National Cement Company (Public Shareholding Co)

FINANCIAL STATEMENTS

31 DECEMBER 2020

شركة الإسمنت الوطنية ش.م.ع.
National Cement Co. p.s.c.

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 2020.

1 - Principal Activities:

National Cement Company was established in 1968 under the direction of the late His Highness Sheikh Rashid bin Saeed Al Maktoum, Ruler of Dubai. His vision was to create new horizons for the industry using local resources and local raw materials. Accordingly, the National Cement Company was established to produce basic materials to supply the expected construction boom in the United Arab Emirates and the region. 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 financial position and financial results of the Company for the year ended December 31, 2020 are included in the accompanying financial statements.

3 – Directors:

The Board of Directors comprises:

Mr. Rashid Saif Ahmed Al Ghurair	Chairman
Mr. Abdul Aziz Abdul Raouf Al Awar	Deputy Chairman
Mr. Abdul Aziz Abdullah Ahmad Al Ghurair	Board Member
Mr. Ahmed Essa Ahmed Hareb Al-Falahi	Board Member
Mr. Mohamed Abdul Ghaffar Ghuloom Hussein	Board Member
Mr. Sultan Abdullah Ahmed Al Ghurair	Board Member
Mr. Rashid Abdullah Ahmed Majid Al Ghurair	Board Member

4- Auditors:

The financial statements for the year ended December 31, 2020 were audited by Ernst & Young.

5- 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 2021

شركة الإسمنت الوطنية ش.م.ع. Dubai دبي National Cement Co. p.s.c.

Building a better working world

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of National Cement Company (Public Shareholding Co.) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects 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 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Qualified Opinion

1. As disclosed in Note 12 to the financial statements, as at 31 December 2020, the Company has investment in an unquoted equity investment classified as Fair Value through Other Comprehensive Income (FVOCI) amounting to AED 41,868 thousand. We were not provided with sufficient appropriate audit evidence supporting the measurement of fair value as of the reporting date. As a result, we are unable to determine whether any adjustment to the carrying amount of the investment was necessary at 31 December 2020.

2. As disclosed in Note 14 to the financial statements, the Company has extended a loan of AED 316,000 thousand to its associate. Although the associate had a history of default in meeting the loan repayment commitments and the renewal of the loan agreement has not yet been finalized, management considers the loan to be fully recoverable on the basis that there are adequate and sufficient securities against the loan. As a result of the history of default, absence of a renewed loan agreement, and absence of formal and recent valuation of the associate's pledged assets, we were unable to determine whether any impairment would have been required to the carrying amount of the loan at the reporting date.

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

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2019 were audited by another auditor who expressed a modified opinion on those statements with regard to the scope limitation on the valuation of an unquoted equity investment classified at Fair Value through Other Comprehensive Income (FVOCI) and impairment of loan to associate, before the effect of restatement described in note 2.4 to the financial statements, on 26 March 2020. Our audit opinion is on the financial statements for the year ended 31 December 2020 and does not extend to the comparative information.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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. We have determined that, other than the matters described in the *Basis for Qualified Opinion* section of our report, there are no other key audit matters to communicate in our report.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Report on the Audit of the Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

iii) The Company has maintained proper books of account;

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

v) The Company's investments in shares or stocks during the year ended 31 December 2020 are disclosed in Note 12 to the financial statements;

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

vii) Based on the information that has been made available to us, nothing else has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2020; and

viii) No social contributions were made during the year.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No.: 690

30 March 2021

Dubai, United Arab Emirates

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	***2020*** ***AED '000***	*2019* *AED '000* *Restated**
Revenue from contracts with customers	4	**183,087**	190,774
Direct costs	5	**(210,543)**	(202,479)
GROSS LOSS		**(27,456)**	(11,705)
Other income	6	**18,039**	17,003
Administration and general expenses	7	**(26,900)**	(29,830)
Selling and distribution expenses	8	**(9,168)**	(3,439)
Reversal of impairment loss on trade and other receivables, net	16	**-**	19,742
OPERATING LOSS		**(45,485)**	(8,229)
Finance income	9	**33,000**	34,046
Finance cost		**(7,998)**	(17,934)
Dividend income from equity investments		**36,472**	36,750
Net change in fair value of debt instruments at FVTPL	12	**(19,378)**	48,327
(LOSS)/PROFIT FOR THE YEAR		**(3,389)**	92,960
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss in subsequent periods:			
Net change in fair value of equity instruments at FVOCI	12	**(2,317)**	(100,554)
Items that may be reclassified to profit or loss in subsequent periods:			
Net change in fair value of debt instruments at FVOCI	12	**(3,024)**	3,838
Debt instruments at FVOCI - reclassification to profit or loss on maturity		**-**	(134)
Other comprehensive loss for the year		**(5,341)**	(96,850)
Total comprehensive loss for the year		**(8,730)**	(3,890)
Earnings per share			
Basic and diluted earnings per share (AED)	22	**(0.01)**	0.26

