Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

GULF CEMENT COMPANY P.S.C.

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Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
28th Floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Tel: +971 4 701 0100
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com/mena

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C.

Introduction

We have reviewed the accompanying interim condensed financial statements of Gulf Cement Company P.S.C. (the "Company") as at 30 June 2020 which comprise the interim condensed statement of financial position as at 30 June 2020 and the related interim condensed statements of profit or loss and comprehensive income for the three-month and six-month period then ended and interim condensed statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standards 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.

Emphasis of matter

We draw attention to note 23 to the interim condensed financial statements which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting its consumer demand. Our opinion is not modified in respect of this matter.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

12 August 2020

Dubai, United Arab Emirates

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the period ended 30 June 2020 (unaudited)

		Three-month period ended		*Six-month period ended*	
		30 June 2020	*30 June 2019*	***30 June 2020***	*30 June 2019*
	Notes	***AED***	*AED*	***AED***	*AED*
Revenue	4	**85,657,563**	108,837,892	**173,918,837**	238,903,762
Cost of sales		**(98,442,892)**	(100,215,838)	**(201,571,183)**	(225,532,896)
GROSS (LOSS) / PROFIT		**(12,785,329)**	8,622,054	**(27,652,346)**	13,370,866
Other operating income		**2,295,312**	2,755,402	**4,417,855**	4,688,397
Selling, distribution and administrative expenses		**(10,296,163)**	(12,946,311)	**(21,950,931)**	(21,829,175)
Investment income / (loss) - net	5	**1,786,025**	915,093	**(2,768,622)**	1,175,300
Finance cost		**(657,248)**	(35,426)	**(1,115,056)**	(171,264)
Other income		**125,704**	90,916	**631,976**	3,622,370
(LOSS) / PROFIT FOR THE PERIOD		**(19,531,699)**	(598,272)	**(48,437,124)**	856,494
Earnings per share (EPS):					
Basic (loss) / profit per share	15	**(0.024)**	(0.0007)	**(0.059)**	0.001

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2020 (unaudited)

	Three-month period ended		*Six-month period ended*	
	30 June 2020	*30 June 2019*	***30 June 2020***	*30 June 2019*
	AED	*AED*	***AED***	*AED*
(Loss) / profit for the period	**(19,531,699)**	(598,272)	**(48,437,124)**	856,494
Other comprehensive income:				
Other comprehensive income / (loss) that will not be reclassified to profit or loss in subsequent periods				
Profit on disposal of investment carried at fair value through other comprehensive income (FVTOCI)	**-**	328,808	**-**	2,526,998
Net change in fair value of investments carried at FVTOCI	**4,703,529**	646,248	**(7,533,751)**	5,309,892
Total other comprehensive income / (loss)	**4,703,529**	975,056	**(7,533,751)**	7,836,890
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	**(14,828,170)**	376,784	**(55,970,875)**	8,693,384

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020 (unaudited)

	Notes	*30 June 2020 AED (unaudited)*	*31 December 2019 AED (audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	6	**851,409,519**	875,617,574
Investment property		**12,011,300**	12,011,300
Trade and other receivables	7	**2,167,283**	2,667,283
Investments carried at fair value through other comprehensive income (FVTOCI)	8(a)	**25,393,512**	32,927,263
Total non-current assets		**890,981,614**	923,223,420
Current assets			
Inventories	9	**113,889,415**	111,443,422
Trade and other receivables	7	**103,193,586**	139,511,357
Investments carried at fair value through profit or loss (FVTPL)	8(b)	**39,926,252**	44,594,605
Bank balances and cash	10	**9,025,876**	6,558,945
Total current assets		**266,035,129**	302,108,329
TOTAL ASSETS		**1,157,016,743**	1,225,331,749
EQUITY AND LIABILITIES			
Equity			
Share capital	11	**821,096,820**	821,096,820
Reserves	12	**369,190,461**	369,190,461
Fair value reserve	8	**(173,354,238)**	(165,820,487)
Accumulated losses		**(91,527,375)**	(43,090,251)
Total equity		**925,405,668**	981,376,543
Non-current liability			
Provision for employees' end of service indemnity		**9,550,165**	10,542,000
Current liabilities			
Bank borrowings	13	**48,540,912**	52,513,300
Trade and other payables	14	**173,519,998**	180,899,906
Total current liabilities		**222,060,910**	233,413,206
Total liabilities		**231,611,075**	243,955,206
TOTAL EQUITY AND LIABILITIES		**1,157,016,743**	1,225,331,749

