National Cement Company (P.S.C.)

Financial statements
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Financial statements
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Directors' Report

The Board of Directors of National Cement Company is pleased to present their report along with the audited financial statements of the Company for the year ended 31 December 2019.

1 - Principal Activities

Our company is primarily involved in manufacturing and supply of Cement and clinker. The company is also involved in investment of its excess funds to earn additional income.

2 - Financial Performance

The Company has reported profit attributable to the shareholders of the Company of AED 73.80 million for the year ended 3 I December 2019 as compared to loss of AED 36.74 million in the previous year. The Company has reported marginally higher profits as compared to the previous year.

3 - Proposed Dividend

In line with its commitment to provide continuous and adequate return to shareholders, the Board has proposed to distribute cash dividend of (10%) to the registered shareholders of the Company.

4 - Proposed Appropriations

The Directors propose the following appropriation from the Company's retained earnings:

	AED'OOO
Transfer to legal reserve	**NIL**
Transfer to general reserve	**NIL**
Proposed cash dividend	**35,880**
Proposed Directors' fee	**1,750**

No additional amount is proposed to be transferred to either legal reserve or general reserve as these reserves have adequate amount as required by the provisions of the company law.

5 - Outlook 2020

The Company expects 2020 to be a challenging year considering the slow-down experienced in the Global and regional economy. The spread of corona 19 virus affecting various countries of the world has further slowed down the growth and its effect will continue to last for an extended time not only locally but globally. However, the announcements and initiatives taken by the UAE Government over last year and EXPO 2020 are expected to have positive impact on the economic growth in the short to medium term. We expect the demand of cement to increase in near time as the projects associated with Expo 2020 will have to be completed as planned. We expect our company's market share in this will be higher due to its strategic location and customer friendly service.

Further we anticipate that the waste heat recovery system will get commissioned successfully by end of June 2020 and this will bring the company savings on account of energy costs which will positively affect the gross margin.

6 - Directors

The Board of Directors comprises:

MR. RASHED SAIF AHMAD ALGURAIR ALSUWAIDI	CHAIRMAN
MR. ABDULAZIZ ABDULRAOOF ABDULRAHMAN ALAWAR	DEPUTY CHAIRMAN
MR. ABDULAZIZ ABDULLA AHMAD ALGHURAIR	MEMBER
MR. AHMED ESSA AHMED HAREB ALFALAHI	MEMBER
MR. MOHAMMED ABDULGHAFFAR GHULOOMHUSSAIN ABDULLA	MEMBER
MR. SULTAN ABDULLA AHMAD MAJID ALGHURAIR	MEMBER
MR. RASHID ABDULLA AHMAD ALGHURAIR	MEMBER

7 - Related parties

The financial statements disclose material related party balances and transactions in notes (19) , (21) and (22) respectively. All transactions are carried out in the normal course of business and in compliance with applicable laws and regulations.

8 - Acknowledgment

The Board would like to express their gratitude and appreciation to all its shareholders, client and business partners whose continued support has been a source of great strength and encouragement. The Board would also like to place on record their commendation for the hard work and efforts put in by Company management and staff as well as their loyalty and perseverance for the benefit of the Company and its shareholders.

On behalf of the Board

RASHED SAIF AHMAD ALGURAIR

Chairman

23 March 2020

KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
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Independent Auditors' Report

To the Shareholders of National Cement Company (P.S.C.)

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of National Cement Company (P.S.C.) ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Qualified Opinion

1. As described in Note 17 to the financial statements, the Company's investment in financial assets (unquoted equity instrument), classified as Fair Value through Other Comprehensive Income (FVOCI), is not carried at fair value as at 31 December 2019 which is not in accordance with IFRS 9 – Financial Instruments. The Company's management believes that AED 41,868 thousand, representing the carrying value of investment as at 31 December 2019, is the most appropriate measure of fair value, however was unable to provide us with sufficient and appropriate audit evidence supporting their measure of fair value, on account of the ongoing political and economic situation along with travel restrictions in the country of investment. As a result, it was impracticable for us to quantify the financial effects of the adjustments to investment in financial assets (unquoted equity instrument) and other comprehensive income, which would have resulted from using fair values.

2. As described in Note 19.3 to the financial statements, the Company had extended a loan of AED 316,000 thousand to its associate in the prior years. Although, the associate has had a history of default in meeting the loan repayment commitments, management considers the loan to be fully recoverable and no provision necessitated, in accordance with IFRS 9 – Financial Instruments, on account of payment pattern during and subsequent to the year and existence of adequate and sufficient securities against the loan. However, as a result of prior history of defaults, revised loan agreement not signed as at the date of our report and in the absence of a formal valuation of

Basis for Qualified Opinion (continued)

assets held as collateral against the loan, we were unable to obtain sufficient appropriate audit evidence to reliably determine the expected credit loss as per IFRS 9. Accordingly it is impracticable to assess any adjustment to the carrying value of the loan to associate and statement of profit or loss.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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 qualified opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report set out on pages 1 to 2.

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. As described in the *Basis for Qualified Opinion* section above, we were unable to obtain sufficient appropriate audit evidence to reliably determine any adjustments to the carrying value of the loan to associate and statement of profit or loss. We have accordingly concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the Directors report affected by this adjustment.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our 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. We have no key audit matters, other than those described in the *Basis for Qualified Opinion* section.

Emphasis of Matter relating to comparative information

The financial statements of the Company as at and for the years ended 31 December 2018 and 31 December 2017 from which the statement of financial position as at 1 January 2018 has been derived, excluding the adjustments described in note 5 to the financial statements were audited by other auditors who expressed unmodified opinions on those financial statements on 31 March 2019 and 21 March 2018 respectively.

As part of our audit of the financial statements as at and for the year ended 31 December 2019, we audited the adjustments described in Note 5 that were applied to restate the comparative information presented as at and for the year ended 31 December 2018 and the statement of financial position as at 1 January 2018. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended 31 December 2018 or 31 December 2017 (not presented herein) or to the statement of financial position as at 1 January 2018, other than with respect to the adjustments described in Note 5 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 5 are appropriate and have been properly applied.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' 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 auditors' 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 scepticism throughout the audit. We also:

- 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 auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 those charged with governance, 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 auditors' 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, except for the matters mentioned in the *Basis for Qualified Opinion* section of our report, we report that:

i) we have obtained all the information and explanations 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;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in note 33 to the financial statements, the Company has not purchased any shares during the year ended 31 December 2019;

vi) note 19 to the financial statements discloses material related party transactions and the terms under which they were conducted;

Report on Other Legal and Regulatory Requirements *(continued)*

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 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2019; and

viii) no social contributions were made during the year.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 26 MAR 2020

NATIONAL CEMENT COMPANY (P.S.C.)