* Refer Note 2.4 for restatement

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Notes	***2020*** ***AED '000***	*2019* *AED '000* *Restated*	*As at 1 January 2019* *AED'000* *Restated*
ASSETS				
Non-current assets				
Property, plant and equipment	10	**187,545**	203,783	219,599
Intangible assets		**2,400**	3,000	-
Investment properties	11	**2,924**	2,924	2,924
Investments in financial assets	12	**888,805**	957,111	1,073,817
Loan receivable from an associate	14	**316,000**	316,000	316,000
		1,397,674	1,482,818	1,612,340
Current assets				
Investments in financial assets	12	**83,367**	100,154	55,535
Inventories	15	**57,084**	68,380	61,931
Trade and other receivables	16	**58,631**	99,752	157,468
Advances and other receivables		**1,041**	1,340	2,293
Bank balances and cash	17	**43,615**	30,294	57,522
		243,738	299,920	334,749
TOTAL ASSETS		**1,641,412**	1,782,738	1,947,089
EQUITY AND LIABILITIES				
Equity				
Share capital	18	**358,800**	358,800	358,800
Share application money		**26**	26	26
Statutory reserve	18	**179,402**	179,402	179,402
General reserve	18	**313,323**	313,323	316,517
Fair value reserve of financial assets at FVOCI	18	**497,852**	503,193	600,043
Retained earnings / (accumulated losses)		**7,832**	47,101	(13,173)
Total equity		**1,357,235**	1,401,845	1,441,615
Non-current liabilities				
Bank borrowings	19	**39,535**	145,927	42,859
Employees' end of service benefits	20	**20,020**	20,773	21,059
		59,555	166,700	63,918
Current liabilities				
Bank borrowings	19	**174,535**	159,002	368,924
Trade and other payables	21	**50,087**	55,191	72,632
		224,622	214,193	441,556
Total liabilities		**284,177**	380,893	505,474
TOTAL EQUITY AND LIABILITIES		**1,641,412**	1,782,738	1,947,089

These financial statements were authorised for issue by the Board of Directors on 23 March 2021 and signed by:

Chairman

Vice Chairman

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

	Share capital AED'000	*Share application money AED'000*	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve of financial assets at FVOCI AED'000*	*(Accumulated losses) / retained earnings AED'000*	*Total equity AED'000*
Balance as at 1 January 2019 – as previously reported	358,800	26	179,402	316,517	600,569	32,686	1,488,000
Adjustment on correction of error (Notes 2.4 and 29)	-	-	-	-	(526)	(45,859)	(46,385)
Balance as at 1 January 2019 – restated	358,800	26	179,402	316,517	600,043	(13,173)	1,441,615
Profit for the year – restated	-	-	-	-	-	92,960	92,960
Other comprehensive loss for the year – restated	-	-	-	-	(96,850)	-	(96,850)
Total comprehensive loss for the year – restated	-	-	-	-	(96,850)	92,960	(3,890)
Dividends (Note 18)	-	-	-	(3,194)	-	(32,686)	(35,880)
As at 31 December 2019 – restated	358,800	26	179,402	313,323	503,193	47,101	1,401,845
Loss for the year	-	-	-	-	-	(3,389)	(3,389)
Other comprehensive loss for the year	-	-	-	-	(5,341)	-	(5,341)
Total comprehensive loss for the year	-	-	-	-	(5,341)	(3,389)	(8,730)
Dividends (Note 18)	-	-	-	-	-	(35,880)	(35,880)
As at 31 December 2020	**358,800**	**26**	**179,402**	**313,323**	**497,852**	**7,832**	**1,357,235**

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

	Notes	***2020*** ***AED'000***	*2019* *AED'000* *Restated**
OPERATING ACTIVITIES			
(Loss)/profit for the year		**(3,389)**	92,960
Adjustments for:			
Depreciation on property, plant and equipment and amortization of intangibles		**18,673**	17,067
Change in fair value of financial assets at fair value through profit and loss	12	**19,378**	(48,327)
Gain on sale of property, plant and equipment		**(25)**	(1,359)
Reversal of allowance for expected credit losses, net	16	**-**	(19,742)
Write down of inventories	15	**3,247**	8,676
Provision for employees' end of services benefits, net	20	**1,474**	1,362
Dividend income		**(36,472)**	(36,750)
Finance income		**(33,000)**	(34,046)
Finance cost		**7,998**	16,565
		(22,116)	(3,594)
Working capital changes:			
Inventories		**8,049**	(15,125)
Trade receivables, advances and other receivables		**41,420**	16,897
Trade and other payables		**(170)**	(18,174)
Cash from(used in) operating activities		**27,183**	(19,996)
Employees' end of service benefits paid	20	**(2,227)**	(1,648)
Net cash flows from/(used in) operating activities		**24,956**	(21,644)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(1,859)**	(4,299)
Proceeds from sale of property, plant and equipment		**49**	1,408
Investments in financial assets	12	**(99,709)**	(79,544)
Proceeds from maturity/disposals of financial assets	12	**199,591**	111,581
Dividend received		**36,472**	36,750
Interest received		**33,000**	95,426
Margin deposits		**848**	-
Net cash flows from investing activities		**168,392**	161,322
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**65,000**	344,700
Repayment of bank borrowings		**(195,367)**	(432,854)
Finance cost paid		**(12,632)**	(15,678)
Dividend paid		**(36,180)**	(36,035)
Net cash flows used in financing activities		**(179,179)**	(139,867)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**14,169**	(189)
Cash and cash equivalents at the beginning of the year		**23,986**	24,175
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	**38,155**	23,986

* Refer Note 2.4 for restatement

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

1 BACKGROUND AND PRINCIPAL ACTIVITIES

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 is governed 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.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

The financial statements of the Company have been approved by the Board of Directors on 23 March 2021.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of UAE Laws.

