Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its subsidiaries

Consolidated Financial Statements
For the year ended 31 December 2020

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.
Consolidated financial statements
For the year ended 31 December 2020

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Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.

Directors' report for the year ended 31 December 2020

The Directors submit their report along-with the audited consolidated financial statements of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its subsidiaries for the year ended 31 December 2020.

Incorporation and registered office

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C., Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 13/81 dated 3 October 1981 issued by His Highness the Ruler of Ras Al Khaimah. The address of the Company's registered office is P.O. Box 1492, Ras Al Khaimah, United Arab Emirates.

The "Group" comprises Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its subsidiaries:

	Name of subsidiaries	Proportion of ownership interest	Country of incorporation	Principal activities
a)	Modern Block Factory Establishment	100%	U.A.E.	Manufacturing of concrete blocks, interlock tiles and cement products.
b)	Ras Al Khaimah Lime Co. Noora LLC	100%	U.A.E.	Manufacturing of lime products.

The principal activities of the Group are manufacturing and supply of white cement, lime products and cement products and investing, establishing, and managing relevant activities.

Results and appropriation

The operating results and the financial position of the Group are fully set out in the attached consolidated financial statements. The Group reported a net profit of AED 12.7 million for the year ended 31 December 2020 (2019: net profit of AED 19.4 million).

Dividends

At the annual general meeting held on 21 June 2020, the Shareholders did not approve any cash dividends to the shareholders in respect for the year ended 31 December 2019. They have approved the board of directors' remuneration for an amount of AED 1.2 million (Note 21).

At the annual general meeting held on 20 April 2019, the Shareholders approved a cash dividend of 5% from share capital amounting to AED 25.01 million representing 5 fils per share in respect for the year ended 31 December 2018. They have also approved the board of directors' remuneration for an amount of AED 1.04 million (Note 21).

Auditors

Grant Thornton were appointed as auditors of the Group for the year ended 31 December 2020 and being eligible, have offered themselves for re-appointment.

These consolidated financial statements for the year ended 31 December 2020 (including comparatives) were approved by the Board of Directors on 13 March 2021 and were signed on their behalf by:

On behalf of the Board
13 March 2021

Chairman

Acting General Manager

Grant Thornton
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Grant Thornton
United Arab Emirates
Al Baker Tower 5
Office 305, Level 3
7/9, Al Khan 2 Street
P.O. Box 1968
Sharjah

T +971 6 525 9691
F +971 6 525 9690

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The consolidated financial statements for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those consolidated statements on 29 February 2020.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent auditor's report

To the Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Key Audit Matters (continued)

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

Impairment losses on trade receivables

As at 31 December 2020, trade receivables were AED 66.38 million against which impairment loss allowance of AED 2.95 million was recorded (Note 7 to the consolidated financial statements).

Management exercises significant judgement when determining both when and how much to record as trade receivable impairment allowance as per requirements of IFRS 9 "Financial instruments". Because of the significance of these judgements and the materiality of trade receivables, the audit of trade receivables impairment loss allowance is a key area of focus.

The work that we performed to address this key audit matter included the following procedures:

- We obtained an understanding of the Group's process for estimating impairment loss allowance.
- Tested the reasonableness of management's key assumptions and judgments used in the determination of impairment loss allowance and its consistency with IFRS 9.
- Tested the accuracy and completeness of data used in the determination of impairment loss allowance.
- Tested the adequacy of the disclosures pertaining to impairment loss allowances included in these consolidated financial statements.

Other information

The Board of Directors are responsible for the other information. The other information comprises the Directors' report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report and the remaining information of the annual report which is expected to be made available to us after that date.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent auditor's report

To the Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the articles of association of the Company, UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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 consolidated 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 Group'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 evidenced obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosure 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 Group to cease to continue as a going concern.

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Independent auditor's report

To the Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

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

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

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

iii) The Group has maintained proper books of account;

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

v) Note 5 to the consolidated financial statements discloses investment in shares by the Group during the financial year ended 31 December 2020;

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Independent auditor's report

To the Shareholders of
Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (continued)

Report on other Legal and Regulatory Requirements (continued)

vi) note 20 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and

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

viii) note 28 reflects the social contributions were made during the year ended 31 December 2020.

Grant Thornton
Farouk Mohamed
Registration No: 86

جرانت ثورنتون للمحاسبة والمراجعة المحدودة
فرع الشارقة
P.O. Box: 1968
Sharjah - U.A.E.
GRANT THORNTON
Audit and Accounting Limited (Sharjah Branch)

Sharjah, 13 March 2021

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.

Consolidated statement of financial position
As at 31 December 2020

	Notes	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property, plant and equipment	4	513,912,008	539,081,927
Investments carried at fair value through other comprehensive income (FVTOCI)	5	211,659,656	165,639,077
		725,571,664	704,721,004
Current assets			
Inventories	6	100,804,940	123,440,311
Trade and other receivables	7	72,449,372	50,304,402
Investments carried at fair value through profit or loss (FVTPL)	5	25,164,972	39,885,832
Cash and cash equivalents	8	43,139,406	71,496,907
		241,558,690	285,127,452
TOTAL ASSETS		967,130,354	989,848,456
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	9	500,157,000	500,157,000
Reserves	10	112,706,699	211,469,114
Cumulative changes in fair value (FVTOCI)		(69,166,114)	(61,407,606)
Retained earnings		212,080,555	103,290,809
TOTAL EQUITY		755,778,140	753,509,317
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	11	8,856,815	9,292,593
Bank borrowings	12	73,261,798	95,511,745
		82,118,613	104,804,338
Current liabilities			
Bank borrowings	12	22,249,947	22,500,000
Trade and other payables	13	106,983,654	109,034,801
		129,233,601	131,534,801
TOTAL LIABILITIES		211,352,214	236,339,139
TOTAL EQUITY AND LIABILITIES		967,130,354	989,848,456

The consolidated financial statements were approved for issue by the Board of Directors on 13 March 2021 and signed on their behalf by:

Chairman

Acting General Manager

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements.

