)	(4,228)
Proceeds from disposal of investments carried at FVTPL	5,062	3,385
Net cash used in investing activities	(25,644)	(144,292)
FINANCING ACTIVITIES		
Net movement in borrowings	(52,307)	145,279
Dividend paid	-	(39,536)
Interest paid	(15,032)	(11,252)
Net cash (used in) / from financing activities	(67,339)	94,491
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	12,464	(17,523)
Cash and cash equivalents at the beginning of the period	20,493	60,536
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (refer note 8)	32,957	43,013
<i>Cash and cash equivalents comprise:</i>		
Cash in hand and at bank (refer note 8)	32,957	43,013

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended 30 September 2020 (unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Proposed dividend AED'000</i>	<i>Fair value reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>
Balance at 1 January 2020 (audited)	608,254	334,091	226,373	-	12,324	234,794	1,415,836
Total comprehensive income for the period (unaudited)							
Loss for the period	-	-	-	-	-	(47,403)	(47,403)
Other comprehensive loss for the period	-	-	-	-	(27,559)	-	(27,559)
Total comprehensive loss for the period	-	-	-	-	(27,559)	(47,403)	(74,962)
Other equity movement (unaudited)							
Transfer of fair value reserve to retained earnings on disposal of investments carried at FVTOCI (note 6)	-	-	-	-	(39)	39	-
Total other equity movement	-	-	-	-	(39)	39	-
Balance at 30 September 2020	608,254	334,091	226,373	-	(15,274)	187,430	1,340,874

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the nine month period ended 30 September 2020 (unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Proposed dividend AED'000</i>	<i>Fair value reserve AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total AED'000</i>
Balance at 1 January 2019 (audited)	608,254	334,091	226,373	39,536	13,996	220,534	1,442,784
Total comprehensive income for the period (unaudited)							
Profit for the period	-	-	-	-	-	2,789	2,789
Other comprehensive income for the period	-	-	-	-	2,279	-	2,279
Total comprehensive income for the period	-	-	-	-	2,279	2,789	5,068
Other equity movement (unaudited)							
Transfer of fair value reserve to retained earnings on disposal of investments carried at FVTOCI (refer note 6.1)	-	-	-	-	(827)	827	-
Total other equity movement	-	-	-	-	(827)	827	-
Transactions with owners of the Company (unaudited)							
Dividend paid (refer note 15)	-	-	-	(39,536)	-	-	(39,536)
Total transactions with owners of the Company	-	-	-	(39,536)	-	-	(39,536)
Balance at 30 September 2019 (unaudited)	608,254	334,091	226,373	-	15,448	224,150	1,408,316

The attached notes 1 to 18 form part of these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020 (unaudited)

1 CORPORATE INFORMATION

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 as a public joint stock company. The registered office of the Company is P.O. Box 2083 Sharjah, United Arab Emirates. The shares of the Company are listed on Abu Dhabi Securities Market and Kuwait Stock Exchange. Shareholders have resolved at the Annual General Meeting held on 30 April 2020 to delist the company’s shares from Kuwait Stock Exchange and authorized the Board of Directors to complete all formalities for the delisting. The delisting is expected to take nine months to one year from the date of application made to Kuwait Stock Exchange.

The condensed consolidated interim financial statements (‘interim financial statements’) as at and for the nine month period ended 30 September 2020 comprise the Company and its subsidiary (collectively referred to as “the Group”).

The Group is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Group invests its surplus funds in investment securities, private equities and properties. The Group operates from Sharjah, United Arab Emirates and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia.

The condensed consolidated interim financial statements was approved by the Board of Directors, and authorised for issue on 12 November 2020.

2 BASIS OF PREPARATION

Statement of compliance

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2019 (‘last annual financial statements’). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements. In addition, results for the nine month period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

Basis of measurement

These interim financial statements have been presented on the historical cost basis except for investments carried at fair value through other comprehensive income (“FVTOCI”), investments carried at fair value through profit or loss (“FVTPL”) and derivative financial instruments which are measured at fair value.

Functional and presentation currency

These interim financial statements are presented in United Arab Emirates Dirham (“AED”), rounded to nearest thousand except when otherwise indicated, which is the Company’s functional currency.

Accounting estimates and judgments

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Measurement of fair values

A number of the Group’s accounting policies and disclosures require the determination of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

2 BASIS OF PREPARATION (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the significant assumptions made in measuring fair values are explained in Group's consolidated financial statements as at and for the year ended 31 December 2019.