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

The financial statements have been prepared on a historical cost basis except for financial assets at fair value through profit or loss and through other comprehensive income that have been measured at fair value, and the investment in associate that has been measured using equity accounting.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business
The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Company but may impact future periods should the Company enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the financial statements of the Company as it does not have any interest rate hedge relationships.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no material impact on the financial statements of, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Company.

Standards issued but not yet effective

There are several standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements and are not expected to have any significant impact on the Company's financial statements when they become effective, and accordingly, have not been listed in these financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in associate

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Fair value measurement (continued)

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

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

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

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

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

Sales of goods
Revenue from sale of cement and other related products, sandwich panels and raw steel used in the construction and building activities is recognised at the point in time when control of the asset is transferred to the customer, generally on collection of the goods by customers. The normal credit term is 30 to 120 days upon delivery.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

Leases

Company as lessee

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as lessor

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the lessee is classified as a finance lease.

At the commencement of a finance lease term, the Company records a finance lease receivable in the statement of financial position at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting the constant periodic rate of return on the lessor's net investment in the finance lease.

An operating lease is a lease other than a finance lease. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its non-operating nature.

Borrowing costs

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

Investment properties

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

i) Financial assets

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business mode

The Company’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

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

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

The Company elected to classify irrevocably its listed and non-listed equity investments under this category.

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

i) Financial assets (continued)

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

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

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

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

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

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

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments – initial recognition and subsequent measurement (continued)

ii) Financial liabilities (continued)

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

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

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

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

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

This category generally applies to interest-bearing loans and borrowings and all of the Company's financial liabilities are classified within this category.

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

iii) Offsetting of financial instruments

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful economic life of 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in profit or loss.

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

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

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

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

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

2.4 CORRECTION OF AN ERROR

The Company had obtained financing from investment banks to partially fund the acquisition of its investments in financial assets. During the year, management identified an error in the accounting of such financing facilities pertaining to previous periods, and accordingly, has restated the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 CORRECTION OF AN ERROR (continued)

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

Impact on equity (increase/(decrease) in equity

	31 December 2019 AED'000	*1 January 2019 AED'000*
Investments in financial assets	(2,272)	(9,693)
Bank borrowings	(24,262)	(36,692)
Impact on equity	(26,534)	(46,385)

Impact on the statement of profit or loss (increase/(decrease) in profit

	31 December 2019 AED'000
Change in fair value of investments in financial assets	19,180
Impact on profit	19,180

Impact on earnings per share (EPS) (increase/(decrease) in EPS)

	31 December 2019 AED
Basic and diluted earnings per share	0.05

Impact on other comprehensive income (increase/(decrease)

	31 December 2019 AED'000
Net change in fair value of debt instruments at FVOCI	671

Impact on statement of cash flows (increase/(decrease)

	31 December 2019 AED'000
Net cash flows from investing activities	20,769
Net cash flows from financing activities	(20,769)
Impact on cash flows	-

A complete reconciliation of the previously reported financial information and the restated amounts and balances are disclosed in note 29.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

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

At the reporting date, gross inventories were AED 57,084 thousand (2019: AED 68,380 thousand) with no provision for slow moving inventories (2019: nil) (Refer Note 15 for information about write down of inventories). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

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

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Management engages third party specialists to determine the fair value of its property, plant and equipment. Such fair value estimate is based on the Replacement Cost of an asset of equivalent utility and depreciation, including obsolescence.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Company's revenue from contracts with customers:

	2020	*2019*
	AED'000	*AED'000*
Disaggregation of sale of goods or service		
Sale of goods (recognised at a point in time)	**181,844**	187,285
Delivery services (recognised at a point in time)	**1,243**	3,489
	183,087	190,774
Type of goods/service		
Finished goods (including delivery)	**133,837**	178,638
Semi-finished goods and raw materials (including delivery)	**49,250**	12,136
	183,087	190,774
Geographical markets		
United Arab Emirates	**136,857**	181,317
Other countries	**46,230**	9,457
	183,087	190,774

4.2 Contract balances

	2020	*2019*
	AED'000	*AED'000*
Trade receivables (Note 16)	**81,332**	93,204
Due from related parties (Note 16)	**15,251**	13,518
Contract liabilities – advances (Note 21)	**970**	1,284

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days. Trade receivables of AED 54,175 thousand (2019: AED 56,892 thousand) are secured against bank guarantees.

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

4.3 Performance obligations

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

Sale of goods
The performance obligation is satisfied upon collection of the goods and payment is generally in cash or due within 30 to 120 days from the sale**.**

Bundled sale of goods and delivery services
The performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 120 days from delivery.

