

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

## **UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**

**30 JUNE 2022**

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

<b>Contents</b>	<b>Page</b>
<b>Report on review of interim condensed financial statements</b>	<b>1</b>
<b>Interim condensed statement of profit or loss</b>	<b>2</b>
<b>Interim condensed statement of comprehensive income</b>	<b>3</b>
<b>Interim condensed statement of financial position</b>	<b>4</b>
<b>Interim condensed statement of changes in equity</b>	<b>5</b>
<b>Interim condensed statement of cash flows</b>	<b>6</b>
<b>Notes to the interim condensed financial statements</b>	<b>7 - 20</b>

## **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 2022 which comprise the interim statement of financial position as at 30 June 2022 and the related interim statements of profit or loss, comprehensive income for the three-months and six-months period then ended, changes in equity and cash flows for the six-months 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:  
Wardah Ebrahim  
Partner  
Registration No: 1258

11 August 2022

Sharjah, United Arab Emirates

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue	4	<b>99,546,600</b>	90,932,538	<b>176,562,493</b>	167,574,806
Cost of sales		<b>(98,924,233)</b>	(102,748,217)	<b>(189,709,648)</b>	(188,621,448)
<b>GROSS PROFIT/ (LOSS)</b>		<b>622,367</b>	(11,815,679)	<b>(13,147,155)</b>	(21,046,642)
Other operating income		<b>2,304,510</b>	951,255	<b>2,709,074</b>	2,162,405
Selling, distribution and administrative expenses		<b>(9,672,970)</b>	(11,203,356)	<b>(18,230,887)</b>	(19,791,528)
Investment (loss)/ income - net	5	<b>(942,072)</b>	3,804,752	<b>(1,014,664)</b>	7,201,501
Finance cost		<b>(637,080)</b>	(507,345)	<b>(1,015,270)</b>	(1,077,185)
Other income	6	<b>487,285</b>	178,536	<b>1,456,814</b>	7,169,754
<b>LOSS FOR THE PERIOD</b>		<b>(7,837,960)</b>	(18,591,837)	<b>(29,242,088)</b>	(25,381,695)
<b>Earnings per share (EPS):</b>					
Basic loss per share	16	<b>(0.019)</b>	(0.045)	<b>(0.071)</b>	(0.062)

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022 (unaudited)

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Loss for the period</b>	<b>(7,837,960)</b>	<b>(18,591,837)</b>	<b>(29,242,088)</b>	<b>(25,381,695)</b>
<b>Other comprehensive income:</b>				
<i>Other comprehensive income (loss) that will not be reclassified to profit or loss in subsequent periods</i>				
Gain on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	<b>2,390,925</b>	135,911	<b>2,520,170</b>	135,911
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI)	<b>(5,199,255)</b>	295,769	<b>1,527,879</b>	2,812,361
Total other comprehensive (loss)/ income for the period	<b>(2,808,330)</b>	431,680	<b>4,048,049</b>	2,948,272
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(10,646,290)</b>	<b>(18,160,157)</b>	<b>(25,194,039)</b>	<b>(22,433,423)</b>

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (unaudited)

