National Cement Company (Public Shareholding Co)

FINANCIAL STATEMENTS

31 DECEMBER 2018

BOARD OF DIRECTORS REPORT FOR THE YEAR ENDED ON 31.12.2018

Dear Shareholders,

"Assalam Alaikum"

Myself and on behalf of the Board of Directors of National Cement Company (PSC), Dubai, we are pleased to welcome you and would like to thank all the shareholders for attending this General Assembly Meeting. It is pleasure to put forward a brief report about the results of the Company based on the Audited Financial Statements for the year 2018.

First: Production:

The production of all types of cement for the year 2018 was 1,153,000 metric tons based on the market demand, while the corresponding Sales Value is AED('000) 226,323 (AED Two Hundred Twenty Six Million Three Hundred Twenty Three Thousand Only).

Second: Project:

01. National Cement Company has completed the Waste Heat Recovery Project and is in the process of coordinating with Dubai Electricity and Water Authority to seek their approvals to connect with the grid. It is perceived that the authorities are keen to incorporate such projects in order to reduce the Carbon Emission.

02. As of now the cost of Waste Heat Recovery has amounted to AED 59.000 Million. Based on the decision from Dubai Electricity and Water Authority on the method of connecting the power with the Grid some additional cost will be incurred, which is estimated to be AED. 1.5 to 2 Million. Implementation of this project will reduce Carbon Emission by 9,400 M.Tons/Annum.

03. National Cement Company has successfully completed the project of re-cycling and marketing the dust generated in the factory. The total saving in this project is amounting to AED 1.9 Million per annum.

04. National Cement Co. has successfully improved on re-cycling of waste material from Emirates and the total saving from recycling of waste is amounting to 9.2 Million per annum.

Third: Profit:

The Financial year for 2018 resulted in a Loss of AED('000) 36,744 (AED Thirty Six Million Seven Hundred Forty Four Thousand Only) after accounting of the change in fair value of investments that had to be classified and accounted through Profit & Loss account as per IFRS 9 implemented with effect from 01st January 2018, and on disposals amounted to net loss of AED('000) 62,818 (AED Sixty Two Million Eight Hundred Eighteen Thousand Only). After discuses the Financial Statements, the Board of Directors has recommended The Following :

1. Paying a cash dividend payment of (10) % of paid-up capital.
2. Statutory Reserve has already reached 50% of the paid-up capital; hence there is no need to transfer any further amount.
3. The General Reserve has reached more than 10% of the paid-up capital; hence no further transfer is made.

Fourth: Financial Statement:

- The Company has completed its annual accounts and prepared the Financial Statements for the year ended 31.12.2018 and handed it over to the auditors ERNST & YOUNG to audit and provide their Audit opinion on the Financial Statement.

- The Board of Directors on the occasion of closing of accounts of the company would finally like to thank all concerned who have contributed towards their efforts in development of the company and the express good wishes to the management and employees in their future endeavors.

"Assalam Alaikum"

Chairman

RASHED SAIF AHMED AL-GHURAIR

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Cement Company (Public Shareholding Co.) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements, before the effect of restatement described in note 28 to the financial statements, on 21 March 2018. Our audit opinion is on the financial statements for the year ended 31 December 2018 and does not extend to the comparative information.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements for the year ended 31 December 2018. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
First year audit	
The financial statements of the Company as at and for the financial year ended 31 December 2018 were the first one being subject to our audit. Initial audits include a number of elements which are not performed in recurrent audits conducted on a regular basis. These additional procedures include, in particular, planning activities which are intended to enable an appropriate audit strategy to be determined for the financial statements. Specifically, these can include: • Assessment of the audit working papers of the previous auditor in order to obtain sufficient and appropriate audit evidence about the opening balance sheet; • Evaluation of consistent application of the accounting policies; • Obtaining insight into the Company and operational activities, including its internal control environment, to enable an appropriate audit strategy to be defined; and • Performance of analysis in order to evaluate the assumptions made by management in the previous financial year. As the audit of the opening balance sheet and obtaining sufficient insight into the Company were important elements in our first-year audit, we deemed these as a key audit matter.	We prepared a detailed transition plan to enable us to analyse the strategy, risks, internal control measures and their impact on the Company's accounting policies. This transition plan included, among other things: • Initiating meetings with key personnel responsible for financial reporting of the Company as well as meetings with members of the audit team, including internal and external specialists planned to be involved in the audit procedures; • Understanding of the Company's operations, its business environment and key risk areas related to its operations; • Gaining an understanding of the control environment in the Company and testing of selected controls in relation to individual processes; • Understanding of the accounting policies of the Company and assessing the continuity of their application; • Understanding of key areas of estimation and professional judgement of the Company's management; and • Assessment of the main audit issues from the previous reporting period and their impact on the financial statements for the current financial year.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Investment in an Associate	
We identified the accounting for the investment in an associate as a key audit matter due to the significance of the carrying amount of the investment reported in the 2017 financial statements of the Company and the related currency translation reserve, share of results for the year and other comprehensive income. In addition, management restated the comparative information to reflect the effect of uniform accounting and hyperinflationary economy on the carrying amount of the investment as disclosed in note 2.4.1 to the financial statements. Management engaged an external third party professional firm to carry out the exercise of preparing the financial statements of the associate using uniform accounting policies as required by IAS 28 and applying hyperinflationary accounting in accordance with IAS 29. This exercise was dependent on key estimates and judgments including determining consumer price indices and inflation rates and the restatement of non-monetary assets using such inputs.	We have performed the following procedures in relation to the carrying amount of the investment: • We evaluated the competence, capabilities and objectivity of the third party professional firm; • We assessed the appropriateness and reasonableness of the methodologies, key assumptions and estimates used in the assessment; • We evaluated the accuracy of the key inputs used in the assessment; • We verified the accounting adjustments made on the comparative information and assessed their appropriateness; and • We reviewed the related restatements and disclosures made in the financial statements and assessed their appropriateness and completeness.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Classification of Investments in Financial Assets in Accordance with IFRS 9	
We identified the classification of investments in financial assets as a key audit matter due to the significance of the investments carried at AED 1,153 million at 31 December 2018 (2017: AED 1,235 million) and because the implementation of IFRS 9, which is effective from 1 January 2018, has a significant impact on the classification and measurement of such investments. As stated in note 2.2 to the financial statements, upon application of IFRS 9, debt instruments with a fair value of AED 243 million at 1 January 2018 were classified as financial assets at fair value through profit or loss, and equity and debt instruments of AED 992 million were classified as financial assets at fair value through other comprehensive income. In addition, and as stated in note 12, the Company invested in financial assets of AED 100 million during 2018, which are classified as financial assets at fair value through profit or loss. The classification of financial assets in accordance with IFRS 9 requires management to assess whether or not the financial asset passes the SPPI test and to determine the business model for managing the financial asset.	As part of our audit procedures, we reviewed the classifications of the investments made by management on the date of transition to IFRS 9 as well as on the additions to investments made during the year. For debt instruments, we reviewed the terms of the investments and assessed the appropriateness of the SPPI test performed by management as well as the business model determined, and verified that the classifications made to those investments are in line with the results of management's assessment. For equity instruments, which management elected to classify irrevocably as financial assets at fair value through other comprehensive income, we verified the appropriateness of such classification.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment of Loan to an Associate	
At 31 December 2018, the loan to an associate of AED 316 million represents 16% of the Company's total assets. As disclosed in note 14.4, the associate has defaulted on several payments against the loan. The determination as to whether the loan is collectable involves management judgement. Specific factors management considered in its assessment of recoverability include the associate's cash flow projections, subsequent payment patterns and operating results, and the existence of adequate and sufficient securities against the loan. Management engaged an external third party professional firm to assist it in assessing the recoverability of the loan, who used the information provided by management to determine whether provision for impairment is required. We focused on this area because it requires a high level of management judgement and due to the materiality of the amount involved.	We have performed the following procedures in relation to the carrying amount of the loan: • We evaluated the competence, capabilities and objectivity of the third party professional firm; • We assessed the appropriateness and reasonableness of the methodology, key assumptions and estimates used in the assessment; and • We evaluated the existence and enforceability of existing securities against the loan and assessed the value of such securities and whether it covers the loan exposure.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Other information consists of the information included in the Directors' report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and the Audit Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (continued)