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C.

Consolidated statement of income
For the year ended 31 December 2020

	Notes	2020 AED	2019 AED
Revenue	14	**221,192,660**	236,478,665
Cost of sales		**(183,938,677)**	(200,912,458)
Gross profit		**37,253,983**	35,566,207
Selling, general and administrative expenses	16	**(23,399,500)**	(25,038,491)
Other income	18	**513,281**	2,508,119
Operating profit		**14,367,764**	13,035,835
Investment income	17	**1,187,722**	12,514,105
Foreign exchange gain/(loss)		**97,756**	(232,714)
Finance costs		**(2,963,394)**	(5,910,693)
Profit for the year		**12,689,848**	19,406,533
Basic and diluted earnings per share	19	**0.03**	0.04

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	Notes	2020 AED	2019 AED
Profit for the year		**12,689,848**	19,406,533
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of investments carried at FVTOCI	5	**(7,758,508)**	(49,774,738)
(Loss)/gain in fair value on disposal of investments carried at FVOCI		**(1,462,517)**	54,696,816
Other comprehensive (loss)/income for the year		**(9,221,025)**	4,922,078
Total comprehensive income for the year		**3,468,823**	24,328,611

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2020

	Share capital AED	Reserve AED	Cumulative changes in fair value (FVTOCI) AED	Retained earnings AED	Total equity AED
Balance as at 31 December 2018	500,157,000	209,528,461	(11,632,868)	57,175,963	755,228,556
Profit for the year	-	-	-	19,406,533	19,406,533
Other comprehensive income for the year	-	-	4,922,078	-	4,922,078
Total comprehensive income for the year	-	-	4,922,078	19,406,533	24,328,611
Dividend (Note 21)	-	-	-	(25,007,850)	(25,007,850)
Transfer to statutory reserve	-	1,940,653	-	(1,940,653)	-
Transfer to retained earnings upon disposal of investment recorded at FVTOCI	-	-	(54,696,816)	54,696,816	-
Board of Directors' remuneration (Note 21)	-	-	-	(1,040,000)	(1,040,000)
Balance as at 31 December 2019	500,157,000	211,469,114	(61,407,606)	103,290,809	753,509,317
Balance as at 31 December 2019	**500,157,000**	**211,469,114**	**(61,407,606)**	**103,290,809**	**753,509,317**
Profit for the year	-	-	-	12,689,848	12,689,848
Other comprehensive loss for the year	-	-	(9,221,025)	-	(9,221,025)
Total comprehensive loss for the year	-	-	(9,221,025)	12,689,848	3,468,823
Transferred to retained earnings (Note 10)	-	(100,031,400)	-	100,031,400	-
Transfer to statutory reserve		1,268,985	-	(1,268,985)	-
Transfer to retained earnings upon disposal of investment recorded at FVTOCI	-	-	1,462,517	(1,462,517)	-
Board of Directors' remuneration (Note 21)	-	-	-	(1,200,000)	(1,200,000)
Balance as at 31 December 2020	**500,157,000**	**112,706,699**	**(69,166,114)**	**212,080,555**	**755,778,140**

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2020

	Notes	2020 AED	2019 AED
Cash flows from operating activities:			
Profit for the year		**12,689,848**	19,406,533
Adjustments for:			
Depreciation of property, plant and equipment	4	**32,510,106**	32,184,865
Loss on disposal of property, plant and equipment		**-**	186,489
Reversal of liability	11	**(410,436)**	(2,314,322)
Provision for ECL	7	**165,000**	-
Provision for employees' end of service benefits	11	**875,999**	880,737
Dividend income	17	**(8,004,563)**	(9,214,629)
Interest income	17	**(117,062)**	(16,611)
Loss /(gain) on disposal of investments carried at FVTPL	17	**2,220,488**	(976,293)
Finance costs	12	**2,963,394**	5,910,693
Unrealized loss/(gain) on investments carried at FVTPL	5	**4,180,735**	(3,246,027)
Investment management fee	17	**532,680**	939,455
Cash flows before changes in working capital		**47,606,189**	43,740,890
Changes in working capital:			
Inventories		**22,635,371**	3,497,156
Trade and other receivables		**(22,309,970)**	(238,451)
Trade and other payables		**(714,095)**	9,737,031
		47,217,495	56,736,626
Employees' end of service benefits paid	11	**(901,341)**	(855,475)
Board of Directors' Remuneration paid	21	**(1,200,000)**	(1,040,000)
Net cash flows from operating activities		**45,116,154**	54,841,151
Cash flows from investing activities:			
Purchase of property, plant and equipment	4	**(7,340,187)**	(10,056,846)
Disposal of property, plant and equipment	4	**-**	540,000
Dividend received	17	**8,004,563**	9,220,628
Purchase of investments carried at FVTOCI	5	**(92,458,827)**	(43,773,041)
Purchase of investments carried at FVTPL	5	**(22,812,608)**	(25,679,351)
Disposal of investments carried at FVTOCI		**37,217,223**	122,492,302
Disposal of investments carried at FVTPL		**31,132,245**	22,637,834
Interest received	17	**117,062**	16,611
Investment management fee paid	17	**(532,680)**	(939,455)
Net cash flows (used in)/generated from investing activities		**(46,673,209)**	74,458,682
Cash flows from financing activities:			
Repayment of bank borrowings	12	**(22,500,000)**	(37,221,863)
Finance costs paid		**(3,298,688)**	(7,123,932)
Dividends paid		**(1,001,758)**	(32,544,894)
Net cash flows used in financing activities		**(26,800,446)**	(76,890,689)
Net (decrease)/increase in cash and cash equivalents		**(28,357,501)**	52,409,144
Cash and cash equivalents at the beginning of the year	8	**71,496,907**	19,087,763
Cash and cash equivalents at the end of the year	8	**43,139,406**	71,496,907

The accompanying notes from 1 to 29 form an integral part of these consolidated financial statements

1. General information

Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. (the "Company") is incorporated as a public shareholding company by Emiri decree number 13/81 dated 3 October 1981 issued by His Highness, The Ruler of Ras Al Khaimah. The address of the Company's registered office is P.O. Box 1492, Ras Al Khaimah, United Arab Emirates.