Kayed Omar Saqr Mohamed Al Qassimi
Chairman

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2020 (unaudited)

	Share capital AED	*Treasury shares AED*	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2020	821,096,820	-	369,190,461	(165,820,487)	(43,090,251)	981,376,543
Loss for the period	-	-	-	-	(48,437,124)	(48,437,124)
Other comprehensive income for the period	-	-	-	(7,533,751)	-	(7,533,751)
Total comprehensive income for the period	-	-	-	(7,533,751)	(48,437,124)	(55,970,875)
Balance at 30 June 2020 (unaudited)	**821,096,820**	**-**	**369,190,461**	**(173,354,238)**	**(91,527,375)**	**925,405,668**
Balance at 1 January 2019	821,096,820	(451,248)	410,220,302	(169,971,238)	(18,331,315)	1,042,563,321
Profit for the period	-	-	-	-	856,494	856,494
Other comprehensive income for the period	-	-	-	5,309,892	2,526,998	7,836,890
Total comprehensive income for the period	-	-	-	5,309,892	3,383,492	8,693,384
Transfer from voluntary reserve (note 12)	-	-	(41,029,841)	-	41,029,841	-
Dividend distribution (note 16)	-	-	-	-	(41,029,841)	(41,029,841)
Balance at 30 June 2019	821,096,820	(451,248)	369,190,461	(164,661,346)	(14,947,823)	1,010,226,864

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the period ended 30 June 2020 (unaudited)

	Notes	*Six-month period ended* 30 June 2020 AED	30 June 2019 AED
OPERATING ACTIVITIES			
(Loss) / profit for the period		**(48,437,124)**	856,494
Adjustments to reconcile profit to cash flows:			
Depreciation of property, plant and equipment	6	**33,854,651**	34,382,352
Finance cost		**1,115,056**	171,264
Provision for employees' end of service indemnity		**210,000**	480,000
Unrealised loss on investments carried at FVTPL	5	**4,668,353**	1,166,710
Provision for expected credit losses	7	**500,000**	-
Gain on sale of investments in securities	5	**-**	(74,751)
Interest and dividend income	5	**(1,899,731)**	(2,267,259)
		(9,988,795)	34,714,810
Working capital adjustments			
Trade and other receivables		**36,317,771**	(21,103,970)
Inventories		**(2,445,993)**	(53,338,611)
Trade and other payables		**(7,280,529)**	35,207,087
		16,602,454	(4,520,684)
Employees' end of service indemnity paid		**(1,201,835)**	(674,552)
Finance cost paid		**(1,115,056)**	(171,264)
Net cash flows generated from / (used in) operating activities		**14,285,563**	(5,366,500)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	**(9,646,596)**	(2,675,022)
Purchase of investments carried at FVTOCI		**-**	(441,506)
Proceeds on disposal of investments in securities		**-**	16,784,728
Dividends received	5	**1,893,062**	2,206,228
Interest received	5	**6,669**	61,031
Net cash flows (used in) / generated from investing activities		**(7,746,865)**	15,935,459
FINANCING ACTIVITIES			
Net movement in bank borrowings		**(3,972,388)**	25,143,492
Net movement in the finance lease liability		**-**	(15,789,198)
Dividends paid		**(99,379)**	(38,990,578)
Net cash used in financing activities		**(4,071,767)**	(29,636,284)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		**2,466,931**	(19,067,325)
Cash and cash equivalents at the beginning of the period	10	**6,558,945**	23,053,928
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**9,025,876**	3,986,603

The accompanying notes 1 to 23 form an integral part of these interim condensed financial statements.

1. CORPORATE INFORMATION

Gulf Cement Company P.S.C. (a Public Shareholding Company), Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295 Ras Al Khaimah, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange (ADX) and Kuwait Stock Exchange (Boursa Kuwait). In the General Assembly Meeting held on 2 April 2020, the shareholders approved the delisting of the Company's shares from Kuwait Stock Exchange (Boursa Kuwait). The legal formalities for the delisting of the shares are still in progress at the date of authorising these interim condensed financial statements.

The principal activities of the Company are production and marketing of all types of cement.

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed financial statements of the Company for the six months period ended 30 June 2020 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 2019.