5 DIRECT COSTS

	2020	2019
	AED'000	*AED'000*
Material cost	**124,507**	106,948
Utilities and other factory costs	**51,082**	53,578
Cost of labour	**15,379**	18,106
Depreciation of property, plant and equipment (Note 10)	**16,328**	15,171
Write down of inventories	**3,247**	8,676
	210,543	202,479

6 OTHER INCOME

	2020	2019
	AED'000	*AED'000*
Sale of scrap and other non-trading materials	**6,335**	7,614
Recharges to a related party (Note 14)	**5,887**	-
Rental income from investment properties (Note 11)	**2,930**	3,508
Other rental income	**2,532**	3,640
Gain on sale of property, plant and equipment	**25**	1,359
Others	**330**	882
	18,039	17,003

7 ADMINISTRATION AND GENERAL EXPENSES

	2020	2019
	AED'000	*AED'000*
Staff salaries and benefits	**16,541**	20,099
Repair and maintenance	**1,659**	1,746
Depreciation of property, plant and equipment (Note 10)	**1,393**	1,622
Amortization of intangible assets	**600**	-
Bank charges	**982**	1,081
Legal and professional fees	**505**	1,017
Others	**5,220**	4,265
	26,900	29,830

8 SELLING AND DISTRIBUTION EXPENSES

	2020	2019
	AED'000	*AED'000*
Sales and marketing	**2,841**	2,013
Transportation	**5,975**	1,152
Depreciation of property, plant and equipment (Note 10)	**352**	274
	9,168	3,439

9 FINANCE INCOME

	2020	*2019*
	AED'000	*AED'000*
Interest income on loan to associate (Note 14)	**16,751**	18,486
Interest income on investments in financial assets (debt instruments)	**16,249**	15,426
Debt investments at FVOCI - gain on maturity reclassified from OCI	**-**	134
	33,000	34,046

10 PROPERTY, PLANT AND EQUIPMENT

	Buildings AED'000	*Plant and machinery AED'000*	*Furniture, fixtures & equipment AED'000*	*Motor vehicles AED'000*	*Capital work in progress AED'000*	*Total AED'000*
Cost:						
At 1 January 2019	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 assets	-	-	-	-	(3,000)	(3,000)
At 31 December 2019	36,208	941,771	17,939	53,811	60,783	1,110,512
Additions	-	284	215	795	565	1,859
Disposals	-	-	(170)	(45)	-	(215)
Transfers	-	-	-	-	-	-
At 31 December 2020	**36,208**	**942,055**	**17,984**	**54,561**	**61,348**	**1,112,156**
Accumulated Depreciation:						
At 1 January 2019	30,431	792,450	17,016	51,759	-	891,656
Charge for the year (Note 10.1)	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
Charge for the year (Note 10.1)	576	15,497	353	1,647	-	18,073
Disposals	-	-	(147)	(44)	-	(191)
At 31 December 2020	**31,583**	**822,571**	**17,625**	**52,832**	-	**924,611**
Net carrying value:						
At 31 December 2020	**4,625**	**119,484**	**359**	**1,729**	**61,348**	**187,545**
At 31 December 2019	5,201	134,697	520	2,582	60,783	203,783

10 PROPERTY, PLANT AND EQUIPMENT (continued)

10.1 Depreciation

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

	2020 ***AED'000***	*2019* *AED'000*
Direct costs (Note 5)	**16,328**	15,171
Administration and general expenses (Note 7)	**1,393**	1,622
Selling and distribution expenses (Note 8)	**352**	274
	18,073	17,067

10.2 Capital work-in-progress

Capital work-in-progress comprises mainly of waste heat recovery project related to the Company's plant, which is expected to be completed in 2021.

10.3 Other information

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

11 INVESTMENT PROPERTIES

Investment properties comprise of land with a carrying amount of AED 2,924 thousands and fully depreciated villas constructed on the land with an initial cost of AED 16,575 thousands, held for rental purposes and capital appreciation. There was no movement in investments properties during the years ended 31 December 2020 and 2019.

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

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

	2020 ***AED'000***	*2019* *AED'000*
Rental income (Note 6)	**2,930**	3,508
Direct operating expenses	**(232)**	(247)
	2,698	3,261

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 37 million at year-end 2020 (2019: AED 45 million).

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

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

12 INVESTMENTS IN FINANCIAL ASSETS

	2020 AED'000	*2019 AED'000 Restated*
Current financial assets		
Investments at FVOCI	**15,472**	9,238
Investments at FVTPL	**67,895**	97,712
	83,367	106,950
Less: funding against investments*	**-**	(6,796)
	83,367	100,154
Non-current financial assets		
Investments at FVOCI	**853,742**	848,570
Investments at FVTPL	**35,063**	141,253
	888,805	989,823
Less: funding against investments*	**-**	(32,712)
	888,805	957,111
	972,172	1,057,265

* Funding against investments are settled on net basis at the time of the disposal of the respective asset based on the contractual agreement with the bank.

The categories of investments in financial assets are as follows:

	2020 AED'000	*2019 AED'000 Restated*
Quoted equity instruments – at fair value	**741,356**	742,074
Debt instruments – at fair value	**188,948**	312,831
Unquoted equity instruments – at fair value	**41,868**	41,868
	972,172	1,096,773

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 2020, investments in marketable securities amounting to AED 272 thousand (2019: AED 6,551 thousand) are held in the personal name of the Company's General Manager for the beneficial interest of the Company.

