

**National Cement Company
(Public Shareholding Co)**

FINANCIAL STATEMENTS

31 DECEMBER 2021

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 2021.

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, 2021 are included in the accompanying financial statements.

3 – Directors:

The Board of Directors comprises:

Mr. Rashid Saif Ahmed Al Ghurair
Mr. Iyad Mazhar Saleh Malas
Mr. Thani Abdullah Suhail Juma Al-Zaffin
Mr. Sultan Abdullah Ahmed Al Ghurair
Mr. Salem Ali Abdullah Al Sharhan Al Nuaimi
Mrs. Raja Mohammed Ghanem Saeed Al Mazrouei
Mr. Omar Issam Ashur

Chairman
Deputy Chairman
Board Member
Board Member
Board Member
Board Member
Board Member

4- Auditors:

The financial statements for the year ended December 31, 2021 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 2022

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 2021, 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 matter described in point 1 and the effect of the matter described in point 2 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 2021, 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 2021, 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 2021. Our audit opinion on the 31 December 2020 financial statements was also modified with regards to this matter.
2. As disclosed in Note 16 to the financial statements, during the current year, the Company reversed an amount of AED 34,565 thousand of allowance for expected credit losses under trade and other receivables in the profit or loss for the year relating to receivable balances settled in the year ended 31 December 2020. The Company did not restate the financial statements to reflect this reversal in the corresponding period as required by IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Had the Company restated the financial statements, the profit for the year ended 31 December 2021 would have been lower by AED 34,565 thousand, and the profit for the year ended 31 December 2020, and trade and other receivables and retained earnings at 31 December 2020 would have been higher by the same amount.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

The matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matters. For the matters below, our description of how our audit addressed the matters is provided in that context.

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

Key audit matters

How our audit addressed the key audit matters

Impairment of loan receivable from an associate

As stated in note 14.4 to the financial statements, the Company's statement of financial position includes AED 316,000 thousand of loan receivable from an associate, representing 16% of the Company's total assets. Management performed an impairment assessment on the loan based on specific factors and concluded that no impairment was required on the loan at the reporting date.

This is a key audit matter due to the significance of the loan balance, the fact that 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 at the date of the issuance of the Company's financial statements.

We performed the following:

- Obtained direct confirmation from the associate with regard to the loan balance;
- Obtained the latest available asset valuation report with regard to the pledged assets of the associate performed by an independent third party specialist engaged by management. Assessed the reasonableness of the methodologies and inputs used and verified that the total fair value of the pledged assets sufficiently exceeds the carrying amount of the loan receivable;
- Reviewed the methodologies applied including estimates and judgments made by management;
- Considered the sensitivity of the impairment testing model to changes in key assumptions; and
- Obtained a recent lawyer's report expressing a legal opinion on the enforceability of the pledge.

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

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended), 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.

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

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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
NATIONAL CEMENT COMPANY (PUBLIC SHAREHOLDING CO.) (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 (as amended), we report that for the year ended 31 December 2021:

- 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 (as amended), 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 2021 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 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- viii) No social contributions were made during the year.

For Ernst & Young



Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

23 March 2022

Dubai, United Arab Emirates

National Cement Company (Public Shareholding Co.)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 AED '000	2020 AED '000
Revenue from contracts with customers	4	147,467	183,087
Direct costs	5	(173,751)	(210,543)
GROSS LOSS		(26,284)	(27,456)
Other income	6	11,711	18,039
Administration and general expenses	7	(25,383)	(26,900)
Selling and distribution expenses	8	(8,081)	(9,168)
OPERATING LOSS		(48,037)	(45,485)
Finance income	9	43,118	33,000
Finance cost		(3,265)	(7,998)
Reversal of allowance for credit loss	16	34,575	-
Dividend income from equity investments		14,300	36,472
Net change in fair value of debt instruments at FVTPL	12	8,280	(19,378)
PROFIT/(LOSS) FOR THE YEAR		48,971	(3,389)
Other comprehensive income/(loss)			
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of equity instruments at FVOCI	12	313,638	(2,317)
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Net change in fair value of debt instruments at FVOCI	12	(976)	(3,024)
Other comprehensive income/(loss) for the year		312,662	(5,341)
Total comprehensive income/(loss) for the year		361,633	(8,730)
Earnings per share (based on profit/(loss) for the year)			
Basic and diluted earnings per share (AED)	22	0.136	(0.009)

The attached notes 1 to 27 form part of these financial statements.

