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

Directors' report and consolidated financial statements for the year ended 31 December 2019

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

Directors' report and consolidated financial statements for the year ended 31 December 2019

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

Directors' report for the year ended 31 December 2019

The Directors submit their report together 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 2019.

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 13/18 dated 2 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 subsidiary	Proportion of ownership interest	Country of incorporation	Principal activities
Modern Block Factory Establishment	100%	U.A.E.	Manufacturing of concrete blocks, interlock tiles and cement products.
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 results of the Group for the year ended 31 December 2019 are set out on page 9 of the consolidated financial statements.

Dividends

At the Board meeting held on 2 March 2019, the Board of Directors proposed a cash dividend of 5% amounting to AED 25.01 million in respect of the year ended 31 December 2018 (2017: cash dividends 5% amounting to AED 25.01 million). It has been approved by the Board of Directors for a board remuneration of AED 1.04 million for the year ended 31 December 2018 (2017: AED 1.5 million).

Independent auditors

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for reappointment.

On behalf of the Board

29 February 2020

Vice Chairman	Acting General Manager

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ras Al Khaimah Co. For White Cement & Construction Materials P.S.C. (the "Company") and its subsidiaries (together, the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the consolidated financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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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)

Our audit approach

Overview

Key Audit Matter	• Impairment losses on trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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.

Key audit matter	How our audit addressed the key audit matter
Impairment losses on trade receivables	
As at 31 December 2019, trade receivables were AED 47.9 million against which impairment loss allowance of AED 2.2 million was recorded (Note 8 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.	Our procedures to test the impairment loss allowance on trade receivables included the following: • Obtaining an understanding of the Group's process for estimating impairment loss allowance. • Testing the reasonableness of management's key assumptions and judgments used in the determination of impairment loss allowance and its consistency with IFRS 9. • Testing the accuracy and completeness of data used in the determination of impairment loss allowance. • Testing the adequacy of the disclosures pertaining to impairment loss allowances included in these consolidated financial statements.

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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)

Other information

The 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 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 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.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

- Identify and assess the risks of material misstatement of the 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 evidence 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

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)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year 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) as disclosed in note 6 to the consolidated financial statements the Group has purchased or invested in shares during the financial year ended 31 December 2019;

vi) note 21 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019; and

viii) note 27 reflects the social contributions were made during the year ended 31 December 2019.

PricewaterhouseCoopers
29 February 2020

Jacques Fakhoury
Registered Auditor Number 379
Dubai, United Arab Emirates

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PricewaterhouseCoopers

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

Consolidated statement of financial position

	Note	As at 31 December 2019 AED	2018 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	539,081,927	561,936,435
Investments carried at fair value through other comprehensive income (FVTOCI)	6	165,639,077	239,436,260
		704,721,004	801,372,695
Current assets			
Inventories	7	123,440,311	126,937,467
Trade and other receivables	8	50,304,402	50,071,950
Investments carried at fair value through profit or loss (FVTPL)	6	39,885,832	32,621,996
Cash and cash equivalents	9	71,496,907	19,087,763
		285,127,452	228,719,176
Total assets		989,848,456	1,030,091,871
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital	10	500,157,000	500,157,000
Reserves	11	211,469,114	209,528,461
Reserve for financial assets at FVTOCI		(61,407,606)	(11,632,868)
Retained earnings		103,290,809	57,175,963
Net equity		753,509,317	755,228,556
LIABILITIES			
Non-current liabilities			
Provision for employees' end of service benefits	12	9,292,593	9,267,331
Bank borrowings	13	95,511,745	109,567,569
		104,804,338	118,834,900
Current liabilities			
Bank borrowings	13	22,500,000	45,666,039
Trade and other payables	14	109,034,801	110,362,376
		131,534,801	156,028,415
Total liabilities		236,339,139	274,863,315
Total equity and liabilities		989,848,456	1,030,091,871

The consolidated financial statements were approved for issue by the Board of Directors on 29 February 2020 and signed on their behalf by:

Vice Chairman

Acting General manager

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

Consolidated statement of income

	Note	Year ended 31 December 2019 AED	2018 AED
Revenue	15	236,478,665	228,110,417
Cost of sales		(200,912,458)	(196,318,240)
Gross profit		35,566,207	31,792,177
Selling, general and administrative expenses	17	(25,977,946)	(26,329,560)
Investments income	18	13,453,560	9,852,683
Reversal of loss allowance for trade and other receivables	8	-	15,374
Other income	19	2,275,405	5,503,461
Operating profit		25,317,226	20,834,135
Finance costs	13	(5,910,693)	(7,833,911)
Profit for the year		19,406,533	13,000,224
Basic earnings per share	20	0.04	0.03