In addition, results for the six months period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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

The interim condensed financial statements have been prepared on a historical cost basis except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment property that have been measured at fair value.

2.2 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 2019, except for the change in the accounting policy as described in note 2.3 below and the adoption of new standards effective as of 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the interim condensed financial statements of the Company.

- Amendments to IFRS 3 - Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendment to IFRS 16 - Covid-19-Related Rent Concessions
- The Conceptual Framework for Financial Reporting

Annual Improvements 2018-2020 cycle (issued in May 2020)

- Amendments to the illustrative examples accompanying IFRS 16 Leases - Lease incentives
- Amendments to IAS 41 Agriculture - Taxation in fair value measurements

2. BASIS OF PREPARATION AND CHANGES TO THE COMPANY'S ACCOUNTING POLICIES (continued)

2.3 Significant accounting policies

During the period ended 30 June 2020, the Company reviewed the depreciation method used to depreciate certain plant and machinery and power stations and decided to change the depreciation method from straight line basis to unit of production method since it better reflects the pattern in which these asset's future economic benefits are expected to be consumed by the Company. As a result, the Company's accounting policy has been revised to reflect the change in depreciation method prospectively as per the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors as set out below:

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset except for certain plant and machinery and power stations which are depreciated using units of product method, as follows:

Building and roads	27 to 35 years
Plant and machinery*	5 to 15 years / units of production
Power stations	units of production
Vehicles and equipment	2 to 5 years
IT computer and hardware	3 years

*Effective from 1 January 2020, the Company changed its depreciation method of a production line classified as part of plant and machinery and power stations to the units of production method (note 6). Power stations were depreciated prior to 1 January 2020 over a useful life of 10 to 30 years.

Units of production rates are based on estimated remaining production units of the plant and machinery and power stations measured in terms of tonnage and megawatts, respectively as of 1 January 2020 as determined by an independent third-party consultant. These remaining production units are estimated considering operation and maintenance of the plant and machinery and power stations as per internationally accepted industry standards.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end, and adjusted prospectively if, appropriate.

Spare parts that meet the definition of property, plant and equipment are capitalised as such and accounted for accordingly. If spare parts do not meet the recognition criteria of property, plant and equipment, they are either carried in inventory or consumed and recorded in the statement of profit or loss. Depreciation of spare parts commences when they are put into use, rather than when they are acquired. Spare parts are depreciated over the shorter of its useful life and the remaining expected useful life of the asset to which it relates. During the period, before the spare parts is available for service, any reduction in value is reflected as an impairment loss as per the requirements of IAS 36 when indicators of impairment are identified.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions 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.

In preparing these interim condensed financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual financial statements for the year ended 31 December 2019 except as disclosed below and those that are discussed in note 23, which are primarily arising due to the impact of COVID-19.

Units of production depreciation

Certain property, plant and equipment are depreciated using the units of production (UOP) method based on the remaining production capacity as determined by an independent third-party consultant as of 1 January 2020. This results in a depreciation charge proportional to the estimated production capacity of the property, plant and equipment. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of the remaining production capacity assuming the operation and maintenance of the property, plant, and equipment as per internationally accepted industry standards. These calculations require the use of estimates and assumptions, including the number of remaining units of productions and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production or future capital expenditure estimates changes. Changes to estimated production capacity could arise due to changes in the factors or assumptions used in estimating capacity, including the below:

- Unforeseen operational issues
- Manufacturing defects
- Improper modifications done
- Improper replacements done
- Poor maintenance practices
- Reducing costly unscheduled outages caused by in-service failures

Changes in estimates are accounted for prospectively.

4. REVENUE

Set out below is the disaggregation of the Company's revenue from contracts with customers:

4.1 Disaggregated revenue information

	Three-month period ended		*Six-month period ended*	
	30 June 2020 AED (unaudited)	*30 June 2019 AED (unaudited)*	***30 June 2020 AED (unaudited)***	*30 June 2019 AED (unaudited)*
Type of revenue				
Sale of goods	**85,657,563**	108,837,892	**173,918,837**	238,903,762

	Three-month period ended		*Six-month period ended*	
	30 June 2020 AED (unaudited)	*30 June 2019 AED (unaudited)*	***30 June 2020 AED (unaudited)***	*30 June 2019 AED (unaudited)*
Geographical markets				
Within UAE	**18,374,623**	23,582,558	**44,457,872**	58,333,848
Outside UAE	**67,282,940**	85,255,334	**129,460,965**	180,569,914
	85,657,563	108,837,892	**173,918,837**	238,903,762

