RAS AL KHAIMAH CEMENT COMPANY P.S.C.
PUBLIC SHAREHOLDING COMPANY
RAS AL KHAIMAH
UNITED ARAB EMIRATES

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

RAS AL KHAIMAH CEMENT COMPANY P.S.C.
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2020

INDEX

134236

Independent Auditor's Report to the Shareholders of
Ras Al Khaimah Cement Company P.S.C
Ras Al Khaimah - United Arab Emirates

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for 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 Financial Statements* section of our report. We are independent of the Company 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 financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed on the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matters to be communicated in our report.

Inventories

The verification of Company's stock of raw materials, clinker and finished products as at 31 December 2020 require an independent surveyor to make estimate of the quantities by using certain systematic measurements/calculations. The areas of focus are whether the quantities reported by the surveyor are as per physical stock held by the Company as at 31 December 2020 and valuation of inventories (including spare parts) at lower of cost or net realizable value as assessing net realizable value is an area of significant judgment.

Inventories (Continued)

We performed the following audit procedures :

- Reviewed the background and experience of the surveyor.
- Corroborated the results of the surveyor report to the inventory movement.
- Verified the physical existence of inventory on sample basis.
- Tested the valuation of inventory including review of judgments, assumptions considered regarding obsolescence and net realizable value.

Trade receivables

As at 31 December 2020, trade receivables were AED. 66,818,047 against which provision for impairment loss of AED. 17,721,725 and there is a risk over the recoverability of the overdue amounts. Due to the inherently judgmental nature in the computation of the expected credit losses (ECL), there is a risk that the amount of ECL may be misstated.

We performed the following audit procedures :

- Performed test of control over trade receivables processes to determine whether controls are operating effectively throughout the year.
- Requested direct confirmations from a sample of outstanding balances, and performed alternate procedures for non-replies, including verification of the supporting documents and subsequent collections.
- Reviewed the management assessment of recoverability of trade receivables through detailed analysis of ageing of receivables and also assessed the adequacy of provisions taken based on Expected Credit Loss "ECL Model" and reviewed the assumption used for ECL.
- Inquired from the management about any past due accounts with no subsequent collections and management's plan for recovering these receivables.
- Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.

Valuation of embedded goodwill

The carrying value of investment in an associate include embedded goodwill which principally relates to investment made in prior years for acquiring stake in the associate. The impairment review of embedded goodwill is considered to be a risk area due to the fact that its carrying value of embedded goodwill involves significant judgement. Judgemental aspects include assumptions of future profitability, revenue growth, margins and forecast cash flows, and the selection of appropriate discount rates.

Note 7 to the financial statements discloses the carrying value of an associate including embedded goodwill.

Management uses valuation carried out by an independent external valuer to ascertain the carrying value of investment in an associate.

We performed the following audit procedures :

- Assessed benchmarking of discount rate against independently available data and the reasonableness of assumptions such as growth rate, terminal growth rate.
- Verified arithmetical accuracy of cash flow forecasts and computation of discount rate and reviewed sensitivity of key assumptions and judgements.
- Assessed the adequacy of related disclosures.

Independent Auditor's Report to the Shareholders of Ras Al Khaimah Cement Company P.S.C (Continued)

Other Matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those statements on 29 March 2020.

Other information

Management is responsible for the other information. Other information consists of the information included in the Company's Board of Directors Report of 2020, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

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

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

Responsibilities of Management and those charged with governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the 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

As required by UAE Federal Law No. 2 of 2015 we report that:

1. We have obtained all the information and explanation we considered necessary for our audit.

2. The financial statements are prepared and comply, in all material respect with the applicable provisions of UAE Federal Law No. 2 of 2015.

3. The Company has maintained proper books of account.

4. The financial information of the Director's report are in agreement with the books of account and records of the Company.