		<i>30 June</i> <i>2022</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2021</i> <i>AED</i> <i>(Audited)</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	665,164,479	659,158,116
Investment property		12,630,000	12,630,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	15,067,761	31,137,293
Trade and other receivables	8	2,067,283	2,067,283
		<u>694,929,523</u>	<u>704,992,692</u>
<b>Current assets</b>			
Inventories	10	84,123,325	78,794,325
Trade and other receivables	8	61,881,209	54,400,828
Investments carried at fair value through profit or loss (FVTPL)	9(b)	29,997,940	37,024,967
Bank balances and cash	11	8,736,897	7,182,161
		<u>184,739,371</u>	<u>177,402,281</u>
<b>Total assets</b>		<u><u>879,668,894</u></u>	<u><u>882,394,973</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	12	410,548,410	410,548,410
Reserves	13	348,663,041	348,663,041
Fair value reserve	9(a)	(37,826,406)	(39,675,070)
Accumulated losses		(105,231,897)	(78,189,194)
<b>Total equity</b>		<u>616,153,148</u>	<u>641,347,187</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service indemnities		8,561,356	8,480,783
Term loans	14(b)	18,374	122,949
		<u>8,579,730</u>	<u>8,603,732</u>
<b>Current liabilities</b>			
Bank borrowings	14(a)	53,004,012	28,996,574
Term loans	14(b)	206,229	200,469
Trade and other payables	15	201,725,775	203,247,011
		<u>254,936,016</u>	<u>232,444,054</u>
<b>Total liabilities</b>		<u>263,515,746</u>	<u>241,047,786</u>
<b>Total equity and liabilities</b>		<u><u>879,668,894</u></u>	<u><u>882,394,973</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 six months ended 30 June 2022 (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	-	-	-	(25,381,695)	(25,381,695)
Other comprehensive income for the period	-	-	2,812,361	135,911	2,948,272
Total comprehensive income/ (loss) for the period	-	-	2,812,361	(25,245,784)	(22,433,423)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	17,299,193	(17,299,193)	-
Dividend distribution (note 17)	-	(20,527,420)	-	-	(20,527,420)
Balance at 30 June 2021 (unaudited)	<u>410,548,410</u>	<u>348,663,041</u>	<u>(38,426,020)</u>	<u>(50,550,393)</u>	<u>670,235,038</u>
Balance at 1 January 2022	410,548,410	348,663,041	(39,675,070)	(78,189,194)	641,347,187
Loss for the period	-	-	-	(29,242,088)	(29,242,088)
Other comprehensive income for the period	-	-	1,527,879	2,520,170	4,048,049
Total comprehensive income/ (loss) for the period	-	-	1,527,879	(26,721,918)	(25,194,039)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	320,785	(320,785)	-
<b>Balance at 30 June 2022 (unaudited)</b>	<b><u>410,548,410</u></b>	<b><u>348,663,041</u></b>	<b><u>(37,826,406)</u></b>	<b><u>(105,231,897)</u></b>	<b><u>616,153,148</u></b>

The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

# Gulf Cement Company P.S.C.

## INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022 (unaudited)

	Notes	<i>Six-month period ended</i>	
		<i>30 June 2022</i>	<i>30 June 2021</i>
		<i>AED</i>	<i>AED</i>
<b>OPERATING ACTIVITIES</b>			
Loss for the period		<b>(29,242,088)</b>	(25,381,695)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	<b>26,835,566</b>	22,219,570
Finance cost		<b>1,015,270</b>	1,077,185
Provision for employees' end of service indemnity		<b>420,000</b>	210,000
Unrealised loss / (gain) on investments carried at FVTPL	5	<b>3,182,192</b>	(5,348,781)
Reversal of expected credit losses	8	-	(217,686)
Gain on sale of investments in securities carried at FVTPL	5	<b>(32,239)</b>	(265,392)
Unwinding of receivable from sale of an associate		-	(400,000)
Interest and dividend income	5	<b>(2,135,289)</b>	(1,587,328)
		<b>43,412</b>	(9,694,127)
Working capital adjustments			
Trade and other receivables		<b>(7,480,381)</b>	1,057,441
Inventories		<b>(5,329,000)</b>	(15,051,970)
Trade and other payables		<b>(1,190,544)</b>	37,065,511
Cash (used in)/ from operations		<b>(13,956,513)</b>	13,376,855
Employees' end of service indemnity paid		<b>(339,427)</b>	(614,515)
Finance cost paid		<b>(1,015,270)</b>	(1,077,185)
Net cash flows (used in)/ from operating activities		<b>(15,311,210)</b>	11,685,155
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	7	<b>(32,841,929)</b>	(9,236,138)
Purchase of investments carried at FVTOCI		<b>(3,172,231)</b>	-
Proceeds on disposal of investments in securities		<b>27,166,886</b>	20,797,186
Dividends received	5	<b>2,134,025</b>	1,584,964
Interest received	5	<b>1,264</b>	2,364
Net cash flows (used in)/ from investing activities		<b>(6,711,985)</b>	13,148,376
<b>FINANCING ACTIVITIES</b>			
Net movement in bank borrowings and term loan	14(c)	<b>23,908,623</b>	(2,515,132)
Dividends paid	14(c)	<b>(330,692)</b>	(18,152,862)
Net cash from/ (used in) financing activities		<b>23,577,931</b>	(20,667,994)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD</b>		<b>1,554,736</b>	4,165,537
Cash and cash equivalents at the beginning of the period	11	<b>7,182,161</b>	6,267,930
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD</b>		<b>8,736,897</b>	10,433,467

