

Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2024

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 June 2024 which comprise the interim condensed statement of financial position as at 30 June 2024, and the related interim condensed statement of profit or loss and comprehensive income for the three months and six months period then ended, interim condensed statements of changes in equity and cash flows for the six months period then ended, and explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standards 34, Interim Financial Reporting (IAS 34). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to note 1.1 to the interim condensed financial statements, which describes that the Company’s assessment on going concern is reliant on the continued availability of bank facilities. Our conclusion is not further modified in respect of this matter.

For Ernst & Young



Wardah Ebrahim
Registration No. 1258

12 August 2024

Sharjah, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the six months period ended 30 June 2024 (unaudited)

	Notes	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
		<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</i>
		<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Revenue	4	103,511,562	123,122,857	217,473,596	226,109,935
Cost of sales		(111,555,841)	(122,721,004)	(226,571,869)	(232,667,762)
GROSS (LOSS) / PROFIT		(8,044,279)	401,853	(9,098,273)	(6,557,827)
Other operating income	6	2,392,620	3,276,570	4,693,004	5,947,808
Selling, distribution and administrative expenses		(7,893,918)	(12,047,196)	(17,609,026)	(21,370,021)
Investment income / (loss) - net	5	34,133	(121,269)	1,633,832	(168,085)
Finance cost		(2,189,138)	(1,223,365)	(4,415,699)	(2,354,366)
Finance income		-	-	37,931	583,090
Other income		799,762	86,288	1,457,585	227,762
LOSS FOR THE PERIOD BEFORE TAX		(14,900,820)	(9,627,119)	(23,300,646)	(23,691,639)
Income tax credit	16	-	-	811,489	-
LOSS FOR THE PERIOD		(14,900,820)	(9,627,119)	(22,489,157)	(23,691,639)
Earnings per share (EPS):					
Basic and diluted loss per share	17	(0.036)	(0.023)	(0.055)	(0.058)

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 period ended 30 June 2024 (unaudited)

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i> <i>AED</i>	<i>30 June 2023</i> <i>AED</i>	<i>30 June 2024</i> <i>AED</i>	<i>30 June 2023</i> <i>AED</i>
Loss for the period	(14,900,820)	(9,627,119)	(22,489,157)	(23,691,639)
Other comprehensive loss:				
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods</i>				
Gain / (loss) on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	7,640	(11,286)	11,645	(36,369)
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI)	(204,003)	(8,553)	(66,317)	(690,896)
Total other comprehensive loss	(196,363)	(19,839)	(54,672)	(727,265)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(15,097,183)	(9,646,958)	(22,543,829)	(24,418,904)

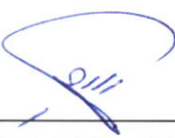
The accompanying notes 1 to 22 form an integral part of these interim condensed financial statements.

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024 (unaudited)

	<i>Notes</i>	30 June 2024 AED (unaudited)	31 December 2023 AED (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	628,327,987	634,577,268
Investment property		7,250,000	7,250,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	1,823,624	1,837,426
Trade and other receivables	8	1,353,694	1,315,763
Deferred tax asset	16	811,489	-
Total non-current assets		639,566,794	644,980,457
Current assets			
Inventories	10	105,834,900	102,955,802
Trade and other receivables	8	102,052,519	85,426,080
Investments carried at fair value through profit or loss (FVTPL)	9(b)	11,390,029	11,697,497
Bank balances and cash	11	531,159	579,863
Total current assets		219,808,607	200,659,242
TOTAL ASSETS		859,375,401	845,639,699
EQUITY AND LIABILITIES			
Equity			
Share capital	12	410,548,410	410,548,410
Reserves	13	166,482,312	166,482,312
Fair value reserve	9(a)	(13,020,976)	(12,955,211)
Accumulated losses		(38,466,957)	(15,988,893)
Total equity		525,542,789	548,086,618
Non-current liabilities			
Provision for employees' end of service indemnity		8,222,894	8,344,938
Trade and other payables	15	-	577,108
Total non-current liabilities		8,222,894	8,922,046
Current liabilities			
Bank borrowings	14	53,366,265	56,267,388
Trade and other payables	15	272,243,453	232,363,647
Total current liabilities		325,609,718	288,631,035
Total liabilities		333,832,612	297,553,081
TOTAL EQUITY AND LIABILITIES		859,375,401	845,639,699