The principal activities of the Company and its subsidiaries (the "Group") are manufacturing and supply of white cement, lime products, cement products and investing, establishing and managing similar activities.

The "Group" comprises of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its subsidiaries.

Details of Company's subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Proportion of ownership	Place of incorporation	Principal activities
Modern Block Factory Establishment	100%	Ras Al Khaimah, U.A.E.	Manufacturing of concrete blocks, interlock tiles and cement products.
Ras Al Khaimah Lime Co. Noora LLC	100%	Ras Al Khaimah, U.A.E.	Manufacturing of lime products.

2 Standards, interpretations and amendments to existing standards

2.1 Standards, interpretations and amendments to existing standards that are effective in 2020

Following relevant new amendments to existing standards were issued by the IASB, which are effective for the accounting period beginning on or after January 1, 2020 and have been adopted by the Group:

- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- Amendments to Refences to the Conceptual Framework (Various Standards)
- COVID-19 Rent Related Concessions (Amendments to IFRS 16)

The above amendments do not have a significant impact on these consolidated financial statements therefore the disclosures have not been made.

2.2 Standards, amendments and interpretations to existing standards that are not yet adopted and not effective and have not been adopted early by the Group

At the date of authorisation of these consolidated financial statements, several new, but not yet effective, standards and amendments to existing standards, and interpretations have been published by the IASB. None of these standards or amendments to existing standards have been adopted early by the Group.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New standards, amendments and interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's consolidated financial statements.

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS interpretations committee ("IFRS IC") applicable to Group companies reporting under IFRS and applicable requirements of the UAE Federal Law No. (2) of 2015.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

3.3 Basis of consolidation

The consolidated financial statements of Ras Al Khaimah Co. for White Cement & Construction Materials P.S.C. and its subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries).

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Foreign currencies

Functional and presentation currency

Items included in the consolidated financial statements are measured and presented in United Arab Emirates Dirhams ('AED'), being the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in AED, which is the Group's functional and presentation currency.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

Balances and transactions denominated in US dollars ("USD") have been translated into the presentation currency at a fixed rate as the exchange rate of AED to USD has been pegged.

3.5 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Land is stated at cost less impairment loss, if any.

Capital work in progress is stated at cost, less any recognized impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Subsequent costs are included in the asset's carrying amount are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the profit or loss in the period in which they are incurred.

Depreciation is charged so as to write off the cost of assets, other than land and capital work in progress, over their estimated useful lives, using the straight-line method. 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. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit or loss. Depreciation is provided on the straight-line method based on the anticipated useful lives, as follows:

Class of asset	Life (years)
Buildings	5-20
Plant and machinery	5-30
Tools, equipment, furniture and fixture	10-15
Vehicles	5-10

3. Summary of significant accounting policies (continued)

3.6 Financial instruments

3.6.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

3.6.2 Cash and cash equivalents and trade and other receivables

Cash and cash equivalents and trade and other receivables (excluding advances to suppliers and prepayments) are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

Trade and other receivables (excluding advances to suppliers and prepayments). Trade receivables are amounts due from customers in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. Other receivables generally arise from transactions outside the usual operating activities of the Group. Collateral is not normally obtained for other receivables.

3.6.3 Equity instruments at FVTOCI

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTOCI are recognised in other gains/ (losses) in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

3.6.3 Equity instruments at FVTOCI (continued)

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3.6.4 Debt instruments at amortised cost or at FVTOCI

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss.

  When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains / (losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

3.6.5 Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising related gains and losses on a different basis (an "accounting mismatch").

3.6.6 Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

3.6.7 Impairment

The Group recognises loss allowances for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Cash and cash equivalents; and
- Trade and other receivables.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. loss allowance at an amount equal to 12-month ECL at the current reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Group has elected to measure loss allowance for cash and bank balances and trade and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVTOCI, the loss allowance is recognised in the OCI, instead of reducing the carrying amount of the asset.

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

For certain categories of financial asset, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and cash equivalents and trade and other receivables are presented separately in the consolidated statement of income and other comprehensive income.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of investment.

3.6.8 Measurement of ECL

The Group employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses. For measuring ECL under IFRS 9, the key input would be the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

These parameters will be derived from the Group's internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

3. Summary of significant accounting policies (continued)

3.6 Financial instruments (continued)

3.6.9 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

3.6.10 Presentation of allowance for ECL in the consolidated financial statements

Loss allowances for ECL are presented in the in the consolidated financial statements as follows:

- for financial assets measured at amortised cost (trade and other receivables (excluding advances to suppliers and prepayments) and cash and cash equivalents): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the consolidated statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income.

3.7 Financial liabilities and equity instruments issued by the Group

3.7.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.7.2 Financial liabilities

Liabilities within the scope of IFRS 9 are classified as financial liabilities at FVPL or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

3.7.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

3.7.4 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3.7.5 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividend is approved by the Group's shareholders.

3. Summary of significant accounting policies (continued)

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Spare parts and other inventories cost comprises of their purchase price.

Raw materials cost comprises of purchase cost and other costs incurred in bringing the raw material to their present location and condition. Products in process cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into products in process. Finished goods cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into finished products. Cost is calculated using the weighted average method.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, are recognised as reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.9 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

3.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.11 Cash and cash equivalents

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash on hand and current accounts with bank and short-term deposits with original maturities of three months or less, less bank overdrafts.