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Note	2019 AED`000	2018 AED`000
Revenue	*6*	**190,774**	226,323
Direct costs	*7*	**(202,479)**	(223,667)
Gross (loss) / profit		**(11,705)**	2,656
Other operating income	*8*	**15,644**	20,301
Other income	*9*	**1,359**	84
Administration and general expenses	*10*	**(29,830)**	(28,098)
Selling and distribution expenses	*11*	**(3,439)**	(4,631)
Reversal/ (charge) of impairment on trade and other receivables - net	*21*	**19,742**	(20,824)
Operating loss		**(8,229)**	(30,512)
Finance income	*12*	**34,046**	40,709
Finance cost	*13*	**(17,934)**	(20,985)
Dividend income from equity investments		**36,750**	36,862
Net change in fair value of Debt investments at FVTPL	*17*	**29,147**	(62,818)
Profit/ (loss) for the year		**73,780**	(36,744)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net change in fair value of equity investments at FVOCI	*17*	**(100,554)**	54,367
Items that are or maybe reclassified subsequently to profit or loss:			
Net change in fair value of debt investments at FVOCI	*17*	**3,167**	(4,441)
Reclassification to profit or loss on maturity of debt investments at FVOCI	*12*	**(134)**	-
Other comprehensive income for the year		**(97,521)**	49,926
Total comprehensive income for the year		**(23,741)**	13,182
Earnings per share	*28*		
Basic and diluted earnings per share (AED)		**0.21**	(0.10)

The notes set out on pages 13 to 37 are an integral part of these financial statements

The independent auditors' report on financial statements is set out on pages 3 to 8.

NATIONAL CEMENT COMPANY (P.S.C.)

Statement of financial position
as at 31 December 2019

	Note	December 31, 2019 AED'000	December 31, 2018 AED'000 (restated)*	January 1, 2018 AED'000 (restated)*
Non current assets				
Property, plant and equipment	14	203,783	219,599	224,486
Intangible assets	15	3,000	-	-
Investment properties	16	2,924	2,924	2,924
Investments in financial assets	17	958,648	1,082,982	1,117,450
Investment in an associate	18	-	-	-
Loan receivable from associate	19	316,000	316,000	316,000
Total non current assets		1,484,355	1,621,505	1,660,860
Current assets				
Investments in financial assets	17	100,889	56,063	103,749
Inventories	20	68,380	61,931	59,696
Trade and other receivables	21	99,752	157,468	147,585
Advances and other receivables	22	1,340	2,293	-
Cash in hand and at banks	23	30,294	57,522	21,621
Total current assets		300,655	335,277	332,651
Total assets		1,785,010	1,956,782	1,993,511
Equity and Liabilities				
Equity				
Share capital	24	358,800	358,800	358,800
Share application money		26	26	26
Statutory reserve	24	179,402	179,402	179,402
General reserve	24	313,323	316,517	316,517
Fair value reserve of available-for-sale financial assets	24	-	-	536,573
Fair value reserve of financial assets at FVOCI	24	503,048	600,569	-
Retained earnings		73,780	32,686	140,831
Total equity		1,428,379	1,488,000	1,532,149
Non current liabilities				
Bank borrowings	25	145,927	42,859	128,576
Employees' end of service benefits	26	20,773	21,059	23,418
Total non-current liabilities		166,700	63,918	151,994
Current liabilities				
Bank borrowings	25	134,740	332,232	238,727
Trade and other payables	27	55,191	72,632	70,641
Total current liabilities		189,931	404,864	309,368
Total liabilities		356,631	468,782	461,362
Total equity and liabilities		1,785,010	1,956,782	1,993,511

* Refer note 5

The notes set out on pages 13 to 37 are an integral part of these financial statements

To the best of our knowledge, the financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 December 2019.

These financial statements were approved and authorized for issue by the Board of Directors on 23 MAR 2020 and were signed on their behalf by:

Chairman Vice Chairman

The independent auditors' report on financial statements is set out on pages 3 to 8

NATIONAL CEMENT COMPANY (P.S.C.)

Statement of Cash Flows
for the year ended 31 December 2019

	Note	2019 AED`000	2018 AED`000
Cash flows from operating activities			
Net profit/ (loss) for the year		**73,780**	(36,744)
Adjustments for:			
Depreciation	14	**17,067**	17,462
Provision for employees' end of service benefits	26	**1,362**	1,315
Fair value change in investment at FVTPL	17	**(29,147)**	62,818
Gain on sale of property, plant and equipment	9	**(1,359)**	(84)
Finance cost	13	**16,565**	20,985
(Reversal)/ charge of impairment on trade and other receivables - net	21	**(19,742)**	20,824
Provision for impairment on inventories	11	**8,676**	-
Finance income	12	**(34,046)**	(40,709)
Dividend income		**(36,750)**	(36,862)
Operating (loss) / profit before working capital changes		**(3,595)**	9,005
Change in inventories		**(15,125)**	(2,235)
Change in trade and other receivables		**16,897**	(27,820)
Change in trade and other payables		**(18,172)**	5,661
Payment of end of service benefits		**(1,648)**	(3,674)
Net cash used in operating activities		**(21,644)**	(19,063)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(4,299)**	(12,652)
Proceeds from sale of property, plant and equipment		**1,408**	161
Investments in financial assets	17	**(67,679)**	(100,315)
Proceeds from maturity / disposals of financial assets	17	**78,947**	169,577
Dividend income		**36,750**	36,862
Interest income		**95,426**	32,018
Margin deposits		**-**	(3,582)
Net cash generated from investing activities		**140,553**	122,069
Cash flows from financing activities			
Drawdown of bank borrowings		**344,700**	(18,434)
Re-payment of bank borrowings		**(412,085)**	-
Dividend paid	24.6	**(36,035)**	(63,317)
Interest expenses paid		**(15,678)**	(15,158)
Net cash used in financing activities		**(119,098)**	(96,909)
Net (decrease)/ increase in cash and cash equivalents		**(189)**	6,097
Cash and cash equivalents at beginning of the period		**24,175**	18,078
Cash and cash equivalents at end of the period	23	**23,986**	24,175

The notes set out on pages 13 to 37 are an integral part of these financial statements

The independent auditors' report on financial statements is set out on pages 3 to 8.