Mohammed Ahmed Ali Ebrahim
Chief Executive Officer

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 CHANGES IN EQUITY

For the six months period ended 30 June 2024 (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 2023	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188
Loss for the period	-	-	-	(23,691,639)	(23,691,639)
Other comprehensive loss for the period	-	-	(690,896)	(36,369)	(727,265)
Total comprehensive loss for the period	-	-	(690,896)	(23,728,008)	(24,418,904)
Transfer on disposal of investments carried at FVTOCI (note 9(a))	-	-	8,385	(8,385)	-
Balance at 30 June 2023 (unaudited)	<u>410,548,410</u>	<u>348,663,041</u>	<u>(12,956,713)</u>	<u>(170,204,454)</u>	<u>576,050,284</u>
Balance at 1 January 2024	410,548,410	166,482,312	(12,955,211)	(15,988,893)	548,086,618
Loss for the period	-	-	-	(22,489,157)	(22,489,157)
Other comprehensive loss / (income) for the period	-	-	(66,317)	11,645	(54,672)
Total comprehensive loss for the period	-	-	(66,317)	(22,477,512)	(22,543,829)
Transfer on disposal of investments carried at FVTOCI (note 9(a))	-	-	552	(552)	-
Balance at 30 June 2024 (unaudited)	<u>410,548,410</u>	<u>166,482,312</u>	<u>(13,020,976)</u>	<u>(38,466,957)</u>	<u>525,542,789</u>

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 period ended 30 June 2024 (unaudited)

	Notes	<i>Six-month period ended</i>	
		<i>30 June 2024</i>	<i>30 June 2023</i>
		<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
Loss for the period		(23,300,646)	(23,691,639)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	27,359,292	30,421,167
Finance costs		4,415,699	2,354,366
Provision for employees' end of service indemnity		269,582	506,588
Unrealised loss on investments carried at FVTPL	5	76,768	631,844
(Gain)/ loss on sale of investments in securities carried at FVTPL	5	(131,729)	85,645
Finance income		(37,931)	(583,090)
Interest and dividend income		(1,578,871)	(549,404)
Provision for expected credit losses	8	-	600,000
		7,072,164	9,775,477
Working capital adjustments			
Trade and other receivables		(16,626,439)	(10,209,931)
Inventories		(2,879,098)	(21,950,142)
Trade and other payables		39,761,381	55,905,572
Cash flows from operations		27,328,008	33,520,976
Employees' end of service indemnity paid		(391,626)	(444,359)
Finance costs paid		(4,327,622)	(2,354,366)
Net cash flows from operating activities		22,608,760	30,722,251
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(21,110,011)	(16,848,244)
Purchase of investments carried at FVTOCI	9(b)	(194,390)	(810,274)
Proceeds on disposal of investments in securities		515,949	792,354
Dividends received	5	1,578,383	548,731
Interest received	5	488	673
Net cash flows used in investing activities		(19,209,581)	(16,316,760)
FINANCING ACTIVITIES			
Net movement in bank borrowings and term loan		(2,901,123)	(2,928,626)
Dividends paid		(546,760)	(2,501,528)
Net cash flows used in financing activities		(3,447,883)	(5,430,154)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		(48,704)	8,975,337
Cash and cash equivalents at the beginning of the period	11	579,863	3,774,784
BANK BALANCES AND CASH AT THE END OF THE PERIOD	11	531,159	12,750,121

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 2024, the Company incurred a loss of AED 22.5 million and, as of that date, the Company's accumulated losses amounted to AED 38.5 million, and current liabilities exceeded current assets by AED 105.8 million. Slowdown in the overall economic situation arising from the consequences of the changing geopolitical situation, competitive prices and a continuous excess supply pressure have negatively impacted the operating results.

The Company meets day-to-day working capital and other funding requirements through advance cash sales and revolving banking facilities, which include an overdraft facility. The highly concentrated supplier's obligations are satisfied in accordance with the agreed timelines. The Company is in compliant with all bank covenants and other terms of its borrowing agreements during the period and maintained its track record of positive earnings before interest, taxes, depreciation, and amortisation (EBITDA, a non-IFRS measure), with an overall EBITDA for the period of AED 8.5 million (30 June 2023: AED 9.1 million).