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

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2019 AED	2018 AED
Profit for the year		19,406,533	13,000,224
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss			
Decrease in fair value of equity investments carried at FVTOCI	6	(49,774,738)	(10,864,057)
Gain on disposal of investments carried at FVTOCI		54,696,816	11,671,101
Other comprehensive income for the year		4,922,078	807,044
Total comprehensive income for the year		24,328,611	13,807,268

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

Consolidated statement of changes in equity

	Share capital AED	Reserves AED	Reserve for financial assets at FVTOCI AED	Retained earnings AED	Total AED
1 January 2018	500,157,000	207,780,994	2,411,141	57,580,003	767,929,138
Profit for the year	-	-	-	13,000,224	13,000,224
Other comprehensive (loss)/income	-	-	(10,864,057)	11,671,101	807,044
Total comprehensive income for the year	-	-	(10,864,057)	24,671,325	13,807,268
Transfer to statutory and voluntary reserves (Note 11)	-	1,747,467	-	(1,747,467)	-
Transfer of gain on disposal of FVTOCI investments to retained earnings	-	-	(3,179,952)	3,179,952	-
Board of Directors' remunerations (Note 22)	-	-	-	(1,500,000)	(1,500,000)
Transactions with shareholders					
Dividends declared (Note 22)	-	-	-	(25,007,850)	(25,007,850)
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	-	-	4,922,078	-	4,922,078
Total comprehensive income for the year	-	-	4,922,078	19,406,533	24,328,611
Transfer to statutory and voluntary reserves (Note 11)	-	1,940,653	-	(1,940,653)	-
Transfer of gain on disposal of FVTOCI investments to retained earnings	-	-	(54,696,816)	54,696,816	-
Board of Directors' remunerations (Note 22)	-	-	-	(1,040,000)	(1,040,000)
Transactions with shareholders					
Dividends declared (Note 22)	-	-	-	(25,007,850)	(25,007,850)
At 31 December 2019	500,157,000	211,469,114	(61,407,606)	103,290,809	753,509,317

The notes on pages 14 to 54 are an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows

	Note	Year ended 31 December 2019 AED	2018 AED
Cash flows from operating activities			
Profit for the year		19,406,533	13,000,224
Adjustment for:			
Depreciation of property, plant and equipment	5	32,184,865	33,410,809
Loss/(gain) on disposal of property, plant and equipment		186,489	(172,353)
Reversal of liability		(2,314,322)	(5,142,230)
Reversal of loss allowance	8	-	(15,374)
Provision for employees' end of service benefits	12	880,737	1,370,627
Unrealised (gain)/loss on investments at FVTPL	18	(3,246,027)	2,815,376
Investment income		(10,207,533)	(12,668,059)
Finance costs		5,910,693	7,833,911
Operating cash flows before changes in working capital and payments for employees' end of service benefit		42,801,435	40,432,931
Inventories		3,497,156	(19,659,889)
Trade and other receivables		(238,451)	16,008,178
Trade and other payables		9,737,031	5,638,033
Cash generated from operations		55,797,171	42,419,253
Employees' end of service benefits paid	12	(855,475)	(987,689)
Net cash generated from operating activities		54,941,696	41,431,564
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(10,056,846)	(7,737,013)
Proceeds on disposal of property, plant and equipment		540,000	184,804
Dividends received		9,220,628	13,445,000
Purchase of investments in securities	6	(69,452,392)	(36,127,856)
Proceeds from disposal of investments in securities		145,130,136	69,466,157
Interest received	18	16,611	26,297
Net cash generated from investing activities		75,398,137	39,257,389

Consolidated statement of cash flows (continued)

	Note	Year ended 31 December 2019 AED	2018 AED
Cash flows from financing activities			
Board of Directors' remuneration paid	22	(1,040,000)	(1,500,000)
Finance cost paid		(7,123,932)	(6,463,630)
Term loan obtained		-	17,000,000
Repayment of term loan		(37,221,863)	(79,639,462)
Dividends paid		(32,544,894)	(24,344,033)
Net cash used in financing activities		(77,930,689)	(94,947,125)
Net increase/(decrease) in cash and cash equivalents		52,409,144	(14,258,172)
Cash and cash equivalents at the beginning of the year		19,087,763	33,345,935
Cash and cash equivalents at the end of the year	9	71,496,907	19,087,763

1 General information

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 13/18 dated 2 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.

Details of the Company's subsidiaries at 31 December 2019 and 2018 are as follows:

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

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

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 29 February 2020.