Investments in financial assets amounting to AED 648,471 thousand (2019: AED 711,580 thousand) are pledged with banks against loans and borrowings (Note 19).

The Company has an investment, through an unquoted equity instrument, in a cement plant under construction outside the UAE. The investment is being carried at Fair Value through Other Comprehensive Income and is classified as Level 3 within the 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 the non-conducive situation in the country of investment. Accordingly, based on management's judgement, the fair value was determined to be AED 41,868 thousand as at the reporting date (2019: AED 41,868 thousand).

12 INVESTMENTS IN FINANCIAL ASSETS (continued)

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

	Year ended 31 December 2020			
	Debt instruments at FVOCI AED'000	***Debt instruments at FVTPL AED'000***	***Equity instruments at FVOCI AED'000***	***Total AED'000***
At the beginning of the year	**73,866**	**238,965**	**783,942**	**1,096,773**
Additions during the year	**20,092**	**76,692**	**2,925**	**99,709**
Matured/redeemed	**(6,639)**	**(191,627)**	**(1,325)**	**(199,591)**
Change in fair value	**(3,024)**	**(19,378)**	**(2,317)**	**(24,719)**
At the end of the period	**84,295**	**104,652**	**783,225**	**972,172**

	Year ended 31 December 2019 (restated)			
	Debt instruments at FVOCI AED'000	*Debt instruments at FVTPL AED'000*	*Equity instruments at FVOCI AED'000*	*Total AED'000*
At the beginning of the year	90,405	202,298	884,496	1,177,199
Additions during the year	16,835	62,709	-	79,544
Matured/redeemed	(37,212)	(74,369)	-	(111,581)
Change in fair value	3,838	48,327	(100,554)	(48,389)
At the end of the period	73,866	238,965	783,942	1,096,773

The investments in financial assets by geography are as follows:

	2020 AED'000	*2019 AED'000 Restated*
United Arab Emirates	**683,842**	585,084
Saudi Arabia	**165,485**	156,990
Other countries	**122,845**	354,699
	972,172	1,096,773

13 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 25.43% (2019: 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 periods, the Company has accounted for the investment after taking account of the effect of hyperinflationary economy and 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 further obligation towards the losses, exceeding the face value of equity shares held.

14 RELATED PARTY DISCLOSURES

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

14.1 Related party transactions

	2020	*2019*
	AED'000	*AED'000*
Associate		
Interest income (Note 9)	**16,751**	18,486
Recharges (Note 6)	**5,887**	-
Other related parties		
Revenue	**18,693**	30,080
Purchases	**(2,009)**	(9,905)

14.2 Related party balances

Due from related parties

	2020	*2019*
	AED'000	*AED'000*
Current accounts		
Associate	**52,612**	84,665
Less: suspended interest	**(50,267)**	(50,267)
Associate	**2,345**	34,398
Other related parties	**15,251**	13,518
	17,596	47,916

Due to related parties

	2020	*2019*
	AED'000	*AED'000*
Current accounts		
Other related parties	**18**	2,167

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms agreed by management. Outstanding balances at the year-end are unsecured and interest free (other than loan to associate) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

14.3 Remuneration to key management personnel

	2020	*2019*
	AED'000	*AED'000*
Salaries and other short-term benefits	**3,180**	3,203
End of service benefits	**175**	175
	3,355	3,378

14 RELATED PARTY DISCLOSURES (continued)

14.4 Loan receivable from associate

	2020	*2019*
	AED'000	*AED'000*
Loan balance	**316,000**	316,000

The loan of AED 316 million at 31 December 2020 represents AED denominated loan given to the associate and was 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.

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 reporting period, existence of adequate and sufficient securities against the loan, and proposed amendment of loan agreement with revised repayment schedule, which is expected to be formalized during the year 2021. 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 2020, management concluded that no impairment is required on the loan balance as at the reporting date.

15 INVENTORIES

	2020	*2019*
	AED'000	*AED'000*
Raw materials	**12,709**	11,472
Work in progress	**18,903**	32,792
Finished goods	**2,918**	1,837
Consumable and spare parts	**22,554**	22,279
	57,084	68,380

During the year, the Company wrote-down AED 3,247 thousand (2019: AED 8,676 thousand) from finished goods and work in progress inventories being the difference between the cost and net realizable values of these inventories.

16 TRADE AND OTHER RECEIVABLES

	2020	*2019*
	AED'000	*AED'000*
Trade receivables		
Third party customers	**81,332**	93,204
Related parties	**15,251**	13,518
Due from a related party (Note 14)	**2,345**	34,398
	98,928	141,120
Less: allowance for expected credit losses	**(43,819)**	(43,819)
	55,109	97,301
Other receivables	**3,522**	2,451
	58,631	99,752

Further information about the credit terms and security against trade receivables are disclosed in Note 4 while information about credit exposures are disclosed in Note 27.