2.1 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>	
			<i>2020</i>	<i>2019</i>
Gulf Rope & Plastic Products Co. LLC	Rope and plastic products	United Arab Emirates	100%	100%

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 September 2020.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2019 except for the below accounting policy.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these condensed consolidated interim financial statements.

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020 (unaudited)

4 INVESTMENT (LOSS)/ INCOME

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Gain on change of fair value of investments carried at FVTPL (refer note 6.2)	1,364	(107)	(4,965)	3,173
Net gain on disposal of investments carried at FVTPL (refer note 6.2)	59	-	142	725
Net (expense)/income from investment properties	(2,477)	264	(6,088)	1,220
Dividend income	-	72	5,114	5,929
Others	135	797	216	1,833
	(919)	1,026	(5,581)	12,880

5 ASSET HELD FOR SALE

During the year 2018, the board of directors has resolved to divest the investment in Autoline Industrial Park Limited within next twelve months.

In December 2018, the Group divested 50% of the investment in Autoline Industrial Parks Limited for a total gross consideration of AED 39.08 million which was receivable over 33 months. The net consideration after discounting and deduction of the expected cost to sell resulted in a gain of AED 8.4 million which was recognized in prior years.

Due to economic slowdown in India and the current pandemic situation, the buyer has not commenced any construction work at the site and has not made contractual progress payments towards the consideration. Management is persuading the buyer to resolve the situation and is also evaluating various options including terminating the agreement and selling the investment to another buyer. Management has received alternative offers from other prospective buyers which are at a value higher than the current carrying value.

Management is in active discussion with few potential buyers to sell the remaining investment. Management is of the view that carrying value of remaining investment is not expected to be higher than the fair value less cost to sell.

6 INVESTMENTS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
<i>Investments carried at FVTOCI</i>			
Investment in quoted securities - refer note 6.1	91,447	117,584	135,736
Investment in unquoted securities - refer note 6.1	31,537	30,480	33,310
(i)	122,984	148,064	169,046
<i>Investments carried at FVTPL</i>			
Investment in quoted securities - refer note 6.2	21,993	27,680	25,645
(ii)	21,993	27,680	25,645
(i) + (ii)	144,977	175,744	194,691

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020 (unaudited)

6 INVESTMENTS (continued)

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
<i>Quoted:</i>			
UAE	93,121	120,912	131,831
Outside UAE	20,319	24,352	29,550
<i>Unquoted:</i>			
UAE	3,823	3,823	5,100
Outside UAE	27,714	26,657	28,210
	144,977	175,744	194,691

6.1 Investments carried at FVTOCI

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Opening balance	148,064	166,791	166,791
Purchase during the period/year	2,021	4,264	3,384
Change in fair value	(25,174)	1,018	2,279
Disposals during the period/ year	(1,927)	(24,009)	(3,408)
Closing balance	122,984	148,064	169,046

Cumulative changes in fair value of investments carried at FVTOCI

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Opening balance	12,324	13,996	13,996
Change in fair value during the period/year	(25,174)	1,018	2,279
Less: transferred to retained earnings upon disposal	(39)	(2,690)	(827)
Closing balance (i)	(12,889)	12,324	15,448

Change in fair value of interest rate swap

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Opening balance	-	-	-
Change in fair value during the period/year	(2,385)	-	-
Less: transferred to retained earnings upon settlement	-	-	-
Closing balance (ii)	(2,385)	-	-
Fair value reserve as on (i) + (ii)	(15,274)	12,324	15,448

Sharjah Cement and Industrial Development Co. (PJSC) and its subsidiary

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the nine month period ended 30 September 2020 (unaudited)

6 INVESTMENTS (continued)

6.2 Investments carried at FVTPL

Movement during the period/ year is as follows:

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Opening balance	27,680	20,904	20,904
Purchase during the period/year	4,198	5,809	4,228
Change in fair value (refer note 4)	(4,965)	6,559	3,173
(Loss)/ gain on disposal of investments carried at FVTPL (refer note 4)	142	186	725
Disposals during the period/ year	(5,062)	(5,778)	(3,385)
Closing balance	<u>21,993</u>	<u>27,680</u>	<u>25,645</u>

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
<i>At 30 September 2020</i>				
Investments carried at FVTOCI	91,447	-	31,537	122,984
Investments carried at FVTPL	21,993	-	-	21,993
	<u>113,440</u>	<u>-</u>	<u>31,537</u>	<u>144,977</u>
<i>At 31 December 2019</i>				
Investments carried at FVTOCI	117,584	-	30,480	148,064
Investments carried at FVTPL	27,680	-	-	27,680
	<u>145,264</u>	<u>-</u>	<u>30,480</u>	<u>175,744</u>

7 INVESTMENT PROPERTIES

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Lands	96,081	96,081	96,767
Buildings	175,960	28,233	35,174
Properties under development	1,866	151,264	130,503
Total	<u>273,907</u>	<u>275,578</u>	<u>262,444</u>

Investment properties are accounted for using the cost model. The fair value of the investment properties as at 31 December 2019 are based on the valuation report issued by an independent valuer. The valuer is registered in the United Arab Emirates. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Valuations are performed on a periodic basis, at least annually. Fair value of the Company's investment properties are based on unobservable inputs (i.e. Level 3). The fair value of the entire portfolio of investment properties as at 31 December 2019 was AED 443 million.