The accompanying notes 1 to 22 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") having registration number 10363325 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 six months' period ended 30 June 2022, the Company incurred a loss of AED 29.2 million and, as of that date, the Company's accumulated losses amounted to AED 105.2 million and current liabilities exceeded current assets by AED 70.2 million. Slowdown in the overall economic situation arising from the consequences of the Covid-19 outbreak, competitive prices and a continuous excess supply pressure, operating results have been negatively impacted.

The major challenges during the period were the supply chain disruption post Covid-19, recovery, which impacted rising global fuel and energy prices which constitute prominent portion of the total cost of production, controlling fixed cost and scheduled maintenance considering world-wide Covid-19 restrictions on movement and trade. The Company has shown resilience in all respect and has adopted all tangible measures to improvise the situation in the Company's favour. The cost control measures, and various strategies adopted by management in 2022 in all areas with a specific focus to reduce fixed costs have started reaping fruit during the six months period ended 30 June 2022. During the three-months ended 30 June 2022, the Company had successfully recovered by improving earnings before income tax depreciation and amortization (EBITDA) from a negative EBITDA of AED 8 million during the three-months period ended 30 June 2021 to a positive EBITDA of AED 6.6 million for the three-months period ended 30 June 2022.

In order to be able to deal with the effects of continued all-time high energy and commodity prices, the current selling price environment, as well as effects of the Covid-19 outbreak and global uncertainty, the management is continuously reviewing the Company's business and asserting the strategies. Tactical course of actions taken is mentioned below;

- Price revision in local market through arrangement with local producers and renegotiation on prices with export customers
- Reduction of costs and improvements in efficiencies wherever conceivable
- Curtailment of discretionary capital expenditure while preserving the ability of the business to increase production when cement prices and economies improve
- Strict working capital management through negotiation in payment terms with suppliers
- Energy conservative measures and right mix of power sources and effective and efficient use of available resources to be lowest cost-producer in the country

Management have prepared cash flow forecasts for a period in excess of 12 months. Various scenarios have been considered to test the Company's resilience to business risks including:

- Significant adverse movements in the energy and fuel prices, and cement selling prices or a combination thereof
- Failure to meet forecast demand targets

In view of this, the management has determined that the Company has sufficient internal and external sources of finance until the performance metrics improve, which is expected 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 that provides sufficient headroom to cushion against downside operational risks and the risk of breaching any debt covenants. At 30 June 2022, the Company had available of AED 30 million (31 December 2021: AED 46.9 million) of undrawn committed borrowing facilities.

Based on the Company's expectation related to the forecasts and facilities in place, management believe that the Company will be able to operate and comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the financial statements 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 2022.

## **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 month period ended 30 June 2022 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 2022.

In addition, results for the six month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, but do not have an impact on the interim condensed financial statements of the Company.