NATIONAL CEMENT COMPANY (P.S.C)

Statement of changes in equity
for the year ended 31 December 2019

	Share capital	*Share application money*	*Statutory reserve*	*General reserve*	*Fair value reserve of AFS Investments*	*Fair value reserve of financial assets at FVOCI*	*Retained earnings*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
At January 1, 2018, as previously reported	358,800	26	179,402	316,517	550,573	-	140,831	1,546,149
Impact of correction of error (Note 5)	-	-	-	-	(14,000)	-	-	(14,000)
Restated balance as at January 1, 2018	358,800	26	179,402	316,517	536,573	-	140,831	1,532,149
Adjustment of initial application of IFRS 9	-	-	-	-	(536,573)	550,643	(17,581)	(3,511)
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
Distribution to owners								
Dividend paid (refer note 24.6)	-	-	-	-	-	-	(53,820)	(53,820)
Total distribution to owners	-	-	-	-	-	-	(53,820)	(53,820)
At December 31, 2018	358,800	26	179,402	316,517	-	600,569	32,686	1,488,000
At January 1, 2019	358,800	26	179,402	316,517	-	600,569	32,686	1,488,000
Profit for the year	-	-	-	-	-	-	73,780	73,780
Other comprehensive income	-	-	-	-	-	(97,521)	-	(97,521)
Total comprehensive income for the year	-	-	-	-	-	(97,521)	73,780	(23,741)
Distribution to owners								
Dividend paid (refer note 24.6)	-	-	-	(3,194)	-	-	(32,686)	(35,880)
Total distribution to owners	-	-	-	(3,194)	-	-	(32,686)	(35,880)
At December 31, 2019	**358,800**	**26**	**179,402**	**313,323**	**-**	**503,048**	**73,780**	**1,428,379**

The notes set out on pages 13 to 37 are an integral part of these financial statements

1 Reporting entity

National Cement Company (Public Shareholding Co.), Dubai ("the Company"), is 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 and in accordance with the provisions of the UAE Federal Law No. 2 of 2015. The Company is listed on the Dubai Financial Market ("DFM"). 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 Basis of preparation

2.1 Statement of compliance

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.

This is the first set of the Company's annual financial statements in which IFRS 16 *Leases* has been applied. The related changes to significant accounting policies are described in Note 3.
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 2018 was presented in these financial statements as a result of restatements made to the comparative information (refer note 5).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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.

2.4 Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed by the management on an ongoing basis. Revisions to estimates are recognized prospectively.
Information about judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in note 34.

3 Change in significant accounting policies

The Company initially applied IFRS 16 *Leases* and a number of other new standards and amendments effective from 1 January 2019 which did not have a material effect on the Company's financial statements.

4 Significant accounting policies

4.1 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.

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.

4 Significant accounting policies *(continued)*

4.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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 categorized 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

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.

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.

4.3 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 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 60 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 over the period of time and sale of goods at a point in time, generally upon delivery of the goods to the customer.

Contract balances
Trade receivables
A receivable respresents 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 measurement.*

Contract liabilities
A contract liability is the obligation to transfer good 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 the obligation under the contract.

4 Significant accounting policies *(continued)*

4.4 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

Foreign currency differences arising from the translation of the following items are recognised in OCI:
- an investment in equity securities designated as at FVOCI (excpet on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss).

4.5 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.

4.6 Property, plant and equipment

Recognition and measurement

Items of property plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:
• cost of materials and direct labour;
• any other costs directly attributable to bringing the assets to a working condition for their intended use; and
• capitalized borrowing costs.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.
Any gain or loss on disposal of an item of property, plant and equipment is recognized in the profit or loss.
Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

Depreciation is calculated to write-off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Comany will obtain ownership by the end of the lease term.

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.

4 Significant accounting policies *(continued)*

4.7 Leases

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:
— fixed payments, including in-substance fixed payments;
— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
— amounts expected to be payable under a residual value guarantee; and
— the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

i. As a lessee *(continued)*

The Company presents right-of-use assets that do not meet the definition of investment property in‘property, plant and equipment’ and lease liabilities in ‘loans and borrowings’ in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of ‘other operating income'.
Generally, the accounting policies applicable to the Company as a lessor in the comparative period were not different from IFRS 16.

4 Significant accounting policies *(continued)*

4.7 Leases *(continued)*

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

— fulfilment of the arrangement was dependent on the use of a specific asset or assets;
— the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
— the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
— the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
— facts and circumstances indicated that it was remote that other parties would take morethan an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

i. As a lessee

In the comparative period, as a lessee the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

ii. As a lessor

When the Company acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Company made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Company considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

4.8 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.

4.9 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 off (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.

Land is not depreciated.

4.10 Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4 Significant accounting policies *(continued)*

4.10 Financial instruments *(continued)*

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
— it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
— it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
— its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

— the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
— how the performance of the portfolio is evaluated and reported to the Company's management;
— the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
— how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
— the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

— contingent events that would change the amount or timing of cash flows;
— terms that may adjust the contractual coupon rate, including variable-rate features;
— prepayment and extension features; and
— terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains or losses, including any interest or dividend income, are recognized in profit or loss.

4 Significant accounting policies *(continued)*

4.10 Financial instruments *(continued)*

ii. Classification and subsequent measurement *(continued)*

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4.11 Impairment

i. Non-derivative financial assets *- financial instruments and contract assets*

The Company recognises loss allowances for ECLs on:
— financial assets measured at amortised cost;
— debt investments measured at FVOCI; and
— contract assets.

The Company also recognises loss allowances for ECLs on lease receivables, which are disclosed aspart of trade and other receivables.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:
— debt securities that are determined to have low credit risk at the reporting date; and
— other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:
— the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
— the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’. The Company considers this to be Baa2 or higher per Moodys.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

4 Significant accounting policies *(continued)*

4.11 Impairment *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:
— significant financial difficulty of the debtor;
— a breach of contract such as a default or being more than 90 days past due;
— the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
— it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
— the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For its customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

ii. Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and contract assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value ofmoney and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.12 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.