2 Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New amendments and interpretations adopted by the Group during the current year

The following new standards became applicable for the current reporting year and the Group had to change its accounting policies and make appropriate adjustments as a result of adopting these standards:

- IFRS 16 "Leases"

IFRS 16 is effective for annual periods beginning after 1 January 2019 and earlier application is permitted; IFRS 16 will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

2 Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.1 New amendments and interpretations adopted by the Group during the current year (continued)

- IFRS 16 "Leases" (continued)

The Group has reviewed all of its leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The Group will recognise new assets and liabilities for its operating leases (if any). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The group had to change its accounting policies as a result of adopting IFRS 16. However, the impact was immaterial on the Group's consolidated financial statements.

- Prepayment Features with Negative Compensation – Amendments to IFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle

The above amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New standards, amendment and interpretations not yet adopted and not effective for the financial year beginning 1 January 2019 by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Significant accounting policies

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 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.

The principal accounting policies adopted are set out below.

3.3 Basis of consolidation

(a) Subsidiary

Subsidiary is an entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

3 Significant accounting policies (continued)

3.3 Basis of consolidation (continued)

(a) Subsidiary (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 'Financial instruments: Recognition and measurement' either in the consolidated income statement or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.4 Foreign currencies

(a) 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.

(b) 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 since 1981.

3.5 Cash and cash equivalents

Cash and cash equivalents 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 Significant accounting policies (continued)

3.6 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.7 Leases

(a) Previous accounting policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease liability.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense on a straight line basis over the shorter of the lease term or the estimated useful life of the asset.

(b) Current accounting policy

The Group has adopted IFRS 16 from its mandatory adoption date of 1 January 2019. IFRS 16 introduced a single, on-consolidated statement of financial position model for lessees. As a result, the Group, as a lessee, will recognised right-of-use assets – where applicable - representing its right to use underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

3 Significant accounting policies (continued)

3.7 Leases (continued)

(b) Current accounting policy (continued)

The details of the changes in accounting policies are described below:

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 Significant accounting policies (continued)

3.7 Leases (continued)

(b) Current accounting policy (continued)

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

IFRS 16 distinguishes between three kinds of contingent payments, depending on the underlying variable and the probability that they actually result in payments:

- In-substance fixed payments: Lease payments that, in form, contain variability but, in substance, are fixed are included in the lease liability
- Variable lease payments based on an index or a rate
- Variable lease payments based on any other variable. Such payments are recognised in profit or loss in the period in which the event or condition that triggers those payments occurs.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties owned by the Group and leased out under operating leases are included in investment property in the consolidated statement of financial position. Contingent rents are recognised as revenue in the period in which they are earned.

Operating lease revenue and payments are recognised as operating income or expense in the consolidated statement of comprehensive income on straight- line basis over the lease term.

3.8 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.

3 Significant accounting policies (continued)

3.9 Borrowing costs

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.

3.10 Employee benefits

3.10.1 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 Federal 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 (12.5%). The contributions are charged to profit or loss.

3.10.2 Annual leave and leave passage

The accrual relating to leave passage is included in trade and other payables, while that relating to employees' end of service benefits is disclosed separately as a non-current liability.

3.10.3 Provision for employees' end of service benefits

Provision is made for the end of service benefits due to employees in accordance with the UAE Labour Law for their periods of service up to the consolidated statement of financial position date.

3.11 Property, plant and equipment

Lands are carried at cost and are not depreciated.

Properties and equipment are stated at historical cost less accumulated depreciation and impairment – if any. Historical cost includes expenditures that are directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial year in which they are incurred.

3 Significant accounting policies (continued)

3.11 Property, plant and equipment (continued)

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Years
Buildings and buildings improvements	5 -20
Plant and machinery	5 - 30
Vehicles	5 - 10
Tools, equipment, furniture and fixture	10 - 15

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

3.12 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

3 Significant accounting policies (continued)

3.13 Inventories

Cost of inventories comprises of costs of purchase, and where applicable cost of conversion and other costs that has been incurred in bringing the inventories to their present location and condition.

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

Products in process are stated at the lower of cost and net realisable value. Cost comprises raw materials, wages and industrial costs that contribute in transforming raw materials into products in process.

Raw materials and consumable spare parts are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Inventories of bags, fuel and lubricants are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Net realisable value represents the estimated selling price less all estimated costs to make the sale.

3.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

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. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and risks specific to the obligation. Increases in provisions due to the passage of time are recognised in the income statement within 'Finance costs'.

3 Significant accounting policies (continued)

3.15 Financial instruments

(a) 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.

(b) 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.

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

(b) Cash and cash equivalents and trade and other receivables (continued)

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.

(c) 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 FVPL 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.

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.

(d) 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.

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

(d) Debt instruments at amortised cost or at FVTOCI (continued)

- 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.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

(e) 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 Significant accounting policies (continued)

3.15 Financial instruments (continued)

(f) 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.