As at 30 June 2024, the total revolving credit facilities of AED 110 million are sufficient to meet the Company's funding needs. The undrawn borrowing facilities available as at 30 June 2024 are AED 44.9 million (31 December 2023: AED 25.4 million), which indicates that the Company has required liquidity to meet its supplier obligations and other financial commitments and provides a strong buffer for operational flexibility in the next 12 months.

The Company's gearing ratio is maintained at 10.2% with no long-term borrowings or commitments whereas the current ratio of the Company has slightly decline from 0.7x to 0.68x due to seasonal working capital outflow owing to large shutdowns and penetration in local sales which the management believe to reverse over the rest of the year.

Management has thoroughly reviewed the detailed projected cash flow forecasts in the next 12 months which considers the following factors:

- Current working capital position and operational requirements;
- Agreed timeline with strategic suppliers;
- Increased rates of machine production and any risks that may impact the levels of production;
- Securing energy sources at best price;
- Continuation of current sales contracts and the Company's ability to satisfy these from existing production;
- Continuation of existing pricing mechanism and growth in domestic market;
- Increased proportion of good margin product in diversified sales mix;
- Timing of expected sales receipts including collection from outstanding debtors;
- Timing and magnitude of maintenance capital expenditures;
- Implementation of alternative and renewable energy sources; and
- Level of indebtedness of the Company and timing of when such liabilities may fall due

These forecasts assume that the Company's production will continue to operate in good order. The Company also anticipates domestic revenue growth through the realisation of existing sales contracts and finding strategic partner through offtake agreements, as well as from newly generated sales in local market.

The Company has also available contingent plans to mitigate the impact of potential downside scenarios if cash receipts from sales are lower than anticipated. These include utilising undrawn borrowing facilities, leveraging existing sale agreements, reviewing capital expenditures, reducing overheads and renegotiation of the terms on its existing suppliers' obligations.

1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION (continued)

Based on the Company's expectation related to the forecasts and facilities in place, management with its new members of the Board of Directors believe that the Company will be able to operate with sufficient funds, 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 six months period ended 30 June 2024 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 2023.

In addition, results for the six months period ended 30 June 2024 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 fair value through profit or loss (FVTPL), investments carried at fair value through other comprehensive income (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 2023, except for the adoption of new standards effective as of 1 January 2024 and the accounting policy for taxes which has been adopted by the Company due to the implementation of UAE corporate income tax (note 16). The Company has not early adopted any 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.

- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants – Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
- Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

These amendments had no impact on the interim condensed financial statements of the Company.

2.3 Material accounting policy information

Taxes

a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

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

2.3 Material accounting policy information (continued)

Taxes (continued)

a) Current income tax (continued)

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

2.3 Material accounting policy information (continued)

Taxes (continued)

b) *Deferred tax (continued)*

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 2023, except for the below:

Deferred tax

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

The Company has AED 23.9 million of tax losses carried forward. These losses do not expire and may be used to offset taxable income in future years. The utilisation of these losses is subject to the Company generating substantial taxable profits in the future years. In line with the conservative principle and given the Company's expectation of progressively generating taxable profits, a deferred tax asset of AED 0.9 million has been recognized which pertains to the portion of tax losses carried forward for the six months period ended 30 June 2024. Further details on taxes are disclosed in note 16.

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 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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	103,511,562	123,122,857	217,473,596	226,109,935

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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	63,045,214	48,332,722	116,588,247	89,722,331
Outside UAE	40,466,348	74,790,135	100,885,349	136,387,604
	103,511,562	123,122,857	217,473,596	226,109,935
	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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	103,511,562	123,122,857	217,473,596	226,109,935

Revenue includes AED 151.7 million which represents 70% of total revenue from 7 customers (six months period ended 30 June 2023: AED 179.8 million which represents 77.6% of total revenue from 7 customers).