4 Significant accounting policies *(continued)*

4.13 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.

4.14 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.

4.15 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.

4.16 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.

4.17 Intangible assets

Recognition and measurement

The Company recognises assets that are acquired and have a finite useful life measured at cost.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, is recognised in profit or loss as incurred.

Amortization

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. The estimated useful life of intangible assets is five years.

4.18 New standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the financial statements.
— Amendments to References to Conceptual Framework in IFRS Standards.
— Definition of a Business (Amendments to IFRS 3).
— Definition of Material (Amendments to IAS 1 and IAS 8).
— IFRS 17 Insurance Contracts.

5 **Prior period adjustments**

Restatement of comparative figures

The comparative information as at December 31, 2018 and the statement of financial position as at January 1, 2018 has been restated. In addition, certain comparative information has been reclassified to confirm 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 January 1, 2018	Restatement AED' 000	Reclassification AED' 000	Restated balances AED' 000 January 1, 2018
Statement of financial position				
Non Current Assets				
Investments in financial assets	1,131,450	(14,000)	-	1,117,450
Total non-current assets	**1,674,860**	**(14,000)**	**-**	**1,660,860**
Current Assets				
Trade and other receivables (including due from related parties)	183,211	-	(35,626)	147,585
Total current assets	**368,277**	**-**	**(35,626)**	**332,651**
Equity				
Fair value reserve of available-for-sale financial assets	550,573	(14,000)	-	536,573
Total Equity	**1,546,149**	**(14,000)**	**-**	**1,532,149**
Current Liabilities				
Trade and other payables (including due to related parties)	106,267	-	(35,626)	70,641
Total current liabilities	**344,994**	**-**	**(35,626)**	**309,368**

	As previously reported AED' 000 December 31, 2018	Restatement AED' 000	Reclassification AED' 000	Restated balances AED' 000 December 31, 2018
Statement of financial position				
Non Current Assets				
Investments in financial assets	1,096,982	(14,000)	-	1,082,982
Total non-current assets	**1,635,505**	**(14,000)**	**-**	**1,621,505**
Current Assets				
Trade and other receivables (including due from related parties)	211,785	-	(54,317)	157,468
Total current assets	**389,594**	**-**	**(54,317)**	**335,277**
Equity				
Fair value reserve of financial assets at FVOCI	614,569	(14,000)	-	600,569
Total Equity	**1,502,000**	**(14,000)**	**-**	**1,488,000**
Current Liabilities				
Trade and other payables (including due to related parties)	126,949	-	(54,317)	72,632
Total current liabilities	**459,181**	**-**	**(54,317)**	**404,864**

Restatement of valuation of Investments at FVOCI

During 2019, the Company noted an adjustment of AED 14,000 thousands towards reduction in fair value of investment in unquoted shares. This adjustment relates to prior years, and was not being recorded, resulting in overstatement of investments in financial assets and equity. This has been corrected by restating the affected financial statement line items for the earliest comparative period. The below summarises the overall impact on the previously reported financial information.

	January 1, 2018 AED'000 Debit / (Credit)
Non Current Assets	
Investments in financial assets	(14,000)
Equity	
Fair value reserve of available-for-sale financial assets	14,000

The adjustment also result in restatement of investment in financial asset and equity as at December 31, 2018.

Reclassification of Provisions

The Company noted an adjustment of AED 35,626 thousand and AED 54,317 thousand for provision created against trade and other receivables which were classified under trade and other payables as on 31 December 2018 and 31 December 2019, respectively. This has been corrected by recalssifying the affected financial statement line items for both the periods.

6 Revenue

6.1 Revenue from contract with customers

	2019 AED`000	2018 AED`000
Sale of goods	**187,285**	223,784
Delivery services	**3,489**	2,539
	190,774	226,323

Disaggregated revenue information

	2019 AED`000	2018 AED`000
Type of goods		
Finished goods (including delivery)	**178,638**	213,973
Semi-finished goods and raw materials (including delivery)	**12,136**	12,350
	190,774	226,323
Geographical markets		
United Arab Emirates	**181,317**	218,916
Other countries	**9,457**	7,407
	190,774	226,323

6.2 Contract balances

	2019 AED`000	2018 AED`000
Trade receivables	**83,960**	101,882
Contract liabilities – advances (Note 27)	**1,284**	1,299

Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days. Trade receivables secured by bank guarantees amount to AED 56,892 thousand (2018: AED 55,000 thousand)

The contract liabilities primarily relate to the advance consideration received from customers for sale of goods, for which revenue will be recognised at the time of sale. The amount of AED 1,299 thousand included in contract liabilities at 31 December 2018 has been recognised as revenue in 2019.

6.3 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 by the customer and payment is generally in cash or due within 60 to 90 days from the sale .

Bundled sale of goods and delivery services
The performance obligation is satisfied upon delivery of the goods to the customer and payment is generally due within 60 to 90 days from delivery.

7 Direct costs

	2019 AED`000	2018 AED`000
Cost of materials	**106,948**	134,421
Utilities (Electricity and Water)	**52,306**	53,106
Cost of labor	**18,106**	18,978
Depreciation (Note 14.1)	**15,171**	15,977
Provision for impairment on inventories	**8,676**	-
Other factory costs	**1,272**	1,185
	202,479	223,667

8 Other operating income

	2019 AED`000	2018 AED`000
Sale of scrap and other non-trading materials	**7,614**	9,801
Rental income from investment properties (note 16)	**3,508**	3,701
Other rental income	**3,640**	5,940
Others	**882**	859
	15,644	20,301

9 Other income

	2019 AED`000	2018 AED`000
Gain on sale of property, plant and equipment	**1,359**	84
	1,359	84

10 Administration and general expenses

	2019 AED`000	2018 AED`000
Staff salaries and benefits	**20,099**	16,977
Repair and maintenance	**1,746**	3,125
Bank charges	**1,081**	902
Legal and professional fees	**1,017**	2,301
Depreciation (Note 14.1)	**1,622**	886
Registration and insurance	**628**	555
Other expenses	**3,637**	3,352
	29,830	28,098