- Onerous contracts – Costs of Fulfilling a Contract – Amendment to IAS 37
- Reference to Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

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 2021.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (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-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
<b>Type of revenue</b>				
Sale of goods	<b>99,546,600</b>	90,932,538	<b>176,562,493</b>	167,574,806
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
<b>Geographical markets</b>				
Within UAE	<b>24,409,260</b>	14,124,403	<b>46,834,413</b>	33,767,133
Outside UAE	<b>75,137,340</b>	76,808,135	<b>129,728,080</b>	133,807,673
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>
	<b>99,546,600</b>	90,932,538	<b>176,562,493</b>	167,574,806
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	<b>99,546,600</b>	90,932,538	<b>176,562,493</b>	167,574,806
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>

Revenue includes AED 157.5 million which represents 89% of total revenue from 7 customers (six months period ended 30 June 2021: AED 156.4 million which represents 93% of total revenue from 7 customers).

**4.2 Contract balances**

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables (note 8)	<b>46,826,391</b>	37,468,660
	<u><u>                    </u></u>	<u><u>                    </u></u>
Advances from customers (note 15)	<b>3,187,797</b>	1,410,742
	<u><u>                    </u></u>	<u><u>                    </u></u>

**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 (2022: 150 to 180 days) from delivery.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
Unrealised (loss)/ gain on investments carried at FVTPL (note 9)	<b>(2,601,475)</b>	3,109,707	<b>(3,182,192)</b>	5,348,781
Gain on disposal of investment carried at FVTPL	<b>32,239</b>	265,392	<b>32,239</b>	265,392
Dividend income	<b>1,626,237</b>	428,212	<b>2,134,025</b>	1,584,964
Interest income	<b>927</b>	1,441	<b>1,264</b>	2,364
	<b>(942,072)</b>	3,804,752	<b>(1,014,664)</b>	7,201,501

**6. OTHER INCOME**

For the six months period ended 30 June 2022, other income mainly consists of scrap sales. During the six months period ended 30 June 2021, 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**

- During the six months period ended 30 June 2022, additions to property, plant and equipment amounted to AED 32,841,929 (30 June 2021: AED 9,236,138) and depreciation for the six months ended 30 June 2022 amounted to AED 26,835,566 (30 June 2021: AED 22,219,570).
- 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 is located in the UAE.
- Motor vehicles with net book value of AED 434 thousand (31 December 2021: 504 thousand) are mortgaged against auto loan (note 14 (b)).
- There is a negative pledge over property, plant and equipment against borrowings (note 14 (a)).
- 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>30 June 2022</i>	<i>31 December 2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	<b>49,767,615</b>	40,409,884
Less: allowance for expected credit losses (note (b))	<b>(2,941,224)</b>	(2,941,224)
	<b>46,826,391</b>	37,468,660
Other receivables	<b>14,554,818</b>	16,432,168
Relating to receivable from sale of an associate	<b>2,567,283</b>	2,567,283
	<b>63,948,492</b>	56,468,111
Relating to receivable from sale of an associate due after one year	<b>(2,067,283)</b>	(2,067,283)
	<b>61,881,209</b>	54,400,828

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

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

- a) Trade receivables amounting to AED 22.5 million (31 December 2021: AED 18.9 million) are 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:

	<b>30 June 2022 AED (unaudited)</b>	<b>31 December 2021 AED (audited)</b>
Balance at the beginning of the period/ year	2,941,224	3,158,910
Reversal during the period/ year	-	(217,686)
Balance at the end of the period/ year	<u>2,941,224</u>	<u>2,941,224</u>

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

	<b>30 June 2022 AED (unaudited)</b>	<b>31 December 2021 AED (audited)</b>
Quoted	48,816,462	66,734,658
Unquoted	4,077,705	4,077,705
Total gross investments at FVTOCI at cost	52,894,167	70,812,363
Less: accumulated fair value reserve, net	(37,826,406)	(39,675,070)
Fair value of investments	<u>15,067,761</u>	<u>31,137,293</u>