(g) 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.

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

(g) Impairment (continued)

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.

(h) 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.

(i) 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.

3 Significant accounting policies (continued)

3.15 Financial instruments (continued)

(i) Derecognition of financial assets (continued)

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.

(j) 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;

3.16 Financial liabilities and equity instruments issued by the Group

3.16.1 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.

3.16.2 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.

3.16.3 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 Significant accounting policies (continued)

3.17 IFRS 15 Revenue from contracts with customers

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes a five-step model that will apply to revenue arising from contracts with customers:

Step 1 Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for each of those rights and obligations.

Step 2 Identify the performance obligations in the contract: A performance obligation in a contract is a promise to transfer a good or service to the customer.

Step 3 Determine the transaction price: Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue as and when the entity satisfies a performance obligation.

The Group recognises revenue over time if any one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Groups 's performance as the Group performs; or

- The Group 's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

- The Group 's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance obligation completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

3 Significant accounting policies (continued)

3.17 IFRS 15 Revenue from contracts with customers (continued)

3.17.1 Sale of goods

Revenue is recognised for the performance obligation when control over the corresponding goods is transferred to the customer. The timing of revenue recognition of this performance obligation will be at a point in time for sale of goods when the obligation is fulfilled and goods are delivered to the customer.

3.17.2 Dividend and interest income

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

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 Dividend distribution

Dividend distribution to the shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

3.19 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.

3.20 Earnings per share

Basic earnings 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 Significant accounting policies (continued)

3.21 Segment information

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses. The Group currently determines and presents financial information as a single operating segment based on the information that is provided internally to the General Manager for decision making, who is also the chief operating decision maker.

3.22 Share capital

Ordinary shares are classified as equity.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 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.

4.2 Calculation of loss allowance

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer note 8 for the provision for the loss allowance for the year.

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

4.3 Inventories

Inventories are stated at the lower of cost or net realisable value. Adjustments to reduce the cost of inventory to its realisable value, if required, are made at the product group level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, product pricing, physical deterioration and quality issues. Based on the above factors, the Group has arrived at certain percentages for allowance for slow moving and obsolete inventories. Revisions to these adjustments would be required if these factors differ from the estimates. The amount of provision for slow moving inventories at year end was AED 6,889,633 (2018: AED 6,889,633).

4.4 Useful lives and residual value of property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not considered any residual value as it is not deemed significant. For depreciation charged during the year refer note 5.

5 Property, plant and equipment

	Lands AED	Buildings and buildings improvements AED	Plant and machinery AED	Vehicles AED	Tools, equipment, furniture and fixtures AED	Assets under constructions AED	Total AED
Cost							
At 31 December 2017	21,157,893	28,464,491	717,020,190	30,798,593	17,805,808	-	815,246,975
Additions	-	-	6,043,013	324,571	369,342	1,000,087	7,737,013
Disposals	-	-	-	(1,028,297)	-	-	(1,028,297)
At 31 December 2018	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)	-
At 31 December 2019	21,157,893	28,464,491	732,291,068	21,432,436	18,476,217	1,432,001	823,254,106
Accumulated depreciation							
At 31 December 2017	-	9,511,457	179,981,974	24,853,274	13,277,588	-	227,624,293
Charge for the year	-	1,567,058	28,784,704	2,245,179	813,868	-	33,410,809
Disposals	-	-	-	(1,015,846)	-	-	(1,015,846)
At 31 December 2018	-	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)
At 31 December 2019	-	12,608,742	237,399,924	19,364,114	14,799,399	-	284,172,179
Carrying amount							
At 31 December 2019	21,157,893	15,855,749	494,891,144	2,068,322	3,676,818	1,432,001	539,081,927
At 31 December 2018	21,157,893	17,385,976	514,296,525	4,012,260	4,083,694	1,000,087	561,936,435

5 Property, plant and equipment (continued)

Property under construction mainly represents expenditure incurred on the construction of the ("Pet Coke") project.

Plant and machinery having a carrying amount of AED 110 million (2018: AED 30.82 million) is mortgaged to a bank against credit facilities provided to the Group (Note 13).

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 (2018: 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 31,508,509 (2018: AED 32,676,819) and AED 676,356 (2018: AED 733,988) respectively.

6 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.

	2019 AED	2018 AED
Non-current assets:		
Listed securities – at fair value	165,639,077	239,436,260
In U.A.E.	124,391,756	139,415,987
In other countries	41,247,321	100,020,273
	165,639,077	239,436,260

Movement in investments were as follows:

	2019 AED	2018 AED
Fair value at the beginning of the year	239,436,260	260,023,072
Purchased during the year	43,773,041	27,425,739
Disposal during the year	(67,795,486)	(33,968,542)
Decrease in fair value of investments carried at FVTOCI	(49,774,738)	(14,044,009)
	165,639,077	239,436,260

6 Investments in securities (continued)

(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.