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) We have obtained all the information we considered necessary for the purposes of our audit;

ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company;

iii) The Company has maintained proper books of account;

iv) The financial information included in the Directors' report is consistent with the books of account of the Company;

v) The Company's investments in shares or stocks during the year ended 31 December 2018 are disclosed in Note 12 to the financial statements;

vi) Note 14 reflects material related party transactions and the terms under which they were conducted;

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2018; and

viii) No social contributions were made during the year.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration number: 690

31 March 2019

Dubai, United Arab Emirates

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	**2018** **AED'000**	2017 AED'000 Restated
Revenue from contracts with customers	4	**226,323**	204,838
Direct costs	5	**(223,667)**	(191,471)
GROSS PROFIT		**2,656**	13,367
Other operating income	6	**20,385**	21,316
Administrative, selling and general expenses	7	**(53,553)**	(44,130)
OPERATING LOSS		**(30,512)**	(9,447)
Finance income	8	**40,709**	33,171
Finance costs	8	**(20,985)**	(16,854)
		(10,788)	6,870
Dividend income from equity investments		**36,862**	35,948
Net loss from investments in financial assets at FVTPL	9	**(62,818)**	-
Net loss from available-for-sale financial assets	9	**-**	(2,526)
(LOSS)/PROFIT FOR THE YEAR		**(36,744)**	40,292
Earnings per share in AED	22	**(0.10)**	0.11

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	*2017*
	AED'000	*AED'000*
		Restated
(LOSS)/PROFIT FOR THE YEAR	**(36,744)**	40,292
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods:		
Net gain on equity investments designated at fair value through other comprehensive income	**54,367**	-
Items that have or may be reclassified to profit or loss in subsequent periods:		
Net loss on debt investments designated at fair value through OCI	**(4,441)**	-
Net change in fair value of available-for-sale investments	**-**	(1,608)
Net change in fair value of available-for-sale investments reclassified to profit or loss	-	47,882
	(4,441)	46,274
Other comprehensive income for the year	**49,926**	46,274
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**13,182**	86,566

The attached notes 1 to 29 form part of these financial statements.

National Cement Company (Public Shareholding Co.)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	***2018 AED'000***	*2017 AED'000 Restated*	*As at 1 January 2017 AED'000 Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	10	**219,599**	224,486	189,568
Investment properties	11	**2,924**	2,924	2,924
Investments in financial assets	12	**1,096,982**	1,131,450	1,213,134
Investment in an associate	13	**-**	-	-
Loan receivable from an associate	14	**316,000**	316,000	316,000
		1,635,505	1,674,860	1,721,626
Current assets				
Due from related parties	14	**106,940**	97,940	100,911
Inventories	15	**61,931**	59,696	56,266
Trade and other receivables	16	**107,138**	85,271	124,405
Investments in financial assets	12	**56,063**	103,749	638
Bank balances and cash	17	**57,522**	21,621	22,701
		389,594	368,277	304,921
TOTAL ASSETS		**2,025,099**	2,043,137	2,026,547
EQUITY AND LIABILITIES				
Equity				
Share capital	18	**358,800**	358,800	358,800
Statutory reserve	18	**179,402**	179,402	179,402
General reserve	18	**316,517**	316,517	316,517
Special reserve	18	**-**	-	38,129
Share application money		**26**	26	26
Fair value reserve of available-for-sale financial assets	18	**-**	550,573	504,299
Fair value reserve of financial assets at FVOCI	18	**614,569**	-	-
Foreign currency translation reserve	18	**-**	-	-
Retained earnings		**32,686**	140,831	153,860
Total equity		**1,502,000**	1,546,149	1,551,033
Non-current liabilities				
Interest-bearing loans and borrowings	19	**42,859**	128,576	273,219
Employees' end of service benefits	20	**21,059**	23,418	23,396
		63,918	151,994	296,615
Current liabilities				
Interest-bearing loans and borrowings	19	**332,232**	238,727	68,137
Trade and other payables	21	**125,907**	103,056	105,803
Due to related parties	14	**1,042**	3,211	4,959
		459,181	344,994	178,899
Total liabilities		**523,099**	496,988	475,514
TOTAL EQUITY AND LIABILITIES		**2,025,099**	2,043,137	2,026,547

The financial statements have been approved by the Board of Directors on 31 March 2019, and signed on their behalf by:

Chairman

Deputy Chairman

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2018

	Share capital AED'000	*Statutory reserve AED'000*	*General reserve AED'000*	*Special reserve AED'000*	*Other reserve AED'000*	*Fair value reserve of AFS investments AED'000*	*Fair value reserve of investments at FVOCI AED'000*	*Currency translation reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
At 1 January 2017 – *as previously reported*	358,800	179,402	316,517	38,129	26	504,299	-	(56,926)	307,469	1,647,716
Restatements (Note 2.4)	-	-	-	-	-	-	-	56,926	(153,609)	(96,683)
At 1 January 2017 – *restated*	358,800	179,402	316,517	38,129	26	504,299	-	-	153,860	1,551,033
Dividends (Note 18)	-	-	-	-	-	-	-	-	(89,700)	(89,700)
Profit for the year - *restated*	-	-	-	-	-	-	-	-	40,292	40,292
Other comprehensive income - *restated*	-	-	-	-	-	46,274	-	-	-	46,274
Total comprehensive income for the year - *restated*	-	-	-	-	-	46,274	-	-	40,292	86,566
Directors' fees (Note 23)	-	-	-	-	-	-	-	-	(1,750)	(1,750)
Transfer from reserve (Note 18)	-	-	-	(38,129)	-	-	-	-	38,129	-
At 31 December 2017 – *restated*	358,800	179,402	316,517	-	26	550,573	-	-	140,831	1,546,149
Effect of adoption of IFRS 9 (Note 2.2)	-	-	-	-	-	(550,573)	564,643	-	(17,581)	(3,511)
Dividends (Note 18)	-	-	-	-	-	-	-	-	(53,820)	(53,820)
Loss for the year	-	-	-	-	-	-	-	-	(36,744)	(36,744)
Other comprehensive income	-	-	-	-	-	-	49,926	-	-	49,926
Total comprehensive income for the year	-	-	-	-	-	-	49,926	-	(36,744)	13,182
At 31 December 2018	**358,800**	**179,402**	**316,517**	**-**	**26**	**-**	**614,569**	**-**	**32,686**	**1,502,000**

STATEMENT OF CASH FLOWS
For the year ended 31 December 2018

	Notes	**2018 AED'000**	2017 AED'000 Restated
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(36,744)**	40,292
Adjustments for:			
Depreciation	10	**17,462**	15,044
Gain on disposal of property, plant and equipment		**(84)**	(113)
Change in fair value of financial assets at FVTPL	12	**57,986**	-
Realised loss on disposal of financial assets		**4,832**	2,588
Finance income	8	**(40,709)**	(33,171)
Finance costs	8	**20,985**	16,854
Expected credit loss expense	16	**2,133**	-
Dividend income		**(36,862)**	(35,948)
Provision for employees' end of service benefits	20	**1,315**	2,820
		(9,686)	8,366
Working capital changes:			
Inventories		**(2,235)**	(3,430)
Trade and other receivables		**(27,511)**	36,408
Due from related parties		**9,691**	16,253
Due to related parties		**(2,169)**	(1,748)
Trade and other payables		**26,521**	(2,280)
		(5,389)	53,569
Employees' end of service benefits paid	20	**(3,674)**	(2,798)
Net cash (used in)/from operating activities		**(9,063)**	50,771
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(12,652)**	(49,962)
Proceeds from disposal of assets		**161**	113
Investment in financial assets	12	**(100,315)**	(267,294)
Proceeds from disposal of available for sale investments		**169,577**	289,616
Dividend income received		**36,862**	35,948
Interest received		**22,018**	19,889
Margin deposits		**(3,582)**	-
Net cash from investing activities		**112,069**	28,310
FINANCING ACTIVITIES			
Interest paid		**(15,158)**	(16,854)
Proceeds from interest-bearing loans and borrowings		**171,438**	105,000
Repayment of interest-bearing loans and borrowings		**(189,872)**	(79,054)
Dividends paid		**(63,317)**	(91,917)
Net cash used in financing activities		**(96,909)**	(82,825)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**6,097**	(3,744)
Cash and cash equivalents at 1 January		**18,078**	21,822
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**17**	**24,175**	18,078

The attached notes 1 to 29 form part of these financial statements.

