

Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2023

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 30 September 2023 which comprise the interim statement of financial position as at 30 September 2023 and the related interim statements of profit or loss, comprehensive income for the three-months and nine-months period then ended, changes in equity and cash flows for the nine-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

14 November 2023

Sharjah, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2023 (unaudited)

	<i>Notes</i>	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
		<i>30 September</i> 2023 <i>AED</i>	<i>30 September</i> <i>2022</i> <i>AED</i>	<i>30 September</i> 2023 <i>AED</i>	<i>30 September</i> <i>2022</i> <i>AED</i>
Revenue	4	105,987,759	105,250,587	332,097,694	281,813,080
Cost of sales		(113,441,984)	(115,892,753)	(346,109,746)	(305,602,401)
GROSS LOSS		(7,454,225)	(10,642,166)	(14,012,052)	(23,789,321)
Other operating income	6	2,778,559	397,731	8,726,367	3,106,805
Selling, distribution and administrative expenses		(9,063,154)	(11,013,852)	(30,433,175)	(29,244,739)
Investment income / (loss) - net	5	3,447,884	(450,764)	3,279,799	(1,465,428)
Finance cost		(1,827,203)	(808,210)	(4,181,569)	(1,823,480)
Notional interest income		-	-	583,090	-
Other income		177,719	352,681	405,481	1,809,495
LOSS FOR THE PERIOD		(11,940,420)	(22,164,580)	(35,632,059)	(51,406,668)
Earnings per share (EPS):					
Basic and diluted loss per share	16	(0.029)	(0.054)	(0.087)	(0.125)

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2023 (unaudited)

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2023 AED</i>	<i>30 September 2022 AED</i>	<i>30 September 2023 AED</i>	<i>30 September 2022 AED</i>
Loss for the period	(11,940,420)	(22,164,580)	(35,632,059)	(51,406,668)
Other comprehensive (loss)/ income:				
<i>Other comprehensive (loss)/ income that will not be reclassified to profit or loss in subsequent periods</i>				
(Loss)/ gain on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	(23,052)	7,983,298	(59,421)	10,503,468
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI) (note 9)	(74,048)	(1,639,725)	(764,944)	(111,846)
Total other comprehensive (loss)/ income	(97,100)	6,343,573	(824,365)	10,391,622
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(12,037,520)	(15,821,007)	(36,456,424)	(41,015,046)

The accompanying notes 1 to 24 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 September 2023 (unaudited)

		<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	7	643,905,553	659,416,363
Investment property		6,430,000	6,430,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	1,816,185	2,223,101
Trade and other receivables	8	1,301,971	1,567,283
Total non-current assets		653,453,709	669,636,747
Current assets			
Inventories	10	114,254,408	90,932,943
Trade and other receivables	8	71,451,184	60,298,736
Investments carried at fair value through profit or loss (FVTPL)	9(b)	12,279,585	9,915,102
Bank balances and cash	11	11,897,207	3,774,784
Total current assets		209,882,384	164,921,565
TOTAL ASSETS		863,336,093	834,558,312
EQUITY AND LIABILITIES			
Equity			
Share capital	12	410,548,410	410,548,410
Reserves	13	348,663,041	348,663,041
Fair value reserve	9(a)	(13,017,958)	(12,274,202)
Accumulated losses		(182,180,729)	(146,468,061)
Total equity		564,012,764	600,469,188
Non-current liabilities			
Provision for employees' end of service indemnities		8,714,134	8,579,271
Trade and other payables	15	1,145,781	-
Total non-current liabilities		9,859,915	8,579,271
Current liabilities			
Bank borrowings	14(a)	59,125,575	51,062,120
Term loans	14(b)	-	123,428
Trade and other payables	15	230,337,839	174,324,305
Total current liabilities		289,463,414	225,509,853
Total liabilities		299,323,329	234,089,124
TOTAL EQUITY AND LIABILITIES		863,336,093	834,558,312