National Cement Company (Public Shareholding Co.)

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 AED '000	2020 AED '000
ASSETS			
Non-current assets			
Property, plant and equipment	10	171,314	187,545
Intangible assets		1,800	2,400
Investment properties	11	2,924	2,924
Investments in financial assets	12	1,145,781	888,805
Loan receivable from an associate	14	316,000	316,000
		<u>1,637,819</u>	<u>1,397,674</u>
Current assets			
Investments in financial assets	12	57,768	83,367
Inventories	15	51,066	57,084
Trade and other receivables	16	82,166	58,631
Advances and other receivables		2,673	1,041
Bank balances and cash	17	84,046	43,615
		<u>277,719</u>	<u>243,738</u>
TOTAL ASSETS		<u>1,915,538</u>	<u>1,641,412</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	18	358,800	358,800
Share application money		26	26
Statutory reserve	18	179,402	179,402
General reserve	18	313,323	313,323
Fair value reserve of financial assets at FVOCI	18	810,514	497,852
Retained earnings		56,803	7,832
Total equity		<u>1,718,868</u>	<u>1,357,235</u>
Non-current liabilities			
Bank borrowings	19	10,000	39,535
Employees' end of service benefits	20	20,870	20,020
		<u>30,870</u>	<u>59,555</u>
Current liabilities			
Bank borrowings	19	115,000	174,535
Trade and other payables	21	50,800	50,087
		<u>165,800</u>	<u>224,622</u>
Total liabilities		<u>196,670</u>	<u>284,177</u>
TOTAL EQUITY AND LIABILITIES		<u>1,915,538</u>	<u>1,641,412</u>

The financial statements of the Company have been approved by the Board of Directors on 23 / 03 / 2022

Chairman

Vice Chairman

The attached notes 1 to 27 form part of these financial statements.

National Cement Company (Public Shareholding Co.)

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	<i>Share capital AED'000</i>	<i>Share application money AED'000</i>	<i>Statutory reserve AED'000</i>	<i>General reserve AED'000</i>	<i>Fair value reserve of financial assets at FVOCI AED'000</i>	<i>Retained earnings AED'000</i>	<i>Total equity AED'000</i>
Balance as at 1 January 2020	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
Profit for the year	-	-	-	-	-	48,971	48,971
Other comprehensive income for the year	-	-	-	-	312,662	-	312,662
Total comprehensive income for the year	-	-	-	-	312,662	48,971	361,633
As at 31 December 2021	358,800	26	179,402	313,323	810,514	56,803	1,718,868

The attached notes 1 to 27 form part of these financial statements.

National Cement Company (Public Shareholding Co.)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
OPERATING ACTIVITIES			
Profit/(loss) for the year		48,971	(3,389)
Adjustments for:			
Depreciation on property, plant and equipment and amortization of intangibles		18,073	18,673
Change in fair value of financial assets at fair value through profit and loss	12	(8,280)	19,378
Reversal of allowance for expected credit loss	16	(34,575)	-
Gain on sale of property, plant and equipment		(16)	(25)
Write down of inventories	15	1,117	3,247
Provision for employees' end of services benefits	20	2,207	1,474
Dividend income		(14,300)	(36,472)
Finance income		(43,118)	(33,000)
Finance cost		3,265	7,998
		(26,656)	(22,116)
Working capital changes:			
Inventories		4,901	8,049
Trade receivables, advances and other receivables		9,408	41,420
Trade and other payables		713	(170)
Cash (used in)/from operating activities		(11,634)	27,183
Employees' end of service benefits paid	20	(1,357)	(2,227)
Net cash flows (used in)/from operating activities		(12,991)	24,956
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(1,242)	(1,859)
Proceeds from sale of property, plant and equipment		16	49
Investments in financial assets	12	(16,539)	(99,709)
Proceeds from maturity/disposals of financial assets	12	106,104	199,591
Dividend received		14,300	36,472
Interest received		43,118	33,000
Fixed deposits placed with banks	17	(70,000)	-
Margin deposits		5,460	848
Net cash flows from investing activities		81,217	168,392
FINANCING ACTIVITIES			
Proceeds from bank borrowings		245,000	65,000
Repayment of bank borrowings		(334,070)	(195,367)
Finance cost paid		(3,265)	(12,632)
Dividend paid		-	(36,180)
Net cash flows used in financing activities		(92,335)	(179,179)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS			
		(24,109)	14,169
Cash and cash equivalents at the beginning of the year		38,155	23,986
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	17	14,046	38,155