	2019 AED	2018 AED
Current assets:		
Listed securities – at fair value	39,885,832	32,621,996
In U.A.E.	27,194,485	21,812,703
In other countries	12,691,347	10,809,293
	39,885,832	32,621,996

Movement in investments were as follows:

	2019 AED	2018 AED
Fair value at the beginning of the year	32,621,996	48,185,055
Purchased during the year	25,679,351	8,702,117
Disposal during the year	(21,661,542)	(20,646,562)
Unrealised gain/(loss) on investments carried at FVTPL	3,246,027	(3,618,614)
	39,885,832	32,621,996

During the year the Group has purchased and invested in shares amounting to AED 69,452,392 (2018 AED 36,127,856).

Investment in securities with a fair value of AED 139,229,963 (2018: AED 146,169,712) are pledged to the bank against credit facilities granted to the Group (Note 13).

Pursuant to SCA letter ref. no SHS/KH/411/2018 dated 9 July 2018, the Group confirms that it does not have any direct or indirect investments in Abraaj Holdings, Abraaj Investment Management Limited and/or it's related funds or projects.

7 Inventories

	2019 AED	2018 AED
Finished goods	6,348,410	13,888,106
Raw materials	5,108,172	5,835,137
Work in progress	73,678,700	75,023,736
Bags, fuel and lubricants	14,176,608	9,832,441
	99,311,890	104,579,420
Spare parts	31,018,054	29,221,827
Allowance for slow-moving inventories	(6,889,633)	(6,889,633)
	24,128,421	22,332,194
Goods in transit	-	25,853
	123,440,311	126,937,467

The amount of materials consumed included in cost of sales during the year was AED 62,833,267 (2018: AED 53,517,315).

8 Trade and other receivables

	2019 AED	2018 AED
Trade receivables	47,905,308	44,582,165
Loss allowance	(2,249,190)	(2,249,190)
	45,656,118	42,332,975
Advances to suppliers	2,068,503	4,669,148
Prepayments	1,284,214	1,754,435
Refundable deposits	532,790	532,790
Others	762,777	782,602
	50,304,402	50,071,950

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 20 million representing 41.5% of the trade receivables (2018: AED 19 million representing 42% of the trade receivables) are due from the Group's 5 customers (2018: 5 major customers).

8 Trade and other receivables (continued)

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.

Ageing of receivables and the corresponding loss allowance is as follows:

31 December 2019	**0 – to 90 days** AED	**91 – 365 days** AED	**Above 365 days** AED	**Total** AED
Gross carrying amount - trade receivables	35,283,940	10,683,882	1,937,486	47,905,308
Secured receivable	(22,261,681)	(8,444,699)	-	(30,706,380)
Unsecured receivable	13,022,259	2,239,183	1,937,486	17,198,928
Expected loss rate	1.15%	7.21%	100%	
Loss allowance	150,239	161,465	1,937,486	2,249,190
31 December 2018				
Gross carrying amount - trade receivables	33,280,172	9,422,430	1,879,563	44,582,165
Secured receivable	(19,963,149)	(6,678,157)	-	(26,641,306)
Unsecured receivable	13,317,023	2,744,273	1,879,563	17,940,859
Expected loss rate	1.07%	8.25%	100%	
Loss allowance	143,092	226,535	1,879,563	2,249,190

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.

	2019 AED	2018 AED
At 1 January	2,249,190	2,264,564
Reversals during the year	-	(15,374)
At 31 December	2,249,190	2,249,190

Analysis of trade receivables are set out below:

	2019 AED	2018 AED
Secured against unconditional bank guarantees	16,227,795	14,678,157
Secured against letters of credit	14,478,585	11,963,149
Open credit	17,198,928	17,940,859
	47,905,308	44,582,165

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

9 Cash and cash equivalents

	2019 AED	2018 AED
Cash on hand	238,823	134,972
Portfolio accounts	5,305,594	1,427,428
	5,544,417	1,562,400
Bank balances:		
Current accounts	3,657,714	11,589,069
Call deposits	2,622,626	5,936,294
Fixed deposits	59,672,150	-
	65,952,490	17,525,363
Cash and cash equivalents	71,496,907	19,087,763

	2019 AED	2018 AED
Bank balances and cash:		
In U.A.E.	21,594,489	16,137,443
In other GCC countries	49,902,418	2,950,320
	71,496,907	19,087,763

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 25.7).

The average interest rates for the bank bank deposits during the year were 0.01% to 0.40% per annum (2018: 0.01% to 0.04% per annum).