4.2 Contract balances

	<i>30 June</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Asset		
Trade receivables (note 8)	86,501,731	71,506,364
Liability		
Advances from customers (note 15)	2,140,565	4,192,422

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 (2023: 150 to 180 days) from delivery.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

5. INVESTMENT LOSS - NET

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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 on investments carried at FVTPL (note 9(b))	(11,035)	(639,826)	(76,768)	(631,844)
(Loss)/ gain on disposal of investment carried at FVTPL	-	(30,589)	131,729	(85,645)
Dividend income	44,862	548,731	1,578,383	548,731
Interest income	306	415	488	673
	34,133	(121,269)	1,633,832	(168,085)

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 six months period ended 30 June 2024 amounted to AED 4.7 million (six months period ended 30 June 2023: AED 5.9 million).

7. PROPERTY, PLANT AND EQUIPMENT

- During the six months period ended 30 June 2024, additions to property, plant and equipment amounted to AED 21,110,177 (30 June 2023: AED 16,848,244) and depreciation for the six months ended 30 June 2024 amounted to AED 27,359,292 (30 June 2023: AED 30,421,167).
- 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.
- There is a negative pledge over property, plant and equipment against borrowings (note 14).
- Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 14).

8. TRADE AND OTHER RECEIVABLES

	<i>30 June</i>	<i>31 December</i>
	<i>2024</i>	<i>2023</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Trade receivables	90,430,755	75,435,388
Less: provision for expected credit losses (note (b))	(3,929,024)	(3,929,024)
	86,501,731	71,506,364
Other receivables	15,064,580	13,433,508
Relating to receivable from sale of an associate	1,839,902	1,801,971
	103,406,213	86,741,843
Relating to receivable from sale of an associate due after one year	(1,353,694)	(1,315,763)
	102,052,519	85,426,080

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

8. TRADE AND OTHER RECEIVABLES (continued)

- a) Trade receivables amounting to AED 35.1 million (31 December 2023: AED 32.4 million) are fully covered by either unconditional bank guarantees or letter of credit from the customers.
- b) Movement in provision for expected credit losses during the period is as follows:

	<i>30 June 2024 AED (unaudited)</i>	<i>31 December 2023 AED (audited)</i>
Balance at the beginning of the period/ year	3,929,024	4,049,551
Charge for the period/ year	-	(120,527)
Balance at the end of the period/ year	3,929,024	3,929,024

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

	<i>30 June 2024 AED (unaudited)</i>	<i>31 December 2023 AED (audited)</i>
Quoted	2,002,094	1,950,131
Unquoted	12,842,506	12,842,506
Total gross investments at FVTOCI at cost	14,844,600	14,792,637
Less: accumulated fair value reserve, net	(13,020,976)	(12,955,211)
Fair value of investments	1,823,624	1,837,426

The geographical spread of the above investments is as follows:

	<i>30 June 2024 (unaudited)</i>			<i>31 December 2023 (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	100%	14,844,600	1,823,624	100%	14,792,637	1,837,426

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 13.02 million as at 30 June 2024 (31 December 2023: negative AED 13.0 million) and is shown under equity. During the six months period ended 30 June 2024, the Company has transferred cumulative loss of AED 552 (30 June 2023: AED 8,385) from fair value reserve to accumulated losses arising from the disposal of investments carried at FVTOCI. The total proceeds from the disposal of investments carried at FVTOCI amounted to AED 0.15 million (30 June 2023: AED 0.47 million) resulting to a gain of AED 0.01 million (30 June 2023: loss of AED 0.04 million) which is shown in the interim condensed statement of profit or loss.

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 fair value through OCI as the Company considers these investments to be strategic in nature.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

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

	30 June 2024 AED (unaudited)	31 December 2023 AED (audited)
Quoted	7,409,192	8,077,946
Unquoted	8,299,928	8,299,928
Total gross investments at FVTPL at cost	15,709,120	16,377,874
Less: cumulative changes in fair value	(4,319,091)	(4,680,377)
Fair value of investments	11,390,029	11,697,497

The geographical spread of the above investments is as follows:

	30 June 2024 (unaudited)			31 December 2023 (audited)		
	Concentration percentage on fair value	Cost AED	Fair value AED	Concentration percentage on fair value	Cost AED	Fair value AED
UAE	100%	7,409,192	11,390,029	100%	8,077,946	11,697,497
Other GCC countries	0%	8,299,928	-	0%	8,299,928	-
	100%	15,709,120	11,390,029	100%	16,377,874	11,697,497