The attached notes 1 to 27 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 (as amended). 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 Law by Decree No 32 of 2021, which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies, was issued on 20 September 2021, and is effective from 2 January 2022. The Company is in the process of reviewing the new law and will apply the requirements thereof no later than one year from the date on which the new Decree Law 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 2022.

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 2021. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary relief which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and amended standards and interpretations (continued)

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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 was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

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.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Fair value measurement

The Company measures 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:

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial assets (continued)

Impairment (continued)

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.

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.

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)

Derecognition

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

iii) Offsetting of financial instruments

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

Inventories

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

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

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

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

Impairment of non-financial assets

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Provisions

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

Employees' end of service benefits

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

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

Contingencies

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

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 26.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)**Estimates and assumptions (continued)***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 51,067 thousand (2020: AED 57,084 thousand) with no provision for slow moving inventories (2020: 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 also 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:

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Disaggregation of sale of goods or service		
Sale of goods (recognised at a point in time)	145,815	181,844
Delivery services (recognised at a point in time)	1,652	1,243
	147,467	183,087
Type of goods/service		
Finished goods (including delivery)	110,958	133,837
Semi-finished goods and raw materials (including delivery)	36,509	49,250
	147,467	183,087
Geographical markets		
United Arab Emirates	110,895	136,857
Other countries	36,572	46,230
	147,467	183,087

4 REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)**4.2 Contract balances**

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Trade receivables (gross) – third parties (Note 16)	85,340	81,332
Trade receivables (gross) – related parties (Note 16)	1,788	15,251
Contract liabilities – advances (Note 21)	1,055	970

Trade receivables are non-interest bearing and are generally on terms of 30 to 120 days. Trade receivables amounting to AED 32,315 thousand (2020: AED 38,226 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

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Material cost	95,147	124,507
Utilities and other factory costs	44,321	51,082
Cost of labour	16,959	15,379
Depreciation of property, plant and equipment (Note 10)	16,207	16,328
Write down of inventories	1,117	3,247
	173,751	210,543

6 OTHER INCOME

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Sale of scrap and other non-trading materials	5,947	6,335
Rental income from investment properties (Note 11)	3,170	2,930
Other rental income	1,825	2,532
Gain on sale of property, plant and equipment	16	25
Recharges to a related party (Note 14)	-	5,887
Others	753	330
	11,711	18,039

7 ADMINISTRATION AND GENERAL EXPENSES

	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>
Staff salaries and benefits	16,803	16,541
Repair and maintenance	2,711	1,659
Legal and professional fees	1,252	505
Depreciation of property, plant and equipment (Note 10)	986	1,393
Amortization of intangible assets	600	600
Bank charges	590	982
Others	2,441	5,220
	25,383	26,900

8 SELLING AND DISTRIBUTION EXPENSES

	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>
Transportation	5,084	5,975
Sales and marketing	2,717	2,841
Depreciation of property, plant and equipment (Note 10)	280	352
	8,081	9,168

9 FINANCE INCOME

	<i>2021</i>	<i>2020</i>
	<i>AED'000</i>	<i>AED'000</i>
Suspended interest released (Note 14)	20,707	-
Interest income on loan to associate (Note 14)	12,079	16,751
Interest income on investments in financial assets (debt instruments)	10,225	16,249
Interest income on term deposits (Note 17)	107	-
	43,118	33,000