The geographical spread of the above investments is as follows:

	<b>30 June 2022 (unaudited)</b>			<b>31 December 2021 (audited)</b>		
	<b>Concentration percentage on fair value</b>	<b>Cost AED</b>	<b>Fair value AED</b>	<b>Concentration percentage on fair value</b>	<b>Cost AED</b>	<b>Fair value AED</b>
UAE	0.9%	175,838	137,777	0.5%	175,838	162,150
Other GCC countries	99.1%	52,718,329	14,929,984	99.5%	70,636,525	30,975,143
	<u>100%</u>	<u>52,894,167</u>	<u>15,067,761</u>	<u>100%</u>	<u>70,812,363</u>	<u>31,137,293</u>

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 37.8 million as at 30 June 2022 (31 December 2021: negative AED 39.7 million) and is shown under equity. During the six months period ended 30 June 2022, the Company has transferred AED 0.32 million (30 June 2021: AED 17.3 million) from fair value reserve to accumulated losses arising from the disposal of investments carried FVTOCI. The total proceeds from the disposal of investments carried at FVTOCI amounted to AED 23.3 million (30 June 2021: AED 20.8 million) resulting to a gain of AED 2.5 million (30 June 2022: AED 0.14 million) which is shown in the interim condensed statement of comprehensive income.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

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

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)**

	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Quoted	<b>69,946,044</b>	72,515,016
Unquoted	<b>2,826,156</b>	2,826,156
Total gross investments at FVTPL at cost	<b>72,772,200</b>	75,341,172
Less: cumulative changes in fair value	<b>(42,774,260)</b>	(38,316,205)
Fair value of investments	<b>29,997,940</b>	37,024,967

The geographical spread of the above investments is as follows:

	<i>30 June 2022 (unaudited)</i>			<i>31 December 2021 (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>53.09%</b>	<b>27,271,815</b>	<b>15,925,690</b>	46.1%	27,271,815	17,060,897
Other GCC countries	<b>46.91%</b>	<b>45,500,385</b>	<b>14,072,250</b>	53.9%	48,069,357	19,964,070
	<b>100%</b>	<b>72,772,200</b>	<b>29,997,940</b>	100%	75,341,172	37,024,967

Movement in investment in securities were as follows:

	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	<b>68,162,260</b>	67,913,819
Additions made during the period/year	<b>3,172,231</b>	19,933,938
Disposals made during the period/ year	<b>(24,614,477)</b>	(26,329,735)
Unrealized (loss)/ gain on revaluation of investments carried at FVTPL (note 5)	<b>(3,182,192)</b>	1,563,307
Change in the fair value of investments carried at FVTOCI	<b>1,527,879</b>	5,080,931
Fair value of investments at the end of the period/ year	<b>45,065,701</b>	68,162,260

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

**10. INVENTORIES**

	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Finished goods	8,745,390	2,874,205
Raw materials	6,328,184	9,968,153
Work in progress	21,039,739	8,183,044
Bags, fuel and lubricants	33,652,196	40,986,155
Spare parts – maintenance department	25,527,716	26,196,164
Consumable items	9,405,051	11,163,842
Tools	450,604	448,317
	<u>105,148,880</u>	<u>99,819,880</u>
Less: allowance for slow-moving inventories	<u>(21,025,555)</u>	<u>(21,025,555)</u>
	<u><u>84,123,325</u></u>	<u><u>78,794,325</u></u>

- 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>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Cash on hand	42,934	9,857
Bank balances:		
Current accounts	2,894,739	4,298,290
Call deposits (note below)	5,799,224	2,874,014
Total bank balances	<u>8,693,963</u>	<u>7,172,304</u>
Bank balances and cash	<u><u>8,736,897</u></u>	<u><u>7,182,161</u></u>
	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Bank balances		
In UAE	6,899,785	5,143,563
In other GCC countries	1,794,178	2,028,741
	<u><u>8,693,963</u></u>	<u><u>7,172,304</u></u>