10 Share capital

	2019 AED	2018 AED
Issued and fully paid:		
500,157,000 ordinary shares of AED 1 each (2018: 500,157,000 ordinary shares of AED 1 each)	500,157,000	500,157,000

11 Reserves

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the profit for each year is transferred to the statutory reserve and another 10% to the voluntary reserve. The transfer to statutory reserve is suspended when its balance reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law. 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 Company's paid-up share capital. As at reporting date, voluntary reserve balance reached 20% of the Company's paid-up share capital. Accordingly, any further transfer from profit to voluntary reserve is suspended.

	Statutory reserve AED	**Voluntary reserve** AED	**Total** AED
At 31 December 2017	108,197,039	99,583,955	207,780,994
Movement during the year	1,300,022	447,445	1,747,467
At 31 December 2018	109,497,061	100,031,400	209,528,461
Movement during the year	1,940,653	-	1,940,653
At 31 December 2019	111,437,714	100,031,400	211,469,114

12 Provision for employees' end of service benefits

Movements in the net liability were as follows:

	2019 AED	2018 AED
At 1 January	9,267,331	8,884,393
Amounts charged during the year (Note 16)	880,737	1,370,627
Amounts paid during the year	(855,475)	(987,689)
At 31 December	9,292,593	9,267,331

In accordance with the provisions of IAS 19 'Employee Benefits', management has carried out an exercise to assess the present value of its obligations as at 31 December 2019 and 31 December 2018, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method an assessment has been made of the employees' expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment costs of 2.5% (2018: 2.5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 2.52% (2018: 3.69%).

13 Bank borrowings

	2019 AED	2018 AED
Loans	118,011,745	155,233,608
Bank borrowings are repayable as follows:		
Within one year	22,500,000	45,666,039
In second to fifth year	95,511,745	108,645,020
After five years	-	922,549
	118,011,745	155,233,608
Less: Amount due for settlement within 12 months from the reporting date (shown under current liabilities)	(22,500,000)	(45,666,039)
Amount due for settlement after 12 months from the reporting date (shown under non-current liabilities)	95,511,745	109,567,569
Finance costs on the bank loan	(5,910,693)	(7,833,911)

Movement of the loan balance during the year was as follows:

	AED
At 1 January 2018	217,873,070
Proceeds from bank borrowings	17,000,000
Repayment made during the year	(79,639,462)
At 31 December 2018	155,233,608
Repayments made during the year	(37,221,863)
At 31 December 2019	118,011,745

Long term loans include the following:

With the merger of UNB with ADCB, the existing loans of AED 119,233,662 has been taken over by ADCB.

New facility of AED 118,011,745 has been commenced in Nov 2019 repayable over 4 years.

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. None of these facilities have been utilised as at 31 December 2019.

Property, plant and equipment items having a carrying amount of AED 110 million (2018: AED 30.82 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. In addition, bank borrowings are secured by a pledge over investments in securities with a fair value of AED 139,229,963 (2018: AED 146,169,712) (Note 6). Borrowings carried an interest rate in the range of 3.7% to 5.2% per annum (2018: 4.3% to 4.66% per annum).

13 Bank borrowings (continued)

13.1 Compliance with loan covenants

The Group has complied with the financial covenants of its borrowing facilities during the year 2019 and 2018, see note 24 for details.

13.2 Net debt reconciliation

	2019 AED	2018 AED
Cash and cash equivalents	71,496,907	19,087,763
Bank borrowings – repayable within one year	(22,500,000)	(45,666,039)
Bank borrowings – repayable after one year	(95,511,745)	(109,567,569)
Net debt	(46,514,838)	(136,145,845)

	2019 AED	2018 AED
Cash and cash equivalents	71,496,907	19,087,763
Gross debt – variable interest rates	(118,011,745)	(155,233,608)
Net debt	(46,514,838)	(136,145,845)

	Other assets	Liabilities from financing activities		
	Cash and bank balances AED	**Borrowings due within 1 year*** AED	**Borrowings due after 1 year*** AED	**Total** AED
Net debt as at 1 January 2018	33,345,935	(51,285,784)	(155,966,335)	(173,906,184)
Cash flows, net	(14,258,172)	5,619,745	46,398,766	37,760,339
Net debt as at 31 December 2018	19,087,763	(45,666,039)	(109,567,569)	(136,145,845)
Cash flows, net	52,409,144	23,166,039	14,055,824	89,631,007
Net debt as at 31 December 2019	71,496,907	(22,500,000)	(95,511,745)	(46,514,838)

14 Trade and other payables

	2019 AED	2018 AED
Trade payables	40,097,798	35,425,966
Dividend payable	34,427,330	41,964,372
Accruals	31,559,616	27,925,668
Advances from customers	1,820,691	1,341,884
Others	1,129,366	3,704,486
	109,034,801	110,362,376

The average credit period on purchase of goods is 90 days (2018: 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within the credit period time frame.