10 PROPERTY, PLANT AND EQUIPMENT

	<i>Buildings AED'000</i>	<i>Plant and machinery AED'000</i>	<i>Furniture, fixtures & equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
Cost:						
At 1 January 2020	36,208	941,771	17,939	53,811	60,783	1,110,512
Additions	-	284	215	795	565	1,859
Disposals	-	-	(170)	(45)	-	(215)
At 31 December 2020	36,208	942,055	17,984	54,561	61,348	1,112,156
Additions	-	431	157	654	-	1,242
Disposals	-	-	(7)	(422)	-	(429)
At 31 December 2021	36,208	942,486	18,134	54,793	61,348	1,112,969
Accumulated Depreciation:						
At 1 January 2020	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
Charge for the year (Note 10.1)	574	15,531	294	1,074	-	17,473
Disposals	-	-	(7)	(422)	-	(429)
At 31 December 2021	32,157	838,102	17,912	53,484	-	941,655
Net carrying value:						
At 31 December 2021	4,051	104,384	222	1,309	61,348	171,314
At 31 December 2020	4,625	119,484	359	1,729	61,348	187,545

10 PROPERTY, PLANT AND EQUIPMENT (continued)**10.1 Depreciation**

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

	2021 AED'000	2020 AED'000
Direct costs (Note 5)	16,207	16,328
Administration and general expenses (Note 7)	986	1,393
Selling and distribution expenses (Note 8)	280	352
	17,473	18,073

10.2 Capital work-in-progress

Capital work-in-progress comprises mainly of waste heat recovery plant. At the reporting date, the construction of the plant was complete and under testing phase. It is expected that the plant will be ready to operate during the first half of 2022.

10.3 Other information

Buildings, plant and machinery are located on a land granted by the Government of Dubai for a period of 50 years from the date of the start of the commercial operations of the Company to manufacture cement, which management confirms is 1 September 1978.

11 INVESTMENT PROPERTIES

Investment properties comprise of land with a carrying amount of AED 2,924 thousand and fully depreciated villas constructed on the land with an initial cost of AED 16,575 thousand, held for rental purposes and capital appreciation. There was no movement in investment properties during the years ended 31 December 2021 and 2020.

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:

	2021 AED'000	2020 AED'000
Rental income (Note 6)	3,170	2,930
Direct operating expenses	(356)	(232)
	2,814	2,698

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 38 million at year-end 2021 (2020: AED 37 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

	2021 AED'000	2020 AED'000
<i>Current financial assets</i>		
Investments at FVOCI	49,269	15,472
Investments at FVTPL	8,499	67,895
	57,768	83,367
<i>Non-current financial assets</i>		
Investments at FVOCI	1,115,869	852,048
Investments at FVTPL	29,912	36,757
	1,145,781	888,805
	1,203,549	972,172

The categories of investments in financial assets are as follows:

	2021 AED'000	2020 AED'000
Quoted equity instruments – at fair value	1,061,593	741,356
Debt instruments – at fair value	100,088	188,948
Unquoted equity instruments – at fair value	41,868	41,868
	1,203,549	972,172

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 2021, investments in marketable securities amounting to AED 239 thousand (2020: AED 272 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 935,273 thousand (2020: AED 679,432 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 (2020: 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:

<i>Year ended 31 December 2021</i>				
	<i>Debt instruments at FVOCI AED'000</i>	<i>Debt instruments at FVTPL AED'000</i>	<i>Equity instruments at FVOCI AED'000</i>	<i>Total AED'000</i>
At the beginning of the year	84,295	104,652	783,225	972,172
Additions during the year	-	9,941	6,598	16,539
Matured/redeemed	(21,642)	(84,462)	-	(106,104)
Change in fair value	(976)	8,280	313,638	320,942
At the end of the year	61,677	38,411	1,103,461	1,203,549

<i>Year ended 31 December 2020</i>				
	<i>Debt instruments at FVOCI AED'000</i>	<i>Debt instruments at FVTPL AED'000</i>	<i>Equity instruments at FVOCI AED'000</i>	<i>Total AED'000</i>
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 year	84,295	104,652	783,225	972,172

The investments in financial assets by geography are as follows:

	<i>2021 AED'000</i>	<i>2020 AED'000</i>
United Arab Emirates	920,756	683,842
Saudi Arabia	214,974	165,485
Other countries	67,819	122,845
	1,203,549	972,172

13 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents 25.43% (2020: 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 provided for the 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

	2021 AED'000	2020 AED'000
Associate		
Interest income (Note 9)	12,079	16,751
Suspended interest released (Note 9)	20,707	-
Recharges (Note 6)	-	5,887
Other related parties		
Revenue	3,516	18,693
Purchases	(258)	(2,009)

14.2 Related party balances**Due from related parties**

	2021 AED'000	2020 AED'000
Current account		
Associate	30,494	52,612
Less: suspended interest*	(29,560)	(50,267)
Associate	934	2,345
Trade receivables		
Other related parties	1,788	15,251
	2,722	17,596

* During the year, an amount of AED 20,707 thousand was released from suspended interest and recorded under finance income (Note 9) in the statement of comprehensive income, representing funds received from the Company's associate related to previously suspended interest.

Due to related parties

	2021 AED'000	2020 AED'000
Current accounts		
Other related parties	18	18

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 RELATED PARTY DISCLOSURES (continued)**14.3 Remuneration to key management personnel**

	2021 AED'000	2020 AED'000
Salaries and other short-term benefits	3,146	3,180
End of service benefits	175	175
	<u>3,321</u>	<u>3,355</u>

14.4 Loan receivable from associate

	2021 AED'000	2020 AED'000
Loan balance	316,000	316,000

The loan of AED 316 million at 31 December 2021 represents AED denominated loan given to the associate and was recoverable by October 2019, however, the associate has not yet settled this loan. The interest rate on this loan is charged at the rate of 3-month EIBOR + 3% 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 2022. 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 2021, management concluded that no impairment is required on the loan balance as at the reporting date.

15 INVENTORIES

	2021 AED'000	2020 AED'000
Raw materials	13,485	12,709
Work in progress	12,484	18,903
Finished goods	3,016	2,918
Consumable and spare parts	22,081	22,554
	<u>51,066</u>	<u>57,084</u>

During the year, the Company wrote-down AED 1,117 thousand (2020: AED 3,247 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

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Trade receivables		
Third party customers	85,340	81,332
Related parties (Note 14)	1,788	15,251
	87,128	96,583
Less: allowance for expected credit losses	(9,244)	(43,819)
	77,884	52,764
Due from a related party (Note 14)	934	2,345
Other receivables	3,348	3,522
	82,166	58,631

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 26.

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

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
At 1 January	43,819	43,819
Reversal during the year	(34,575)	-
At 31 December	9,244	43,819

17 CASH AND CASH EQUIVALENTS

	<i>2021</i> <i>AED'000</i>	<i>2020</i> <i>AED'000</i>
Cash in hand	277	369
Cash at banks – current accounts	13,769	37,786
Cash at banks – margin deposits	-	5,460
Cash at banks – fixed deposits*	70,000	-
Bank balances and cash	84,046	43,615
Less: margin deposits	-	(5,460)
Less: fixed deposits*	(70,000)	-
Cash and cash equivalents	14,046	38,155

* Fixed deposits carry interest at commercial rates and have an initial maturity of 1 year.

18 SHARE CAPITAL AND RESERVES**18.1 Share capital**

	2021 AED'000	2020 AED'000
<i>Authorised issued and fully paid up:</i>		
358,800,000 shares of AED 1 each	358,800	358,800
<i>Issued for cash</i>		
92,000,000 shares of AED 1 each	92,000	92,000
<i>Bonus shares issued by capitalizing retained earnings</i>		
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 (as amended), 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.

18.3 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

No dividend was declared during the current year. 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, which were paid on 7 May 2020.

19 BANK BORROWINGS

	2021 AED'000	2020 AED'000
Murabaha loans (1)	10,000	59,070
Short-term loans (2)	115,000	155,000
	125,000	214,070
Less: current portion	(115,000)	(174,535)
Non-current portion	10,000	39,535

- (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, whereby the Company had made early settlements in prior years, and the remaining balance of AED 10,000 thousand (2020: AED 20,000 thousand) at the reporting date will be settled on maturity. The facility bears profit at 3 months EIBOR + 1.95%, which is payable in quarterly basis. This loan was obtained by the Company and extended to its associate in the prior years. The Murabaha agreement is obtained against pledge of quoted equity shares having a fair value of AED 388,270 thousand as at the reporting date (2020: AED 293,466 thousand).