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

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2023 (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 2022	410,548,410	348,663,041	(39,675,070)	(78,189,194)	641,347,187
Loss for the period	-	-	-	(51,406,668)	(51,406,668)
Other comprehensive (loss)/ income for the period	-	-	(111,846)	10,503,468	10,391,622
Total comprehensive loss for the period	-	-	(111,846)	(40,903,200)	(41,015,046)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	16,289,654	(16,289,654)	-
Balance at 30 September 2022 (unaudited)	<u>410,548,410</u>	<u>348,663,041</u>	<u>(23,497,262)</u>	<u>(135,382,048)</u>	<u>600,332,141</u>
Balance at 1 January 2023	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188
Loss for the period	-	-	-	(35,632,059)	(35,632,059)
Other comprehensive loss for the period	-	-	(764,944)	(59,421)	(824,365)
Total comprehensive loss for the period	-	-	(764,944)	(35,691,480)	(36,456,424)
Transfer on disposal of investments carried at FVTOCI (note 9 (a))	-	-	21,188	(21,188)	-
Balance at 30 September 2023 (unaudited)	<u>410,548,410</u>	<u>348,663,041</u>	<u>(13,017,958)</u>	<u>(182,180,729)</u>	<u>564,012,764</u>

The accompanying notes 1 to 24 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the nine months ended 30 September 2023 (unaudited)

	Notes	<i>Nine-month period ended</i>	
		<i>30 September 2023 AED</i>	<i>30 September 2022 AED</i>
OPERATING ACTIVITIES			
Loss for the period		(35,632,059)	(51,406,668)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	45,358,270	40,299,216
Finance cost		4,181,569	1,823,480
Provision for employees' end of service indemnities		606,383	630,000
Unrealised (gain)/ loss on investments carried at FVTPL	5	(2,795,824)	3,841,095
Provision for expected credit losses	8	600,000	-
Loss on sale of investments carried at FVTPL	5	85,645	286,821
Finance income		(583,090)	-
Interest and dividend income	5	(569,620)	(2,662,488)
		11,251,274	(7,188,544)
Working capital adjustments:			
Trade and other receivables		(11,252,448)	(6,173,512)
Inventories		(23,321,465)	12,866,022
Trade and other payables		60,150,810	(10,096,546)
Cash flows from/ (used in) operations		36,828,171	(10,592,580)
Employees' end of service indemnities paid		(471,520)	(446,046)
Finance cost paid		(4,181,569)	(1,823,480)
Net cash flows from/ (used in) operating activities		32,175,082	(12,862,106)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(29,847,460)	(47,960,113)
Purchase of investments carried at FVTOCI	9	(1,139,987)	(3,172,236)
Proceeds on disposal of investments in securities		1,068,234	44,722,488
Dividends received	5	568,490	2,660,421
Interest received	5	1,130	2,067
Net cash flows used in investing activities		(29,349,593)	(3,747,373)
FINANCING ACTIVITIES			
Net movement in bank borrowings and term loan		7,940,027	24,160,477
Dividends paid		(2,643,093)	(369,669)
Net cash flows from financing activities		5,296,934	23,790,808
NET INCREASE IN BANK BALANCES AND CASH DURING THE PERIOD			
		8,122,423	7,181,329
Bank balances and cash at the beginning of the period	11	3,774,784	7,182,161
BANK BALANCES AND CASH AT THE END OF THE PERIOD	11	11,897,207	14,363,490

The accompanying notes 1 to 24 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 nine months period ended 30 September 2023, the Company incurred a loss of AED 35.6 million and, as of that date, the Company's accumulated losses amounted to AED 182.2 million, and current liabilities exceeded current assets by AED 79.6 million. Slowdown in the overall economic situation arising from the consequences of the ongoing Russia-Ukraine war and changing geopolitical situation; competitive prices and a continuous excess supply pressure, operating results have been negatively impacted.