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8 CASH IN HAND AND AT BANK

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
Cash in hand and at bank	<u>32,957</u>	<u>20,493</u>	<u>43,013</u>

Cash in hand and at bank includes AED 6.55 million (31 December 2019: AED 1.6 million and 30 September 2019: AED 4.5 million) held outside UAE.

9 BANK BORROWINGS

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
<i>Long term borrowings:</i>			
Term loans	256,744	254,184	259,472
Less: short term portion of term loans	(57,447)	(62,831)	(66,047)
Long term portion of loan	<u>199,297</u>	<u>191,353</u>	<u>193,425</u>
<i>Short term borrowings:</i>			
Short term loans	220,129	274,995	306,703
Current portion of term loans	57,447	62,831	66,047
	<u>277,576</u>	<u>337,826</u>	<u>372,750</u>

- (i) All facilities bear interest rates at prevailing market rates.
- (ii) Demand promissory note for AED 370 million is issued in favour of the bank as a security against the bank facilities.
- (iii) Borrowings include (a) a term loan taken in respect of development of an investment property which is secured by a registered mortgage over the property for an amount of AED 92 million and (b) a term loan taken in respect of Captive Power Plant which is secured by a notarized commercial mortgage over financed Power Plant for an amount of AED 145 million in favour of the banks in UAE.
- (iv) Bank borrowings are also subject to certain financial covenants. Testing for compliance with the financial covenants is done annually on 31 December. As at 31 December 2019, the Group had complied with the financial covenants as specified in the facility letters with the banks.

10 SHARE CAPITAL

	<i>30 September 2020 AED'000 (Unaudited)</i>	<i>31 December 2019 AED'000 (Audited)</i>	<i>30 September 2019 AED'000 (Unaudited)</i>
<i>Authorised, issued and paid up</i> 608,253,747 shares of AED 1 each	<u>608,254</u>	<u>608,254</u>	<u>608,254</u>

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11 STATUTORY RESERVE

In accordance with Article 239 of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, a minimum of 10% of the net profit of the Company is allocated every year to a non- distributable statutory reserve. Such allocation may be ceased when the statutory reserve equals half of the paid up share capital of the Company. This reserve is not available for distribution except in circumstances stipulated by the law. The Board of Directors have not proposed any further transfer to the statutory reserve as the reserve is in excess of 50% of the paid up share capital.

12 GENERAL RESERVE

As per Company's Articles of Association, 10% of the profit for the year has to be transferred to general reserve until the reserve reaches 25% of the paid up share capital. This reserve is available for distribution at the recommendation of the directors and approval of shareholders in an ordinary general meeting. The Board of Directors have not proposed any further transfer to the general reserve as the reserve is in excess of 25% of the paid up share capital.

13 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Group and the weighted average number of ordinary shares outstanding as at 30 September 2020, calculated as follows:

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
Earnings per share				
(Loss) / profit for the period	<u>(22,731)</u>	<u>240</u>	<u>(47,403)</u>	<u>2,789</u>
Weighted average number of shares outstanding ('000s)	<u>608,254</u>	<u>608,254</u>	<u>608,254</u>	<u>608,254</u>
Basic and diluted earnings per share (AED)	<u>(0.037)</u>	<u>0.0004</u>	<u>(0.078)</u>	<u>0.005</u>

14 CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 September 2020, the Group has issued guarantees relating to performance bonds amounting to AED 2.3 million (31 December 2019: AED 1.8 million), from which it is anticipated that no material liabilities will arise.

Estimated capital expenditure commitment at the reporting date amounted to AED 1.6 million (31 December 2019: AED 17.8 million).

The Group also has commitments of AED 6.5 million (31 December 2019: AED 8.6 million) on account of investments made in securities and funds. The Group has to pay as and when calls are made by the fund managers/investee companies.

15 DIVIDEND

At the Annual General Meeting held on 30 April 2020, the shareholders approved cash dividend of AED Nil (2018: AED 39.5 million) at AED Nil per share (2018: AED 0.065 per share), as proposed by the Board of Directors, in respect of the year ended 31 December 2019.