1 ACTIVITIES

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), was registered in accordance with a decree issued by His Highness Ruler of Dubai on 10 April 1968 establishing a cement company in the Emirate of Dubai. The Company is listed on the Dubai Financial Market ("DFM") and is subject to the provisions of the UAE Federal Law No. 2 of 2015. The registered address of the Company is P.O. Box 4041, Dubai, United Arab Emirates.

The principal activity of the Company is to manufacture and sell cement and cement related products.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in compliance with the UAE Federal Law No. (2) of 2015.

The financial statements have been prepared on a historical cost basis, except for investments in financial assets that have been measured at fair value.

The financial statements have been presented in United Arab Emirates Dirhams (AED), which is the functional and reporting currency of the Company, and all values are rounded to the nearest thousand, except where otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Company presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional statement of financial position as at 1 January 2017 was presented in these financial statements as a result of restatements made to the comparative information (refer Note 2.4).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the full retrospective method of adoption. However, the effect of the adoption of IFRS 15 on the Company's financial statements was limited to disaggregation of revenue with no effect on the previously reported results and net assets of the Company. The effect of adopting IFRS 15 is, as follows:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Bundled sales of goods and delivery services
Before the adoption of IFRS 15, the Company accounted for the sales of goods and delivery services as a single performance obligation and did not allocate consideration to each deliverable.

Under IFRS 15, the Company assessed that there were two performance obligations in a contract for bundled sales of goods and delivery services and performed a re-allocation of the transaction price based on their relative stand-alone selling prices, which decreased the amount allocated to sales of goods (Refer Note 4 for disaggregation of revenue between sales of goods and delivery services).

The revenue recognition criteria for bundled sales of goods and delivery services did not change from the previous IFRS whereby the Company concluded that the revenue recognition will occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods to the customers.

Advances received from customers
The Company receives only short-term advances from its customers. These are presented as part of 'Trade and other payables'. Upon application of IFRS 15, the Company did not present short-term advances from customers as contract liabilities in the statement of financial position, given that the balance is not significant.

IFRS 9 Financial instruments
'IFRS 9 Financial Instruments' replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Company applied IFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under IAS 39. Differences arising from the adoption of IFRS 9 have been recognised directly in retained earnings and other components of equity.

Classification and measurement
Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The impact of the classification and measurement requirements of IFRS 9 is disclosed below. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

The following are the changes in the classification of the Company's financial assets:

- Trade receivables and other current and non-current financial assets (i.e., Loan to an associate and due from related parties) classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as Debt instruments at amortised cost beginning 1 January 2018.

- Quoted debt instruments classified as Available-for-sale (AFS) financial assets as at 31 December 2017 are classified and measured as Debt instruments at fair value through OCI or fair value through profit or loss beginning 1 January 2018. The Company's quoted debt instruments that consist of regular government and corporate bonds that passed the SPPI test, have been classified as Debt instruments at fair value through OCI. The Company expects not only to hold these assets to collect contractual cash flows, but also to sell them on a relatively frequent basis. The Company's quoted debt instruments that did not pass the SPPI test, have been classified as Debt instruments at fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial instruments (continued)

Classification and measurement (continued)

- Equity investments in listed and non-listed companies classified as AFS financial assets as at 31 December 2017 are classified and measured as Equity instruments designated at fair value through OCI beginning 1 January 2018. The Company elected to classify irrevocably its equity investments under this category at the date of initial application as it intends to hold these investments for the foreseeable future. There were no impairment losses recognised in profit or loss for these investments in prior periods.

As a result of the change in classification of the Company's quoted debt instruments from AFS investments to debt instruments at fair value through profit or loss, negative AFS reserve of AED 14,070 thousands related to those investments was reclassified to Retained earnings as at 1 January 2018. As a result of the change in classification of the Company's debt and equity instruments from AFS investments to financial assets at FVOCI, positive AFS reserve of AED 564,644 was reclassified to fair value reserve of financial assets at FVOCI.

The Company has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Company's financial liabilities.

In summary, upon the adoption of IFRS 9, the Company had the following required or elected reclassifications as at 1 January 2018.

		IFRS 9 measurement category		
	AED'000	***Fair value through profit or loss AED'000***	***Amortised cost AED'000***	*Fair value through OCI AED'000*
IAS 39 measurement category				
Loans and receivables				
Trade receivables, net*	**71,811**	**-**	**71,811**	**-**
Other receivables	**12,028**	**-**	**12,028**	**-**
Loan to an associate	**316,000**	**-**	**316,000**	**-**
Due from related parties	**97,940**	**-**	**97,940**	**-**
Available-for-sale financial assets				
Listed equity investments	**770,261**	**-**	**-**	**770,261**
Non-listed equity investments	**73,868**	**-**	**-**	**73,868**
Quoted debt instruments	**391,070**	**242,955**	**-**	**148,115**
Closing balance		**242,955**	**497,779**	**992,244**

** The change in carrying amount is a result of additional impairment allowance upon implementation of IFRS 9 (Refer Impairment section below).*

Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing incurred loss approach under IAS 39 with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon adoption of IFRS 9 the Company recognised additional impairment on the Company's Trade receivables of AED 3,511 thousand, which resulted in a similar decrease in Retained earnings as at 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration. This Interpretation does not have any impact on the Company’s financial statements.

Amendments to IAS 40 Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use. These amendments do not have any significant impact on the Company’s financial statements.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.

The Company does not provide share-base payments. Therefore, these amendments did not have any impact on the Company’s financial statements.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate’s or joint venture’s interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

These amendments do not have any impact on the Company’s financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters
Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. These amendments are not relevant to the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16
The Company plans to adopt IFRS 16 retrospectively with the cumulative effect of initially applying IFRS 16, if any, recognised as an adjustment to the opening balance of retained earnings.

The Company will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

The Company is in the process of finalizing the analysis of the impact of IFRS 16 at the date of issuance of these financial statements. In summary, the application of IFRS 16 is not expected to have a significant impact on the Company's financial statements given that the Company does not have non-cancellable operating lease commitments at the year-end.