5. Investment and shares purchased by the Company during the year ended 31 December 2020 are disclosed in Note 8.

6. Transactions and terms with related parties are disclosed in Note 24.

7. The Social Contributions made during the year are disclosed in Note 19.

Independent Auditor's Report to the Shareholders of
Ras Al Khaimah Cement Company P.S.C (Continued)

Report on Other Legal and Regulatory Requirements (Continued)

8. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of UAE Federal Law No. 2 of 2015 or the Articles of Association of the Company which would have a material affect on the Company's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34

16 March 2021

RAS AL KHAIMAH CEMENT COMPANY P.S.C
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

EXHIBIT A

	Note	2020 AED	2019 AED
ASSETS			
Non-current assets			
Property, plant and equipment	5	**338,774,039**	352,571,048
Intangible assets	6	**470,625**	758,363
Investment in an associate	7	**38,392,224**	40,087,691
Investments carried at fair value through other comprehensive income (FVTOCI)	8	**87,774,537**	33,643,617
Total Non-Current Assets		**465,411,425**	427,060,719
Current assets			
Inventories	9	**62,431,299**	55,071,813
Investments carried at fair value through profit or loss (FVTPL)	8	**12,823,718**	--
Trade and other receivables	10	**61,261,930**	119,264,291
Cash and cash equivalents	11	**6,909,832**	5,420,993
Total Current Assets		**143,426,779**	179,757,097
TOTAL ASSETS		**608,838,204**	606,817,816
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**503,118,000**	503,118,000
Statutory reserve	13	**69,417,923**	69,417,923
Voluntary reserve	13	**32,738,744**	32,738,744
Cumulative changes in fair value of investments carried at FVTOCI		**(5,106,817)**	(21,868,960)
Accumulated losses		**(119,790,796)**	(63,900,375)
Net Equity – Exhibit C		**480,377,054**	519,505,332
Non-Current Liabilities			
Employees' end of service benefits	14	**2,414,470**	3,759,349
Current Liabilities			
Bank borrowings	15	**15,062,506**	22,014,431
Trade and other payables	16	**110,984,174**	61,538,704
Total Current Liabilities		**126,046,680**	83,553,135
TOTAL LIABILITIES		**128,461,150**	87,312,484
TOTAL EQUITY AND LIABILITIES		**608,838,204**	606,817,816

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

These financial statements were approved for issue by the Board of Directors on 16 March 2021 and sign by :

Ahmed Amer Omar Saleh
(Chairman)

Ahmed Ali Anoon Alnuaimi
(General Manager)

RAS AL KHAIMAH CEMENT COMPANY P.S.C
STATEMENT OF INCOME FOR THE
YEAR ENDED 31 DECEMBER 2020

EXHIBIT B

	Note	2020 AED	2019 AED
Sales	17	**153,076,128**	181,660,576
Cost of sales	18	**(156,463,376)**	(215,823,294)
Gross loss		**(3,387,248)**	(34,162,718)
Selling, general and administrative expenses	19	**(18,267,307)**	(15,009,688)
Net impairment losses on financial assets	10	**(27,386,670)**	(6,607,169)
Other income	21	**1,398,006**	646,726
Other losses	18	**--**	(1,225,846)
Investment income		**2,729,873**	1,490,645
Share of (loss)/profit from an associate accounted for using the equity method (Net)	7	**(1,695,467)**	12,699
Fair value loss of investments at FVTPL	8	**(218,478)**	--
Finance costs		**(4,501,464)**	(857,449)
Loss for the year – Exhibit D		**(51,328,755)**	(55,712,800)
Basic loss per share	23	**(0.102)**	(0.110)

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

	Note	2020 AED	2019 AED
Loss for the year		**(51,328,755)**	(55,712,800)
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss :			
Increase/(decrease) in fair value of investments carried at FVTOCI	8	**14,176,226**	(6,507,154)
(Loss)/gain on sale of investments carried at FVTOCI	8	**(1,975,749)**	1,730,135
Total other comprehensive income/(loss)		**12,200,477**	(4,777,019)
Total comprehensive loss for the year -Exhibit C		**(39,128,278)**	(60,489,819)

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RAS AL KHAIMAH CEMENT COMPANY P.S.C
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

