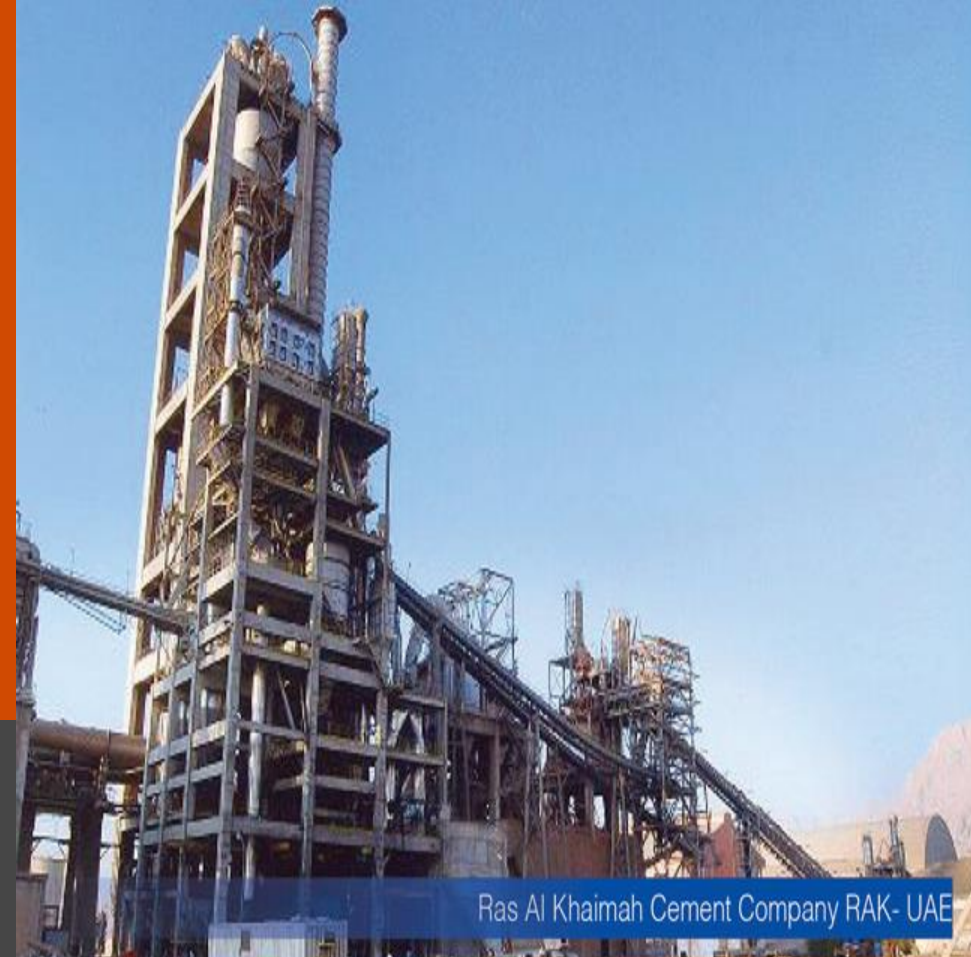


# Ras Al Khaimah Cement Company

Review for the period ended 30 September 2019

Presentation to the Board of Directors



Ras Al Khaimah Cement Company RAK- UAE





The Board of Directors  
Ras Al Khaimah Cement  
Company  
Ras Al Khaimah,  
United Arab Emirates

18 November 2019

Dear Sirs,

We are pleased to present our draft report on the review of the condensed interim statement of financial position of Ras Al Khaimah Cement Company P.S.C. (the “Company”) as at 30 September 2019 and the related condensed statements of income, comprehensive income for the three month and nine month periods then ended, and condensed statements of changes in equity and cash flows for the nine month period then ended and other explanatory notes.

We bring to your attention significant matters that arose during the performance of our review procedures. Your input on these matters is greatly appreciated and gives us an opportunity to address areas of particular interest or concern.

We are required by International Standards on Auditing to communicate certain matters related to the conduct of the review. Our communications include only those review matters of governance that have come to our attention as a result of the performance of the review. 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.

We would like to take this opportunity to express our appreciation for the continued cooperation and assistance being provided to us by management during the course of the current review. We look forward to discussing the contents of this report with you.

Yours faithfully,

Mohamed Aylouche  
Partner



## **Section**

- 1 Review Status and Scope
- 2 Financial Highlights
- 3 Review and Accounting Matters
- 4 Required Communications

## **Page**

- 04  
06  
09  
13

# 1. Review Status and scope



# 1. Review Status and scope



## *Our review status*

We have completed our review to the condensed interim statement of financial position of Ras Al Khaimah Cement Company P.S.C. (the “Company”) at 30 September 2019 and the related condensed statements of income, comprehensive income for the three month and nine month periods then ended, and condensed statements of changes in equity and cash flows for the nine month period then ended and other explanatory notes.