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 30 June 2022 (unaudited)

**12. SHARE CAPITAL**

	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 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 (as amended), 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 2021 (audited)	343,930,557	4,732,484	348,663,041
<b>Balance at 30 June 2022 (unaudited)</b>	<b>343,930,557</b>	<b>4,732,484</b>	<b>348,663,041</b>

At the Annual General Meeting held on 28 March 2022 (2021: 11 April 2021), no dividend declaration was approved for the year ended 31 December 2021 (2021: AED 20.5 million was approved for dividend distribution subject to obtaining the necessary regulatory approvals) (note 17).

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

	<i>30 June 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Bank overdraft facilities	<b>842,378</b>	1,395,827
Short term loan	<b>52,161,634</b>	27,600,747
Total bank borrowings	<b>53,004,012</b>	28,996,574

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 30 June 2022 (unaudited)

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

	<b>30 June 2022 AED (unaudited)</b>	<b>31 December 2021 AED (audited)</b>
Current portion	<b>206,229</b>	200,469
Non-current portion	<b>18,374</b>	122,949
Total term loans	<b>224,603</b>	323,418

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.

**c) Changes in liabilities arising from financing activities**

	<b>1 January 2022 AED</b>	<b>Cash inflows AED</b>	<b>Cash outflows AED</b>	<b>31 June 2022 AED</b>
Short term loan	<b>27,600,747</b>	<b>65,946,143</b>	<b>(41,385,256)</b>	<b>52,161,634</b>
Bank overdrafts	<b>1,395,827</b>	-	<b>(553,449)</b>	<b>842,378</b>
Dividends payable	<b>29,387,071</b>	-	<b>(330,692)</b>	<b>29,056,379</b>
Term loans	<b>323,418</b>	-	<b>(98,815)</b>	<b>224,603</b>
	<b>58,707,063</b>	<b>65,946,143</b>	<b>(42,368,212)</b>	<b>82,284,994</b>

	<b>1 January 2021 AED</b>	<b>Cash inflows AED</b>	<b>Cash outflows AED</b>	<b>Other changes AED</b>	<b>31 December 2021 AED</b>
Short term loan	44,912,269	140,704,544	(158,016,066)	-	27,600,747
Bank overdrafts	10,585,732	-	(9,189,905)	-	1,395,827
Dividends payable	28,699,302	-	(19,839,651)	20,527,420	29,387,071
Term loans	512,402	-	(188,984)	-	323,418
	<b>84,709,705</b>	<b>140,704,544</b>	<b>(187,234,606)</b>	<b>20,527,420</b>	<b>58,707,063</b>

The 'Others' column includes the effects of dividend declared and accrued during the year that were not yet paid at the year end. The Company classifies finance cost paid as cash flows from operating activities.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

**15. TRADE AND OTHER PAYABLES**

	<i>30 June 2022</i>	<i>31 December 2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade payables	<b>144,889,685</b>	159,260,174
Unclaimed dividend payable	<b>29,056,379</b>	29,387,071
Accrued expenses	<b>23,213,676</b>	11,202,697
Advances from customers (note 4)	<b>3,187,797</b>	1,410,742
VAT payable	<b>850,024</b>	1,102,116
Other payables	<b>528,214</b>	884,211
	<b>201,725,775</b>	203,247,011

**16. BASIC LOSS PER SHARE**

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
Loss for the period	<b>(7,837,960)</b>	(18,591,837)	<b>(29,242,088)</b>	(25,381,695)
Weighted average number of shares	<b>410,548,410</b>	410,548,410	<b>410,548,410</b>	410,548,410
Basic loss per share	<b>(0.019)</b>	(0.045)	<b>(0.071)</b>	(0.062)