4. REVENUE (continued)

4.1 Disaggregated revenue information (continued)

	Three-month period ended		*Six-month period ended*	
	30 June 2020	*30 June 2019*	***30 June 2020***	*30 June 2019*
	AED	*AED*	***AED***	*AED*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Timing of revenue recognition				
Goods transferred at a point in time	**85,657,563**	108,837,892	**173,918,837**	238,903,762

Revenue includes AED 156 million which represents 90% of total revenue (2019: AED 215 million which represents 92% of total revenue) from 7 customers (2019: 6 customers).

4.2 Contract balances

	30 June 2020	*31 December 2019*
	AED	*AED*
	(unaudited)	*(audited)*
Trade receivables (note 7)	**93,887,296**	126,289,364
Advances from customers (contract liabilities) (note 14)	**1,431,976**	1,946,956

4.3 Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 150 to 180 days from delivery.

5. INVESTMENT INCOME / (LOSS) – NET

	Three-month period ended		*Six-month period ended*	
	30 June 2020	*30 June 2019*	***30 June 2020***	*30 June 2019*
	AED	*AED*	***AED***	*AED*
	(unaudited)	*(unaudited)*	***(unaudited)***	*(unaudited)*
Unrealised (loss) / gain on investments carried at FVTPL	**579,979**	(493,013)	**(4,668,353)**	(1,166,710)
Gain on disposal of investment in securities	**-**	-	**-**	74,751
Dividend income	**1,200,780**	1,373,325	**1,893,062**	2,206,228
Interest income	**5,266**	34,781	**6,669**	61,031
	1,786,025	915,093	**(2,768,622)**	1,175,300

6. PROPERTY, PLANT AND EQUIPMENT

During the six months' period ended 30 June 2020, additions to property, plant and equipment amounted to AED 9,646,596 (30 June 2019: AED 2,675,022) and depreciation for the six months ended 30 June 2020 amounted to AED 33,854,651 (30 June 2019: AED 34,382,352).

The change in the depreciation method as explained in note 2.3, has resulted in decrease in depreciation charge for the period ended 30 June 2020 by an amount of AED 5,125,532 and decrease in net loss by the same amount. Further, the annual savings from the depreciation charge for the future years will be an approximate amount of AED 7.33 million and the income/loss for the future years will be increased/decreased by the same amount.

The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.

All property, plant and equipment are located in U.A.E.

Negative pledge over property, plant and equipment (note 13).

7. TRADE AND OTHER RECEIVABLES

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Trade receivables	**95,078,306**	128,161,998
Less: provision for expected credit losses	**(1,191,010)**	(1,872,634)
	93,887,296	126,289,364
Other receivables	**8,306,290**	10,721,993
Receivable from sale of an associate	**3,167,283**	5,167,283
	105,360,869	142,178,640
Receivable from sale of an associate due after one year	**(2,167,283)**	(2,667,283)
	103,193,586	139,511,357

The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 74 million (31 December 2019: AED 107 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.

The movement in provision for expected credit losses during the period were as follows:

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Balance at the beginning of the period	**1,872,634**	691,010
Charge during the period	**500,000**	1,181,624
Write-off during the period	**(1,181,624)**	-
Balance at the ending of the period	**1,191,010**	1,872,634

8. INVESTMENT IN SECURITIES

a) Investments carried at fair value through other comprehensive income (FVTOCI)

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Quoted	**82,670,045**	82,670,045
Unquoted	**116,077,705**	116,077,705
Total investments at FVTOCI	**198,747,750**	198,747,750
Fair value reserve, net	**(173,354,238)**	(165,820,487)
Fair value of investments	**25,393,512**	32,927,263

The geographical spread of the above investments is as follows:

	30 June 2020 (unaudited)		*31 December 2019 (audited)*	
	Concentration percentage	*Fair value AED*	*Concentration percentage*	*Fair value AED*
UAE	**0.26%**	**66,000**	0.55%	181,250
Other GCC countries	**99.74%**	**25,327,512**	99.45%	32,746,013
	100%	**25,393,512**	100%	32,927,263

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 173.4 million as at 30 June 2020 (31 December 2019: negative AED 165.8 million) and is shown under equity.