11 Selling and distribution expenses

	2019 AED`000	2018 AED`000
Sales and marketing	**2,013**	3,074
Transportation	**1,152**	958
Depreciation (Note 14.1)	**274**	599
	3,439	4,631

12 Finance inome

	2019 AED`000	2018 AED`000
Interest income on loan to associate	**18,486**	18,691
Interest income on investments in financial assets (Debt instruments)	**15,426**	22,018
Debt investments at FVOCI - gain on maturity reclassified from OCI	**134**	-
	34,046	40,709

13 Finance cost

	2019 AED`000	2018 AED`000
Bank term loans	**17,710**	19,700
Bank overdrafts	**224**	1,285
	17,934	20,985

14 Property, plant and equipment

	Buildings AED'000	*Plant and machinery AED'000*	*Furniture, fixtures and equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost						
At 1 January 2018	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
Additions	-	25	587	1,621	2,066	4,299
Disposals	-	(24)	(68)	(1,950)	-	(2,042)
Transfers	-	5,062	-	-	(5,062)	-
Transfer to intangible asset (note 15)	-	-	-	-	(3,000)	(3,000)
At 31 December 2019	36,208	941,771	17,939	53,811	60,783	1,110,512
Accumulated Depreciation						
At 1 January 2018	29,837	777,761	16,635	51,698	-	875,931
Charge for the year (Note 14.1)	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
Charge for the year (Note 14.1)	576	14,648	423	1,420	-	17,067
Disposals	-	(24)	(20)	(1,950)	-	(1,994)
At 31 December 2019	31,007	807,074	17,419	51,229	-	906,729
Net carrying value						
At 31 December 2019	**5,201**	**134,697**	**520**	**2,582**	**60,783**	**203,783**
At 31 December 2018	5,777	144,258	404	2,381	66,779	219,599

14 Property, Plant and Equipment *(continued)*

14.1 Depreciation

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

	2019	*2018*
	AED`000	*AED`000*
Direct costs (Note 7)	**15,171**	15,977
Administration and general expenses (Note 10)	**1,622**	886
Selling and distribution expenses (Note 11)	**274**	599
	17,067	17,462

14.2 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 ready for use in 2020.

14.3 Other Information

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

15 Intangible assets

	Software
	AED'000
Cost:	
At 1 January 2019	-
Transfer from CWIP	3,000
At 31 December 2019	3,000
Amortization	
At 1 January 2019	-
Charge for the year (refer note below)	-
At 31 December 2019	-
Net book value	
At 31 December 2019	**3,000**

Note:
Transfer from CWIP represents cost of new SAP software implementation done on 31 December 2019 and therefore, there is no amortization charged during the year.

16 Investment properties

Investment properties comprise of land with a carrying amount of AED 2,924 thousand and fully depreciated villas constructed on the land with an initial cost of AED 16,575 thousand, held for rental purposes and capital appreciation. There was no movement in investments properties during the years ended 31 December 2019 and 2018.

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 recognized in the statement of profit or loss in respect of investment properties:

	2019	*2018*
	AED'000	*AED'000*
Rental income (Note 8)	**3,508**	3,701
Direct operating expenses of occupied properties	**(247)**	(343)
	3,261	**3,358**

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 45,000 thousand as at 31 December 2019 (2018: AED 67,000 thousand).

16 **Investment properties** *(continued)*

Valuation technique

The value of the properties is measured by management using the 'income capitalisation method' approach (level 3 fair value 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 capitalized 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.

A significant change in the valuation inputs in isolation will result in significant movement in fair value measurement.

17 **Investments in financial assets**

	2019 AED'000	2018 AED'000 *(restated)**
Non-current financial assets		
Investments at FVOCI	**845,119**	936,085
Investments at FVTPL	**113,529**	146,897
	958,648	1,082,982
Current financial assets		
Investments at FVOCI	**9,238**	32,362
Investments at FVTPL	**91,651**	23,701
	100,889	56,063
	1,059,537	1,139,045

** refer note 5*

The categories of investments in financial assets are as follows:

	2019 AED'000	2018 AED'000
Quoted equity instruments – at fair value	**742,074**	824,629
Debt instruments – at fair value	**275,595**	254,549
Unquoted equity instrument – at fair value	**41,868**	59,867
	1,059,537	1,139,045

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 2019, investments in marketable securities amounting to AED 6,551 thousand (31 December 2018: AED 7,860 thousand) are held in the personal name of the Company's General Manager for the beneficial interest of the Company. Subsequent to the year end, these shares have been transferred to the name of the Company.

Investments in financial assets amounting to AED 711,580 thousand (31 December 2018: AED 600,000 thousand) are pledged with banks against loans and borrowings (Note 25).

The Company has an investment, through an unquoted equity instrument, in an under construction cement plant outside UAE. The investment is being carried at Fair Value through Other Comprehensive Income and is classified as Level 3 fair value hierarchy. The Company was not able to engage a third party valuer to reliably determine the fair value of the investment due to ongoing political and economic situation in the country of investment impacting the project plan and milestones. Accordingly, based on management judgement, the fair value was determined to be AED 41,868 thousand (2018: AED 73,867 thousand) as at 31 December 2019, representing the carrying value.

17 **Investments in financial assets** *(continued)*

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

	2019		
	Debt instruments at FVOCI AED'000	**Debt instruments at FVTPL AED'000**	**Equity instruments at FVOCI AED'000**
At 1 January	83,951	170,598	884,496
Additions during the year	16,835	50,844	-
Matured/redeemed	(33,538)	(45,409)	-
Change in fair value	3,167	29,147	(100,554)
	70,415	**205,180**	**783,942**

	2018			
	Debt instruments at FVOCI AED'000	Debt instruments at FVTPL AED'000	Equity instruments at FVOCI AED'000	AFS instruments AED'000
At 1 January	-	-	-	1,221,199
Reclassification on adoption of IFRS 9	126,465	264,605	830,129	(1,221,199)
Additions during the year	-	100,315	-	-
Matured/redeemed	(38,073)	(131,504)	-	-
Change in fair value	(4,441)	(62,818)	54,367	-
	83,951	170,598	884,496	-

The geographical distribution of financial assets are as follows:

	2019 AED'000	2018 AED'000
United Arab Emirates	**585,084**	639,672
Saudi Arabia	**156,990**	184,956
Other countries	**317,463**	314,417
	1,059,537	1,139,045

18 **Investment in an associate**

Investment in an associate represents 25.43% (2018: 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 prior period the Company has accounted for the investments after taking account of the effect of hyperinflationary economy and of using uniform accounting policies while preparing the financial statements of the associate. Furthermore, the Company has fully written off its cost of investment in the associate and it has no obligation towards the losses, exceeding the face value of equity shares held.