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

**17. DIVIDENDS**

At the annual general meeting held on 28 March 2022 (2021: 11 April 2021), no dividends were approved by the shareholders for the year ended 31 December 2021 (2021: AED 20.5 million cash dividends were approved which represents 5% of the Company's share capital for the year ended 31 December 2020). Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2021 (2020: nil).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (unaudited)

**18. RELATED PARTY BALANCES AND TRANSACTIONS**

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
Attendance expenses for Board of Directors and committees' meetings	<b>206,795</b>	103,120	<b>472,640</b>	257,426
Profit on the release of a plot of land owned by the Ras Al Khaimah government (note 6)	-	-	-	6,691,655

**Compensation of key management personnel**

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2022</i>	<i>30 June 2021</i>	<i>30 June 2022</i>	<i>30 June 2021</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>
Salaries and other short-term benefits (note below)	<b>1,064,516</b>	978,233	<b>2,139,633</b>	1,956,466
Employees' end of service benefits	<b>77,213</b>	96,300	<b>154,778</b>	192,600
	<b>1,141,729</b>	1,074,533	<b>2,294,411</b>	2,149,066

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.

**19. CONTINGENT LIABILITIES AND COMMITMENTS**

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Letters of credit	<b>49,577,932</b>	61,973,294
Letters of guarantee	<b>36,725</b>	36,725

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (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>Six months period ended 30 June 2022</i>			<i>Six months period ended 30 June 2021</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>176,562,493</b>	<b>-</b>	<b>176,562,493</b>	167,574,806	-	167,574,806
<b>Segment result</b>	<b>(28,227,424)</b>	<b>(1,014,664)</b>	<b>(29,242,088)</b>	(32,583,196)	7,201,501	(25,381,695)
	<i>Six months period ended 30 June 2022</i>			<i>Six months period ended 30 June 2021</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 assets</b>	<b>816,173,969</b>	<b>63,494,925</b>	<b>879,668,894</b>	798,728,699	83,666,274	882,394,973
<b>Segment liabilities</b>	<b>263,515,746</b>	<b>-</b>	<b>263,515,746</b>	241,047,786	-	241,047,786

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-months period ended 30 June 2022, revenue from customers located in the Company's country of domicile (UAE) is AED 46.8 million (six-month period ended 30 June 2021: AED 33.8 million) and revenue from customers outside UAE (foreign customers) is AED 129.7 million (six months period ended 30 June 2021: AED 133.8 million).

**b) Major customers**

Revenue includes AED 157.5 million which represents 89% of total revenue from 7 customers (six months period ended 30 June 2021: AED 156.4 million which represents 93% of total revenue from 7 customers).

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022 (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 2021.

*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>30 June 2022</i> <i>AED (unaudited)</i>	<i>31 December 2021</i> <i>AED (audited)</i>				
Quoted equity investments carried at FVTOCI	<b>14,449,388</b>	30,518,920	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>29,997,940</b>	37,024,967	Level 1	Quoted bid prices in an active market	None	N/A
	<b><u>45,065,701</u></b>	<u>68,162,260</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 30 June 2022 (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.

**30 June 2022 (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	-	-	12,630,000	12,630,000
Investments carried at FVTPL	29,997,940	-	-	29,997,940
Investments carried at FVTOCI:				
- Quoted equities	14,449,388	-	-	14,449,388
- Unquoted equities	-	-	618,373	618,373
	<u>44,447,328</u>	<u>-</u>	<u>13,248,373</u>	<u>57,695,701</u>

**31 December 2021 (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	-	-	12,630,000	12,630,000
Investments carried at FVTPL	37,024,967	-	-	37,024,967
Investments carried at FVTOCI:				
- Quoted equities	30,518,920	-	-	30,518,920
- Unquoted equities	-	-	618,373	618,373
	<u>67,543,887</u>	<u>-</u>	<u>13,248,373</u>	<u>80,792,260</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. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 11 August 2022.