Equity instruments designated at fair value through OCI include investments in equity shares of listed and non-listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

b) Investments carried at fair value through profit or loss (FVTPL)

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Quoted	**83,815,027**	83,815,027
Unquoted	**2,826,156**	2,826,156
Total investments at FVTPL at cost	**86,641,183**	86,641,183
Less: cumulative changes in fair value	**(46,714,931)**	(42,046,578)
Fair value of investments	**39,926,252**	44,594,605

8. INVESTMENT IN SECURITIES (continued)

b) Investments carried at fair value through profit or loss (FVTPL) (continued)

The geographical spread of the above investments is as follows:

	30 June 2020 (unaudited)		*31 December 2019 (audited)*	
	Concentration percentage	***Fair value AED***	*Concentration percentage*	*Fair value AED*
UAE	**46.4%**	**18,505,991**	49.7%	22,143,780
Other GCC countries	**53.6%**	**21,420,261**	50.3%	22,450,825
	100%	**39,926,252**	100%	44,594,605

Movement in investment in securities were as follows:

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Fair value of investments at the beginning of the year	**77,521,868**	88,474,576
Additions made during the year	**-**	441,506
Disposals made during the year	**-**	(15,333,530)
Unrealized loss on revaluation of investments carried at FVTPL	**(4,668,353)**	(211,435)
Change in the fair value of investments carried at FVTOCI	**(7,533,751)**	4,150,751
Fair value of investments at the end of the year	**65,319,764**	77,521,868

9. INVENTORIES

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Finished goods	**10,305,266**	11,923,196
Raw materials	**21,272,431**	16,246,538
Work in progress	**29,785,512**	36,652,155
Bags, fuel and lubricants	**37,354,905**	31,631,226
Spare parts – maintenance department	**23,707,218**	22,552,111
Consumable items	**12,045,358**	13,000,254
Tools	**444,280**	463,497
	134,914,970	132,468,977
Less: allowance for slow-moving inventories	**(21,025,555)**	(21,025,555)
	113,889,415	111,443,422

Inventories are pledged against banking facilities (note 13).

10. BANK BALANCES AND CASH

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Cash on hand	**152,740**	52,045
Bank balances:		
Current accounts	**1,625,785**	4,453,037
Call deposits	**7,247,351**	2,053,863
Total bank balances	**8,873,136**	6,506,900
Bank balances and cash	**9,025,876**	6,558,945

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Bank balances		
In U.A.E.	**7,661,385**	5,195,762
In other GCC countries	**1,211,751**	1,311,138
	8,873,136	6,506,900

11. SHARE CAPITAL

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Issued and fully paid:		
821,096,820 ordinary shares of AED 1 each	**821,096,820**	821,096,820

In 2016, the Company bought back 500,000 ordinary shares from the stock market at a total cash consideration of AED 451,248. This buyback programme of up to 10% of the Company's shares was approved by the Securities Commodities Authority and the Company's shareholders. In 2019, the shares were sold in the stock market for a consideration of AED 325,189 resulting in a loss of AED 126,059 after obtaining the approval of the Securities and Commodities Authority.

12. RESERVES

According to the Company's Articles of Association and the requirements of the UAE Federal Law No (2) of 2015, 10% of the profit of each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

	Statutory reserve AED	*Voluntary Reserve AED*	*Total AED*
Balance at 31 December 2018 (audited)	364,457,977	45,762,325	410,220,302
Balance at 30 June 2019 (unaudited)	364,457,977	4,732,484	369,190,461
Balance at 31 December 2019 (audited)	364,457,977	4,732,484	369,190,461
Balance at 30 June 2020 (unaudited)	**364,457,977**	**4,732,484**	**369,190,461**

At the Annual General Meeting held on 18 April 2019, the shareholders approved the transfer of AED 41.0 million from voluntary reserve to retained earnings. No transfers were made for the period ended 30 June 2020.

13. BANK BORROWINGS

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Bank overdraft facilities	**2,845,098**	8,360,196
Short term loan	**45,695,814**	44,153,104
Total bank borrowings	**48,540,912**	52,513,300

The Company has an overdraft balance that is repayable on demand. The overdraft and short-term loan carries interest rates at market competitive variable rates based on EIBOR plus a spread and are secured against promissory note issued by the Company and certain other securities such as assignment of insurance policy over inventory and movable property, plant and equipment and pledge over inventories and a negative pledge over property, plant and equipment.