3.12 Share capital and reserves

Share capital represents the nominal value of shares that have been issued. Ordinary shares are classified as equity.

Statutory reserve is required to be created by UAE Federal Law No. (2) of 2015 as described in note 10.

Retained earnings include all current and prior period retained profits.

3.13 Employee benefits

3.13.1 Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.13.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.13.3 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred within profit or loss in the consolidated statement of comprehensive income.

3. Summary of significant accounting policies (continued)

3.15 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Where applicable, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.
Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

3.16 Revenue

The Group enters into transactions involving supply of goods.

To determine whether to recognise revenue, the Group follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties e.g. value added tax.

Revenue is recognised at a point in time for sale of goods when the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Sale of goods

Sale of goods comprises the sale of white cement, lime products and blocks. Revenue is recognised at point in time when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods supplied. Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken undisputed delivery of the goods.

3.17 Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

3. Summary of significant accounting policies (continued)

3.17 Dividend and interest income (continued)

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.18 Value added tax

Effective 1 January 2018, the Group recognises value added tax ("VAT") in line with the rules and regulations set out in the VAT law set out by the Federal Tax Authority of the Government of United Arab Emirates ("UAE"). The law requires that all sales, supplies and consumptions within UAE eligible to 5% VAT. The sales, supplies and consumptions outside the UAE or to designated areas, those are subject to zero percent VAT.

Revenue, expenses, assets and liabilities are recognised net of the amount of VAT, except where the VAT incurred on a purchase of assets or services is not recoverable from the tax authorities, in which case the VAT is recognised as part of the cost of acquisition of assets or as part of the expensed item as applicable.

3.19 Earning per share

Basic earnings per share is calculated by dividing:

- The profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any.

3.20 Segment reporting

For management purposes, the Group is organised into business units based on their products and services and has reportable segments as follows:

a) Manufacturing of white cement, lime products, cement products.
b) Investments in marketable equity securities.

There are no sales between segments during the year.

Management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

3.21 Critical accounting judgements and key sources of estimation uncertainty

When preparing the financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

(a) Impairment of financial assets

Measurement of Expected Credit Loss ("ECL") is a significant estimate that involves determination methodology, models and data inputs. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

The expected loss rates are based on aging of receivables. The historical loss rates are adjusted for to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

3. Summary of significant accounting policies (continued)

3.21 Critical accounting judgements and key sources of estimation uncertainty (continued)

(b) Allowance for slow moving and obsolete inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its net realizable value, if required, are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, technological changes, physical deterioration and quality issues. Based on the factors, management has identified inventory items as slow and non-moving to calculate the allowance for slow moving and obsolete inventories. Revisions to the allowance for slow moving inventories would be required if the outcome of these indicative factors differ from the estimates.

(c) Useful lives of property, plant and equipment

Management reviews the residual values and estimated useful lives of property, plant and equipment at the end of each annual reporting period in accordance with IAS 16. Management determined that current year expectations do not differ from previous estimates based on its review.

(d) Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4. Property, plant and equipment

2020	Lands AED	Buildings and building improvements AED	Plant and machinery AED	Vehicles AED	Tools,equipment, furniture and fixtures AED	Assets under construction AED	Total AED
Cost							
Balance at January 1,	21,157,893	28,464,491	732,291,068	21,432,436	18,476,217	1,432,001	823,254,106
Additions	-	-	871,167	1,086,000	2,548,366	2,834,654	7,340,187
Transfers	-	-	119,347	-	-	(119,347)	-
Balance at December 31,	**21,157,893**	**28,464,491**	**733,281,582**	**22,518,436**	**21,024,583**	**4,147,308**	**830,594,293**
Accumulated depreciation							
Balance at January 1,	-	12,608,742	237,399,924	19,364,114	14,799,399	-	284,172,179
Charge for the year	-	1,275,654	29,479,339	803,921	951,192	-	32,510,106
Balance at December 31,	-	**13,884,396**	**266,879,263**	**20,168,035**	**15,750,591**	-	**316,682,285**
Carrying amount at December 31,	**21,157,893**	**14,580,095**	**466,402,319**	**2,350,401**	**5,273,992**	**4,147,308**	**513,912,008**

4. Property, plant and equipment (continued)

2019	Lands AED	Buildings and building improvements AED	Plant and machinery AED	Vehicles AED	Tools,equipment, furniture and fixtures AED	Assets under construction AED	Total AED
Cost							
Balance at January 1,	21,157,893	28,464,491	723,063,203	30,094,867	18,175,150	1,000,087	821,955,691
Additions	-	-	3,893,642	96,000	301,067	5,766,137	10,056,846
Disposals	-	-	-	(8,758,431)	-	-	(8,758,431)
Transfers	-	-	5,334,223	-	-	(5,334,223)	-
Balance at December 31,	21,157,893	28,464,491	732,291,068	21,432,436	18,476,217	1,432,001	823,254,106
Accumulated depreciation							
Balance at January 1,	-	11,078,515	208,766,678	26,082,607	14,091,456	-	260,019,256
Charge for the year	-	1,530,227	28,633,246	1,313,449	707,943	-	32,184,865
Disposals	-	-	-	(8,031,942)	-	-	(8,031,942)
Balance at December 31,	-	12,608,742	237,399,924	19,364,114	14,799,399	-	284,172,179
Carrying amount at December 31,	**21,157,893**	**15,855,749**	**494,891,144**	**2,068,322**	**3,676,818**	**1,432,001**	**539,081,927**

Property under construction mainly represents expenditure incurred on the construction of packing machines.

Plant and machinery having a carrying amount of AED 110 million (2019: AED 110 million) is mortgaged to a bank against credit facilities provided to the Group (Note 12).