The major challenges during the period were fetching best prices from the customers in export market amid increasing competition, excess supply of cement in both local and export market post the end of COVID-19 pandemic and procuring fuel & energy at optimum prices while the ongoing Russia-Ukraine war continues to aggravate this situation, controlling fixed cost, passing increasing cost to customers and scheduled maintenance. 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 the financial year 2022 in all areas with a specific focus to reduce fixed costs have started reaping benefit during the nine months period ended 30 September 2023. During the nine months period ended 30 September 2023, the Company has improved its gross loss from 8.4% for the previous comparable period to 4.2% for the current period and improved earnings before interest, taxes, depreciation, and amortization (EBITDA i.e., non-IFRS measure) from negative AED 9.3 million to positive AED 13.9 million for the same period.

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 global uncertainty, the management is continuously reviewing the Company's business and asserting the strategies. Tactical course of actions taken is mentioned below:

- Upward price revision in local market and renegotiation on prices with export customers
- Developing new markets for both existing and new products in the export business
- Reduction of costs and improvements in efficiencies wherever conceivable
- 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
- Automation of machines interfaces with ERP for real time data and effective decision making
- 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

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 that provides sufficient headroom to cushion against downside operational risks, and consequently management believes that it is better placed to face off the headwinds. As at 30 September 2023, the Company had available AED 17.2 million (31 December 2022: AED 48.5 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 interim condensed financial statements on a going concern basis.

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 nine months period ended 30 September 2023 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, the results for the nine months period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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 FVTPL, investments carried at FVTOCI 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 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023 but did not have an impact on the interim condensed financial statements of the Company.

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Definition of Accounting Estimates - Amendments to IAS 8
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12
- International Tax Reform - Pillar-Two Model Rules - Amendments to IAS 12

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 2022.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (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>Nine-months period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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>
Type of revenue				
Sale of goods	105,987,759	105,250,587	332,097,694	281,813,080
	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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>
Geographical markets				
Within UAE	42,633,853	27,930,618	132,356,184	74,765,031
Outside UAE	63,353,906	77,319,969	199,741,510	207,048,049
	105,987,759	105,250,587	332,097,694	281,813,080
	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</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>
Timing of revenue recognition				
Goods transferred at a point in time	105,987,759	105,250,587	332,097,694	281,813,080

Revenue includes AED 264.6 million that represents 79.7% of total revenue from 7 customers (nine months period ended 30 September 2022: AED 232.3 million that represents 82% of total revenue from 7 customers).

4.2 Contract balances

	<i>30 September</i>	<i>31 December</i>
	<i>2023</i>	<i>2022</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables (note 8)	60,285,192	50,323,883
Advances from customers (note 15)	18,502,365	13,443,152

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 September 2023 (unaudited)

5. INVESTMENT (LOSS)/ INCOME - NET

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>
Unrealised gain/ (loss) on investments carried at FVTPL (note 9 (b))	3,427,668	(658,903)	2,795,824	(3,841,095)
Loss on disposal of investments carried at FVTPL	-	(319,060)	(85,645)	(286,821)
Dividend income	19,759	526,396	568,490	2,660,421
Interest income	457	803	1,130	2,067
	3,447,884	(450,764)	3,279,799	(1,465,428)

6. OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company and distributed to a customer. Income earned during the nine months period ended 30 September 2023 amounted to AED 8.7 million (30 September 2022: AED 3.1 million).