Movement in investment in securities were as follows:

	30 June 2024 AED (unaudited)	31 December 2023 AED (audited)
Fair value of investments at the beginning of the period/ year	13,534,923	12,138,203
Additions made during the period/year	194,390	1,431,866
Disposals made during the period/ year	(372,575)	(1,543,599)
Unrealized (loss) / gain on revaluation of investments carried at FVTPL (note 5)	(76,768)	2,213,736
Change in the fair value of investments carried at FVTOCI	(66,317)	(705,283)
Fair value of investments at the end of the period/ year	13,213,653	13,534,923

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

10. INVENTORIES

	<i>30 June</i> <i>2024</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED</i> <i>(audited)</i>
Finished goods	11,088,832	9,719,041
Raw materials	6,957,541	7,012,981
Work in progress	28,856,308	30,246,825
Bags, fuel and lubricants	36,655,678	34,779,988
Spare parts	24,025,706	23,744,528
Consumable items	10,807,902	10,041,480
Tools	468,488	436,514
	<u>118,860,455</u>	<u>115,981,357</u>
Less: provision for slow-moving inventories	<u>(13,025,555)</u>	<u>(13,025,555)</u>
	<u><u>105,834,900</u></u>	<u><u>102,955,802</u></u>

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

11. BANK BALANCES AND CASH

	<i>30 June</i> <i>2024</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED</i> <i>(audited)</i>
Cash in hand	14,207	26,593
Bank balances:		
Current accounts	458,272	495,249
Call deposits	58,680	58,021
Total bank balances	<u>516,952</u>	<u>553,270</u>
	<u><u>531,159</u></u>	<u><u>579,863</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 June</i> <i>2024</i> <i>AED</i> <i>(unaudited)</i>	<i>31 December</i> <i>2023</i> <i>AED</i> <i>(audited)</i>
Issued and fully paid:		
410,548,410 ordinary shares of AED 1 each	<u>410,548,410</u>	<u>410,548,410</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

13. RESERVES

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

In prior years, 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.

On 14 November 2023, the Company's Board of Directors has resolved to set off the accumulated losses of AED 182,180,729 by utilising an equivalent amount standing to the credit of available reserves, which is approved by the shareholders in the general meeting held on 20 December 2023 and Securities and Commodities Authority (SCA). This resulted in a decrease in the accumulated losses and a corresponding reduction in the statutory and voluntary reserves of the Company.

14. BANK BORROWINGS

	<i>30 June 2024 AED (unaudited)</i>	<i>31 December 2023 AED (audited)</i>
Bank overdraft facilities	8,394,318	8,214,414
Short term loans	44,971,947	48,052,974
	<u>53,366,265</u>	<u>56,267,388</u>

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)), movable property, plant and equipment (note 7(e)) and pledge over inventories (note 10(b)) and a negative pledge over property, plant and equipment (note 7(d)).

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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

15. TRADE AND OTHER PAYABLES

	<i>30 June 2024 AED (unaudited)</i>	<i>31 December 2023 AED (audited)</i>
Trade payables	228,182,415	188,853,078
Dividend payable	25,414,490	25,961,250
Accrued expenses	15,639,338	12,721,892
Advances from customers (note 4)	2,140,565	4,192,422
VAT payable	467,555	825,388
Other payables	399,090	386,725
	272,243,453	232,940,755
Trade payables (non-current)	-	(577,108)
	272,243,453	232,363,647

16. INCOME TAX

On 9 December 2022, the UAE Ministry of Finance 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 will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Company. The Company is subject to the provisions of the UAE CT Law for the six months period ended 30 June 2024.