16 TRADE AND OTHER RECEIVABLES (continued)

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

	2020	*2019*
	AED'000	*AED'000*
At 1 January	**43,819**	63,561
Reversal of provision for expected credit losses	**-**	(19,742)
	43,819	43,819

17 CASH AND CASH EQUIVALENTS

	2020	*2019*
	AED'000	*AED'000*
Cash in hand	**369**	516
Cash at banks – current accounts	**37,786**	23,470
Cash at banks – margin deposits	**5,460**	6,308
Bank balances and cash	**43,615**	30,294
Less: margin deposits	**(5,460)**	(6,308)
Cash and cash equivalents	**38,155**	23,986

18 SHARE CAPITAL AND RESERVES

18.1 Share capital

	2020	*2019*
	AED'000	*AED'000*
Authorised issued and fully paid up:		
358,800,000 shares of AED 1 each	**358,800**	358,800
Issued for cash		
92,000,000 shares of AED 1 each	**92,000**	92,000
Bonus shares issued by capitalizing retained earnings		
266,800,000 shares of AED 1 each	**266,800**	266,800

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

18.2 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 as the reserve has already reached 50% of the share capital. This reserve is not available for distribution except as stipulated by the above-mentioned Law.

18 SHARE CAPITAL AND RESERVES (continued)

18.3 General reserve

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

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

18.4 Fair value reserve of financial assets at FVOCI

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

18.5 Dividends

In the Annual General Meeting held on 20 April 2020, a cash dividend of AED 35,880 thousand (AED 0.10 fils per share) was proposed and approved by the shareholders of the Company related to 2019 (2019: AED 0.10 per share totaling to AED 35,880 thousands relating to 2018 out of which AED 3,194 thousand was distributed through the balance in general reserve). The dividends were paid on 7 May 2020.

19 BANK BORROWINGS

	2020 ***AED'000***	*2019* *AED'000* *Restated*
Murabaha loans (1)	**59,070**	165,667
Short-term loans (2)	**155,000**	115,000
Other borrowings (3)	**-**	24,262
	214,070	304,929
Less: current portion	**(174,535)**	(159,002)
Non-current portion	**39,535**	145,927

(1) The 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 and at a profit rate of 3 months EIBOR + 1.95% p.a. As at the reporting date, AED 20,000 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 secured against pledge of quoted equity shares having a fair value of AED 293,466 thousand (2019: AED 303,839 thousand) as at the reporting date.

The Company has obtained another Murabaha loan with an Islamic bank for a total amount of SAR 60,000 thousand (equivalent to AED 58,500 thousand) repayable in three annual instalments over a period of three years maturing in 2022 and at a profit rate of SAIBOR + 1.5% p.a. As at the reporting date, AED 39,070 thousand was outstanding against this facility. The proceeds of the said loan are to affect repayment of the existing facilities. The Murabaha agreement is secured against pledge of quoted equity shares having a fair value of AED 132,266 thousand (2019: AED 90,365 thousand) as at the reporting date.

(2) Short-term loans are obtained under a revolving bank facility obtained from a local bank with a limit of AED 185 million (2019: AED 145.2 million) for working capital requirements. The term of each loan obtained under this facility is for a period of 1 year. The short-term loans bear interest at the at a rate of 3 months EIBOR + margin of 1.25% to 2.25%. This facility, along with other facilities obtained from the bank, is secured against pledge of quoted equity shares having a fair value of AED 222,738 thousand (2019: AED 317,377) as at the reporting date.

19 BANK BORROWINGS (continued)

(3) The Company has obtained short-term borrowings from an investment bank for purchase of investments in financial assets. These borrowings carry interest at the rate of 3.35% to 3.64% per annum (2019: 3.81% to 4.31% per annum) and were fully settled in the current year.

The Company has complied with the financial covenants required under the banking facilities as at 31 December 2020 and 2019.

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2020 ***AED'000***	*2019* *AED'000*
Provision as at 1 January	**20,773**	21,059
Provided during the year	**1,474**	1,362
End of service benefits paid	**(2,227)**	(1,648)
Provision as at 31 December	**20,020**	20,773

21 TRADE AND OTHER PAYABLES

	2020 ***AED'000***	*2019* *AED'000*
Trade payables	**18,248**	10,969
Dividends payable	**16,780**	17,080
Accrued interest	**1,055**	5,689
Accruals for employee benefits	**5,006**	4,937
Due to related parties (Note 14)	**18**	2,167
Advances	**970**	1,284
Accrued expenses and other payables	**8,010**	13,065
	50,087	55,191

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the loss for the year attributable to the shareholders of the Company of AED 3,389 thousand (2019: Restated profit of AED 92,960 thousand) by the weighted average number of shares outstanding during the period of 358,800 thousand shares (2019: 358,800 thousand shares).

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

24 CONTINGENCIES AND COMMITMENTS

Capital commitments
At 31 December 2020, the Company had no capital commitments (2019: Nil).

Trade commitments
At 31 December 2020, the Company had no commitments relating to purchases of inventories (2019: Nil).

Contingent liabilities
At 31 December 2020, the Company bank guarantees amounted to AED 1,899 thousand (2019: AED 3,009 thousand).