EXHIBIT C

	Capital AED	Treasury shares AED	Statutory reserve AED	Voluntary reserve AED	Cumulative changes in fair value of investment measured at FVTOCI AED	Accumulated losses AED	Total AED
Balance at 1 January 2019	559,020,000	(47,711,881)	69,417,923	32,738,744	(28,060,183)	(5,409,452)	579,995,151
Total comprehensive loss for the year – Exhibit B	--	--	--	--	(4,777,019)	(55,712,800)	(60,489,819)
Treasury stocks retirement (Note 12)	(55,902,000)	47,711,881	--	--	--	8,190,119	--
Transfer of fair value reserve on disposals of investments carried at FVTOCI	--	--	--	--	10,968,242	(10,968,242)	--
Balance at 31 December 2019 – Exhibit A	**503,118,000**	--	**69,417,923**	**32,738,744**	**(21,868,960)**	**(63,900,375)**	**519,505,332**
Total comprehensive loss for the year – Exhibit B	--	--	--	--	**12,200,477**	**(51,328,755)**	**(39,128,278)**
Transfer of fair value reserve on disposals of investments carried at FVTOCI	--	--	--	--	**4,561,666**	**(4,561,666)**	--
Balance at 31 December 2020 – Exhibit A	**503,118,000**	--	**69,417,923**	**32,738,744**	**(5,106,817)**	**(119,790,796)**	**480,377,054**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

EXHIBIT D

	2020 AED	2019 AED
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year – Exhibit B	**(51,328,755)**	(55,712,800)
Adjustments for:		
Depreciation of property, plant and equipment	**15,180,952**	29,260,962
Amortisation of intangible assets	**287,738**	287,738
Fair value loss on revaluation of investments at FVTPL	**218,478**	--
Provision for employees' end of service benefits	**291,221**	551,747
Dividends income	**(1,242,653)**	(1,490,645)
Profit of selling investments at FVTPL	**(1,487,220)**	--
Share of loss/(profit) from an associate	**1,695,467**	(12,699)
Net impairment losses on financial assets	**27,386,670**	6,607,169
Write-down of inventory to net realizable value	**(1,992,214)**	--
Impairment of property, plant and equipment	--	422,832
Gain on sale of property, plant and equipment	--	(8,000)
Finance costs	**4,501,464**	857,449
Operating cash flows before changes in working capital	**(6,488,852)**	(19,236,247)
Increase/(decrease) in inventories	**(5,367,272)**	20,270,014
Decrease in due from an associate	--	2,580,346
Decrease/(increase) in trade and other receivables	**30,615,691**	(11,514,097)
Increase in trade and other payables	**49,472,073**	22,060,656
Settlements of employees end of service benefits	**(1,636,100)**	(737,633)
Net Cash Provided by Operating Activities	**66,595,540**	13,423,039
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(1,383,943)**	(8,803,012)
Proceeds on sale of property, plant and equipment	--	8,000
Purchase of investments carried at FVTOCI	**(65,561,300)**	(29,682,406)
Purchase of investments at FVTPL	**(38,750,797)**	--
Proceeds from sale of investments carried at FVTOCI	**23,630,857**	39,343,942
Proceeds from sale of investments carried at FVTPL	**27,195,821**	--
Movement in deposits	--	11,400,000
Dividends received	**1,242,653**	1,490,645
Net Cash (Used In)/Provided by Investing Activities	**(53,626,709)**	13,757,169
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of bank borrowings	**(6,951,925)**	(5,793,272)
Finance costs paid	**(4,501,464)**	(1,960,588)
Dividends paid	**(26,603)**	(19,845)
Net Cash Flows Used In Financing Activities	**(11,479,992)**	(7,773,705)
Net increase in cash and cash equivalents	**1,488,839**	19,406,503
Cash and cash equivalents at the beginning of the year	**5,420,993**	(13,985,510)
Cash and cash equivalents at end of year - Note 11	**6,909,832**	5,420,993

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Ras Al Khaimah Cement Company P.S.C – Ras Al Khaimah (hereinafter referred to as the **"Company"**) is a public shareholding company incorporated in Ras Al Khaimah by an Emiri Decree No. 4 issued by His Highness The Ruler of Emirate of Ras Al Khaimah in 1995. The Company started its commercial production in April 2000. The Company is listed on Abu Dhabi Securities Exchange.