Plots of land on which, clinker and lime production facilities, administrative office buildings are constructed are situated in Ras Al Khaimah and owned by the Group.

No borrowing costs have been capitalised during the current year (2019: Nil) as the amount eligible are immaterial.

The depreciation for the year has been allocated to production and selling, general and administrative expenses amounting to AED 32,045,489 (2019: AED 31,508,509) and AED 464,617 (2019: AED 676,356), respectively.

5. Investments in securities

(i) Investments carried at fair value through other comprehensive income (FVTOCI)

Financial assets at fair value through other comprehensive income (FVOCI) comprise:

Equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant.

	2020 AED	2019 AED
Quoted – at fair value:		
In the U.A.E.	**129,018,646**	124,391,756
In other GCC countries	**82,641,010**	41,247,321
	211,659,656	165,639,077

Movement in investments carried at FVTOCI were as follows:

	2020 AED	2019 AED
Fair value at the beginning of the year	**165,639,077**	239,436,260
Purchased during the year	**92,458,827**	43,773,041
Disposal during the year	**(38,679,740)**	(67,795,486)
Decrease in fair value of investments at FVTOCI	**(7,758,508)**	(49,774,738)
	211,659,656	165,639,077

(ii) Investments carried at fair value through profit or loss (FVTPL)

The group classifies the following financial assets at fair value through profit or loss (FVPL):

- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

	2020 AED	2019 AED
Quoted – at fair value:		
In the U.A.E.	**23,779,065**	27,194,485
In other GCC countries	**1,385,907**	12,691,347
	25,164,972	39,885,832

Movement in investments carried at FVTPL were as follows:

	2020 AED	2019 AED
Fair value at the beginning of the year	**39,885,832**	32,621,996
Purchased during the year	**22,812,608**	25,679,351
Disposal during the year	**(33,352,733)**	(21,661,542)
Unrealized (loss)/gain on investments carried at FVTPL	**(4,180,735)**	3,246,027
	25,164,972	39,885,832

5. Investments in securities (continued)

During the year, the Group purchased and invested in shares amounting to AED 115,271,435 (2019: AED 69,452,392).

Investment in securities with a fair value of AED 141,705,946 (2019: AED 139,229,963) are pledged to the bank against credit facilities granted to the Group (Note 12).

6. Inventories

	2020 AED	2019 AED
Finished goods	18,094,731	17,345,174
Raw materials	6,804,983	5,108,172
Work in progress	57,905,668	73,678,700
Bags, fuel, and lubricant	7,305,578	14,176,608
	90,110,960	110,308,654
Spare parts	28,576,490	31,018,054
Allowance for slow-moving/write down inventory	(17,886,397)	(17,886,397)
Goods in transit	3,887	-
	100,804,940	123,440,311

The amount of materials consumed included in cost of sales during the year was AED 57,269,097 (2019: AED 62,833,267).

7. Trade and other receivables

	2020 AED	2019 AED
Financial assets		
Trade receivables	66,380,017	48,439,552
Less: provision for expected credit losses	(2,948,434)	(2,783,434)
	63,431,583	45,656,118
Other receivables	105,968	1,295,567
	63,537,551	46,951,685
Non-financial assets		
Advance to suppliers	7,183,909	2,068,503
Prepaid expenses	1,727,912	1,284,214
	8,911,821	3,352,717
	72,449,372	50,304,402

Before accepting new customers, the Group generally obtains bank guarantees or letter of credit from the potential customers. Of the total trade and other receivables balance at the end of the year, AED 32 million representing 48.20% of the trade receivables (2019: AED 20 million representing 41.28% of the trade receivables) are due from the Group's 5 customers (2019: 5 major customers).

The Group measures the loss allowance for trade receivables at an amount equal to life-time ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

7. Trade and other receivables (continued)

All of the Group's trade and other receivables in the comparative periods have been reviewed for indicators of impairment. The impaired trade receivables are mostly due from customers in the business-to-business market that are experiencing financial difficulties.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings etc.

The following table shows the movement in loss allowance that has been recognised for trade receivables.

	2020 AED	2019 AED
At 1 January	**2,783,434**	2,783,434
Provision during the year	**165,000**	-
At 31 December	**2,948,434**	2,783,434

Analysis of trade receivables as set out below:

	2020 AED	2019 AED
Secured against unconditional bank guarantees	**12,842,714**	16,227,795
Secured against letter of credit	**33,304,952**	14,478,585
Open credit	**20,232,351**	17,733,172
	66,380,017	48,439,552

The average credit period on sales of goods is 90 days. No interest is charged on outstanding receivables.

8. Cash and cash equivalents

	2020 AED	2019 AED
Cash on hand	**68,376**	238,823
Portfolio account	**4,879,327**	5,305,594
	4,947,703	5,544,417
Bank balances:		
Current accounts	**2,960,745**	3,657,714
Call deposits	**4,156,208**	2,622,626
Fixed deposits	**31,074,750**	59,672,150
	38,191,703	65,952,490
Cash and cash equivalents	**43,139,406**	71,496,907
By geographical area:		
In the U.A.E.	**39,331,223**	21,594,489
In other GCC countries	**3,808,183**	49,902,418
	43,139,406	71,496,907

Bank balances are held with local and international branch of reputable banks. Management views these banks as having a sound performance history and satisfactory credit ratings (Note 24.7).

The average interest rates for the bank deposits during the year were 0.1% (2019: 0.1% to 0.4% per annum).

9. Share capital

	2020 AED	2019 AED
Issued and fully paid 500,157,000 ordinary shares of AED 1 each	**500,157,000**	500,157,000

10. Reserves

Statutory reserve

In accordance with the U.A.E. Federal Commercial Companies Law Number (2) of 2015 and the Company's Articles of Association, 10% of the profit for each year is transferred to the statutory reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. During the year ended December 31, 2020, the Company has transferred AED 1,268,985 to statutory reserve (2019: AED 1,940,653).

