

# **Gulf Cement Company P.S.C.**

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 MARCH 2021**

## **GULF CEMENT COMPANY P.S.C.**

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## **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 31 March 2021 which comprise the interim statement of financial position as at 31 March 2021 and the related interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-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.

For Ernst & Young



Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690

5 May 2021

Sharjah, United Arab Emirates

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the three months ended 31 March 2021 (unaudited)

		<i>Three months period ended</i>	
		<i>31 March</i>	<i>31 March</i>
		<i>2021</i>	<i>2020</i>
	<i>Notes</i>	<i>AED</i>	<i>AED</i>
Revenue from contract with customers	4	<b>76,642,268</b>	88,261,274
Cost of sales		<b>(85,873,231)</b>	(103,128,291)
<b>GROSS LOSS</b>		<b>(9,230,963)</b>	(14,867,017)
Other operating income		<b>1,211,150</b>	2,122,543
Selling, general and administrative expenses		<b>(8,588,172)</b>	(11,654,768)
Investment income/ (loss) - net	5	<b>3,396,749</b>	(4,554,647)
Finance cost		<b>(569,840)</b>	(457,808)
Other income	6	<b>6,991,218</b>	506,272
<b>LOSS FOR THE PERIOD</b>		<b>(6,789,858)</b>	(28,905,425)
<b>Earnings per share (EPS):</b>			
Basic loss per share	16	<b>(0.017)</b>	(0.070)

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 COMPREHENSIVE INCOME

For the three months period ended 31 March 2021 (unaudited)

	<i>Three months period ended</i>	
	<i>31 March</i>	<i>31 March</i>
	<i>2021</i>	<i>2020</i>
	<i>AED</i>	<i>AED</i>
<b>LOSS FOR THE PERIOD</b>	<b>(6,789,858)</b>	<b>(28,905,425)</b>
<b>Other comprehensive income:</b>		
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>		
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI)	<b>2,516,592</b>	<b>(12,237,280)</b>
Total other comprehensive income/ (loss)	<b>2,516,592</b>	<b>(12,237,280)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(4,273,266)</b>	<b>(41,142,705)</b>

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 FINANCIAL POSITION

As at 31 March 2021 (unaudited)

	<i>Notes</i>	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	661,997,917	668,385,081
Investment property		10,700,000	10,700,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	30,726,768	28,210,176
Trade and other receivables	8	2,167,283	2,167,283
		<u>705,591,968</u>	<u>709,462,540</u>
<b>Current assets</b>			
Inventories	10	84,324,913	70,951,927
Trade and other receivables	8	86,993,757	91,605,898
Investments carried at fair value through profit or loss (FVTPL)	9(b)	41,942,717	39,703,643
Bank balances and cash	11	8,577,134	6,267,930
		<u>221,838,521</u>	<u>208,529,398</u>
<b>Total assets</b>		<u><u>927,430,489</u></u>	<u><u>917,991,938</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	410,548,410	410,548,410
Reserves	13	369,190,461	369,190,461
Fair value reserve	9(a)	(56,020,982)	(58,537,574)
Accumulated losses		(14,795,274)	(8,005,416)
<b>Total equity</b>		<u>708,922,615</u>	<u>713,195,881</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnities		8,646,086	8,815,240
Term loans	14	274,139	322,978
		<u>8,920,225</u>	<u>9,138,218</u>
<b>Current liabilities</b>			
Bank borrowings	14	55,600,172	55,498,001
Term loans	14	192,127	189,424
Trade and other payables	15	153,795,350	139,970,414
		<u>209,587,649</u>	<u>195,657,839</u>
<b>Total liabilities</b>		<u>218,507,874</u>	<u>204,796,057</u>
<b>Total equity and liabilities</b>		<u><u>927,430,489</u></u>	<u><u>917,991,938</u></u>



Kayed Omar Saqr Mohamed Al Qassimi  
Chairman of the Board of Directors

## Gulf Cement Company P.S.C.

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three months' period ended 31 March 2021 (unaudited)