The Company had 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, which was early settled during the year (2020: AED 39,070 thousand was outstanding against this facility). The proceeds of the said loan were to affect repayment of the existing facilities. The Murabaha agreement is secured against pledge of quoted equity shares having a fair value of AED 214,974 thousand (2020: AED 164,360 thousand).

- (2) Short-term loans are obtained under a revolving bank facility obtained from a local bank with a limit of AED 185 million for working capital requirements. The term of each loan obtained under this facility is for a period of 1 year. This facility bears interest at the commercial rates. This facility, along with other facilities obtained from the bank, is obtained against pledge of quoted equity shares having a fair value of AED 332,029 thousand as at the reporting date (2020: AED 221,605 thousand).
- (3) The Company had obtained short-term borrowings from an investment bank for the purchase of investments in financial assets, carrying interest at the rate of 3.35% to 3.64% per annum, which were fully settled in the previous year.

The Company has complied with the financial covenants required under the banking facilities as at 31 December 2021 and 2020.

20 EMPLOYEES' END OF SERVICE BENEFITS

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

	2021 AED'000	2020 AED'000
Provision as at 1 January	20,020	20,773
Provided during the year	2,207	1,474
End of service benefits paid	(1,357)	(2,227)
Provision as at 31 December	20,870	20,020

21 TRADE AND OTHER PAYABLES

	2021 AED'000	2020 AED'000
Trade payables	19,520	18,248
Dividends payable	16,780	16,780
Accruals for employee benefits	5,069	5,006
Advances	1,055	970
Accrued interest	207	1,055
Due to related parties (Note 14)	18	18
Accrued expenses and other payables	8,151	8,010
	50,800	50,087

22 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to the shareholders of the Company of AED 48,971 thousand (2020: loss of AED 3,389 thousand) by the weighted average number of shares outstanding during the period of 358,800 thousand shares (2020: 358,800 thousand shares).

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

23 CONTINGENCIES AND COMMITMENTS***Capital commitments***

At 31 December 2021, the Company had no capital commitments (2020: Nil).

Trade commitments

At 31 December 2021, the Company had AED 1,979 thousand commitments relating to purchases of assets (2020: Nil).

Contingent liabilities

At 31 December 2021, the Company had bank guarantees amounting to AED 1,899 thousand (2020: AED 1,899 thousand).

24 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 2021 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 2021, 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

24 FAIR VALUES (continued)

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

<i>31 December 2021</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Quoted equity instruments at FVOCI	1,061,593	-	-	1,061,593
Unquoted equity instruments	-	-	41,868	41,868
Quoted debt instruments at FVOCI	-	61,677	-	61,677
Quoted debt instruments at FVTPL	-	38,411	-	38,411
Total	1,061,593	100,088	41,868	1,203,549
<i>31 December 2020</i>	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Quoted equity instruments at FVOCI	741,357	-	-	741,357
Unquoted equity instruments	-	-	41,868	41,868
Quoted debt instruments at FVOCI	-	84,295	-	84,295
Quoted debt instruments at FVTPL	-	104,652	-	104,652
Total	741,357	188,947	41,868	972,172