14. TRADE AND OTHER PAYABLES

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Trade payables	**138,357,910**	143,388,713
Dividend payable	**28,733,013**	28,832,392
Accrued expenses	**3,112,073**	5,002,319
Advance from customers	**1,431,976**	1,946,956
Other payables	**1,885,026**	1,729,526
	173,519,998	180,899,906

15. BASIC (LOSS) / EARNINGS PER SHARE

	Three-month period ended		***Six-month period ended***	
	30 June 2020 AED (unaudited)	*30 June 2019 AED (unaudited)*	***30 June 2020 AED (unaudited)***	*30 June 2019 AED (unaudited)*
(Loss) / profit for the period	**(19,531,699)**	(598,272)	**(48,437,124)**	856,494
Weighted average number of shares	**821,096,820**	820,596,820	**821,096,820**	820,596,820
Basic (loss)/ earnings per share	**(0.024)**	(0.0007)	**(0.059)**	0.001

The denominator for the purpose of calculation of basic (loss) / earnings per share has been adjusted to reflect the buyback of shares (note 11).

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

16. DIVIDENDS

At the annual general meeting held on 2 April 2020, no dividends were approved for declaration by the shareholders for the year ended 31 December 2019 (2019: 5% of share capital amounting to AED 41.0 million (AED 0.05 per share) for the year ended 31 December 2018). Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2019 (2018: nil).

17. RELATED PARTY BALANCES

During the period, the Company entered into the following transactions with related parties:

	Three-month period ended		***Six-month period ended***	
	30 June 2020 AED (unaudited)	*30 June 2019 AED (unaudited)*	***30 June 2020 AED (unaudited)***	*30 June 2019 AED (unaudited)*
Attendance expenses for Board of Directors and committees' meetings	**-**	622,500	**212,672**	622,500

17. RELATED PARTY BALANCES (continued)

Compensation of key management personnel
The remuneration of key management during the period was as follows:

	Three-month period ended		***Six-month period ended***	
	30 June 2020 AED (unaudited)	*30 June 2019 AED (unaudited)*	***30 June 2020 AED (unaudited)***	*30 June 2019 AED (unaudited)*
Salaries and other short-term benefits (note below)	**1,130,107**	1,147,093	**2,217,539**	2,363,480
Employees' end of service benefits	**40,414**	42,240	**80,977**	84,480

The amounts disclosed in the table above relating to salaries and other short-term benefits are the amounts recognised as an expense during the period related to key management personnel.

18. CONTINGENT LIABILITIES AND COMMITMENTS

	30 June 2020 AED (unaudited)	*31 December 2019 AED (audited)*
Letters of credit	**44,800,269**	47,782,775
Letters of guarantee	**10,236,730**	10,236,735

19. SEGMENT INFORMATION

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks and investment properties.

	Six-months period ended 30 June 2020			*Six-months period ended 30 June 2019*		
	Manufacturing	***Investments***	***Total***	*Manufacturing*	*Investments*	*Total*
	AED	***AED***	***AED***	*AED*	*AED*	*AED*
	(unaudited)	***(unaudited)***	***(unaudited)***	*(unaudited)*	*(unaudited)*	*(unaudited)*
Segment revenue	**173,918,837**	**-**	**173,918,837**	238,903,762	-	238,903,762
Segment result	**(45,668,502)**	**(2,768,622)**	**(48,437,124)**	(318,806)	1,175,300	856,494

	30 June 2020			*31 December 2019*		
	Manufacturing	***Investments***	***Total***	*Manufacturing*	*Investments*	*Total*
	(unaudited)	***(unaudited)***	***(unaudited)***	*(audited)*	*(audited)*	*(audited)*
	AED	***AED***	***AED***	*AED*	*AED*	*AED*
Segment assets	**1,079,685,679**	**77,331,064**	**1,157,016,743**	1,135,798,581	89,533,168	1,225,331,749
Segment liabilities	**231,611,075**	**-**	**231,611,075**	243,955,206	-	243,955,206

There are no transactions between the business segments.

