

Gulf Cement Company P.S.C.

UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2022

GULF CEMENT COMPANY P.S.C.

Contents	Page
Report on review of interim condensed financial statements	1
Interim condensed statement of profit or loss	2
Interim condensed statement of comprehensive income	3
Interim condensed statement of financial position	4
Interim condensed statement of changes in equity	5
Interim condensed statement of cash flows	6
Notes to the interim condensed financial statements	7 - 19

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 2022 which comprise the interim statement of financial position as at 30 September 2022 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

9 November 2022

Sharjah, United Arab Emirates

Gulf Cement Company P.S.C.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2022 (unaudited)

	<i>Notes</i>	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
		<i>30 September 2022 AED</i>	<i>30 September 2021 AED</i>	<i>30 September 2022 AED</i>	<i>30 September 2021 AED</i>
Revenue	4	105,250,587	81,418,172	281,813,080	248,992,978
Cost of sales		(115,892,753)	(93,048,301)	(305,602,401)	(281,669,749)
GROSS LOSS		(10,642,166)	(11,630,129)	(23,789,321)	(32,676,771)
Other operating income		397,731	389,052	3,106,805	2,551,457
Selling, distribution and administrative expenses		(11,013,852)	(9,946,168)	(29,244,739)	(29,737,696)
Investment (loss) / income - net	5	(450,764)	3,031,167	(1,465,428)	10,232,668
Finance cost		(808,210)	(761,141)	(1,823,480)	(1,838,326)
Other income	6	352,681	607,917	1,809,495	7,777,671
LOSS FOR THE PERIOD		(22,164,580)	(18,309,302)	(51,406,668)	(43,690,997)
Earnings per share (EPS):					
Basic loss per share	16	(0.054)	(0.045)	(0.125)	(0.106)

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 nine months ended 30 September 2022 (unaudited)

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2022 AED</i>	<i>30 September 2021 AED</i>	<i>30 September 2022 AED</i>	<i>30 September 2021 AED</i>
Loss for the period	(22,164,580)	(18,309,302)	(51,406,668)	(43,690,997)
Other comprehensive income:				
<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)	7,983,298	-	10,503,468	135,911
Net change in fair value of investments carried at fair value through other comprehensive income (FVTOCI) (note 9)	(1,639,725)	243,594	(111,846)	3,055,955
Total other comprehensive income for the period	6,343,573	243,594	10,391,622	3,191,866
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(15,821,007)	(18,065,708)	(41,015,046)	(40,499,131)

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 September 2022 (unaudited)

	<i>Notes</i>	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (Audited)</i>
ASSETS			
Non-current assets			
Property, plant and equipment	7	666,819,013	659,158,116
Investment property		12,630,000	12,630,000
Investments carried at fair value through other comprehensive income (FVTOCI)	9(a)	4,616,005	31,137,293
Trade and other receivables	8	1,567,283	2,067,283
		685,632,301	704,992,692
Current assets			
Inventories	10	65,928,303	78,794,325
Trade and other receivables	8	61,074,340	54,400,828
Investments carried at fair value through profit or loss (FVTPL)	9(b)	28,259,709	37,024,967
Bank balances and cash	11	14,363,490	7,182,161
		169,625,842	177,402,281
Total assets		855,258,143	882,394,973
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)	(23,497,262)	(39,675,070)
Accumulated losses		(135,382,048)	(78,189,194)
Total equity		600,332,141	641,347,187
Non-current liabilities			
Provision for employees' end of service indemnities		8,664,737	8,480,783
Term loans	14(b)	-	122,949
		8,664,737	8,603,732
Current liabilities			
Bank borrowings	14(a)	53,306,095	28,996,574
Term loans	14(b)	174,374	200,469
Trade and other payables	15	192,780,796	203,247,011
		246,261,265	232,444,054
Total liabilities		254,926,002	241,047,786
Total equity and liabilities		855,258,143	882,394,973



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 nine months ended 30 September 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 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)	410,548,410	348,663,041	(23,497,262)	(135,382,048)	600,332,141
Balance at 1 January 2021	410,548,410	369,190,461	(58,537,574)	(8,005,416)	713,195,881
Loss for the period	-	-	-	(43,690,997)	(43,690,997)
Other comprehensive income for the period	-	-	3,055,955	135,911	3,191,866
Total comprehensive income/ (loss) for the period	-	-	3,055,955	(43,555,086)	(40,499,131)
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 September 2021 (unaudited)	410,548,410	348,663,041	(38,182,426)	(68,859,695)	652,169,330