## *Review conclusion*

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

### **Pending:**

Newtec Cement Factory Confirmation.

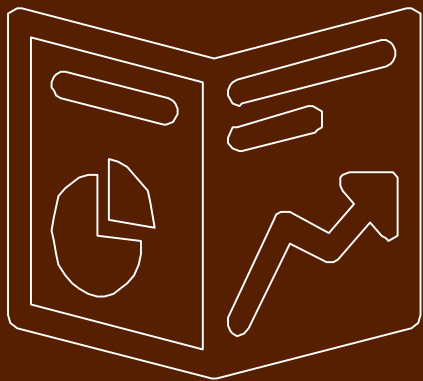
Al Banna Quarries Confirmation.

## *Changes in accounting standards*

IFRS 16’ The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

Per inquiry of Management, the Company doesn’t have any lease contracts, hence no impact from the new standards.

## 2. Financial Highlights



## 2. Financial highlights

# Ras Al Khaimah Cement Company



### Income statement key results (AED'000)

	30-Sep 2019	30-Sep 2018	Variance
Revenue	133,854	165,703	(31,849)
Cost of sales	(129,305)	(153,572)	24,267
<b>Gross profit</b>	<b>4,549</b>	<b>12,131</b>	<b>(7,582)</b>
Gross profit %	3%	7%	-4%
<b>Loss/profit for the period</b>	<b>(6,434)</b>	<b>6,679</b>	<b>(13,113)</b>

- The decrease in revenue is mainly due to the decrease of sales to Asia cement trading from 2018, that's because of the high market competition. Rest of sales to company's customers are fluctuating b/w ups and down according to the market condition and current economic situation.

- The decrease in gross margin is due to the decrease in sales price by AED 14 in comparison with last year/staff cost/ Diesel.

- Loss of the period is mainly for write off of long outstanding receivables of AED 2 M., increase in staff cost and Diesel consumption.

**Financial information  
key figures (in  
AED'000)**

**Revenue**

133,854

**Gross Profit**

4,549

**Net loss**

(6,434)

## 2. Financial highlights (continued)

# Ras Al Khaimah Cement Company



### Financial position key results (AED'000)

	30-Sep 2019	31-Dec 2018	Variance
Current assets	228,786	203,039	25,747
Current liabilities	(67,756)	(59,786)	(7,970)
<b>Net current assets</b>	<b>161,030</b>	<b>143,253</b>	<b>17,777</b>
Assets	661,788	665,741	2,721
Liabilities	(88,652)	(85,746)	(1,352)
Equity	573,136	579,995	1,369

Main changes to st. of financial position are as follows:

-The advance payment of 13 M AED paid during the nine-month period to purchase Newtec and Al Bana Quarries factory, puts pressure on the cash usage in which increased the usage of the overdraft facility by 5 M AED.

- Purchases of advances to chemicals of AED 12.5 million from Radiant to ensure better quality of Klinker.

- Investments carried at FVOCI is decreased by AED 11.5M due to sales of some investments and change in fair value.

- Share capital decrease by AED 55,902 M. and retirement of treasury shares by AED 47,711,000 and rest of AED 8.1 M closed against accumulated losses.

**Financial information  
key figures (in  
AED'000)**

**Share capital**

503,118

**Acc. Losses**

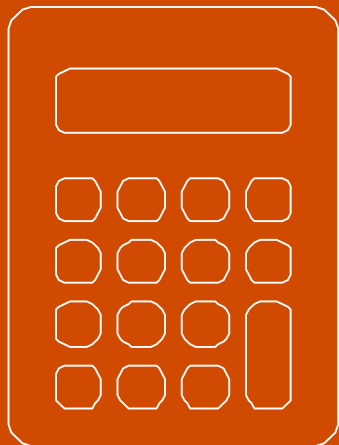
14,586

**Inv. FVOCI**

36,502



### 3. Review & Accounting Matters



# 3. Review and Accounting Matters



## *Significant matters*

Significant matters are those matters that, in the reviewer's professional judgment, were of most significance in the review of the financial information during the current period. We have considered:

- Areas which were considered to be susceptible to higher risks of material misstatement.
- Significant management estimates in relation to areas of the financial information.
- The effect on the review of significant events or transactions that have taken place during the period.