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

a) Information about geographical segments
During the six month period ended 30 June 2020, revenue from customers located in the Company's country of domicile (UAE) is AED 44.5 million (six month period ended 30 June 2019: AED 58.3 million) and revenue from customers outside UAE (foreign customers) is AED 129.5 million (six month period ended 30 June 2019: AED 180.6 million).

b) Major customers
Revenue includes AED 156 million which represents 90% of total revenue (2019: AED 215 million which represents 92% of total revenue) from 7 customers (2019: 6 customers).

20. FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2019

Fair value of the Company's financial assets that are measured at fair value on recurring basis
Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	***Fair value*** ***2020 AED***	***2019 AED***	***Fair value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Quoted equity investments carried at FVTOCI	**24,755,127**	32,288,878	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	**638,385**	638,385	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management
Quoted equity instruments carried at FVTPL	**37,100,097**	41,768,450	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTPL	**2,826,155**	2,826,155	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management
	65,319,764	77,521,868				

20. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

30 June 2020 (unaudited)

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	-	-	**12,011,300**	**12,011,300**
Investments carried at FVTPL				
- Quoted equities	**37,100,097**	-	-	**37,100,097**
- Unquoted equities	-	-	**2,826,155**	**2,826,155**
Investments carried at FVTOCI:				
- Quoted equities	**24,755,127**	-	-	**24,755,127**
- Unquoted equities	-	-	**638,385**	**638,385**
	61,855,224	-	**15,475,840**	**77,331,064**

31 December 2019 (audited)

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment property	-	-	12,011,300	12,011,300
Investments carried at FVTPL				
- Quoted equities	41,768,450	-	-	41,768,450
- Unquoted equities			2,826,155	2,826,155
Investments carried at FVTOCI:				
- Quoted equities	32,288,878	-	-	32,288,878
- Unquoted equities	-	-	638,385	638,385
	74,057,328	-	15,475,840	89,533,168

There were no transfers between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

21. COMPARATIVE INFORMATION

Some of the corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or equity. These changes have been made to improve the comparability of information presented.

22. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 12 August 2020.

23. IMPACT OF COVID-19

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Company will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2020.

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the interim condensed financial statements.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these interim condensed financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the interim condensed financial statements:

a) Provision for expected credit losses of trade receivables

The uncertainties caused by COVID-19 have required the Company to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 June 2020. The Company has updated the relevant forward-looking information with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Since the majority of trade receivables are secured against bank guarantees or letters of credit, management believes that the allowance for ECL at the reporting date is appropriate.

b) Fair value of financial instruments

The Company has assessed the appropriateness of the existing valuation techniques in line with the volatile environment due to the current market conditions and has concluded that there is no material impact of COVID-19.

23. IMPACT OF COVID-19 (continued)

c) Going concern

During the six-month ended 30 June 2020, the Company incurred a loss of AED 48.4 million and, as of that date, the Company's accumulated losses amounted to AED 91.5 million. The performance of the Company has been impacted during the period ended 30 June 2020, due to the slowdown in the overall economic situation and the consequences of the COVID-19 outspread in this period has materially and adversely affected the demand and selling prices for the Company's primary products and therefore, its operating results have been negatively impacted. The construction activities in the export market were slowed due to stringent lockdown measures including fewer working days and suspension in residential construction activities.

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. Even in this challenging time, the Company was able to manage its liquidity position by proactively lowering maintenance capex without going for any external finance. Further, the Company has sufficient internal and external sources of finance until the time the performance metrics are improved which is expected to happen in the near future. The Company is low-leveraged which means that it is much better placed to face off the headwinds as compared to its competitors.

Management foresee improvement in local and export markets, formal construction should gradually improve, albeit at slower pace, as the economies reopens. Management is determined on developing strategies to concentrate and expand the Cement sales volumes which is under significant pressure, deferment of all non-essential and discretionary expenditure for the conceivable future, restricting capital expenditure to essential maintenance levels, strict working capital management and reducing working capital in line with lower activity levels, substantial restructuring actions to right-size the business in line with evolving demand and price levels and be the lowest cost-producer in the country through energy conservative measures, right mix of power sources and effective and efficient use of available resources. Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Company.

Management believes that the above actions, combined with other strategic and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively transform the profitability of the Company and improve its ability to generate future profits and cash flows and continue its operations in the foreseeable future.

The impact of COVID-19 may continue to evolve, but at the present time the projections demonstrate that the Company has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these interim condensed financial statements have been appropriately prepared on a going concern basis.

The Company will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance in 2020.