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 nine months ended 30 September 2022 (unaudited)

	Notes	<i>Nine-month period ended</i>	
		<i>30 September 2022 AED</i>	<i>30 September 2021 AED</i>
OPERATING ACTIVITIES			
Loss for the period		(51,406,668)	(43,690,997)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	7	40,299,216	32,598,425
Finance cost		1,823,480	1,838,326
Provision for employees' end of service indemnity		630,000	210,000
Unrealised loss/ (gain) on investments carried at FVTPL	5	3,841,095	(6,165,706)
Reversal of expected credit losses	8	-	(217,686)
Loss/(gain) on sale of investments carried at FVTPL	5	286,821	(819,101)
Unwinding of receivable from sale of an associate		-	(400,000)
Interest and dividend income	5	(2,662,488)	(3,247,861)
		(7,188,544)	(19,894,600)
Working capital adjustments			
Trade and other receivables		(6,173,512)	8,244,955
Inventories		12,866,022	152,772
Trade and other payables		(10,096,546)	47,245,398
Cash (used in)/ from operations		(10,592,580)	35,748,525
Employees' end of service indemnity paid		(446,046)	(685,442)
Finance cost paid		(1,823,480)	(1,838,326)
Net cash flows (used in)/ from operating activities		(12,862,106)	33,224,757
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	7	(47,960,113)	(30,108,016)
Purchase of investments carried at FVTOCI	9	(3,172,236)	-
Proceeds on disposal of investments in securities		44,722,488	24,398,249
Dividends received	5	2,660,421	3,242,863
Interest received	5	2,067	4,998
Net cash flows used in investing activities		(3,747,373)	(2,461,906)
FINANCING ACTIVITIES			
Net movement in bank borrowings and term loan		24,160,477	1,666,179
Dividends paid		(369,669)	(19,151,843)
Net cash from/ (used in) financing activities		23,790,808	(17,485,664)
NET INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD		7,181,329	13,277,187
Cash and cash equivalents at the beginning of the period	11	7,182,161	6,267,930
BANK BALANCES AND CASH AT THE END OF THE PERIOD		14,363,490	19,545,117

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 nine months' period ended 30 September 2022, the Company incurred a loss of AED 51.4 million and, as of that date, the Company's accumulated losses amounted to AED 135.4 million and current liabilities exceeded current assets by AED 76.6 million. Slowdown in the overall economic situation arising from the consequences of the Covid-19 outbreak 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 the supply chain disruption post Covid-19, recovery, which caused rising global fuel and energy prices while the ongoing Russia-Ukraine war further aggravated this situation, controlling fixed cost, passing increasing cost to customers 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 nine months period ended 30 September 2022. During the nine-months ended 30 September 2022, the Company has improved its gross loss from 13% for the previous comparable period to 8% for the current 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 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:

- 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
- Restoration of machine efficiencies following successful maintenances that was delayed due to covid
- 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 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 September 2022, the Company had available AED 40.5 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 nine months period ended 30 September 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 2021.

In addition, results for the nine months period ended 30 September 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 September 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-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>2022</i>	<i>2021</i>	<i>2022</i>	<i>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>
Type of revenue				
Sale of goods	105,250,587	81,418,172	281,813,080	248,992,978
	<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>2022</i>	<i>2021</i>	<i>2022</i>	<i>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>
Geographical markets				
Within UAE	27,930,618	15,087,241	74,765,031	48,854,374
Outside UAE	77,319,969	66,330,931	207,048,049	200,138,604
	105,250,587	81,418,172	281,813,080	248,992,978
	<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>2022</i>	<i>2021</i>	<i>2022</i>	<i>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>
Timing of revenue recognition				
Goods transferred at a point in time	105,250,587	81,418,172	281,813,080	248,992,978

Revenue includes AED 232.3 million that represents 82% of total revenue from 7 customers (nine months period ended 30 September 2021: AED 233.2 million that represents 94% of total revenue from 7 customers).