Other amendments and improvements
The following amendments and improvements are not expected to have any significant impact on the Company's financial statements when they become effective:

- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments: *effective f or annual periods beginning on or after 1 January 2019*
- Prepayment Features with Negative Compensation - Amendments to IFRS 9: *effective f or annual periods beginning on or after 1 January 2019*
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28: *effective f or annual periods beginning on or after 1 January 2019*
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19: *effective f or annual periods beginning on or after 1 January 2019*
- AIP IFRS 3 Business Combinations - Previously held Interests in a joint operation: *effective f or annual periods beginning on or after 1 January 2019*

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective (continued)

Other amendments and improvements (continued)

- AIP IFRS 11 Joint Arrangements - Previously held Interests in a joint operation: *effective f or annual periods beginning on or after 1 January 2019*
- AIP IAS 12 Income Taxes - Income tax consequences of payments on financial instruments classified as equity: *effective f or annual periods beginning on or after 1 January 2019*
- AIP IAS 23 Borrowing Costs - Borrowing costs eligible for capitalisation: *effective f or annual periods beginning on or after 1 January 2019*
- The Conceptual Framework for Financial Reporting: *effective f or annual periods beginning on or after 1 January 2020*
- IFRS 17 Insurance Contracts: *effective f or annual periods beginning on or after 1 January 2021, with early application permitted*
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Company's investment in its associate are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification
The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period
  Or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Fair value measurement
The Company measures financial instruments at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
  Or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- 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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For assets and liabilities that are recognised in the financial statements 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.

External valuers are involved for valuation of significant assets, such as unquoted financial assets.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

There are no significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers.

Sales of goods
Revenue from sale of cement and other related products, sandwich panels and raw steel used in the construction and building activities is recognised at the point in time when control of the asset is transferred to the customer, generally on collection of the goods by customers. The normal credit term is 30 to 90 days upon delivery.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., delivery). In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

Delivery services
The Company provides delivery services that are usually bundled together with the sale of goods to a customer. The delivery services can be obtained from other providers and do not significantly customise or modify the goods.

Contracts for bundled sales of goods and delivery services are comprised of two performance obligations because the promises to transfer goods and provide delivery services are capable of being distinct and separately identifiable. Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the goods and delivery services.

The Company recognises revenue from delivery services and sale of goods at a point in time, generally upon delivery of the goods to the customer.

Contract balances
Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets under the section *Financial instruments – initial recognition and subsequent measurement*.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Company performs under the contract.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies
Transactions in foreign currencies are initially recorded by the Company at the functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Company's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

Cash dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Property, plant and equipment
Capital work in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	3 to 14 years
Plant and machinery	3 to 25 years
Furniture, fixtures and equipment	4 to 7 years
Motor vehicles	3 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases
The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee – operating leases
A leased asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Investment properties
Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are carried, in the statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. Depreciation is calculated on a straight line basis, which reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Company over their estimated useful life of 10 years.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Investment properties are derecognised either when they have been disposed of (i.e., at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use.

Financial instruments – initial recognition and subsequent measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement – before 1 January 2018
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Initial recognition and measurement – on and after 1 January 2018
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Initial recognition and measurement – from 1 January 2018
The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies under 'Revenue from contracts with customers'.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement – before 1 January 2018

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Company has not designated any financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables.

AFS financial assets
AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement – from 1 January 2018

Financial assets at amortised cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables, loan to an associate and due from related parties.

Financial assets at fair value through OCI (debt instruments)
The Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Company's debt instruments at fair value through OCI includes investments in quoted debt instruments.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Company elected to classify irrevocably its listed and non-listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Subsequent measurement – from 1 January 2018 (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes quoted debt instruments with contractual terms that give rise to cash flows that are not solely payments of principal and interest on the principal amount outstanding or that such cash flows are not due on specified dates or both.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets – before 1 January 2018
The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost
For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets – before 1 January 2018 (continued)

Financial assets carried at amortised cost (continued)
The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

AFS financial assets
For AFS financial assets, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from OCI and recognised in the statement of profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised in OCI.

The determination of what is ‘significant’ or ‘prolonged’ requires judgement. In making this judgement, the Company evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss, the impairment loss is reversed through the statement of profit or loss.

Impairment of financial assets – from 1 January 2018
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

Impairment of financial assets – from 1 January 2018 (continued)
For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments with a significant financing component, the Company applies the general approach for calculating ECLs. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company determines the ECL calculations by estimating the Probability of Default (PD) of the likelihood of default over a given time horizon, the Exposure at Default (EAD) of the exposure at a future default date and the Loss Given Default (LGD) of the loss arising in the case where a default occurs at a given time.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise solely of quoted bonds with good ratin and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses published ratings both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, due to related parties and loans and borrowings including bank overdrafts.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

The Company does not hold financial liabilities at fair value through profit or loss at the reporting date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Inventories
Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials – purchase cost on weighted average basis;
- Spares and consumables – purchase cost on weighted average basis;
- Finished goods and work-in-progress – cost of direct material and a proportion of manufacturing overheads based on the normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Impairment of non-financial assets
At each reporting date, the Company reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and short term deposits with an original maturity of three months or less.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employees' end of service benefits
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to government pension scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.4 PRIOR PERIOD ADJUSTMENTS

2.4.1 Accounting for investment in associate

During 2018, management performed an assessment and determined that the financial statements of the associate in Sudan need to be prepared in accordance with the requirements of IAS 29, whereby management considered that Sudan falls under the definition of a hyperinflationary economy. In addition, management has identified certain inconsistencies between the accounting policies adopted by the associate in preparing its financial statements and those adopted by the Company under IFRS, and assessed the effect of adopting uniform accounting policies on the carrying amount of the investment on the Company's financial statements. As a result, management decreased the carrying amount of the investment in the associate as at 1 January and 31 December 2017 to nil. The below summarises the overall impact on the previously reported financial information.

	As at and for the year ended 31 December 2017 AED'000	*As at 1 January 2017 AED'000*
Assets		
Investment in associate	**(256,790)**	**(74,339)**
Equity		
Foreign currency translation reserve	**(304,138)**	**56,926**
Retained earnings	**47,348**	**(131,265)**
Profit or loss and other comprehensive income		
Share of results of associate	**178,613**	
Retained earnings	**(361,064)**	

A complete reconciliation of the previously reported financial information and the restated amounts and balances are disclosed in note 28.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 PRIOR PERIOD ADJUSTMENTS (continued)

2.4.2 Prior year unrecorded provisions

During 2018, management identified unrecorded provisions of AED 35,626 and AED 22,344 as at 31 December 2017 and 1 January 2017, respectively. The prior year financial statements were restated to reflect the impact of such adjustments. The below summarises the overall impact on the previously reported financial information.

	As at and for the year ended 31 December 2017 AED'000	*As at 1 January 2017 AED'000*
Liabilities		
Trade and other payables	**35,626**	**22,344**
Equity		
Retained earnings	**(35,626)**	**(22,344)**
Profit or loss		
General expenses	**(13,282)**	

A complete reconciliation of the previously reported financial information and the restated amounts and balances are disclosed in note 28.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant impact on the amounts recognised in the financial statements:

Classification of investments – before 1 January 2018
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, carried at fair value through profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments at fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, these are classified as fair value through profit or loss. All other investments are classified as available-for-sale.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of accounts receivable – before 1 January 2018
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision is applied according to the length of time past due, based on historical recovery rates.

Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Provision for expected credit losses of trade receivables – after 1 January 2018
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., secured, unsecured).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the construction and real estate sectors, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 27.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date, gross inventory were AED 61,931 thousand (2017: AED 59,696 thousand) with no provision for slow moving inventories (2017: nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Useful lives and depreciation of property, plant and equipment
The management periodically reviews the estimated useful lives and depreciation method to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

Classification of properties
Management decides at the time of acquisition of a property whether it should be classified as held for sale, property, plant and equipment or an investment property. The Company classifies properties as properties held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The Company also classifies properties as property, plant and equipment when the properties are held for use by, or in the operations, of the Company. Properties are classified as investment properties when the intention is to hold them for capital appreciation, for rental or for undetermined use. The Company changes the classification when the intention changes.