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16 SEGMENT REPORTING

The Group has broadly two major reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

Manufacturing segment includes cement, paper sacks and ropes products.

Investment segment includes investment and cash management for the Company's own account.

Investment segment is organised into two business units as follows:

- Investment and letting out properties in UAE.
- Investment in public and private equities and funds, mainly in 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 eliminated on consolidation.

	<i>Three month period ended 30 September</i>		<i>Nine month period ended 30 September</i>	
	<i>2020 AED'000</i>	<i>2019 AED'000</i>	<i>2020 AED'000</i>	<i>2019 AED'000</i>
<i>Manufacturing</i>				
Revenue	101,498	137,695	325,221	435,446
Cost of sales	(113,755)	(131,209)	(336,276)	(420,751)
Gross (loss) / profit	(12,257)	6,486	(11,055)	14,695
Miscellaneous income/(expenses)	736	2,217	2,157	976
Expenses	(3,168)	(3,270)	(10,161)	(10,115)
Net segment results	(14,689)	5,433	(19,059)	5,556
<i>Investment</i>				
Income from investment in private and public equities and funds	1,558	762	507	11,660
	1,558	762	507	11,660
Income from investment properties	(278)	926	503	3,186
Depreciation	(2,199)	(662)	(6,591)	(1,966)
	(2,477)	264	(6,088)	1,220
Net segment results	(919)	1,026	(5,581)	12,880
Finance costs	(4,831)	(5,319)	(15,032)	(11,252)
Unallocated income and expenses-Head office	(2,292)	(900)	(7,731)	(4,395)
(Loss) / Profit for the period	(22,731)	240	(47,403)	2,789

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16 SEGMENT REPORTING (continued)

Other information

	30 September 2020			31 December 2019		
	<i>Manufacturing AED'000</i>	<i>Investment AED'000</i>	<i>Total AED'000</i>	<i>Manufacturing AED'000</i>	<i>Investment AED'000</i>	<i>Total AED'000</i>
Segment assets	<u>1,465,249</u>	<u>471,771</u>	<u>1,937,020</u>	<u>1,630,645</u>	<u>497,553</u>	<u>2,128,198</u>
Segment liabilities	<u>596,106</u>	<u>40</u>	<u>596,146</u>	<u>719,812</u>	<u>70</u>	<u>719,882</u>
Depreciation	<u>52,346</u>	<u>6,591</u>	<u>58,937</u>	<u>46,455</u>	<u>1,966</u>	<u>48,421</u>
Capital expenditure	<u>23,423</u>	<u>8,608</u>	<u>32,031</u>	<u>79,071</u>	<u>74,203</u>	<u>153,274</u>

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the periods ended 30 September 2020 and 30 September 2019.

	30 September 2020			30 September 2019		
	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Revenue	<u>247,028</u>	<u>78,193</u>	<u>325,221</u>	<u>361,470</u>	<u>73,976</u>	<u>435,446</u>
Investment (loss)/ income	<u>(3,395)</u>	<u>(2,186)</u>	<u>(5,581)</u>	<u>9,563</u>	<u>3,317</u>	<u>12,880</u>

	30 September 2020			31 December 2019		
	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>	<i>Domestic AED'000</i>	<i>International AED'000</i>	<i>Total AED'000</i>
Assets	<u>1,810,306</u>	<u>126,714</u>	<u>1,937,020</u>	<u>1,776,936</u>	<u>378,367</u>	<u>2,155,303</u>
Liabilities	<u>498,592</u>	<u>97,554</u>	<u>596,146</u>	<u>639,063</u>	<u>100,404</u>	<u>739,467</u>
Capital expenditure	<u>32,031</u>	<u>-</u>	<u>32,031</u>	<u>178,766</u>	<u>-</u>	<u>178,766</u>

17 SEASONALITY OF RESULTS

Dividend income amounted to AED 5,114 thousand and AED 5,929 thousand for the nine-month period ended 30 September 2020 and 30 September 2019 respectively. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 September 2020 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 2020.

18 COVID-19 ASSESSMENT

Economic activities have been impacted on account of the spread of the COVID-19 pandemic in the region. Company's cash flows may be impacted, due to delays in collection and will require managing short- and medium-term liquidity requirements. The Company's management is closely monitoring the impact of the developments on the Company's operations and liquidity and has started to put in place required contingency measures. Management considers that the situation is fast evolving and the effect of the outbreak is by nature subject to significant levels of uncertainty, which cannot be estimated with precision.