19 **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.

The Company, in the ordinary course of its business, enters into trading and financing transactions with entities which fall within the definition of "related party" as contained in International Accounting Standard 24. The management believes that the terms of the trading transactions are not materially different from those that could have been obtained from unrelated parties.

The significant related party transactions during the period are as follows:

19.1 **Related Party transactions**

	2019 AED'000	2018 AED'000
Associate		
Interest income (Note 12)	**18,486**	18,691
Other related parties		
Revenue	**30,080**	35,419
Purchases	**(9,905)**	(11,872)

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on agreed upon terms. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash/bank. There have been no guarantees provided or received for any related party receivables or payables.

19 Related party disclosures *(continued)*

19.2 Remuneration to key management personnel

	2019 AED'000	2018 AED'000
Salaries and other short-term benefits	**3,203**	3,431
End of service benefits charged	**175**	175
	3,378	3,606

19.3 Loan receivable from associate

	2019 AED'000	2018 AED'000
Loan balance	**316,000**	316,000

This loan represents AED denominated loan given to the associate and recoverable by October 2019, however, 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.

Management performed an impairment assessment on the loan and evaluated the associate's ability to repay the loan based on the specific factors that includes the payment pattern during and subsequent to the year, existence of adequate and sufficient securities against the loan and proposed amendment of loan agreement with revised repayment schedule, which is expected to be formalised during the year 2020. 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 2019, management concluded that no impairment is required to the loan balance.

19.4 Due from and due to related parties are disclosed in note 21 and 27, respectively.

20 Inventories

	2019 AED'000	2018 AED'000
Raw materials	**11,472**	16,311
Work-in-progress	**32,792**	19,249
Finished goods	**1,837**	3,119
Consumables and spare parts	**22,279**	23,252
	68,380	61,931

Consumption of raw material

	2019 AED'000	2018 AED'000
Opening Stock	**16,311**	10,110
Add: Purchases	**102,109**	140,622
Less: Consumption (note 7)	**(106,948)**	(134,421)
Closing Stock	**11,472**	16,311

Provision on Inventory

	2019 AED'000	2018 AED'000
Finished Goods		
Gross Inventory	**1,986**	3,119
Less: Provision for Net Realisable Value	**(149)**	-
Net Inventory	**1,837**	3,119
Work in Progress		
Gross Inventory	**41,319**	19,249
Less: Provision for Net Realisable Value	**(8,527)**	-
Net Inventory	**32,792**	19,249

21 Trade and other receivables

	2019 AED'000	2018 AED'000 *(restated)**
Trade receivables		
Receivables from third party customers	**93,204**	111,126
Due from related parties (refer note 19)	**47,916**	106,940
Less: allowance for expected/incurred credit losses	**(43,819)**	(63,561)
	97,301	154,505
Other receivables	**2,451**	2,963
	99,752	157,468

**refer note 5*

Trade receivables are non-interest bearing and are generally on terms of 60 to 90 days.

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

	2019 AED'000	2018 AED'000
At 1 January	**63,561**	39,226
Effect of application of IFRS 9	**-**	3,511
(Reversal)/provision for expected credit losses #	**(19,742)**	20,824
	43,819	63,561

Reversals represents outstanding balances provided in prior years collected during the year 2019.

22 Advances and other receivables

	2019 AED'000	2018 AED'000
Advances to suppliers	**1,172**	1,986
Prepayments	**168**	307
	1,340	2,293

23 Cash in hand and at banks

	2019 AED'000	2018 AED'000
Cash in hand	**516**	946
Cash at banks – current accounts	**23,470**	50,268
Cash at banks – margin deposits	**6,308**	6,308
Cash in hand and at banks	**30,294**	57,522
Less: bank overdraft	-	(27,039)
Less: margin deposits	**(6,308)**	(6,308)
Cash and cash equivalents considered in the Statement of Cash Flows	**23,986**	24,175

24 Share capital and reserves

24.1 Share capital

	2019 AED'000	2018 AED'000
Authorised, issued and fully paid up: 358,800,000 shares of AED 1 each	**358,800**	358,800

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.

24.2 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 2019 and 2018 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.

24 Share capital and reserves *(continued)*

24.3 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. (refer note 24.6)

24.4 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 reclassified to income statement.

24.5 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 reclassified to income statement for debt instruments and transferred to retained earnings for equity instruments.

24.6 Dividends

In the Annual General Meeting held on 22 April 2019, a cash dividend of AED 35,880 thousands (AED 0.10 fils per share) was proposed and approved by the shareholders of the Company related to 2018. (2018: AED 0.15 per share totaling to AED 53,820 thousands relating to 2017). AED 32,686 thousands and AED 3,194 thousands was distributed through the balance in Retained earnings and General Reserve respectively. General reserve of the Company was utilised to fund the shortfall in Retained Earnings, based on the approved resolution of the Board of Directors dated 6 August 2019.

25 Bank borrowings

	2019	2018
	AED'000	AED'000
Murabaha loans	**165,667**	171,438
Short-term loans	**115,000**	176,614
Bank overdraft	**-**	27,039
	280,667	375,091
Less: current portion	**(134,740)**	(332,232)
Non-current portion	**145,927**	42,859

(1) During the current year, Company has entered into a Murabaha agreement with a local Islamic bank for a total amount of USD 53,500 thousand (equivalent to AED 196,600 thousand) repayable in ten semi annual instalments over a period of five years maturing in 2023, plus profits at 3 months EIBOR + 1.95%. As at the reporting date, AED 107,590 thousand was outstanding against this facility. This loan was obtained by the Company and extended to its associate in the prior years. The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 303,839 thousand as at the reporting date.