	<i>Share capital AED</i>	<i>Reserves AED</i>	<i>Fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2021	410,548,410	369,190,461	(58,537,574)	(8,005,416)	713,195,881
Loss for the period	-	-	-	(6,789,858)	(6,789,858)
Other comprehensive income for the period	-	-	2,516,592	-	2,516,592
Total comprehensive loss for the period	-	-	2,516,592	(6,789,858)	(4,273,266)
<b>Balance at 31 March 2021 (unaudited)</b>	<b>410,548,410</b>	<b>369,190,461</b>	<b>(56,020,982)</b>	<b>(14,795,274)</b>	<b>708,922,615</b>
Balance at 1 January 2020	821,096,820	369,190,461	(165,820,487)	(43,090,251)	981,376,543
Loss for the period	-	-	-	(28,905,425)	(28,905,425)
Other comprehensive loss for the period	-	-	(12,237,280)	-	(12,237,280)
Total comprehensive loss for the period	-	-	(12,237,280)	(28,905,425)	(41,142,705)
Balance at 31 March 2020 (unaudited)	821,096,820	369,190,461	(178,057,767)	(71,995,676)	940,233,838

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 three months period ended 31 March 2021 (unaudited)

	Notes	<i>Three months period ended</i>	
		<i>31 March 2021 AED</i>	<i>31 March 2020 AED</i>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		<b>(6,789,858)</b>	(28,905,425)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	<b>11,154,383</b>	17,119,460
Finance cost		<b>569,840</b>	457,808
Provision for employees' end of service indemnity		<b>210,000</b>	200,532
(Reversal) / provision on expected credit losses	8	<b>(738,029)</b>	500,000
Unrealised (gain)/ loss on investments carried at FVTPL	5	<b>(2,239,074)</b>	5,248,332
Unwinding of receivable from sale of an associate		<b>(400,000)</b>	-
Interest and dividend income	5	<b>(1,157,675)</b>	(693,685)
		<b>609,587</b>	(6,072,978)
Working capital adjustments			
Trade and other receivables		<b>5,750,170</b>	10,341,210
Inventories		<b>(13,372,986)</b>	(7,654,224)
Trade and other payables		<b>13,982,886</b>	14,912,114
		<b>6,969,657</b>	11,526,122
Employees' end of service indemnity paid		<b>(379,154)</b>	(1,180,763)
Finance cost paid		<b>(569,840)</b>	(457,808)
Net cash flows from operating activities		<b>6,020,663</b>	9,887,551
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	<b>(4,767,219)</b>	(6,338,173)
Dividends received	5	<b>1,156,752</b>	692,282
Interest received	5	<b>923</b>	1,403
Net cash used in investing activities		<b>(3,609,544)</b>	(5,644,488)
<b>FINANCING ACTIVITIES</b>			
Net movement in bank borrowings and term loan		<b>56,035</b>	140,653
Unclaimed dividends paid		<b>(157,950)</b>	(99,379)
Net cash (used in)/ from financing activities		<b>(101,915)</b>	41,274
<b>NET INCREASE IN BANK BALANCES AND CASH DURING THE PERIOD</b>		<b>2,309,204</b>	4,284,337
Bank balances and cash at the beginning of the period		<b>6,267,930</b>	6,558,945
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>		<b>8,577,134</b>	10,843,282

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).

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

### 1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION

During the three months period ended 31 March 2021, the Company incurred a loss of AED 6.8 million and, as of that date, the Company's accumulated losses amounted to AED 14.8 million. Due to the slowdown in the overall economic situation, the performance of the Company has been impacted during the three months period ended 31 March 2021 and the consequences of the COVID-19 outbreak in this period and the previous year 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.

During the period ended 31 March 2021, the Company had successfully recovered by improving earnings before income tax depreciation and amortization (EBITDA) from a negative EBITDA of AED 12.2 million during the period ended 31 March 2020 to a positive EBITDA of AED 4.9 million for the current period.