15 Revenue

An analysis of the Group's revenue is as follows:

	2019 AED	2018 AED
Revenue recognised at point in time:		
Local sales	97,200,003	111,314,464
Export sales	139,278,662	116,795,953
	236,478,665	228,110,417

Revenue includes AED 62.72 million – 27% from 5 customers (2018: AED 68.42 million - 30%, from 5 customers).

16 Staff costs

	2019 AED	2018 AED
Salaries and wages	29,704,427	31,755,541
Other benefits	2,677,190	4,749,072
End of service benefits (Note 12)	880,737	1,370,627
	33,262,354	37,875,240

Staff cost is allocated as follow:

	2019 AED	2018 AED
Production cost	21,154,249	23,616,556
Selling, general and administrative expenses	12,108,105	14,258,684
	33,262,354	37,875,240

17 Selling, general and administrative expenses

	2019 AED	2018 AED
Payroll and related expenses	12,108,105	14,258,684
Licenses and professional fees	6,518,685	5,693,619
Marketing	2,572,529	2,054,802
Office expenses	1,928,293	1,165,903
Depreciation of property, plant and equipment	676,356	733,988
Bank charges	531,729	589,983
Other expenses	1,642,249	1,832,581
	25,977,946	26,329,560

18 Investments income

	2019 AED	2018 AED
Dividends income	9,214,629	13,445,000
Unrealised gain/(loss) on revaluation of investments carried at FVTPL	3,246,027	(2,815,376)
Realised gain/(loss) on sale of investments carried at FVTPL	976,293	(803,238)
Interest income	16,611	26,297
	13,453,560	9,852,683

19 Other income

	2019 AED	2018 AED
Gain on reversal of liability	2,314,322	5,142,230
Others	(38,917)	361,231
	2,275,405	5,503,461

20 Basic earnings per share

	2019 AED	2018 AED
Profit for the year	19,406,533	13,000,224
Number of shares	500,157,000	500,157,000
Basic earnings per share	0.04	0.03

There were no potentially dilutive shares as at 31 December 2019 and 2018.

21 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard No. 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Management decides on the terms and conditions of the transactions and services received/rendered from/to related parties as well as on other charges. Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

During the year ended 31 December 2019, there were no balances or transactions with related parties other than the below disclosed transactions which are in the normal terms of business (2018: Nil).

Compensation of key management personnel:

	2019 AED	2018 AED
Board of Directors' remuneration (Note 22)	1,040,000	1,500,000
Short term benefits	608,996	628,196

22 Dividends

At the Board meeting held on 2 March 2019, the Board of Directors proposed a cash dividends of 5% amounting to AED 25.01 million in respect of the year ended 31 December 2018 (2017: cash dividends 5% amounting to AED 25.01 million) which represents AED 0.05 (2018: AED 0.05) per share. It has been approved by the Board of Directors' for a board remuneration for the year ended 31 December 2018 of AED 1.04 million (2017: AED 1.5 million).

23 Commitments and contingent liabilities

	2019 AED	2018 AED
Letters of credit	3,273,580	342,323
Letters of guarantee	66,700	66,700

The above letters of credit represent capital commitments against the on-going construction of a new project.

24 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 2019, the gearing ratios of the Group was as follows:

	2019 AED	2018 AED
Bank borrowings (Note 13)	118,011,745	155,233,608
Less: cash and cash equivalents (Note 9)	(71,496,907)	(19,087,763)
Net debt	46,514,838	136,145,845
Total equity	753,509,317	755,228,556
Total	800,024,155	891,374,401
Gearing ratio	5.8%	15.3%

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.

25 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.

25.1 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.

25.2 Categories of financial instruments

	2019 AED	2018 AED
Financial assets		
At amortised cost		
Trade and other receivables (excluding prepayments and advances to suppliers) (Note 8)	46,951,685	43,648,367
Cash and cash equivalents	71,496,907	19,087,763
	118,448,592	62,736,110
At fair value		
Investments carried at fair value through other comprehensive income (FVTOCI) (Note 6)	165,639,077	239,436,260
Investments carried at fair value through profit or loss (FVTPL) (Note 6)	39,885,832	32,621,996
	205,524,909	272,058,256
	323,973,501	334,794,336
Financial liabilities		
At amortised cost		
Bank borrowing (Note 13)	118,011,745	155,233,608
Trade and other payables (excluding advances from customers) (Note 14)	107,214,110	109,020,492
	225,225,855	264,254,100

25.3 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.