(2) During the current year, the Company has obtained a Murabaha loan with an Islamic bank for a total amount of SAR 60,000 thousand (equivalent to AED 58,500 thousand) repayable in six semi annual instalments over a period of three years maturing in 2022, plus profits at SAIBOR + 1.5%. As at the reporting date, AED 58,077 thousand was outstanding against this facility. The proceeds of the said loan are to affect repayment of the existing facilities. The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 90,365 thousand as at the reporting date.

(3) During the previous year, the Company had an outstanding Murabaha loan with an Islamic bank repayable in six semi annual instalments over a period of three years maturing in 2020, plus profits at EIBOR + 3%. As at the December 31, 2018, AED 171,438 thousand was outstanding against this facility. This loan was obtained by the Company and extended to its associate in the prior years. The loan has been prepaid in the current year, using the proceeds from drawdown of loan (1) above.

(4) 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 317,377 thousand at 31 December 2019 (31 December 2018: AED 263,000 thousand).

Bank overdraft carries monthly variable interest at commercial rates.

The Company has complied with the financial covenants required under the facilities from the banks as at 31 December 2019.

26 Employees' end of service benefits

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

	2019 AED'000	2018 AED'000
Provision as at 1 January	**21,059**	23,418
Provided during the year	**1,362**	1,315
End of service benefits paid	**(1,648)**	(3,674)
Provision as at 31 December	**20,773**	21,059

27 Trade and other payables

	2019 AED'000	2018 AED'000 *(restated)**
Trade payables	**10,969**	25,856
Unpaid Dividend	**17,080**	17,529
Other accruals and payables	**13,065**	15,456
Accrued interest	**5,689**	6,576
Accruals for employee benefits	**4,937**	4,874
Due to related parties (refer note 19)	**2,167**	1,042
Advances #	**1,284**	1,299
	55,191	72,632

** refer note 5*
# represents non-financial liability

28 Earnings per share

	2019 AED'000	2018 AED'000
Profit/(loss) for the year	**73,780**	(36,744)
Weighted average number of shares ('000)	**358,800**	358,800
Earnings per share (AED) - basic and diluted	**0.21**	(0.10)

There was no dilution effect on the basic earnings per share, as the Company does not have any such outstanding commitments as at the reporting dates.

29 Leases

Leases as lessor

The company leases out its investment property. The company has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. None of the properties of the Company has been leased out for a period over one year and are cancelleable at the discretion of the Company.

Rental income recognised by the Company during 2019 was AED 3,508 thousand (2018: AED 3,701 thousand).

30 Contingencies and commitments

Capital commitments
At 31 December 2019, the Company had no capital commitments (2018: Nil).

Trade commitments
At 31 December 2019, the Company had no commitments relating to purchases of inventories (2018: Nil).

Contingent liabilities

	2019 AED'000	2018 AED'000
Bank guarantees	**3,009**	3,009

31 Financial instruments

31.1 Accounting classification and fair values

Management assessed that the fair values of cash and bank balances, trade receivables, trade payables, bank overdrafts, short term bank borrowings 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 2019 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 except for the assets and liabilities mentioned above being carried at their carrying value:

• 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 (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.

• Considering no external valuation available for the non-listed equity investment, management has assessed the fair value of the investment to be equal to carrying value. (refer note 17)

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

The table below shows financial instruments, measured at fair value at the end of the reporting periods, by the level in the fair value hierarchy into which the fair value measurement is categorised. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2019	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Quoted equity instruments at FVOCI	742,074	-	-	742,074
Unquoted equity instruments at FVOCI	-	-	41,868	41,868
Quoted debt instruments at FVOCI	6,503	63,912	-	70,415
Quoted debt instruments at FVTPL	-	205,180	-	205,180
Total	**748,577**	**269,092**	**41,868**	**1,059,537**

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 at FVOCI	-	-	59,868	59,868
Quoted debt instruments at FVOCI	-	83,951	-	83,951
Quoted debt instruments at FVTPL	-	170,598	-	170,598
Total	824,628	254,549	59,868	1,139,045

A reconcliation from the beginning balances to the ending balances for fair value measurement of investments is stated in note 17.

31.2 Financial 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 summarized below.

31 Financial instruments *(continued)*

31.2 Financial risk management *(continued)*

(a) 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, loan to an associate, bank deposits, debt and equity investments.

The sensitivity analyses in the following sections relate to the position as at 31 December in 2019 and 2018.

Interest rate risk - variable

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 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
2019		
Bank borrowings	**50**	**(1,403)**
Bank borrowings	**(50)**	**1,403**
2018		
Bank borrowings	50	(1,875)
Bank borrowings	(50)	1,875

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.

Interest rate risk - fixed

The Company's exposure to interest rate risk relates primarily to the Company's loan to an associate with fixed interest rates. The Company does not account for any fixed rate financial asset at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

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).

The Company does not have any significant exposure to foreign currency risk since the majority of the transactions are denominated in AED and US Dollar, whereby the AED 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 2019 and at 31 December 2018, 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:

	2019		2018	
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%**	**(21,883)**	5%	(21,790)
Abu Dhabi Securities Exchange	**5%**	**(7,359)**	5%	(7,888)
Saudi Stock Exchange (Tadawul)	**5%**	**(7,850)**	5%	(8,836)

31 Financial instruments *(continued)*

31.2 Financial risk management *(continued)*

(b) 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 investment in financial asset - Debt securities.

Trade receivables (including due from related parties)

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 2019, the Company had 12 customers (2018: 11 customers) that owed it more than AED 2 million each and accounted for approximately 80% (2018: 84%) 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 2019, 68% (2018: 50%) of the Company's trade receivables are covered by bank guarantees.

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

		Days past due				
		<30	31-90	91-120	>120	
31 December 2019	Current	days	days	days	days	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Expected credit loss rate	0.4%	1.0%	1.1%	11.6%	56.3%	
Estimated total gross carrying amount at default	22,782	16,079	19,798	6,937	75,524	141,120
Expected credit loss	94	165	218	802	42,540	43,819

		Days past due				
		<30	*31-90*	*91-120*	*>120*	
31 December 2018	*Current*	*days*	*days*	*days*	*days*	*Total*
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Expected credit loss rate	0.2%	1.3%	1.4%	1.7%	49.2%	
Estimated total gross carrying amount at default	35,323	13,697	25,278	16,392	127,376	218,066
Expected credit loss	66	175	346	282	62,692	63,561

Financial instruments and bank balances

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and have a credit rating between A2 and Baa1 as per Moodys.