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:

	2018	*2017*
	AED'000	*AED'000*
Disaggregation of sale of goods or service		
Sale of goods (recognised at a point in time)	**223,784**	201,958
Delivery services (recognised at a point in time)	**2,539**	2,880
	226,323	204,838
Type of goods/service		
Finished goods (including delivery)	**213,973**	193,663
Semi-finished goods and raw materials (including delivery)	**12,350**	11,175
	226,323	204,838
Geographical markets		
United Arab Emirates	**218,916**	204,174
Other countries	**7,407**	664
	226,323	204,838

4.2 Contract balances

	2018	*2017*
	AED'000	*AED'000*
Trade receivables (Note 16)	**101,882**	75,322
Contract liabilities – advances (Note 21)	**1,299**	986

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. In 2018, AED 2,133 thousand was recognised as provision for expected credit losses on trade receivables (2017: nil for incurred credit losses). The increase in trade receivables is due to increase in revenue as well as timing of collections.

Contract liabilities comprise short-term advances received for the sale of goods and delivery services.

4.3 Performance obligations

Information about the Company's performance obligations are summarised below:

Sale of goods
The performance obligation is satisfied upon collection of the goods and payment is generally in cash or due within 30 to 90 days from the sale**.**

Bundled sale of goods and delivery services
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery.

5 DIRECT COSTS

	2018	2017
	AED'000	*AED'000*
Cost of materials	**134,421**	103,186
Cost of labor	**18,978**	21,172
Depreciation (Note 10)	**15,977**	13,807
Utilities and other factory costs	**54,291**	53,306
	223,667	191,471

6 OTHER OPERATING INCOME

	2018	2017
	AED'000	*AED'000*
		Restated
Sale of scrap and other non-trading materials	**9,801**	3,835
Rental income from investment properties	**3,701**	3,797
Other rental income	**5,940**	7,003
Others	**943**	6,681
	20,385	21,316

7 ADMINISTRATIVE, SELLING AND GENERAL EXPENSES

	2018	2017
	AED'000	*AED'000*
		Restated
Staff salaries and benefits	**16,977**	19,255
Provision expense	**18,691**	13,282
Repair and maintenance	**6,836**	5,784
Expected credit loss expense (Note 16)	**2,133**	-
Depreciation (Note 10)	**1,485**	1,237
Legal and professional fees	**2,301**	977
Bank charges	**902**	550
Sales and marketing	**3,074**	1,991
Other expenses	**1,154**	1,054
	53,553	44,130

8 FINANCE INCOME AND FINANCE COSTS

8.1 Finance income

	2018	*2017*
	AED'000	*AED'000*
		Restated
Interest income on loan to associate	**18,691**	13,282
Interest income on investments in financial assets	**22,018**	19,889
	40,709	33,171

8.2 Finance costs

	2018	*2017*
	AED'000	*AED'000*
Bank term loans	**19,700**	16,670
Bank overdrafts	**1,285**	184
	20,985	16,854

9 NET LOSS FROM INVESTMENTS IN FINANCIAL ASSETS

In 2018, the net loss from investments in FVTPL represents net loss/gain on disposal and on change in fair value of those investments.

In 2017, the net loss from available-for-sale financial assets represents net loss/gain on disposal of those investments.

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings AED'000	*Plant and machinery AED'000*	*Furniture, fixtures & equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2017	30,570	919,428	16,693	54,827	31,067	1,052,585
Additions	-	19	308	2,045	47,590	49,962
Disposals	-	-	-	(2,130)	-	(2,130)
At 31 December 2017	30,570	919,447	17,001	54,742	78,657	1,100,417
Additions	-	4	481	1,015	11,152	12,652
Disposals	-	(135)	(62)	(1,617)	-	(1,814)
Transfers	5,638	17,392	-	-	(23,030)	-
At 31 December 2018	**36,208**	**936,708**	**17,420**	**54,140**	**66,779**	**1,111,255**
Accumulated Depreciation:						
At 1 January 2017	29,607	764,976	16,132	52,302	-	863,017
Charge for the year (Note 10.1)	230	12,785	503	1,526	-	15,044
Disposals	-	-	-	(2,130)	-	(2,130)
At 31 December 2017	29,837	777,761	16,635	51,698	-	875,931
Charge for the year (Note 10.1)	594	14,831	421	1,616	-	17,462
Disposals	-	(142)	(40)	(1,555)	-	(1,737)
At 31 December 2018	**30,431**	**792,450**	**17,016**	**51,759**	**-**	**891,656**
Net carrying value:						
At 31 December 2018	**5,777**	**144,258**	**404**	**2,381**	**66,779**	**219,599**
At 31 December 2017	733	141,686	366	3,044	78,657	224,486

10 PROPERTY, PLANT AND EQUIPMENT (continued)

10.1 Depreciation

Depreciation is allocated in the statement of profit or loss as follows:

	2018 ***AED'000***	*2017* *AED'000*
Direct costs (Note 5)	**15,977**	13,807
Administrative, selling and general expenses (Note 7)	**1,485**	1,237
	17,462	15,044

10.2 Capital work-in-progress

Capital work-in-progress comprises mainly of waste heat recovery project related to the Company's plant, which is expected to be completed in 2019.

10.3 Other information

Buildings, plant and machinery are located on a land leased from the Government of Dubai.

11 INVESTMENT PROPERTIES

Investment properties comprise of land with a carrying amount of AED 2,924 thousands and fully depreciated villas constructed on the land with an initial cost of AED 16,575 thousands, held for rental purposes and capital appreciation. There was no movement in investments properties during the years ended 31 December 2018 and 2017.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The following amounts have been recognised in the statement of income in respect of investment properties:

	2018 ***AED'000***	*2017* *AED'000*
Rental income (Note 6)	**3,701**	3,797
Direct operating expenses	**(343)**	(239)
	3,358	3,558

The management carried out an internal valuation to determine the fair value of the properties at the reporting date. Accordingly, the properties were valued at AED 67 million at year-end 2018 (2017: AED 71 million).

Valuation technique
The value of the properties is measured by management using the 'investment method valuation' approach (level 3 hierarchy). Under this method, the annual rental income presently received or expected over a period of time from the lease of the property is estimated and reduced by the expenses or outgoings incidental to the ownership of the property to obtain the net annual income. This net annual income is then capitalised by an appropriate capitalization rate.

The relevant capitalization rate is chosen based on the investment rate of return expected (as derived from comparisons of other similar property investments) for the type of property concerned taking into consideration such factors as risk, capital appreciation, security of income and ease of sale.

12 INVESTMENTS IN FINANCIAL ASSETS

	31 December 2018 AED'000	*31 December 2017 AED'000 Restated*
Current financial assets		
Investments available-for-sale	**-**	103,749
Investments at FVOCI	**32,362**	-
Investments at FVTPL	**23,701**	-
	56,063	103,749
Non-current financial assets		
Investments available-for-sale	**-**	1,131,450
Investments at FVOCI	**961,930**	-
Investments at FVTPL	**135,052**	-
	1,096,982	1,131,450
	1,153,045	1,235,199

The categories of investments in financial assets are as follows:

	31 December 2018 AED'000	*31 December 2017 AED'000 Restated*
Quoted equity instruments – at fair value	**824,629**	770,261
Debt instruments – at fair value	**254,549**	371,209
Unquoted equity instrument – at cost	**73,867**	73,868
Debt instruments – at cost	**-**	19,861
	1,153,045	1,235,199

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.

Debt instruments at fair value through OCI include investments in quoted government and corporate bonds. Fair values of these debt instruments are determined by reference to published price quotations in an active market.

Financial assets at fair value through profit or loss include investments in listed debt instruments shares. Fair values of these instruments are determined by reference to published price quotations in an active market.

At 31 December 2018, investments in marketable securities amounting to AED 7.86 million (31 December 2017: AED 334.46 million) are held in the personal name of the Company's General Manager for the beneficial interest of the Company.

Investments in financial assets amounting to AED 600 million (31 December 2017: AED 620 million) are pledged with banks against loans and borrowings (Note 19).