25 FAIR VALUES

Management assessed that the fair values of cash and bank balances, trade receivables, trade payables, short-term 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 carrying value of long-term bank borrowings as at 31 December 2020 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 carrying values.

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

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

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

- Management assessed that the cost of the non-listed equity investment is the most appropriate estimate of the fair value at 31 December 2020, given the lack of sufficient more recent financial information about the investee.

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

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

31 December 2020	***Level 1 AED‘000***	***Level 2 AED‘000***	***Level 3 AED‘000***	***Total AED‘000***
Quoted equity instruments at FVOCI	**741,356**	**-**	**-**	**741,356**
Unquoted equity instruments	**-**	**-**	**41,868**	**41,868**
Quoted debt instruments at FVOCI	**-**	**85,990**	**-**	**85,990**
Quoted debt instruments at FVTPL	**-**	**102,958**	**-**	**102,958**
Total	**741,356**	**188,948**	**41,868**	**972,172**

31 December 2019 – restated	*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	-	-	41,868	41,868
Quoted debt instruments at FVOCI	-	73,866	-	73,866
Quoted debt instruments at FVTPL	-	238,965	-	238,965
Total	742,074	312,831	41,868	1,096,773

26 SEGMENT REPORTING

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

	Year ended 31 December 2020			*Year ended 31 December 2019 - restated*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Revenue from contracts with customers	**183,087**	**-**	**183,087**	190,774	-	190,774
Direct costs (excluding depreciation)	**(194,215)**	**-**	**(194,215)**	(187,308)	-	(187,308)
Administration and general expenses* (excluding depreciation)	**(25,507)**	**-**	**(25,507)**	(28,208)	-	(28,208)
Selling and distribution expenses (excluding depreciation)	**(8,816)**	**-**	**(8,816)**	(3,165)	-	(3,165)
Depreciation	**(18,073)**	**-**	**(18,073)**	(17,067)	-	(17,067)
Reversal of impairment loss on trade and other receivables	**-**	**-**	**-**	-	19,742	19,742
Other income	**15,109**	**2,930**	**18,039**	13,495	3,508	17,003
Finance income	**-**	**33,000**	**33,000**	-	34,046	34,046
Finance cost	**(7,998)**	**-**	**(7,998)**	(9,768)	(8,166)	(17,934)
Dividend income from equity investments	**-**	**36,472**	**36,472**	-	36,750	36,750
Net change in fair value of debt instruments at FVTPL	**-**	**(19,378)**	**(19,378)**	-	48,327	48,327
Segment (loss)/profit	**(56,413)**	**53,024**	**(3,389)**	(41,247)	134,207	92,960

	31 December 2020			*31 December 2019 - restated*		
	Cement AED '000	***Investments AED '000***	***Total AED '000***	*Cement AED '000*	*Investments AED '000*	*Total AED '000*
Segment assets**	**306,701**	**1,291,096**	**1,597,797**	376,255	1,376,189	1,752,444
Segment liabilities	**225,107**	**59,070**	**284,177**	190,964	189,929	380,893
Capital expenditure	**1,859**	**-**	**1,859**	4,299	-	4,299

* Staff salaries and benefits are classified under cement segment as the majority of the staff pertain to the said segment

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

26 SEGMENT REPORTING (continued)

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

a) Information about geographical segments

During the year ended 31 December 2020, revenue from customers located in the Company's country of domicile (UAE) is AED 136,857 thousand (2019: AED 181,317 thousand) and revenue from customers outside UAE (foreign customers) is AED 46,230 thousand (2019: AED 9,457 thousand).

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

b) Major customers

During the year ended 31 December 2020, there were 2 customers (2019: 2 customers) with revenues greater than 10% of the total revenue of the Company.

27 RISK MANAGEMENT

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

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

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

The sensitivity analyses in the following sections relate to the position as at 31 December in 2020 and 2019.

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

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

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2020		
Loans and borrowings	**+50**	**(1,070)**
Loans and borrowings	**-50**	**1,070**
2019		
Loans and borrowings	+50	(1,403)
Loans and borrowings	-50	1,403

27 RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

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

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

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

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

The effect on equity (fair value reserve) as a result of a change in the fair value of equity instruments quoted on the different stock exchange markets and held at FVOCI at 31 December 2020 and 2019, 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:

	2020		*2019*	
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%**	**(21,136)**	5%	(21,883)
Abu Dhabi Securities Exchange	**5%**	**(7,657)**	5%	(7,359)
Saudi Stock Exchange (Tadawul)	**5%**	**(8,274)**	5%	(7,850)

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

Trade receivables
The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers, monitoring outstanding receivables, and obtaining bank and other guarantees. The Company also manages the risk through dealings with large diversified base of customers. At 31 December 2020, the Company had 13 customers (2019: 12 customers) that owed it more than AED 2 million each and accounted for approximately 80% (2019: 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.