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 a minimum ratign of Baa2 as per Moodys 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.

(c) 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 60 to 90 days from the date of sale. Trade payables are normally settled within 60 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 2019	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Trade and other payables (excluding advances)	**53,908**	**-**	**-**	**53,908**
Bank borrowings	**125,000**	**9,740**	**145,927**	**280,667**
Total	**178,908**	**9,740**	**145,927**	**334,575**

At 31 December 2018	**Less than 6 months**	**6 to 12 months**	**1 to 5 years**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Trade and other payables (excluding advances)	71,333	-	-	71,333
Bank borrowings	203,653	128,579	42,859	375,091
Total	274,986	128,579	42,859	446,424

Capital management

The primary objective of the Company's capital management is to ensure that it maintains a healthy tangible net worth 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 2019 and 31 December 2018. Capital comprises share capital, reserves and retained earnings and is measured at AED 1,428,379 thousand as at 31 December 2019 (2018: AED 1,488,000 thousand as restated).

32 Operating segments

The Company has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different strategies. The following summary describes the operations of each reportable segment:

Cement: Includes manufacturing and supply of cement and clinker to major customers in the construction indusrty
Investment: Includes investments in securities, properties and associate.

Information related to each reportable segment is set out below. Segment profit/(loss) is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The details of segment revenue, result, assets and liabilities have been provided below:

	31 December 2019			31 December 2018		
	Cement AED'000	**Investment AED'000**	**Total AED'000**	Cement AED'000	Investment AED'000	Total AED'000
Revenue from customers	**190,774**	**-**	**190,774**	226,323	-	226,323
Direct costs (excluding depreciation)	**(187,308)**	**-**	**(187,308)**	(207,690)	-	(207,690)
Depreciation	**(17,067)**	**-**	**(17,067)**	(17,462)	-	(17,462)
Administration and general expenses (excluding depreciation) (refer note below)	**(28,208)**	**-**	**(28,208)**	(27,212)	-	(27,212)
Selling and distribution expenses (excluding depreciation)	**(3,165)**	**-**	**(3,165)**	(4,032)	-	(4,032)
Reversal / (charge) of impairment on trade and other receivables	**-**	**19,742**	**19,742**	-	(20,824)	(20,824)
Other operating income	**12,136**	**3,508**	**15,644**	16,600	3,701	20,301
Other income	**1,359**	**-**	**1,359**	84	-	84
Finance cost	**(9,768)**	**(8,166)**	**(17,934)**	(10,493)	(10,492)	(20,985)
Finance income	**-**	**34,046**	**34,046**	-	40,709	40,709
Dividend income from equity investments	**-**	**36,750**	**36,750**	-	36,862	36,862
Net change in fair value of debt investement at FVTPL	**-**	**29,147**	**29,147**	-	(62,818)	(62,818)
Segment profit/(loss)	**(41,247)**	**115,027**	**73,780**	(23,882)	(12,862)	(36,744)

		2019			2018	
	Cement AED'000	**Investment AED'000**	**Total AED'000**	Cement AED'000 *(restated)**	Investment AED'000	Total AED'000
Total assets#	**376,255**	**1,378,461**	**1,754,716**	441,291	1,455,045	1,896,336
Total liabilities	**190,964**	**165,667**	**356,631**	297,344	171,438	468,782
Capital expenditure	**4,299**	**-**	**4,299**	17,462	-	17,462

* Refer Note 5
# Cash and bank balances are not allocated to individual segments as these are managed and utilized as needed.
Note: All staff cost are currently classified under cement segment, as majority of these pertain to the said segment.

32 Operating Segments (continued)

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

Information about geographical segments

During the year ended 31 December 2019, revenue from customers located in the Company's country of domicile (UAE) is AED 181,317 thousand (31 December 2018: AED AED 218,916 thousand) and revenue from customers outside UAE (foreign customers) is AED 9,457 thousand (31 December 2018: AED 7,407).

All Property, plant and equipment and intangible assets of the Company are based in United Arab Emirates.

Major customers

During the year ended 31 December 2019, there were 2 customers (2018: 3 customers) with revenues greater than 10% of the total revenue of the Company.

33 Purchase of shares

The Company has not purchased any shares during the year ended 31 December 2019.

34 Accounting estimates and judgements

Management has reviewed the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. Critical accounting estimates used by management in the preparation and presentation of these financial statements (other than those disclosed in the notes to the accounts) mainly relate to the below.

Impairment losses on receivables

The Company reviews its receivables to assess impairment at least on an annual basis. The Comany's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be reported in profit or loss, the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The Company's estimation process for the determination of provision for impairment loss on trade receivables based on the ECL model is disclosed in note 4.11.

Estimated useful life and residual value of property, plant and equipment

The Company estimates the useful lives of property, plant and equipment and investment property based on the period over which the assets are expected to be available for use. The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and on the historical experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Impairment of property, plant and equipment

Property, plant and equipment is tested for impairment when there is an indication of impairment. Testing for impairment of property, plant and equipment requires management to estimate the recoverable amount of the cash generating unit.

Investment in securities

Investments are classified as investments carried at FVOCI or FVTPL. In judging whether investments are carried at FVTOCI or FVTPL, the management has considered the detailed criteria for determination of such classification as detailed in accounting policies. The management is satisfied that its investments in securities are appropriately classified as investments carried at FVOCI and FVTPL.

Measurement of fair value

Valuation of unquoted equity investments is normally based on one of the following:

– Discounted cash flows using net present value calculated using discount rates derived from quoted yields of securities of similar terms and risk characteristics
– Market comparison based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee.

Impairment of loan to an associate

The Company evaluates the imapirment of loan to an associate's based on the specific factors that includes the payment pattern during and subsequent to the year, existence of adequate and sufficient securities against the loan and enforceability of the pledge of the loan. 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 2019, management concluded that no impairment is required to the loan balance.

35 Subsequent Events

The pandemic outbreak of Covid-19 (Coronavirus) subsequent to the year end is not expected to have a major impact on the operations of the Company. However, it may have an impact on the valuation of investments in financial assets including unquoted equity shares. Since, quoted equity shares valuation is based on the market quoted prices and yield rates, which have been adversely impacted with wide fluctuations since the outbreak of Covid-19.