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 during this challenging time, the Company was able to manage its liquidity position by proactively lowering maintenance capex without going for any significant 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 currently low-leveraged and consequently management believe that it is better placed to face off the headwinds as compared to its competitors. At 31 March 2021 the Company had available of AED 119.1 million (31 December 2020: AED 102.3 million) of undrawn committed borrowing facilities.

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 the following:

- 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 and 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 2020. As a result, these interim condensed financial statements continue to be 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 2021.

## 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 three months period ended 31 March 2021 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 2020.

In addition, results for the three months period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020, except for the adoption of new standards effective as of 1 January 2021. 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 2021, but do not have an impact on the interim condensed financial statements of the Company.

#### *Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim condensed financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

## 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 2020.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**4. REVENUE FROM CONTRACTS WITH CUSTOMERS****4.1 Disaggregated revenue information**

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

	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
<b>Type of revenue</b>		
Sale of goods	<b>76,642,268</b>	88,261,274
	<hr/> <hr/>	<hr/> <hr/>
	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
<b>Geographical markets</b>		
Within UAE	<b>19,642,730</b>	26,083,249
Outside UAE	<b>56,999,538</b>	62,178,025
	<hr/> <hr/>	<hr/> <hr/>
	<b>76,642,268</b>	88,261,274
	<hr/> <hr/>	<hr/> <hr/>
	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<b>76,642,268</b>	88,261,274
	<hr/> <hr/>	<hr/> <hr/>

Revenue includes AED 76.6 million which represents 88% of total revenue from 7 customers (2020: AED 76.8 million which represents 87% of total revenue from 7 customers).

**4.2 Contract balances**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Trade receivables (note 8)	<b>73,432,858</b>	79,381,184
	<hr/> <hr/>	<hr/> <hr/>
Advances from customers (note 15)	<b>7,839,407</b>	1,479,147
	<hr/> <hr/>	<hr/> <hr/>

**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 (2020: 150 to 180 days) from delivery.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**5. INVESTMENT INCOME/ (LOSS) - NET**

	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
Unrealised gain / (loss) on investments carried at FVTPL (note 9)	<b>2,239,074</b>	(5,248,332)
Dividend income	<b>1,156,752</b>	692,282
Interest income	<b>923</b>	1,403
	<b>3,396,749</b>	(4,554,647)
	<b>3,396,749</b>	(4,554,647)

**6. OTHER INCOME**

Other income includes AED 6.7 million received by the Company as a compensation for the release of a plot of land to RAK Port Authority. The plot was allocated to the Company in prior years by the Ras Al Khaimah government for nil consideration.

**7. PROPERTY, PLANT AND EQUIPMENT**

- a) During the three months' period ended 31 March 2021, additions to property, plant and equipment amounted to AED 4,767,219 (31 March 2020: AED 6,338,173) and depreciation for the three months ended 31 March 2021 amounted to AED 11,154,383 (31 March 2020: AED 17,119,460).
- b) The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.
- c) All property, plant and equipment is located in the UAE.
- d) Motor vehicles with net book value of AED 610 thousand (31 December 2020: 680 thousand) are mortgaged against auto loan (note 14 (b)).
- e) There is a negative pledge over property, plant and equipment against borrowings. (note 14 (a)).
- f) Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 14 (a)).

**8. TRADE AND OTHER RECEIVABLES**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Trade receivables	<b>75,853,739</b>	82,540,094
Less: allowance for expected credit losses (note (b))	<b>(2,420,881)</b>	(3,158,910)
	<b>73,432,858</b>	79,381,184
Other receivables	<b>12,660,899</b>	11,724,714
Relating to receivable from sale of an associate	<b>3,067,283</b>	2,667,283
	<b>89,161,040</b>	93,773,181
Relating to receivable from sale of an associate due after one year	<b>(2,167,283)</b>	(2,167,283)
	<b>86,993,757</b>	91,605,898
	<b>86,993,757</b>	91,605,898

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**8. TRADE AND OTHER RECEIVABLES (continued)**

- a) The credit risk associated with the Company's trade receivables is considered limited as the Company holds trade receivables amounting to AED 57.1 million (31 December 2020: AED 58.7 million) fully covered by unconditional bank guarantees or letter of credit from the customers to secure the collectability of these trade receivables.
- b) The movement in allowance for expected credit losses during the period was as follows:

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Balance at the beginning of the period	<b>3,158,910</b>	1,872,634
(Reversal)/ charge during the period	<b>(738,029)</b>	2,467,900
Write-off during the period	-	(1,181,624)
	<hr/>	<hr/>
Balance at the end of the period	<b><u>2,420,881</u></b>	<b><u>3,158,910</u></b>

**9. INVESTMENT IN SECURITIES****a) Investments carried at fair value through other comprehensive income (FVTOCI)**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Quoted	<b>82,670,045</b>	82,670,045
Unquoted	<b>4,077,705</b>	4,077,705
	<hr/>	<hr/>
Total gross investments at FVTOCI at cost	<b>86,747,750</b>	86,747,750
Less: accumulated fair value reserve, net	<b>(56,020,982)</b>	(58,537,574)
	<hr/>	<hr/>
Fair value of investments	<b><u>30,726,768</u></b>	<b><u>28,210,176</u></b>

The geographical spread of the above investments is as follows:

	<i>31 March 2021 (unaudited)</i>			<i>31 December 2020 (audited)</i>		
	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>
UAE	<b>0.4%</b>	<b>175,838</b>	<b>115,350</b>	0.4%	175,838	111,600
Other GCC countries	<b>99.6%</b>	<b>86,571,912</b>	<b>30,611,418</b>	99.6%	86,571,912	28,098,576
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	<b>100%</b>	<b>86,747,750</b>	<b>30,726,768</b>	100%	86,747,750	28,210,176
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 56.0 million as at 31 March 2021 (31 December 2020: negative AED 58.5 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.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**9. INVESTMENT IN SECURITIES (continued)****b) Investments carried at fair value through profit or loss (FVTPL)**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Quoted	<b>83,815,027</b>	83,815,027
Unquoted	<b>2,826,156</b>	2,826,156
Total gross investments at FVTPL at cost	<b>86,641,183</b>	86,641,183
Less: cumulative changes in fair value	<b>(44,698,466)</b>	(46,937,540)
Fair value of investments	<b>41,942,717</b>	39,703,643

The geographical spread of the above investments is as follows:

	<i>31 March 2021 (unaudited)</i>			<i>31 December 2020 (audited)</i>		
	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>	<i>Concentration percentage on fair value</i>	<i>Cost AED</i>	<i>Fair value AED</i>
UAE	<b>48.0%</b>	<b>31,496,928</b>	<b>20,146,032</b>	48.4%	31,496,928	19,207,200
Other GCC countries	<b>52.0%</b>	<b>55,144,255</b>	<b>21,796,685</b>	51.6%	55,144,255	20,496,443
	<b>100%</b>	<b>86,641,183</b>	<b>41,942,717</b>	100%	86,641,183	39,703,643

Movement in investment in securities were as follows:

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	<b>67,913,819</b>	77,521,868
Disposals made during the period/ year	-	(20,000)
Unrealized gain/ (loss) on revaluation of investments carried at FVTPL (note 5)	<b>2,239,074</b>	(4,890,962)
Change in the fair value of investments carried at FVTOCI	<b>2,516,592</b>	(4,697,087)
Fair value of investments at the end of the period/ year	<b>72,669,485</b>	67,913,819

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**10. INVENTORIES**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Finished goods	<b>8,013,404</b>	10,519,259
Raw materials	<b>13,802,960</b>	16,755,305
Work in progress	<b>21,444,259</b>	5,317,889
Bags, fuel and lubricants	<b>24,803,034</b>	25,756,594
Spare parts – maintenance department	<b>22,750,613</b>	24,780,293
Consumable items	<b>14,090,806</b>	8,412,939
Tools	<b>445,392</b>	435,203
	<b>105,350,468</b>	91,977,482
Less: allowance for slow-moving inventories	<b>(21,025,555)</b>	(21,025,555)
	<b>84,324,913</b>	70,951,927

- a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 14 (a)).
- b) Inventories are pledged against banking facilities obtained by the Company (note 14 (a)).