This reserve is not available for distribution except in circumstances stipulated by the law. The Group adjusts the statutory reserve to transfer 10% of net profit.

Voluntary reserve

Appropriations to the voluntary reserve account represents appropriation of 10% of the profit for each year. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Group's paid-up share capital. As at December 31, 2018, voluntary reserve balance reached 20% of the Group's paid-up share capital. At the recommendation of the Board of Directors, an ordinary general assembly meeting was held on 20 April 2019 and it was decided to suspend the transfer to voluntary reserve as the total of the reserve has reached 20% of the Group's paid-up share capital. So, no further transfer will be made to the reserve and it has been transferred to retained earnings during the year according to a resolution passed in general assembly meeting.

	Statutory reserve AED	Voluntary reserve AED	Total AED
As at January 1, 2019	109,497,061	100,031,400	209,528,461
Transferred to statutory reserve	1,940,653	-	1,940,653
As at December 31, 2019	111,437,714	100,031,400	211,469,114
Transferred to statutory reserve	1,268,985	-	1,268,985
Transferred to retained earnings	-	(100,031,400)	(100,031,400)
As at December 31, 2020	**112,706,699**	-	112,706,699

11. Employees' end of service benefits

Employees' end of service benefits include gratuity and movement is as follows:

	2020 AED	2019 AED
At January 1,	**9,292,593**	9,267,331
Charge for the year	**875,999**	880,737
Reversals during the year	**(410,436)**	-
Payments during the year	**(901,341)**	(855,475)
Balance at December 31,	**8,856,815**	9,292,593

12. Bank borrowings

	2020	2019
	AED	AED
Balance at January 1	**118,011,745**	155,233,608
Repayment during the year	**(22,500,000)**	(37,221,863)
Balance as at December 31	**95,511,745**	118,011,745
Non-current	**73,261,798**	95,511,745
Current	**22,249,947**	22,500,000
	95,511,745	118,011,745
Finance costs on bank borrowings	**(2,963,394)**	(5,910,693)

In addition, to the above the Group has entered into a credit facility agreement of bank overdraft, short term loan and letter of credit amounting to AED 73 million.

Property, plant and equipment items having a carrying amount of AED 110 million (2019: AED 110 million) are pledged to a bank against above facilities granted by the bank until the end of facilities term or full settlement of the above credit facilities (note 4). In addition, bank borrowings are secured by a pledge over investments in securities with a fair value of AED 141,705,946 (2019: AED 139,229,963). Bank borrowings carried an interest rate in the range of 2% to 3.7% per annum (2019: 3.7% to 5.2% per annum).

The Group has complied with the financial covenants of its borrowing facilities during the year 2020 and 2019, see note 23 for details.

13. Trade and other payables

	2020	2019
	AED	AED
Financial liabilities		
Trade payables	**32,764,084**	40,097,798
Accruals and other payables	**71,729,733**	67,116,312
	104,493,817	107,214,110
Non-financial liability		
Advances from customers	**2,489,837**	1,820,691
	106,983,654	109,034,801

14. Revenue

	2020	2019
	AED	AED
Local sales	**99,163,124**	97,200,003
Export sales	**122,029,536**	139,278,662
	221,192,660	236,478,665

15. Staff costs

	2020 AED	2019 AED
Salaries and wages	**27,207,753**	29,704,427
Other benefits	**2,950,203**	2,677,190
End of service benefits	**875,999**	880,737
	31,033,955	33,262,354

Staff cost is allocated as follows:

Production cost	**19,370,942**	21,154,249
Selling, general and administrative expenses	**11,663,013**	12,108,105
	31,033,955	33,262,354

16. Selling, general and administrative expenses

	2020 AED	2019 AED
Payroll and related expenses	**11,663,013**	12,108,105
Legal and professional fees	**5,097,862**	5,579,230
Marketing	**2,912,793**	2,572,529
Office expenses	**1,305,057**	1,928,293
Depreciation of property, plant and equipment	**464,617**	676,356
Bank charges	**554,893**	531,729
Other expenses	**1,401,265**	1,642,249
	23,399,500	25,038,491

17. Investment income

	2020 AED	2019 AED
Dividends income	**8,004,563**	9,214,629
Unrealised (loss)/gain on revaluation of investments carried at FVTPL	**(4,180,735)**	3,246,027
Realised (loss)/gain on sale of investments carried at FVTPL	**(2,220,488)**	976,293
Interest income	**117,062**	16,611
Investment management fees	**(532,680)**	(939,455)
	1,187,722	12,514,105

18. Other income

	2020	2019
	AED	AED
Gain on reversal of liability	**410,436**	2,314,322
Others	**102,845**	193,797
	513,281	2,508,119

19. Basic earnings per share

	2020	2019
Profit for the year (AED)	**12,689,848**	19,406,533
Number of shares	**500,157,000**	500,157,000
Basic earnings per share (AED)	**0.03**	0.04

Basic earnings per share has been calculated by dividing the profit for the year by the number of shares outstanding at the end of the reporting period.

There were no potentially dilutive shares as at 31 December 2020 and 2019.

20. Related party

The Group in the normal course of business carries on transactions with other enterprises that fall within the definition of related parties. Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or significant influence. Transactions with related parties are measured at amount agreed to by both the parties.

During the year ended 31 December 2020, there were no balances or transactions with related parties other than the below disclosed transactions (2019: Nil).

	2020	2019
	AED	AED
Board of Directors' remuneration	**1,200,000**	1,040,000
Short term benefits	**471,096**	608,996

21. Dividends

The Board of Director's propose that a cash dividend of 5% from the share capital amounting to AED 25.01 million representing 5 fils per share in respect for the year ended 31 December 2020. This is subject to approval at the Annual General Meeting and have not been included as a liability in these financial statements.