7. PROPERTY, PLANT AND EQUIPMENT

- During the nine months period ended 30 September 2023, additions to property, plant and equipment amounted to AED 29.8 million (30 September 2022: AED 48.0 million) and depreciation for the nine months ended 30 September 2023 amounted to AED 45.4 million (30 September 2022: AED 40.3 million).
- 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.
- As at 31 December 2022, motor vehicles with net book value of AED 364 thousand are mortgaged against auto loan (note 14 (b)). The related loan was settled during the period.
- 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 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Trade receivables	64,934,743	54,373,434
Less: provision for expected credit losses (note (b))	(4,649,551)	(4,049,551)
	60,285,192	50,323,883
Other receivables	10,665,992	9,474,853
Relating to receivable from sale of an associate	1,801,971	2,067,283
	72,753,155	61,866,019
Relating to receivable from sale of an associate due after one year	(1,301,971)	(1,567,283)
	71,451,184	60,298,736

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

8. TRADE AND OTHER RECEIVABLES (continued)

a) Trade receivables amounting to AED 29.2 million (31 December 2022: AED 26.9 million) are fully covered by either unconditional bank guarantees or letter of credit from the customers.

b) The movement in provision for expected credit losses during the period was as follows:

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Balance at the beginning of the period/ year	4,049,551	2,941,224
Charge for the period/ year	600,000	1,108,327
	<u>4,649,551</u>	<u>4,049,551</u>

9. INVESTMENT IN SECURITIES**a) Investments carried at FVTOCI**

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Quoted	1,991,637	1,654,797
Unquoted	12,842,506	12,842,506
	<u>14,834,143</u>	<u>14,497,303</u>
Total gross investments at FVTOCI at cost	14,834,143	14,497,303
Less: accumulated fair value reserve, net	(13,017,958)	(12,274,202)
	<u>1,816,185</u>	<u>2,223,101</u>

The geographical spread of the above investments is as follows:

	<i>30 September 2023 (unaudited)</i>			<i>31 December 2022 (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>
Other GCC countries	<u>100%</u>	<u>14,834,143</u>	<u>1,816,185</u>	<u>100%</u>	<u>14,497,303</u>	<u>2,223,101</u>

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 13.0 million as at 30 September 2023 (31 December 2022: negative AED 12.3 million) and is shown under equity. During the nine months period ended 30 September 2023, the Company has transferred AED 0.02 million (30 September 2022: AED 16.3 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 0.7 million (30 September 2022: AED 40 million) resulting to a gain of AED 0.06 million (30 September 2022: AED 10.5 million) which is shown in the interim condensed statement of comprehensive income.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

9. INVESTMENT IN SECURITIES (continued)

a) Investments carried at FVTOCI (continued)

Equity instruments designated at FVTOCI 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 FVTOCI as the Company considers these investments to be strategic in nature.

b) Investments carried at FVTPL

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Quoted	8,077,946	9,319,976
Unquoted	8,299,928	8,264,138
Total gross investments at FVTPL at cost	16,377,874	17,584,114
Less: cumulative changes in fair value	(4,098,289)	(7,669,012)
Fair value of investments	12,279,585	9,915,102

The geographical spread of the above investments is as follows:

	<i>30 September 2023 (unaudited)</i>			<i>31 December 2022 (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	100%	8,077,946	12,279,585	96%	8,077,941	9,483,754
Other GCC countries	-	8,299,928	-	4%	9,506,173	431,348
	100%	16,377,874	12,279,585	100%	17,584,114	9,915,102

The total proceeds from the disposal of investments carried at FVTPL amounted to AED 0.4 million (30 September 2022: AED 4.6 million) resulting to a loss of AED 0.9 million (30 September 2022: loss of AED 0.3 million) which is shown in the interim condensed statement of profit or loss.

Movement in investment in securities is as follows:

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	12,138,203	68,162,260
Additions made during the period/year	1,139,987	4,921,349
Disposals made during the period/ year	(1,213,300)	(60,825,144)
Unrealized gain/ (loss) on revaluation of investments carried at FVTPL (note 5)	2,795,824	(202,099)
Change in the fair value of investments carried at FVTOCI	(764,944)	81,837
Fair value of investments at the end of the period/ year	14,095,770	12,138,203