**11. BANK BALANCES AND CASH**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Cash on hand	<b>184,914</b>	13,416
Bank balances:		
Current accounts	<b>2,136,899</b>	4,479,566
Call deposits	<b>6,255,321</b>	1,774,948
Total bank balances	<b>8,392,220</b>	6,254,514
Bank balances and cash	<b>8,577,134</b>	6,267,930
	<b>31 March 2021 AED (unaudited)</b>	<b>31 December 2020 AED (audited)</b>
Bank balances		
In UAE	<b>7,368,863</b>	4,780,007
In other GCC countries	<b>1,023,357</b>	1,474,507
	<b>8,392,220</b>	6,254,514

Call deposits carry interest at commercial rates per annum and are made for a period of less than three months.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**12. SHARE CAPITAL**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Issued and fully paid:		
410,548,410 ordinary shares of AED 1 each	<b>410,548,410</b>	410,548,410

**13. RESERVES**

According to the Company's Articles of Association and the requirements of the U.A.E. 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.

	<i>Statutory reserve AED</i>	<i>Voluntary Reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2019 and 31 December 2020 (audited)	364,457,977	4,732,484	369,190,461
Balance at 31 March 2020 and 31 March 2021 (unaudited)	<b>364,457,977</b>	<b>4,732,484</b>	<b>369,190,461</b>

Subsequent to the period ended 31 March 2021, at the Annual General Meeting held on 11 April 2021, the shareholders approved the transfer of AED 20.5 million from statutory reserve to retained earnings for the approved dividend distribution (note 17) subject to obtaining the necessary regulatory approvals.

**14. BANK BORROWINGS****a) Short term**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Bank overdraft facilities	<b>8,083,517</b>	10,585,732
Short term loan	<b>47,516,655</b>	44,912,269
Total bank borrowings	<b>55,600,172</b>	55,498,001

The Company's overdraft balances are repayable on demand and short-term loans are repayable within twelve months. The overdraft balances 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 fire insurance policy over inventory (note 10 (a)) and movable property, plant and equipment (note 7 (f)) and pledge over inventories (note 10 (b)) and a negative pledge over property, plant and equipment (note 7(e)).



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**14. BANK BORROWINGS (continued)****b) Long term**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Current portion	<b>192,127</b>	189,424
Non-current portion	<b>274,139</b>	322,978
Total term loans	<b>466,266</b>	512,402

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 7(d)) and repayable on a monthly basis with last instalment due on 1 August 2023.

**15. TRADE AND OTHER PAYABLES**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Trade payables	<b>106,591,341</b>	96,877,645
Unclaimed dividend payable	<b>28,541,352</b>	28,699,302
Accrued expenses	<b>8,796,495</b>	10,872,155
Advances from customers (note 4)	<b>7,839,407</b>	1,479,147
Other payables	<b>2,026,755</b>	2,042,165
	<b>153,795,350</b>	139,970,414

**16. BASIC LOSS PER SHARE**

	<i>Three months period ended</i>	
	<i>31 March 2021 (unaudited)</i>	<i>31 March 2020 (unaudited)</i>
Loss for the period (in AED)	<b>(6,789,858)</b>	(28,905,425)
Weighted average number of shares	<b>410,548,410</b>	410,548,410
Basic loss per share (in AED)	<b>(0.017)</b>	(0.070)

a) The denominator for the purpose of calculation of basic loss per share for the period ended 31 March 2020 has been adjusted to reflect the effect of capital reduction in 29 December 2020 as if the capital reduction occurred from the beginning of the prior period without a corresponding change in resources in accordance with the requirements of IAS 33 'Earnings per share'.

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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**17. DIVIDENDS**

Subsequent to the period ended 31 March 2021, at the annual general meeting held on 11 April 2021, AED 20.5 million cash dividends which represents 5% of the Company's share capital were approved (AED 0.05 per share) for the year ended 31 December 2020 subject to obtaining the necessary regulatory approvals. Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2020 (2019: nil).