Unquoted equity instrument at cost comprise an investment in a private equity company, which has not yet started operations. Management was unable to apply a reasonable fair valuation methodology to determine the fair value of the investment due to certain geopolitical challenges. The instrument's net asset value as at 31 December 2017 amounted to AED 60 million. Management believes that the investment's fair value approximates its carrying value as the private equity company has not yet started operations and is still in the investment stage.

12 INVESTMENTS IN FINANCIAL ASSETS (continued)

The movement in the different classes of investments in financial assets during the year was as follows:

	2018				*2017*
	Debt instruments at FVOCI AED'000	***Debt instruments at FVTPL AED'000***	***Equity instruments at FVOCI AED'000***	***AFS instruments AED'000***	*AFS instruments AED'000*
At 1 January	**-**	**-**	**-**	**1,235,199**	1,213,772
Reclassification on adoption of IFRS 9	**126,465**	**264,605**	**844,129**	**(1,235,199)**	-
Additions during the year	**-**	**100,315**	**-**	**-**	267,294
Matured/redeemed	**(21,396)**	**(148,181)**	**-**	**-**	(292,141)
Change in fair value	**(9,273)**	**(57,986)**	**54,367**	**-**	46,274
	95,796	**158,753**	**898,496**	**-**	1,235,199

The geographical distribution of financial assets are as follows:

	31 December 2018 AED'000	*31 December 2017 AED'000 Restated*
United Arab Emirates	**639,672**	593,549
Saudi Arabia	**184,956**	176,712
Other countries	**328,417**	464,938
	1,153,045	1,235,199

13 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 25.43% (2017: 25.43%) share in Berber Cement Company Ltd, a limited liability company registered in the Republic of Sudan. The principal activity of the associate is to manufacture and sell cement. The Company's interest in Berber Cement Company Ltd. is accounted for using the equity method in the financial statements.

In the prior years, the Company had accounted for its share of results of the associate and foreign exchange differences on its net investment in the associate without taking account of the effect of hyperinflationary economy and of using uniform accounting policies while preparing the financial statements of the associate. During 2018, the Company prepared the financial statements of the associate as per the requirements of IAS 28, which resulted in restating the carrying amount of the investment as at 1 January and 31 December 2017 (Note 2.4).

As a result of the restatement, the carrying amount of the investment in the associate has been carried at nil as at 31 December 2018, 31 December 2017 and 1 January 2017 given that the share of losses of the Company in the associate exceeded its interest in the investee. The statements of profit or loss and other comprehensive income have also been restated to reverse its share of the results and OCI of the associate that have been previously recognised.

The Company has not incurred legal or constructive obligations on behalf of the associate, and accordingly, additional losses beyond the Company's interest in the investee have not been recognised in the financial statements.

Financial information in relation to the associate as at and for the years ended 31 December 2018 and 2017 have not been presented in these financial statements given that the investments it carried at nil.

14 RELATED PARTY DISCLOSURES

Related parties represent major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

14.1 Related party transactions

	2018 ***AED'000***	*2017* *AED'000*
Associate		
Interest income (Note 8)	**18,691**	13,282
Other related parties		
Revenue	**35,419**	27,515
Purchases	**(11,872)**	(9,797)

14.2 Related party balances

Due from related parties

	2018 ***AED'000***	*2017* *AED'000*
Current accounts		
Associate	**89,943**	84,110
Other related parties	**16,997**	13,830
	106,940	97,940

Due to related parties

	2018 ***AED'000***	*2017* *AED'000*
Current accounts		
Directors	**-**	1,750
Other related parties	**1,042**	1,461
	1,042	3,211

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

14.3 Remuneration to key management personnel

	2018 ***AED'000***	*2017* *AED'000*
Salaries and other short-term benefits	**3,431**	3,437
End of service benefits	**175**	175
Directors' fees	**-**	1,750
	3,606	5,362

14 RELATED PARTY DISCLOSURES (continued)

14.4 Loan receivable from associate

	2018	*2017*
	AED'000	*AED'000*
Loan balance	**316,000**	316,000

This loan represents AED denominated loan given to the associate and recoverable in ten installments over a period of five years beginning from December 2015, yet the associate has defaulted on several payments. The interest rate on this loan is charged at the rate of 5.85% per annum. The loan carries pledge against the assets of the associate and is guaranteed by the personal guarantees of certain shareholders of the associate.

Management performed an impairment assessment on the loan and evaluated the associate's ability to repay the loan based on the associate's projected future cash flows and current results of operations. Based on such assessment, and the fact that the loan is secured against pledge of assets having a fair value exceeding the loan amount at 31 December 2018, management concluded that no impairment is required to the loan balance.

15 INVENTORIES

	2018	*2017*
	AED'000	*AED'000*
Raw materials	**16,311**	10,110
Work-in-progress	**19,249**	24,501
Finished goods	**3,119**	2,975
Consumables and spare parts	**23,252**	22,110
	61,931	59,696

Consumables and spare parts of AED 7.12 million have been written off during 2017.

16 TRADE AND OTHER RECEIVABLES

	2018	*2017*
	AED'000	*AED'000*
		Restated
Trade receivables		
Receivables from third party customers	**111,126**	78,922
Less: allowance for expected/incurred credit losses	**(9,244)**	(3,600)
	101,882	75,322
Other receivables		
Advances to suppliers	**1,986**	2,274
Prepayments	**307**	647
Other receivables	**2,963**	7,028
	107,138	85,271

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

16 TRADE AND OTHER RECEIVABLES (continued)

The significant change in the balances of trade receivables is disclosed in Note 4 while the information about the credit exposures are disclosed in Note 27.

The movement in the allowance for expected/incurred credit losses during the year was follows:

	2018	*2017*
	AED'000	*AED'000*
At 1 January	**3,600**	3,600
Effect of application of IFRS 9 (Note 2.2)	**3,511**	-
Provision for expected/incurred credit losses	**2,133**	-
	9,244	3,600

17 CASH AND CASH EQUIVALENTS

	2018	*2017*
	AED'000	*AED'000*
		Restated
Cash in hand	**946**	668
Cash at banks – current accounts	**50,268**	18,227
Cash at banks – margin deposits	**6,308**	2,726
Bank balances and cash	**57,522**	21,621
Less: bank overdraft (Note 19)	**(27,039)**	(817)
Less: margin deposits	**(6,308)**	(2,726)
Cash and cash equivalents	**24,175**	18,078

18 SHARE CAPITAL AND RESERVES

18.1 Share capital

	2018	*2017*
	AED'000	*AED'000*
Authorised issued and fully paid up:		
358,800,000 shares of AED 1 each	**358,800**	358,800
Issued for cash		
92,000,000 shares of AED 1 each	**92,000**	92,000
Bonus shares issued by capitalizing retained earnings		
266,800,000 shares of AED 1 each	**266,800**	266,800

At the reporting date, the share capital comprised of ordinary equity shares. All issued shares are fully paid. The holders of the ordinary equity shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

18 SHARE CAPITAL AND RESERVES (continued)

18.2 Statutory reserve

In accordance with Article 57.1 of the Company's Memorandum of Association and UAE Federal Law No. 2 of 2015, a minimum of 10% of the net profit of the Company is required to be transferred to a statutory reserve until the reserve equals 50% of the share capital. No transfer was made to the statutory reserve in 2018 and 2017 as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the above-mentioned Law.

18.3 General reserve

In accordance with Article 57.2 of the Company's Memorandum of Association, 10% of the Company's net profit is required to be transferred to a general reserve. Such transfer has been discontinued by a resolution of the general assembly based on a proposal by the Board of Directors.

Such reserve shall be used only for purposes designated by the general assembly and based on a proposal by the Board of Directors.