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

10. INVENTORIES

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Finished goods	9,947,823	11,306,385
Raw materials	8,431,024	3,940,992
Work in progress	40,700,614	14,352,488
Bags, fuel and lubricants	34,327,159	39,268,946
Spare parts – maintenance department	23,031,422	24,152,337
Consumable items	10,412,030	10,486,969
Tools	429,891	450,381
	<u>127,279,963</u>	<u>103,958,498</u>
Less: allowance for slow-moving inventories	<u>(13,025,555)</u>	<u>(13,025,555)</u>
	<u><u>114,254,408</u></u>	<u><u>90,932,943</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 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Cash in hand	7,014	83,491
Bank balances:		
Current accounts	912,308	2,464,997
Call deposits (note below)	10,977,885	1,226,296
Total bank balances	<u>11,890,193</u>	<u>3,691,293</u>
Bank balances and cash	<u><u>11,897,207</u></u>	<u><u>3,774,784</u></u>

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

12. SHARE CAPITAL

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Issued and fully paid:		
410,548,410 ordinary shares of AED 1 each	<u><u>410,548,410</u></u>	<u><u>410,548,410</u></u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

13. RESERVES

According to the Company's Articles of Association and the requirements of the UAE Federal Law No. 32 of 2021, 10% of the profit of each year is transferred to the statutory 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.

According to the Company's Articles of Association 10% of the profit for each year is transferred to the voluntary reserve. 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.

As at 30 September 2023, the statutory reserve exceeded the 50% of the paid-up share capital. In prior periods, upon the approval and recommendation by the regulatory authorities in the UAE, the management has decided to maintain the statutory reserve at the same level.

	<i>Statutory reserve AED</i>	<i>Voluntary Reserve AED</i>	<i>Total AED</i>
Balance at 31 December 2022 (audited)	343,930,557	4,732,484	348,663,041
Balance at 30 September 2023 (unaudited)	343,930,557	4,732,484	348,663,041

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

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Bank overdraft facilities	6,270,499	6,147,904
Short-term loans	52,855,076	44,914,216
Total bank borrowings	59,125,575	51,062,120

The Company's overdraft balances are repayable on demand and short-term loans are repayable within twelve months. The overdraft balances and short-term loans carry interest rates at 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)).

Bank overdrafts are considered a form of financing and hence not included as a component of cash and cash equivalents in the interim condensed statement of cash flows.

b) Long term

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Current portion	-	123,428

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 paid on 1 August 2023.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

15. TRADE AND OTHER PAYABLES

	<i>30 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Trade payables	143,973,594	108,811,677
Dividend payable	26,247,421	28,890,514
Accrued expenses	41,552,857	21,734,228
Advances from customers (note 4)	18,502,365	13,443,152
VAT payable	764,315	814,807
Other payables	443,068	629,927
	231,483,620	174,324,305
Trade payables (non-current)	(1,145,781)	-
	230,337,839	174,324,305

16. BASIC LOSS PER SHARE

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>
Loss for the period	(11,940,420)	(22,164,580)	(35,632,059)	(51,406,668)
Weighted average number of shares	410,548,410	410,548,410	410,548,410	410,548,410
Basic loss per share	(0.029)	(0.054)	(0.087)	(0.125)

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 3 April 2023 (2022: 28 March 2022), no dividends were declared by the shareholders for the year ended 31 December 2022 (2022: Nil).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (unaudited)

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>Nine-months period ended</i>	
	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>
Attendance expenses for Board of Directors and Committees' meetings	245,833	222,097	808,695	694,737

The Company has entered into significant related party transactions with affiliates of Ras Al Khaimah government. Disclosure required as per para 18 of IAS 24 'Related Party Disclosures' on the balances and transactions along with nature of those transactions with such affiliate entities is not made by applying exemption as per para 25 of IAS 24 'Related Party Disclosures'.