4.2 Contract balances

	<i>30 September</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)	44,614,290	37,468,660
Advances from customers (note 15)	2,556,131	1,410,742

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 2022 (unaudited)

5. INVESTMENT (LOSS)/ INCOME - NET

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>
Unrealised (loss)/ gain on investments carried at FVTPL (note 9)	(658,903)	816,925	(3,841,095)	6,165,706
(Loss)/gain on disposal of investment carried at FVTPL	(319,060)	553,709	(286,821)	819,101
Dividend income	526,396	1,657,899	2,660,421	3,242,863
Interest income	803	2,634	2,067	4,998
	(450,764)	3,031,167	(1,465,428)	10,232,668

6. OTHER INCOME

For the nine months period ended 30 September 2022, other income mainly consists of scrap sales. During the nine months period ended 30 September 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 nine months period ended 30 September 2022, additions to property, plant and equipment amounted to AED 48.0 million (30 September 2021: AED 30.1 million) and depreciation for the nine months ended 30 September 2022 amounted to AED 40.3 million (30 September 2021: AED 32.6 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.
- Motor vehicles with net book value of AED 390 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 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Trade receivables	47,555,514	40,409,884
Less: allowance for expected credit losses (note (b))	(2,941,224)	(2,941,224)
	44,614,290	37,468,660
Other receivables	15,960,050	16,432,168
Relating to receivable from sale of an associate	2,067,283	2,567,283
	62,641,623	56,468,111
Relating to receivable from sale of an associate due after one year	(1,567,283)	(2,067,283)
Total current portion	61,074,340	54,400,828

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022 (unaudited)

8. TRADE AND OTHER RECEIVABLES (continued)

- a) Trade receivables amounting to AED 22.2 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:

	30 September 2022 AED (unaudited)	31 December 2021 AED (audited)
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)**

	30 September 2022 AED (unaudited)	31 December 2021 AED (audited)
Quoted	24,035,562	66,734,658
Unquoted	4,077,705	4,077,705
Total gross investments at FVTOCI at cost	28,113,267	70,812,363
Less: accumulated fair value reserve, net	(23,497,262)	(39,675,070)
Fair value of investments	<u>4,616,005</u>	<u>31,137,293</u>

The geographical spread of the above investments is as follows:

	30 September 2022 (unaudited)			31 December 2021 (audited)		
	Concentration percentage on fair value	Cost AED	Fair value AED	Concentration percentage on fair value	Cost AED	Fair value AED
UAE	3%	148,938	137,777	0.5%	175,838	162,150
Other GCC countries	97%	27,964,329	4,478,228	99.5%	70,636,525	30,975,143
	<u>100%</u>	<u>28,113,267</u>	<u>4,616,005</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 23.5 million as at 30 September 2022 (31 December 2021: negative AED 39.7 million) and is shown under equity. During the nine months period ended 30 September 2022, the Company has transferred AED 16.3 million (30 September 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 40 million (30 September 2021: AED 17.6 million) resulting to a gain of AED 10.5 million (30 September 2021: AED 0.1 million) which is shown in the interim condensed statement of comprehensive income.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Quoted	68,638,747	72,515,016
Unquoted	2,826,156	2,826,156
	<hr/>	<hr/>
Total gross investments at FVTPL at cost	71,464,903	75,341,172
Less: cumulative changes in fair value	(43,205,194)	(38,316,205)
	<hr/>	<hr/>
Fair value of investments	28,259,709	37,024,967
	<hr/> <hr/>	<hr/> <hr/>

The geographical spread of the above investments is as follows:

	<i>30 September 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	55.2%	25,964,787	15,610,460	46.1%	27,271,815	17,060,897
Other GCC countries	44.8%	41,454,104	12,649,249	53.9%	48,069,357	19,964,070
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	100%	67,418,891	28,259,709	100%	75,341,172	37,024,967
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The total proceeds from the disposal of investments carried at FVTPL amounted to AED 4.6 million (30 September 2021: AED 6.8 million) resulting to a loss of AED 287 thousand (30 September 2021: gain of AED 265 thousand) which is shown in the interim condensed statement of profit or loss.

Movement in investment in securities is as follows:

	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Fair value of investments at the beginning of the period/ year	68,162,260	67,913,819
Additions made during the period/year	3,172,236	19,933,938
Disposals made during the period/ year	(34,505,841)	(26,329,735)
Unrealized (loss)/ gain on revaluation of investments carried at FVTPL (note 5)	(3,841,095)	1,563,307
Change in the fair value of investments carried at FVTOCI	(111,846)	5,080,931
	<hr/>	<hr/>
Fair value of investments at the end of the period/ year	32,875,714	68,162,260
	<hr/> <hr/>	<hr/> <hr/>

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022 (unaudited)

10. INVENTORIES

	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Finished goods	3,604,401	2,874,205
Raw materials	6,959,364	9,968,153
Work in progress	2,476,338	8,183,044
Bags, fuel and lubricants	41,172,037	40,986,155
Spare parts – maintenance department	23,886,220	26,196,164
Consumable items	8,418,776	11,163,842
Tools	436,722	448,317
	<u>86,953,858</u>	<u>99,819,880</u>
Less: allowance for slow-moving inventories	<u>(21,025,555)</u>	<u>(21,025,555)</u>
	<u><u>65,928,303</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 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Cash on hand	6,308	9,857
Bank balances:		
Current accounts	6,964,072	4,298,290
Call deposits (note below)	7,393,110	2,874,014
Total bank balances	<u>14,357,182</u>	<u>7,172,304</u>
Bank balances and cash	<u><u>14,363,490</u></u>	<u><u>7,182,161</u></u>
	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Bank balances		
In UAE	12,347,915	5,143,563
In other GCC countries	2,009,267	2,028,741
	<u><u>14,357,182</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.