18.4 Special reserve

A special reserve had been created in prior years on the recommendation of the Board of Directors and upon approval of the shareholders for contingency purposes. Any movement in such reserve is subject to approval of the shareholders. Accordingly, the balance of special reserve at 1 January 2017 of AED 38.13 million was fully transferred to retained earnings during the year 2017 to account for the associate's losses recognised by the Company up to 31 December 2016.

18.5 Fair value reserves

Fair value reserve of available-for-sale financial assets
Changes in fair value of available-for-sale investments are recognised in other comprehensive income and reported as fair value reserve within equity. Upon impairment loss or upon derecognition, any loss or gain previously reported as fair value reserve within equity is included in the income statement for the year.

Fair value reserve of financial assets at FVOCI
Changes in fair value of debt and equity instruments at FVOCI are recognised in other comprehensive income and reported as fair value reserve within equity. Upon derecognition of those debt or equity instruments, any loss or gain previously reported as fair value reserve within equity is included in the income statement for the year for debt instruments and transferred to retained earnings for equity instruments.

18.6 Foreign currency translation reserve

Foreign currency translation reserve is relate to the translation of the Company's net investment in the associate in Sudan as a result of fluctuations in the exchange rate. This reserve was fully reverse in the current year on a retrospective basis as a result of restatement (Note 2.4).

18.7 Dividends

In the Annual General Meeting held on 23 April 2018, a cash dividend of AED 53,820 thousands (AED 0.15 fils per share) was proposed and approved by the shareholders of the Company related to 2017. (2017: AED 0.25 per share totaling to AED 89,700 thousands relating to 2016).

19 INTEREST-BEARING LOANS AND BORROWINGS

	2018 ***AED'000***	*2017* *AED'000* *Restated*
Bank overdraft (1)	**27,039**	817
Murabaha (2)	**171,438**	214,286
Short-term loans (3)	**176,614**	152,200
	375,091	367,303
Less: current portion	**(332,232)**	(238,727)
Non-current portion	**42,859**	128,576

(1) Bank overdraft carries monthly variable interest at commercial rates.

(2) The Company has entered into a Murabaha agreement with a local Islamic bank for a total amount of USD 100 million (equivalent to AED 367.3 million) repayable in ten semi-annual instalments over a period of five years maturing in 2020, plus profit at the commercial rates. This facility was obtained by the Company and extended to its associate (Note 14). The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 337 million at 31 December 2018 (31 December 2017: AED 436 million). Subsequent to the year-end, the facility was rescheduled to be repaid on 10 semi-annual instalment maturing in 2023.

(3) Short-term loans are obtained under a revolving bank facility obtained from a local bank with a limit of AED 145.2 million for working capital requirements. The term of each loan obtained under this facility is for a period of 1 year. This facility bears interest at the commercial rates. This facility, along with other facilities obtained from the bank, is obtained against pledge of quoted equity shares having a fair value of AED 263 million at 31 December 2018 (31 December 2017: AED 184 million).

20 EMPLOYEES' END OF SERVICE BENEFITS

The movement in the provision recognised in the statement of financial position is as follows:

	2018 ***AED'000***	*2017* *AED'000*
Provision as at 1 January	**23,418**	23,396
Provided during the year	**1,315**	2,820
End of service benefits paid	**(3,674)**	(2,798)
Provision as at 31 December	**21,059**	23,418

21 TRADE AND OTHER PAYABLES

	2018 ***AED'000***	*2017* *AED'000* *Restated*
Trade payables	**31,263**	26,680
Provisions	**54,317**	35,626
Dividends payable	**17,529**	27,026
Accrued interest	**6,576**	749
Accruals for employee benefits	**4,874**	6,245
Advances	**1,299**	986
Other accruals and payables	**10,049**	5,744
	125,907	103,056

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company of AED 36,744 thousand (2017: profit of AED 40,292 thousand as restated) by the weighted average number of shares outstanding during the year of 358,800 thousand shares (year ended 31 December 2017: 358,800 thousand shares).

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

23 DIRECTORS' FEES

Directors' fees represent fees to the Company's directors for serving on committees as well as for other services provided to the Company. In accordance with Article 169 of the UAE Federal Law No. 2 of 2015, these fees have been accounted for directly in equity.

24 CONTINGENCIES AND COMMITMENTS

Capital commitments
At 31 December 2018, the Company had no capital commitments (2017: Nil).

Trade commitments
At 31 December 2018, the Company had no commitments relating to purchases of inventories (2017: AED 4.6 million).

Contingent liabilities

	2018 AED'000	*2017 AED'000*
Bank guarantees	**3,009**	4,619

25 FAIR VALUES

Management assessed that the fair values of cash and bank balances, trade receivables, trade payables, bank overdrafts and other current assets and liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Management assessed that the book value of long-term bank borrowings as at 31 December 2018 approximates their fair values due to the fact that they bear variable interest rates that reflect current market interest rates for similar loans and borrowings. As a result, the values of the future discounted cash flows on those loans and borrowings are not significantly different from their current book values.

The following methods and assumptions were used to estimate the fair values of financial assets and liabilities:

- Long-term fixed-rate loan to associate is evaluated by the Company based on parameters such as interest rate, specific country risk factors, creditworthiness of the counter party, and the risk characteristics of the financed asset. Based on this evaluation, allowances are taken into account for the estimated losses of the receivable.

- The fair values of the quoted notes and bonds are based on price quotations at the reporting date.

- Management assessed that the cost of the non-listed equity investment is the most appropriate estimate of the fair value at 31 December 2018, given the lack of sufficient more recent financial information about the investee and the fact that the investee is not yet operational. The investment was carried at cost at 31 December 2017 as permitted by IAS 39 *Financial instruments.*

- There is an active market for the Company's listed equity investments and quoted debt instruments

25 FAIR VALUES (continued)

The following table provides the fair value measurement hierarchy of the Company's assets that are carried at fair value.

31 December 2018	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Quoted equity instruments at FVOCI	**824,628**	**-**	**-**	**824,628**
Unquoted equity instruments	**-**	**-**	**73,868**	**73,868**
Quoted debt instruments at FVOCI	**95,796**	**-**	**-**	**95,796**
Quoted debt instruments at FVTPL	**158,753**	**-**	**-**	**158,753**
Total	**1,079,177**	**-**	**73,868**	**1,153,045**

31 December 2017	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Available-for-sale financial assets	1,161,331	-	73,868	1,235,199

26 SEGMENT REPORTING

The Company's activities comprise two main business segments: 1) manufacturing and selling cement and related products and 2) investments in securities, properties and associate. The details of segment revenue, result, assets and liabilities have been provided below**:**

	31 December 2018			*31 December 2017*		
	Cement AED'000	***Investments AED'000***	***Total AED'000***	*Cement AED'000 Restated*	*Investments AED'000 Restated*	*Total AED'000 Restated*
Revenue from customers	**226,323**	-	**226,323**	204,838	-	204,838
Direct costs	**(207,690)**	-	**(207,690)**	(177,664)	-	(177,664)
Depreciation	**(17,462)**	-	**(17,462)**	(15,044)	-	(15,044)
General and selling expenses	**(33,377)**	**(18,691)**	**(52,068)**	(29,611)	(13,282)	(42,893)
Other operating income	**16,684**	**3,701**	**20,385**	17,519	3,797	21,316
Finance costs	**(10,493)**	**(10,492)**	**(20,985)**	(6,831)	(10,023)	(16,854)
Finance income	-	**40,709**	**40,709**	-	33,171	33,171
Other expense/income	-	**(25,956)**	**(25,956)**	-	33,422	33,422
Segment (loss)/profit	**(26,015)**	**(10,729)**	**(36,744)**	(6,793)	47,085	40,292
Total assets*	**405,665**	**1,561,912**	**1,967,577**	383,283	1,638,233	2,021,516
Total liabilities	**297,344**	**225,755**	**523,099**	247,076	249,912	496,988
Capital expenditure	**17,462**	-	**17,462**	15,044	-	15,044

* Cash and bank balances are not allocated to individual segments as these are managed and utilised as needed.