Compensation of key management personnel

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

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2023 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>
Salaries and other short-term benefits (note below)	895,022	1,033,133	3,162,138	3,172,766
Employees' end of service benefits	78,202	72,927	234,607	227,705
	973,224	1,106,060	3,396,745	3,400,471

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 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>
Letters of credit	32,531,719	29,442,760
Letters of guarantee	36,725	36,725
Capital commitments	-	974,162

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (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>Nine-months period ended 30 September 2023</i>			<i>Nine-months period ended 30 September 2022</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>
Segment revenue	332,097,694	-	332,097,694	281,813,080	-	281,813,080
Segment result	(38,911,858)	3,279,799	(35,632,059)	(49,941,240)	(1,465,428)	(51,406,668)
	<i>As at 30 September 2023</i>			<i>As at 31 December 2022</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>
Segment assets	831,832,438	31,503,655	863,336,093	814,763,813	19,794,499	834,558,312
Segment liabilities	299,323,329	-	299,323,329	234,089,124	-	234,089,124

There are no transactions between the business segments.

Information about geographical segments is disclosed in 4.1 above.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023 (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. 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 2022.

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. Carrying amount of trade and other payables classified as non-current equals its fair value and is arrived basis of discounted cashflows.

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 September 2023 AED (unaudited)</i>	<i>31 December 2022 AED (audited)</i>				
Quoted equity investments carried at FVTOCI	1,816,185	1,604,728	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	-	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	12,279,585	9,915,102	Level 1	Quoted bid prices in an active market	None	N/A
	<u>14,095,770</u>	<u>12,138,203</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 September 2023 (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 September 2023 (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	-	-	6,430,000	6,430,000
Investments carried at FVTPL	12,279,585	-	-	12,279,585
Investments carried at FVTOCI				
- Quoted equities	1,816,185	-	-	1,816,185
	<u>14,095,770</u>	<u>-</u>	<u>6,430,000</u>	<u>20,525,770</u>

31 December 2022 (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	-	-	6,430,000	6,430,000
Investments carried at FVTPL	9,915,102	-	-	9,915,102
Investments carried at FVTOCI:				
- Quoted equities	1,604,728	-	-	1,604,728
- Unquoted equities	-	-	618,373	618,373
	<u>11,519,830</u>	<u>-</u>	<u>7,048,373</u>	<u>18,568,203</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. CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance (MoF) released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime became effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 (and a rate of 0% on qualifying income of free zone entities).

The UAE CT Law shall apply to the Company with effect from 1 January 2024. The MoF continue to issue supplemental Decisions of the Cabinet of Ministers of the UAE (Decisions) to further clarify certain aspects of the UAE CT Law. Such Decisions, and other interpretive guidance of the UAE Federal Tax Authority, are required to fully evaluate the impact of the UAE CT Law on the Company.

Since the provisions of the UAE CT law will apply to Tax Periods commencing on or after 1 June 2023, the related current taxes shall be accounted for in the financial statements for the period beginning 1 January 2024. However, the related deferred tax accounting impact has been considered for the financial period ended 30 September 2023. Following assessment of the potential impact of the UAE CT Law on the balance sheet, we do not consider there to be material temporary differences on which deferred taxes should be accounted.

The Company will continue to monitor the publication of subsequent decisions and related guidance, as well as continuing its more detailed review of its financial matters, to consider any changes to the position at subsequent reporting dates.

23. SUBSEQUENT EVENTS

The Company's Board of Directors has resolved to set off the accumulated losses of AED 182,180,729 as at 30 September 2023 in their meeting held on 14 November 2023, by utilizing an equivalent amount standing to the credit of available reserves, subject to obtaining necessary approval from shareholders and Securities and Commodities Authority (SCA).

The resolution to set off accumulated losses against the available reserves is subject to the approval of the shareholders at the forthcoming Assembly Meeting, and any regulatory approvals that may be required. Until such approvals are obtained, the setoff of accumulated losses remains contingent.

The effect of this resolution, if approved, would result in a decrease in the accumulated losses and a corresponding reduction in the reserves of the Company. The specific impact on the financial statements will be recognized in the period in which the necessary approvals are obtained, and the setoff is executed.

24. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Board of Directors and authorised for issue on 14 November 2023.