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022 (unaudited)

12. SHARE CAPITAL

	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Authorised, Issued and fully paid: 410,548,410 ordinary shares of AED 1 each	410,548,410	410,548,410

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 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
Balance at 30 September 2022 (unaudited)	343,930,557	4,732,484	348,663,041

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 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Bank overdraft facilities	754,462	1,395,827
Short term loan	52,551,633	27,600,747
Total bank borrowings	53,306,095	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 September 2022 (unaudited)

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

	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Current portion	174,374	200,469
Non-current portion	-	122,949
Total term loans	174,374	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.

15. TRADE AND OTHER PAYABLES

	<i>30 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Trade payables	147,455,740	159,260,174
Unclaimed dividend payable	29,017,402	29,387,071
Accrued expenses	12,442,425	11,202,697
Advances from customers (note 4)	2,556,131	1,410,742
VAT payable	739,243	1,102,116
Other payables	569,855	884,211
	192,780,796	203,247,011

16. BASIC LOSS PER SHARE

	<i>Three-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>
Loss for the period	(22,164,580)	(18,309,302)	(51,406,668)	(43,690,997)
Weighted average number of shares	410,548,410	410,548,410	410,548,410	410,548,410
Basic loss per share	(0.054)	(0.045)	(0.125)	(0.106)

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2022 (unaudited)

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).

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 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>
Attendance expenses for Board of Directors and committees' meetings	222,097	141,060	694,737	398,486
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-months period ended</i>		<i>Nine-months period ended</i>	
	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>	<i>30 September 2022 AED (unaudited)</i>	<i>30 September 2021 AED (unaudited)</i>
Salaries and other short-term benefits	1,033,133	978,233	3,172,766	2,934,699
Employees' end of service benefits	72,927	72,343	227,705	217,028
	1,106,060	1,050,576	3,400,471	3,151,727

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 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>
Letters of credit	44,899,675	61,973,294
Letters of guarantee	36,725	36,725

Gulf Cement Company P.S.C.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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>Nine months period ended 30 September 2022</i>			<i>Nine months period ended 30 September 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>
Segment revenue	281,813,080	-	281,813,080	248,992,978	-	248,992,978
Segment result	(49,941,240)	(1,465,428)	(51,406,668)	(53,923,665)	10,232,668	(43,690,997)

	<i>Nine months period ended 30 September 2022</i>			<i>Year ended 31 December 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>
Segment assets	802,359,319	52,898,824	855,258,143	798,728,699	83,666,274	882,394,973
Segment liabilities	254,926,002	-	254,926,002	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 nine-months period ended 30 September 2022, revenue from customers located in the Company's country of domicile (UAE) is AED 74.8 million (nine-months period ended 30 September 2021: AED 48.9 million) and revenue from customers outside UAE (foreign customers) is AED 207.0 million (nine months period ended 30 September 2021: AED 200.1 million).

b) Major customers

Revenue includes AED 232.3 million that represents 82% of total revenue from 7 customers (nine months period ended 30 September 2021: AED 233.2 million that represents 94% of total revenue from 7 customers).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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 September 2022 AED (unaudited)</i>	<i>31 December 2021 AED (audited)</i>				
Quoted equity investments carried at FVTOCI	3,997,632	30,518,920	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	618,373	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	28,259,709	37,024,967	Level 1	Quoted bid prices in an active market	None	N/A
	<u>32,875,714</u>	<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 September 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 September 2022 (unaudited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Investment property	-	-	12,630,000	12,630,000
Investments carried at FVTPL	28,259,709	-	-	28,259,709
Investments carried at FVTOCI:				
- Quoted equities	3,997,632	-	-	3,997,632
- Unquoted equities	-	-	618,373	618,373
	<u>32,257,341</u>	<u>-</u>	<u>13,248,373</u>	<u>45,505,714</u>

31 December 2021 (audited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total 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 9 November 2022.