25 Financial instruments (continued)

25.4 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2019 AED	2018 AED	2019 AED	2018 AED
Kuwaiti Dinar	-	-	90,878,451	100,814,216
Euro	214,693	57,079	26,203	26,877
JPY	33,654	57,075	-	-
SAR	-	-	8,409,938	10,161,939
QAR	-	-	4,396,510	931,818

25.5 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 2019 and equity as of and 31 December 2019 would have increased or decreased by approximately AED 10.35 million (2018: AED 11.2 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.

25.6 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% to 0.40% per annum (2018: 0.10% to 0.40% per annum) and bank loans carried an interest rate in the range of 3.7% to 5.2% per annum (2018: 4.3% to 4.66% 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 2019 and equity as at 31 December 2019 would have decreased/increased by approximately AED 0.66 million (2018: decrease/increase by AED 0.75 million).

25 Financial instruments (continued)

25.7 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 8 and 9.

The credit risk associated with the Group's trade receivables is considered limited as the Group holds receivables amounting to AED 30.7 million (2018: AED 26.6 million) fully covered by unconditional bank guarantees and letters of credit to secure the collectability of these trade receivables.

Other financial assets represents 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 2019 (Note 25.10).

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

	2019 AED	2018 AED
United Arab Emirates	21,926,439	22,458,317
Other Gulf Cooperation Council countries	12,197,616	10,974,364
Other countries	13,781,253	11,149,484
	47,905,308	44,582,165

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.

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	2019 AED	2018 AED
Bank 1	Baa1	62,999,027	10,060,342
Bank 2	A1	1,427,824	-
Bank 3	A3	1,163,055	1,484,699
Bank 4	Aa3	362,584	5,980,322
		65,952,490	17,525,363

25 Financial instruments (continued)

25.7 Credit risk management (continued)

The table above excludes portfolio accounts amounting to AED 5,305,594 (2018: AED 1,427,428) and cash on hand amounting to AED 238,823 (2018: AED 134,972) 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.

25.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Group's financial liabilities. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

		Contractual cashflow	
	Carrying amount AED	**Less than 1 year** AED	**Between 1 and 5 years** AED
At 31 December 2019			
Trade and other payables, (excluding advances from customers) (Note 14)	107,214,110	107,214,110	-
Bank borrowings (Note 13)	118,011,745	22,500,000	116,753,859
	225,225,855	129,714,110	116,753,859

	Carrying amount l AED	**Less than 1 year** AED	**Between 1 and 2 years** AED
At 31 December 2018			
Trade and other payables, (excluding advances from customers) (Note 14)	109,020,492	109,020,492	-
Bank borrowings (Note 13)	155,233,608	45,666,039	137,509,618
	264,254,100	154,686,531	137,509,618

25 Financial instruments (continued)

25.9 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 6) or at fair value through profit or loss (FVPL) (note 6) 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.

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 8 million and by AED 33.1 million respectively (2018: AED 6.5 million and by AED 47.9 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.

25.10 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.

25 Financial instruments (continued)

25.10 Fair value measurements (continued)

(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 2019 AED	2018 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 6)	165,639,077	239,436,260	Level 1	Quoted bid prices in an active market.	None	N/A
Financial assets carried at FVTPL						
Listed equity Securities (Note 6)	39,885,832	32,621,996	Level 1	Quoted bid prices in an active market.	None	N/A

(c) Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of 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.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1;

25 Financial instruments (continued)

25.10 Fair value measurements (continued)

(c) Fair value measurements recognised in the consolidated statement of financial position (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

31 December 2019

	Level 1 AED	**Level 2** AED	**Level 3** AED	**Total** AED
Financial assets carried at FVTOCI				
Quoted equities (Note 6)	165,639,077	-	-	165,639,077
Financial assets carried at FVTPL				
Quoted equities (Note 6)	39,885,832	-	-	39,885,832
	205,524,909	-	-	205,524,909

31 December 2018

	Level 1 AED	**Level 2** AED	**Level 3** AED	**Total** AED
Financial assets carried at FVTOCI				
Quoted equities (Note 6)	239,436,260	-	-	239,436,260
Financial assets carried at FVTPL				
Quoted equities (Note 6)	32,621,996	-	-	32,621,996
	272,058,256	-	-	272,058,256

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.

26 Geographical information

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

	2019 AED	2018 AED
United Arab Emirates	97,179,470	111,314,464
Gulf Cooperation Council countries	59,334,261	60,621,063
India	67,054,063	45,427,999
Jordan	360,601	1,303,272
Yemen	2,612,499	2,624,010
Other countries	9,937,771	6,819,609
	236,478,665	228,110,417

27 Social contributions

The social contributions (including donations and charity) made during the year amounted to AED 350,848 (2018: AED 476,905).