### 3. Review and Accounting Matters *(continued)*



#### *Ras Al Khaimah Cement Company Significant matters*

#### *NewTec Factory & Al Bana Quarries*

During the first quarter of 2019, the Company paid AED 10 million as an advance payment to acquire Newtec Cement Factory and Al Bana Quarries (the "Establishments"), located in the United Arab Emirates. The total transaction value of the acquisition was intended to have been approximately AED 450 million. The terms of the acquisition agreement stipulated that the acquisition was contingent upon the Company being able to obtain necessary financing to make the acquisition. The Company was unable to obtain a suitable financing and as a result, during the third quarter of 2019, decided to cancel the acquisition. In March 2019, at the time of making the advance payment, the Company along with the Establishments' seller amended the trade licences of the Establishments to reflect the Company as their new owner. This was done on the basis that the acquisition would complete before December 2019. However, because the acquisition will not now take place, the Company is currently in the process of re-amending the trade licences of the Establishments to again reflect the seller as the owner. The Company did not obtain control over the Establishments at any stage and therefore has not consolidated their related interim financial information.

### 3. Review and Accounting Matters *(continued)*



#### *Restatement of balances as at 31 December 2018* *Significant matters*

#### Disposed investment carried at FVOCI

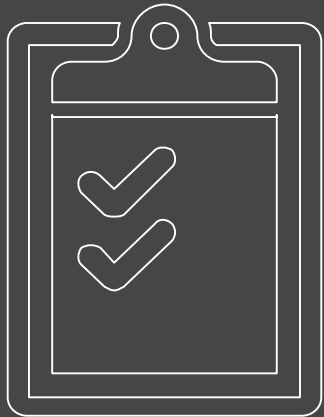
During the period, management reviewed the accounting treatment of certain past transactions and noted an error in the financial statements relating to transfer of cumulative net gain or loss on disposal of equity investment fair valued through other comprehensive income from cumulative changes in fair value of investment carried at FVTOCI reserve to accumulated losses. The Company has transferred a loss of AED 1.4 million to the accumulated losses instead of the net gain amounting to AED 1.8 million on disposal of equity investment fair valued through OCI during the year ended 31 December 2018. The accumulated losses is lower by AED 3.2 million and cumulative changes in fair value of investment carried at FVTOCI reserve is higher by the same amount as at 31 December 2018. A third statement of financial position was not presented as the impact of the error on the opening statement of financial position as of 1 January 2018 is not applicable.

The impact of the above correction on the relevant line items in the financial statements for the year ended 31 December 2018 is presented below:

<b>Statement of financial position</b>	31-Dec-18	Impact of adjustment	31-Dec-18
	AED	AED	AED
	(Previously stated)		(Restated)
Cumulative changes in fair value (FVOCI)	(24,784,381)	(3,275,802)	(28,060,183)
Accumulated losses	(8,685,254)	3,275,802	(5,409,452)

This issue has been communicated by company's management with prior year auditor who did not show any objection.

## 4. Required Communications



## 5. Required Communications (continued)



### Other required communications

Matter to be communicated	Auditor's response
Auditor's responsibility under generally accepted auditing standards	Included in our engagement letter.
Significant accounting policies, including critical accounting policies and alternative treatments within generally accepted accounting principles, and the auditor's judgement about the quality of accounting policies	There were no significant changes in accounting policies from the prior period except for those disclosed in financial information.
Management judgements and accounting estimates	Use of management judgments and accounting estimates is an integral part of the financial statement preparation process. These judgments and estimates are based on knowledge and experience about past and current events, and assumptions about future events. Senior management, including operating, financial and other personnel, are appropriately involved in the development, review and approval of significant judgments and estimates used in the preparation of the financial information. The issues are reviewed on a regular basis, and adjustments are made as appropriate based upon changes in facts and circumstances.
Materiality	Materiality was benchmarked to the Company's profit before tax.
Uncorrected adjustments	There are no uncorrected adjustments above our SUM level

# 5. Required Communications (continued)



## Other required communications (continued)

<b>Matter to be communicated</b>	<b>Auditor's response</b>
Potential effect on the financial information of any significant risks and exposures	We are not aware of any significant risks or exposures that could materially affect the condensed financial information.
Material uncertainties related to events and conditions that may cast doubt on the ability to continue as a going concern	None were noted.
Control deficiencies	We are not aware of additional matters relating to internal control that require your attention at this stage.
Disagreements with management	There were no disagreements with the management.
Consultation with other accountants	There were no consultations with other accountants.
Significant difficulties encountered during the audit.	No significant difficulties were encountered while performing our audit procedures.
Fraud and illegal acts	As confirmed by management, no irregularities, fraud or illegal acts involving senior management, or that would cause a material misstatement of the consolidated financial statements were noted during the period.
Independence	We confirm our independence to the Company.

# Thank you

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