Additional information required by IFRS 8 *Segment Reporting*, is disclosed below:

Information about geographical segments

During the year ended 31 December 2018, revenue from customers located in the Company's country of domicile (UAE) is AED 218,916 thousand (31 December 2017: AED 204,174 thousand) and revenue from customers outside UAE (foreign customers) is AED 7,407 thousand (31 December 2017: AED 664).

26 SEGMENT REPORTING (continued)

Major customers

During the year ended 31 December 2018, there were 3 customers (2017: 3 customers) with revenues greater than 10% of the total revenue of the Company.

27 RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings, due to related parties and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables and cash and bank balances that derive directly from its operations. The Company also holds investments in debt and equity instruments and loan to an associate.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include term loans, bank deposits, debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2018 and 2017.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

Interest rate sensitivity
The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit is affected through the impact on floating rate borrowings, as follows:

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2018		
Loans and borrowings	**+50**	**(1,875)**
Loans and borrowings	**-50**	**1,875**
2017		
Loans and borrowings	+50	(1,837)
Loans and borrowings	-50	1,837

The sensitivity analysis above has been determined based on the exposure to interest rates for borrowings at the reporting date. The analysis is prepared assuming that these amounts outstanding at the reporting date were outstanding throughout the year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of a reasonably possible change in interest rates.

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) as well as investing activities (investment in financial assets and associate).

27 RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)
The Company does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in AED, Saudi Riyal (SAR) and US Dollar, whereby the AED and SAR are pegged to the US Dollar.

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity index and the value of individual stocks. The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities.

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVOCI at 31 December 2018 and as available-for-sale at 31 December 2017, due to reasonably possible changes in the prices of these quoted shares held by the Company, with all other variables held constant, is as follows:

	2018		*2017*	
Market index	***Decrease in market prices %***	***Effect on equity (fair value reserve) AED'000***	*Increase / decrease in market prices %*	*Effect on equity (fair (value reserve) AED'000*
Dubai Financial Market	**5%**	**(24,280)**	5%	(21,790)
Abu Dhabi Securities Exchange	**5%**	**(7,703)**	5%	(7,888)
Saudi Stock Exchange (Tadawul)	**5%**	**(9,248)**	5%	(8,836)

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks, loan to associate and other financial instruments.

Trade receivables
The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables, and obtaining bank and other guarantees. The Company also manages the risk through dealings with large diversified base of customers. At 31 December 2018, the Company had 11 customers (2017: 9 customers) that owed it more than AED 2 million each and accounted for approximately 84% (2017: 73%) of all the trade receivables.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., secured, partially secured, and unsecured). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The Company holds bank guarantees and post-dated cheques as security. These guarantees are considered integral part of trade receivables and considered in the calculation of impairment. At 31 December 2018, 50% (2017: 69%) of the Company's trade receivables are covered by bank guarantees.

27 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables (continued)

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

31 December 2018		***Days past due***				
	Current AED'000	*<30 days AED'000*	*31-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Expected credit loss rate	**0.2%**	**1.4%**	**1.3%**	**1.7%**	**41.0%**	
Estimated total gross carrying amount at default	**35,323**	**13,697**	**25,278**	**16,392**	**20,436**	**111,126**
Expected credit loss	**66**	**195**	**326**	**282**	**8,375**	**9,244**

31 December 2017		*Days past due*				
	Current AED'000	*<30 days AED'000*	*31-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Incurred credit loss rate	-	-	-	-	18.2%	
Estimated total gross carrying amount at default	25,653	10,625	15,961	6,942	19,741	78,922
Incurred credit loss	-	-	-	-	3,600	3,600

Financial instruments and bank balances

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks.

The Company invests only in quoted debt securities with relatively low credit risk. The Company's debt instruments at fair value through OCI comprise solely of quoted bonds that have good ratings and, therefore, are considered to be low credit risk investments. The Company did not recognise provision for expected credit losses on its debt instruments at fair value through OCI.

Liquidity risk

The Company limits its liquidity risk by ensuring that adequate internally generated funds and bank facilities are available. The Company's terms of sales require amounts to be paid within 30 to 90 days from the date of sale. Trade payables are normally settled within 30 to 90 days from the date of purchase.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December, based on contractual payment dates and current market interest rates.

At 31 December 2018	***Less than 6 months AED'000***	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Trade and other payables	**70,291**	**-**	**-**	**-**	**70,291**
Due to related parties	**1,042**	**-**	**-**	**-**	**1,042**
Interest-bearing borrowings	**248,981**	**95,552**	**44,166**	**-**	**388,699**
Total	**320,314**	**95,552**	**44,166**	**-**	**460,032**

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2017 - restated

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade and other payables	66,444	-	-	-	66,444
Due to related parties	30,237	-	-	-	30,237
Interest-bearing borrowings	155,650	96,306	134,619	-	386,575
Total	252,331	96,306	134,619	-	483,256

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017. Capital comprises share capital, reserves and retained earnings and is measured at AED 1,500,250 thousand as at 31 December 2018 (2017: AED 1,546,149 thousand as restated).

28 COMPARATIVE INFORMATION

The financial statements as at and for the year ended 31 December 2017 have been restated (Note 2.4). In addition, certain comparative information has been reclassified to conform to the current year's presentation. The following is the summary of the restatements and reclassifications made to the comparative figures:

	As previously reported AED'000	***Adjustment AED'000***	***Reclassification AED'000***	***Restated balances AED'000***
Statement of profit or loss				
Other income	34,598	-	(13,282)	21,316
Income from investments*	53,311	-	(53,311)	-
Dividend income on equity investments	-	-	35,948	35,948
Net loss from available-for-sale financial assets	-	-	(2,526)	(2,526)
Finance income	-	-	33,171	33,171
Share of loss in associate	(178,613)	178,613	-	-
Administrative, selling and general expenses	(30,848)	(13,282)	-	(44,130)
Loss for the year	**(125,039)**	**165,331**	**-**	**40,292**
Statement of other comprehensive income				
Loss for the year	(125,039)	165,331	-	40,292
Change in foreign exchange reserve	361,064	(361,064)	-	-
Total comprehensive income	**282,299**	**(195,733)**	**-**	**86,566**

28 COMPARATIVE INFORMATION (continued)

	As previously reported AED'000	*Adjustment AED'000*	*Reclassification AED'000*	*Restated balances AED'000*
Statement of financial position				
Non-current assets				
Investments in financial assets (AFS)	1,234,498	-	(103,048)	1,131,450
Investment in an associate	256,790	(256,790)	-	-
Loan receivable from an associate	260,898	-	55,102	316,000
Current assets				
Loan receivable from an associate	55,102	-	(55,102)	-
Investments in financial assets (AFS)	701	-	103,048	103,749
Trade and other receivables	87,997	-	(2,726)	85,271
Bank balances and cash	18,895	-	2,726	21,621
Total assets	**2,299,927**	**(256,790)**	**-**	**2,043,137**
Equity				
Foreign exchange reserve	304,138	(304,138)	-	-
Retained earnings	129,109	11,722	-	140,831
Total equity	**1,838,565**	**(292,416)**	**-**	**1,546,149**
Non-current liabilities				
Interest-bearing loans and borrowings	261,497	-	(132,921)	128,576
Current liabilities				
Interest-bearing loans and borrowings	105,806	-	132,921	238,727
Trade and other payables	40,404	35,626	27,026	103,056
Due to related parties	30,237	-	(27,026)	3,211
Total liabilities	**461,362**	**35,626**	**-**	**496,988**

29 OTHER INFORMATION

The Company has no investments in Abraaj Group, any of its projects, funds or any business relationship with or exposure to it.