At the annual general meeting held on 21 June 2020, the Shareholders did not approve any cash dividend to the shareholders in respect for the year ended 31 December 2019. They approved the board of directors' remuneration for an amount of AED 1.2 million.

At the annual general meeting held on 20 April 2019, the Shareholders approved a cash dividend of 5% from share capital amounting to AED 25.01 million representing 5 fils per share in respect for the year ended 31 December 2018. They also approved the board of directors' remuneration for an amount of AED 1.04 million.

22. Commitments and contingent liabilities

	2020 AED	2019 AED
Letters of credit	-	3,273,580
Letters of guarantee	**66,724**	66,700

23. Capital risk management

The Group manages its capital to ensure that the Group entities will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance.

The capital structure of the Group consists of bank borrowings, bank balances and cash and equity, comprising issued capital, reserves and retained earnings.

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital. The Group does not have a formalised optimal target capital structure or target ratios in connection with its capital risk management objective.

As at 31 December, the gearing ratios of the Group was as follows:

	2020 AED	2019 AED
Bank borrowings (Note: 12)	**95,511,745**	118,011,745
Less: Cash and cash equivalents (Note: 8)	**(43,139,406)**	(71,496,907)
Net debt	**52,372,339**	46,514,838
Total equity	**755,778,140**	753,509,317
Total	**808,150,479**	800,024,155
Gearing ratio	**6.5%**	5.8%

Under the terms of the borrowing facilities, the Group is required to comply with the following financial covenants:

- The tangible net worth must not, at any time, be less than AED 650 million,
- The total debt to net worth ratio (gearing) must not, in respect of any relevant period, be more than 1:1; and
- Current ratio must not, in respect of any relevant period, be less than 1:1.

The Group has complied with these covenants throughout the reporting period.

24. Financial instruments

The Group is potentially exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its investment contracts. The most important components of this financial risk are cash flow and fair value interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

24. Financial instruments

24.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the consolidated financial statements.

24.2 Categories of financial instruments

	2020 AED	2019 AED
Financial assets		
At amortised cost		
Trade and other receivables (Note 7)	**63,537,551**	46,951,685
Cash and cash equivalents	**43,139,406**	71,496,907
	106,676,957	118,448,592
At fair value		
Investments carried at fair value through other comprehensive income (FVTOCI) (Note 5)	**211,659,656**	165,639,077
Investments carried at fair value through profit or loss (FVTPL) (Note 5)	**25,164,972**	39,885,832
	236,824,628	205,524,909
	343,501,585	323,973,501
Financial liabilities		
At amortised cost		
Bank borrowing (Note 12)	**95,511,745**	118,011,745
Trade and other payables (Note 13)	**104,493,817**	107,214,110
	200,005,562	225,225,855

24.3 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, cash flow and fair value interest rates and equity price risks.

Market risk exposures are measured using sensitivity analysis.

24.4 Foreign currency risk management

Majority of the Group's transactions are denominated in AED or in currencies AED is pegged to. However, the Group undertakes certain transactions denominated in other foreign currencies. Hence, exposures to exchange rate fluctuations arise.

	Liabilities		Assets	
	2020 AED	2019 AED	2020 AED	2019 AED
Kuwaiti Dinar	-	-	**84,709,033**	90,878,451
Euro	**104,610**	214,693	**27,348**	26,203
JPY	**11,894**	33,654		-
SAR	-	-		8,409,938
QAR	-	-	**1,864,663**	4,396,510

24. Financial instruments (continued)

24.5 Foreign currency sensitivity analysis

The Group is mainly exposed to Kuwaiti Dinar, Saudi Riyal and Qatari Riyal. Based on the sensitivity analysis to a 10% increase or decrease in the AED against Kuwaiti Dinar, Saudi Riyal and Qatari Riyal the Group's profit for the year ended 31 December 2020 and equity as of and 31 December 2020 would have increased or decreased by approximately AED 8.65 million (2019: AED 10.35 million). The Group has no material exposure against Euro and Japanese Yen. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

24.6 Cash flow and fair value interest rate risk management

The Group's exposure to interest rate risk is limited to fixed deposits and call deposits with banks at floating interest rates and borrowings from banks at floating rates of interest linked to EIBOR. At 31 December 2019, bank fixed and call deposits carried an interest rate in the range of 0.10% (2019: 0.10% to 0.40% per annum) and bank loans carried an interest rate in the range of 2% to 3.7% per annum (2019: 3.7% to 5.2% per annum).

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2020 and equity as at 31 December 2020 would have decreased/increased by approximately AED 0.54 million (2019: decrease/increase by AED 0.66 million).

24.7 Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade receivables consist of a number of customers. On-going credit evaluation is performed on the financial condition of trade receivables. Further details of credit risks on trade and other receivables and short-term deposits are disclosed in Notes 7 and 8.

The credit risk associated with the Group's trade receivables (note 7) is considered limited as the Group holds receivables amounting to AED 46.1 million (2019: AED 30.7 million) fully covered by unconditional bank guarantees and letters of credit to secure the collectability of these trade receivables.

Other financial assets represent investments carried at fair value through other comprehensive income (FVOCI) and investments carried at fair value through profit and loss (FVTPL), where all their investments are listed equity securities as at 31 December 2020 (Note 24.10).

Credit risk with respect to concentration of trade receivables by geographical area is as follows:

	2020	2019
	AED	AED
United Arab Emirates	**24,938,430**	22,460,683
Other Gulf Cooperation Council countries	**7,067,014**	12,197,616
Other countries	**34,374,573**	13,781,253
	66,380,017	48,439,552

For banks and financial institutions, bank ratings are reviewed on an annual basis. Management does not expect any losses from non-performance by these counterparties.