27 RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables (continued)
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 2020, 66% (2019: 68%) 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:

31 December 2020		***Days past due***				
	Current AED'000	*<30 days AED'000*	*31-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Expected credit loss rate	**0.6%**	**0.9%**	**1.3%**	**10.1%**	**54.8%**	
Estimated total gross carrying amount at default*	**22,782**	**16,079**	**35,202**	**5,650**	**16,870**	**96,583**
Expected credit loss*	**141**	**149**	**475**	**571**	**9,244**	**10,580**

31 December 2019		*Days past due*				
	Current AED'000	*<30 days AED'000*	*31-90 days AED'000*	*91-120 days AED'000*	*>120 days AED'000*	*Total AED'000*
Expected credit loss rate	0.4%	1.0%	1.1%	11.6%	19.4%	
Estimated total gross carrying amount at default*	22,782	16,079	19,798	6,937	41,126	106,722
Expected credit loss*	94	165	218	802	7,965	9,244

* exclude the carrying amount and expected credit losses on non-trading receivable balances

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

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

Liquidity risk
The Company limits its liquidity risk by ensuring that adequate internally generated funds and bank facilities are available. The Company's terms of sales require amounts to be paid within 30 to 120 days from the date of sale. Trade payables are normally settled within 30 to 120 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.

27 RISK MANAGEMENT (continued)

Liquidity risk (continued)

At 31 December 2020

	Less than 6 months AED'000	***6 to 12 months AED'000***	***1 to 5 years AED'000***	***>5 years AED'000***	***Total AED'000***
Trade and other payables	**49,117**	**-**	**-**	**-**	**49,117**
Interest-bearing borrowings	**176,237**	**503**	**40,530**	**-**	**217,270**
Total	**225,354**	**503**	**40,530**	**-**	**266,387**

At 31 December 2019 – restated

	Less than 6 months AED'000	*6 to 12 months AED'000*	*1 to 5 years AED'000*	*>5 years AED'000*	*Total AED'000*
Trade and other payables	53,907	-	-	-	53,907
Interest-bearing borrowings	140,032	26,817	156,425	-	323,274
Total	193,939	26,817	156,425	-	377,181

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital comprises share capital, reserves and retained earnings and is measured at AED 1,357,235 thousand as at 31 December 2020 (2019: AED 1,401,845 thousand restated).

28 COVID-19

The economic crisis caused by the COVID-19 pandemic and actions taken by various governments globally, including that of the Government of the United Arab Emirates to control the spread of the pandemic, such as lock-down, travel restrictions and other measures resulted in some disruption to the Company's business operations, mainly during the period from March to August 2020. The Board of Directors and management initiated a number of measures within the Company and among its personnel to maintain high standards of health and safety in response to the pandemic.

Subsequent to 31 December 2020, as the effect of the pandemic continues to evolve, the Company may face additional risks and uncertainties, if further actions are taken by the authorities.

The extent and duration of such impact remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these financial statements. Notwithstanding, these developments could impact the Company's financial results, cash flows and financial condition during 2021.

29 COMPARATIVE INFORMATION

The financial statements as at and for the year ended 31 December 2019 have been restated (Note 2.4). In addition, certain comparative information in the statement of comprehensive income has been reclassified to conform to the current year's presentation. The following is the summary of the restatements and reclassifications made to the comparative figures:

29 COMPARATIVE INFORMATION (continued)

	As previously reported AED'000	*Adjustment AED'000*	*Reclassification AED'000*	*Restated balances AED'000*
31 December 2019				
Statement of profit or loss				
Other operating income	15,644	-	(15,644)	-
Other income	1,359	-	15,644	17,003
Net change in fair value of debt instruments at FVTPL	29,147	19,180	-	48,327
Profit for the year	**73,780**	**19,180**	**-**	**92,960**
Statement of other comprehensive income				
Profit for the year	73,780	19,180	-	92,960
Net change in fair value of debt instruments at FVOCI	3,167	671	-	3,838
Total comprehensive loss	**(23,741)**	**19,851**	**-**	**(3,890)**
Statement of financial position				
Non-current assets				
Investments in financial assets	958,648	(1,537)	-	957,111
Current assets				
Investments in financial assets	100,889	(735)	-	100,154
Total assets	**1,785,010**	**(2,272)**	**-**	**1,782,738**
Equity				
Fair value reserve of financial assets at FVOCI	503,048	145	-	503,193
Retained earnings	73,780	(26,679)	-	47,101
Total equity	**1,428,379**	**(26,534)**	**-**	**1,401,845**
Current liabilities				
Bank borrowings	134,740	24,262	-	159,002
Total liabilities	**356,631**	**24,262**	**-**	**380,893**

29 COMPARATIVE INFORMATION (continued)

	As previously reported AED'000	*Adjustment AED'000*	*Reclassification AED'000*	*Restated balances AED'000*
1 January 2019				
Statement of financial position				
Non-current assets				
Investments in financial assets	1,082,982	(9,165)	-	1,073,817
Current assets				
Investments in financial assets	56,063	(528)	-	55,535
Total assets	**1,956,782**	**(9,693)**	**-**	**1,947,089**
Equity				
Fair value reserve of financial assets at FVOCI	600,569	(526)	-	600,043
Retained earnings	32,686	(45,859)	-	(13,173)
Total equity	**1,488,000**	**(46,385)**	**-**	**1,441,615**
Current liabilities				
Bank borrowings	332,232	36,692	-	368,924
Total liabilities	**468,782**	**36,692**	**-**	**505,474**