NOTES TO THE FINANCIAL STATEMENTS

25 SEGMENT REPORTING

	Year ended 31 December 2021			Year ended 31 December 2020		
	Cement AED '000	Investments AED '000	Total AED '000	Cement AED '000	Investments AED '000	Total AED '000
Revenue from contracts with customers	147,467	-	147,467	183,087	-	183,087
Direct costs (excluding depreciation)	(157,544)	-	(157,544)	(194,215)	-	(194,215)
Administration and general expenses* (excluding depreciation)	(24,397)	-	(24,397)	(25,507)	-	(25,507)
Selling and distribution expenses (excluding depreciation)	(7,801)	-	(7,801)	(8,816)	-	(8,816)
Depreciation	(17,473)	-	(17,473)	(18,073)	-	(18,073)
Reversal of allowance for credit loss	-	34,575	34,575	-	-	-
Other income	8,541	3,170	11,711	15,109	2,930	18,039
Finance income	-	43,118	43,118	-	33,000	33,000
Finance cost	(2,950)	(315)	(3,265)	(6,576)	(1,422)	(7,998)
Dividend income from equity investments	-	14,300	14,300	-	36,472	36,472
Net change in fair value of debt instruments at FVTPL	-	8,280	8,280	-	(19,378)	(19,378)
Segment (loss)/profit	(54,157)	103,128	48,971	(54,991)	51,602	(3,389)

	31 December 2021			31 December 2020		
	Cement AED ‘000	Investments AED ‘000	Total AED ‘000	Cement AED ‘000	Investments AED ‘000	Total AED ‘000
Segment assets**	309,019	1,522,473	1,831,492	306,701	1,291,096	1,597,797
Segment liabilities	186,670	10,000	196,670	225,107	59,070	284,177
Capital expenditure	1,242	-	1,242	1,859	-	1,859

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

25 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 2021, revenue from customers located in the Company's country of domicile (UAE) is AED 110,895 thousand (2020: AED 136,857 thousand) and revenue from customers outside UAE (foreign customers) is AED 36,572 thousand (2020: AED 46,230 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 2021, there were 3 customers (2020: 2 customers) with revenues greater than 10% of the total revenue of the Company.

26 RISK MANAGEMENT

The Company's principal financial liabilities comprise loans and borrowings 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 2021 and 2020.

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. The majority of the investments in debt instruments at FVOCI carry interest at fixed 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:

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2021		
Loans and borrowings	+50	(625)
Loans and borrowings	-50	625
2020		
Loans and borrowings	+50	(1,070)
Loans and borrowings	-50	1,070

26 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 2021 and 2020, 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:

	2021		2020	
	<i>Decrease in market prices %</i>	<i>Effect on equity (fair value reserve) AED'000</i>	<i>Increase / decrease in market prices %</i>	<i>Effect on equity (fair value reserve) AED'000</i>
Market index				
Dubai Financial Market	5%	(27,964)	5%	(21,883)
Abu Dhabi Securities Exchange	5%	(14,128)	5%	(7,359)
Saudi Stock Exchange (Tadawul)	5%	(10,749)	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 2021, the Company had 9 customers (2020: 13 customers) that owed it more than AED 2 million each and accounted for approximately 81% (2020: 80%) 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.

26 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 2021, 37% (2020: 40%) 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 2021

		Days past due				
	Current	<30	31-90	91-120	>120	Total
	AED'000	days	days	days	days	AED'000
		AED'000	AED'000	AED'000	AED'000	
Expected credit loss rate	0.5%	0.7%	1.9%	4.9%	24.9%	
Estimated total gross carrying amount at default*	23,727	9,469	13,510	6,298	34,124	87,128
Expected credit loss*	126	71	258	309	8,480	9,244

31 December 2020

		Days past due				
	Current	<30	31-90	91-120	>120	Total
	AED'000	days	days	days	days	AED'000
		AED'000	AED'000	AED'000	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

* 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.

26 RISK MANAGEMENT (continued)**Liquidity risk (continued)***At 31 December 2021*

	<i>Less than 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>>5 years AED'000</i>	<i>Total AED'000</i>
Trade and other payables	49,745	-	-	-	49,745
Interest-bearing borrowings	115,419	116	10,100	-	125,635
Total	165,164	116	10,100	-	175,380

At 31 December 2020

	<i>Less than 6 months AED'000</i>	<i>6 to 12 months AED'000</i>	<i>1 to 5 years AED'000</i>	<i>>5 years AED'000</i>	<i>Total AED'000</i>
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

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 2021 and 31 December 2020. Capital comprises share capital, reserves and retained earnings and is measured at AED 1,718,868 thousand as at 31 December 2021 (2020: AED 1,357,235 thousand).

27 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 2020 and may continue in the years to come. 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 2021, 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 2022.