24. Financial instruments (continued)

24.7 Credit risk management (continued)

The table below shows the balance and Moody's credit rating of the bank with which balances are maintained by the Group at the reporting date.

	Rating	2020 AED	2019 AED
Bank 1	**Baa1**	**36,623,880**	62,999,027
Bank 2	**A1**	**555,521**	1,427,824
Bank 3	**A3**	**438,049**	1,163,055
Bank 4	**Aa3**	**574,253**	362,584
		38,191,703	65,952,490

The table above excludes portfolio accounts amounting to AED 4,879,327 (2019: AED 5,305,594) and cash on hand amounting to AED 68,376 (2019: AED 238,823) which are unrated.

The carrying amounts of the financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risks.

24.8 Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Group's liquidity risk is the availability of funds to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments.

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables.

The Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Less than 1 year AED	Between 1-5 years AED	Total AED
2020			
Borrowings (note 12)	**22,249,947**	**73,261,798**	**95,511,745**
Trade and other payables (note 13)	**104,493,817**	**-**	**104,493,817**
	126,743,764	**73,261,798**	**200,005,562**
2019			
Borrowing (note 12)	22,500,000	95,511,745	118,011,745
Trade and other payables (note 13)	107,214,110	-	107,214,110
	129,714,110	95,511,745	225,225,855

24.9 Equity price risk

The group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as at fair value through other comprehensive income (FVOCI) (note 5) or at fair value through profit or loss (FVPL) (note 5) To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the group. The majority of the group's equity investments are publicly traded.

24. Financial instruments (continued)

24.9 Equity price risk (continued)

Sensitivity analysis

At the reporting date if the equity prices are 20% higher/ lower as per the assumptions mentioned below and all the other variables were held constant, the Group's consolidated statements of income and comprehensive income would have increased/decreased by AED 5 million and by AED 42.3 million, respectively (2019: AED 8 million and by AED 33.1 million, respectively).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the reporting date.
- As at the reporting date if equity prices are 20% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and other comprehensive income has been shown above.
- A 20% change in equity prices has been used to give a realistic assessment as a plausible event.

24.10 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

(a) Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

(b) Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	**Fair value as at 2020 AED**	**2019 AED**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Investments carried at FVTOCI						
Listed equity Securities (Note 5)	**211,659,656**	165,639,077	Level 1	Quoted bid prices in an active market.	None	N/A
Financial assets carried at FVTPL						
Listed equity Securities (Note 5)	**25,164,972**	39,885,832	Level 1	Quoted bid prices in an active market.	None	N/A

24. Financial instruments (continued)

24.10 Fair value measurements (continued)

Fair value hierarchy

The following table provides an analysis of financial and non-financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

31 December 2020

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets carried at FVTOCI				
Quoted equities (Note 5)	**211,659,656**	-	-	**211,659,656**
Financial assets carried at FVTPL				
Quoted equities (Note 5)	**25,164,972**	-	-	**25,164,972**
	236,824,628	-	-	**236,824,628**

31 December 2019

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets carried at FVTOCI				
Quoted equities (Note 5)	165,639,077	-	-	165,639,077
Financial assets carried at FVTPL				
Quoted equities (Note 5)	39,885,832	-	-	39,885,832
	205,524,909	-	-	205,524,909

There were no transfers between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

25. Geographical information

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers.

	2020 AED	2019 AED
United Arab Emirates	**99,163,124**	97,179,470
Gulf Cooperation Council countries	**37,947,234**	59,334,261
India	**62,979,184**	67,054,063
Jordan	**6,197,431**	360,601
Yemen	**2,260,144**	2,612,499
Other countries	**12,645,543**	9,937,771
	221,192,660	236,478,665

26. Comparatives

Certain comparative figures have been reclassified in order to conform to current year's presentation. However, there is no effect on previously reported total equity, profit for the year and the net change in cash and cash equivalents.

27. Significant event during the year

There was an outbreak of a global pandemic (COVID-19) during the beginning of 2020, causing significant disruption to economies and businesses across the globe including the Group. As the situation is fluid and rapidly evolving, we do not consider it is practicable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The impact of this outbreak on the macroeconomic forecasts did not have a significant impact in the Group's IFRS 9 estimates of expected credit loss provisions at December 31, 2020. Management will continue to monitor the situation and assess the impact of this outbreak in fiscal 2021.

28. Social contributions

The social contributions (including donations and charity) made during the year amounted to AED 275,331 (2019: AED 350,848).

29. Segment information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

For management purposes, the Group is organized into business units based on their products and services and the following reportable segments:

(1) Manufacturing of white cement, lime products, cement products.
(2) Investments in marketable equity securities.

There are no sales between segments during the year.

Management monitors the operating results of its business units for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

29. Segment information (continued)

	Year ended 31 December 2020			Year ended 31 December 2019		
	Manufacturing AED	**Investments AED**	**Total AED**	Manufacturing AED	Investments AED	Total AED
Segment revenue	**221,192,660**	**-**	**221,192,660**	236,478,665	-	236,478,665
Segment result	**11,502,126**	**1,187,722**	**12,689,848**	6,892,428	12,514,105	19,406,533
Depreciation	**32,510,106**	**-**	**32,510,106**	32,184,865	-	32,184,865
Finance costs	**2,963,394**	**-**	**2,963,394**	5,910,693	-	5,910,693

	2020			2019		
	Manufacturing AED	**Investments AED**	**Total AED**	Manufacturing AED	Investments AED	Total AED
Segment assets	**687,166,320**	**236,824,628**	**923,990,948**	712,826,640	205,524,909	918,351,549
Unallocated assets	**-**	**-**	**43,139,406**	-	-	71,496,907
Total assets	**687,166,320**	**236,824,628**	**967,130,354**	712,826,640	205,524,909	989,848,456
Segment liabilities	**211,352,214**	**-**	**211,352,214**	236,339,139	-	236,339,139