The major components of income tax credit for the six months period ended 30 June 2024 are:

	<i>30 June 2024 AED (unaudited)</i>
Current tax expense	-
Deferred tax credit	811,489
Income tax credit	811,489

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

16. INCOME TAX (continued)

Reconciliation of tax expense and accounting profit for the six months period ended 30 June 2024 is as follows:

	30 June 2024 AED (unaudited)
Accounting loss before tax	(23,300,646)
At United Arab Emirates' statutory corporate tax rate of 9% (2023: nil)	
Adjustments for amounts which are non-deductible / (taxable) in calculating taxable income:	
Non-deductible expenses for tax purposes	-
Exempt income	(616,713)
Taxable loss	(23,917,359)
At the effective income tax rate of 0% (2023: 0%)	-

Components of deferred tax asset pertains to portion of tax losses carried forward for the six months period ended 30 June 2024 (2023: nil).

17. BASIC LOSS PER SHARE

	Three-month period ended		Six-month period ended	
	30 June 2024 AED (unaudited)	30 June 2023 AED (unaudited)	30 June 2024 AED (unaudited)	30 June 2023 AED (unaudited)
Loss for the period	(14,900,820)	(9,627,119)	(22,489,157)	(23,691,639)
Weighted average number of shares	410,548,410	410,548,410	410,548,410	410,548,410
Basic loss per share	(0.036)	(0.023)	(0.055)	(0.058)

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

18. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties include the Company's major Shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (unaudited)

18. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

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

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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	206,706	315,641	502,007	562,862

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-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>	<i>30 June 2024</i>	<i>30 June 2023</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)	1,051,892	1,055,742	1,998,076	2,267,116
Employees' end of service benefits	67,368	75,385	118,015	156,405
	1,119,260	1,131,127	2,116,091	2,423,521

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>2024</i>	<i>2023</i>
	<i>AED</i>	<i>AED</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Letters of credit	11,440,009	28,387,370
Letters of guarantee	36,725	36,725

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (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-month period ended 30 June 2024</i>			<i>Six-month period ended 30 June 2023</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>AED</i> <i>(unaudited)</i>	<i>AED</i> <i>(unaudited)</i>	<i>AED</i> <i>(unaudited)</i>	<i>AED</i> <i>(unaudited)</i>	<i>AED</i> <i>(unaudited)</i>	<i>AED</i> <i>(unaudited)</i>
Segment revenue	217,473,596	-	217,473,596	226,109,935	-	226,109,935
Segment result	(24,122,989)	1,633,832	(22,489,157)	(23,523,554)	(168,085)	(23,691,639)

	<i>30 June 2024</i>			<i>31 December 2023</i>		
	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>	<i>Manufacturing</i>	<i>Investments</i>	<i>Total</i>
	<i>(unaudited)</i> <i>AED</i>	<i>(unaudited)</i> <i>AED</i>	<i>(unaudited)</i> <i>AED</i>	<i>(audited)</i> <i>AED</i>	<i>(audited)</i> <i>AED</i>	<i>(audited)</i> <i>AED</i>
Segment assets	838,853,068	20,522,333	859,375,401	824,796,755	20,842,944	845,639,699
Segment liabilities	333,832,612	-	333,832,612	297,553,081	-	297,553,081

There are no transactions between the business segments.

Additional information required by IFRS 8 Segment Reporting relating to geographical segments and major customers are disclosed in note 4.1.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2024 (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 2023.

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.

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 2024</i>	<i>31 December 2023</i>				
	<i>AED (unaudited)</i>	<i>AED (audited)</i>				
Quoted equity investments carried at FVTOCI	1,823,624	1,837,426	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity instruments carried at FVTPL	11,390,029	11,697,497	Level 1	Quoted bid prices in an active market	None	N/A
	13,213,653	13,534,923				

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 2024 (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 2024 (unaudited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	7,250,000	7,250,000
Investments carried at FVTPL	11,390,029	-	-	11,390,029
Investments carried at FVTOCI:				
- Quoted equities	1,823,624	-	-	1,823,624
	<u>13,213,653</u>	<u>-</u>	<u>7,250,000</u>	<u>20,463,653</u>

31 December 2023 (audited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	7,250,000	7,250,000
Investments carried at FVTPL	11,697,497	-	-	11,697,497
Investments carried at FVTOCI:				
- Quoted equities	1,837,426	-	-	1,837,426
- Unquoted equities				
	<u>13,534,923</u>	<u>-</u>	<u>7,250,000</u>	<u>20,784,923</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 12 August 2024.