**18. RELATED PARTY BALANCES AND TRANSACTIONS**

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

	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
Attendance expenses for Board of Directors and committees' meetings	<b>154,306</b>	212,672
Profit on the release of a plot of land owned by the Ras Al Khaimah government (note 6)	<b>6,691,655</b>	-

**Compensation of key management personnel**

The remuneration of key management during the year was as follows:

	<i>Three months period ended</i>	
	<i>31 March 2021 AED (unaudited)</i>	<i>31 March 2020 AED (unaudited)</i>
Salaries and other short-term benefits (note below)	<b>978,233</b>	1,087,432
Employees' end of service benefits	<b>96,300</b>	103,542
	<b>1,074,533</b>	1,190,974

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

**19. CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>
Letters of credit	<b>26,915,174</b>	21,408,151
Letters of guarantee	<b>5,236,724</b>	5,236,724

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**20. 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 (excluding current accounts) and investment properties.

	<i>Three months period ended 31 March 2021</i>			<i>Three months period ended 31 March 2020</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>Segment revenue</b>	<b>76,642,268</b>	-	<b>76,642,268</b>	88,261,274	-	88,261,274
<b>Segment result</b>	<b>(10,186,607)</b>	<b>3,396,749</b>	<b>(6,789,858)</b>	(24,350,778)	(4,554,647)	(28,905,425)

  

	<i>31 March 2021</i>			<i>31 December 2020</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Segment assets</b>	<b>837,805,683</b>	<b>89,624,806</b>	<b>927,430,489</b>	837,603,171	80,388,767	917,991,938
<b>Segment liabilities</b>	<b>218,507,874</b>	-	<b>218,507,874</b>	204,796,057	-	204,796,057

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 three month period ended 31 March 2021, revenue from customers located in the Company's country of domicile (UAE) is AED 19.6 million (three month period ended 31 March 2020: AED 26.1 million) and revenue from customers outside UAE (foreign customers) is AED 57.0 million (three month period ended 31 March 2020: AED 62.2 million).

**b) Major customers**

Revenue includes AED 76.6 million which represents 88% of total revenue from 7 customers (2020: AED 76.8 million which represents 87% of total revenue from 7 customers).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**21. 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 2020.

*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;

<i>Financial assets</i>	<i>Fair value</i>		<i>Fair value hierarchy</i>	<i>Valuation techniques and key inputs</i>	<i>Significant unobservable input</i>	<i>Relationship of unobservable inputs to fair value</i>
	<i>31 March 2021 AED (unaudited)</i>	<i>31 December 2020 AED (audited)</i>				
Quoted equity investments carried at FVTOCI	<b>30,108,395</b>	27,591,803	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	<b>618,373</b>	618,373	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	<b>41,942,717</b>	39,703,643	Level 1	Quoted bid prices in an active market	None	N/A
	<b><u>72,669,485</u></b>	<u>67,913,819</u>				

*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

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2021 (unaudited)

**21. FAIR VALUE MEASUREMENT (continued)***Fair value hierarchy (continued)*

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.

**31 March 2021 (unaudited)**

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Investment property	-	-	10,700,000	10,700,000
Investments carried at FVTPL	41,942,717	-	-	41,942,717
Investments carried at FVTOCI:				
- Quoted equities	30,108,395	-	-	30,108,395
- Unquoted equities	-	-	618,373	618,373
	<u>72,051,112</u>	<u>-</u>	<u>11,318,373</u>	<u>83,369,485</u>

**31 December 2020 (audited)**

	<i>Level 1</i> <i>AED</i>	<i>Level 2</i> <i>AED</i>	<i>Level 3</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Investment property	-	-	10,700,000	10,700,000
Investments carried at FVTPL	39,703,643	-	-	39,703,643
Investments carried at FVTOCI:				
- Quoted equities	27,591,803	-	-	27,591,803
- Unquoted equities	-	-	618,373	618,373
	<u>67,295,446</u>	<u>-</u>	<u>11,318,373</u>	<u>78,613,819</u>

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.

**22. 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.

**23. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 5 May 2021.