The main activities of the Company are Clinkers and Hydraulic Cements Manufacturing Industrial Enterprises Investment, Institution and Management and Wholesale of Cement Products Trading.

The Company is domiciled in Ras Al Khaimah and its registered address is P.O. Box : 2499, Ras Al Khaimah, United Arab Emirates.

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of financial statements are consistent with those applied by the Company in the interpretation of the financial statements for the year ended 31 December 2019 except for the adoption of the following new standards, interpretation and amendments.

2.1 Standards and Interpretations Issued and in Effect :

Standard or Interpretation No.	Description	Effective Date
Definition of materiality (Amendments to IAS (1) and IAS (8))	The amendments provide clarifications for the definition of materiality, where the information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements, which provide financial information about a specific financial reporting entity. The amendments clarify that materiality depends on the nature of the information, its magnitude or both. Information error is a significant matter if it is reasonably expected to influence the decisions made by the primary users.	1 January 2020
Definition of a Business (Amendments to IFRS 3)	The amendments clarify that a business is considered a business if it includes at a minimum, an input and a substantive process that together significantly contribute to the ability of creating outputs, and it also clarifies that a business can exist without including all of the inputs and processes needed to create outputs.	1 January 2020

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.1 Standards and Interpretations Issued and in Effect : (Continued)

Standard or Interpretation No.	Description	Effective Date
Conceptual framework Financial Report (Revised)	The conceptual framework includes definitions on which all the requirements of IFRS are based (definition of asset, liability, income, expense, objectives of general purpose financial statements..) The revised framework improves these definitions.	1 January 2020
Interest Rate Benchmark Reform Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	These amendments provide some exemptions related to the standard reform of the interbank offered interest reference rate. The exemptions relate to hedge accounting. The reformulations relate of the interbank interest reference rate should not generally cause the discontinuance of hedge accounting.	1 January 2020
Covid 19 – Related Rent Concessions (Amendment to IFRS 16)	IFRS 16 has been amended to address rental concessions for lessees resulting from the COVID – 19 epidemic, which meet the following characteristics : a. Change in lease payments leads to an amendment in the lease contract that is substantially the same or less than the lease consideration immediately preceding the change. b. The reduction is the rent payments so that it only affects the payment due on or before 30 June 2021. c. There is no material change in the other terms and conditions of the lease.	1 June 2020

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

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet Effective

The Company has not early adopted any of new standard, interpretation and amendments has been issued but is not yet effective.

- **Standards and Interpretations Issued but Not Yet Effective :**

Standard or Interpretation No.	Description	Effective Date
Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IFRS 7, IFRS 4, IFRS 16 and IAS 39)	The amendments provide temporary exemptions that address the effects of financial reporting when an Interbank Offered Rate (IBOR) is exchanged for a Risk-Free Alternative Interest Rate (RFR). Amendments include a practical expedient requiring contractual changes or changes in cash flows, which is necessary as a direct consequence on interest rate benchmark reform, to be dealt with as variables in the variable interest rate, equivalent to the movement in the interest rate in the market. Allowing the use of this practical expedient is provided with the condition that the transfer from IBOR to (RFR) takes place on an economically equivalent basis without the occurrence of value transfer.	1 January 2021 or after
Annual improvements to IFRS 2019-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	*IFRS 1 Amendments, First-time Adoption of International Financial Reporting Standards* An extension of the optional exemption that allows the subsidiary which becomes an adopter of the IFRS for the first time after the parent company to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition of IFRS Standards. Similar election is available for the associate and joint venture.	1 January 2022 or after

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet (Continued)

- **Standards and Interpretations Issued but Not Yet Effective (Continued)**

Standard or Interpretation No.	Description	Effective Date
Annual improvements to IFRS 2019-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	*IFRS 9 Amendments, Financial Instruments* The amendments clarify the fees an entity includes when it applies the '10 percent' in assessing whether to derecognize a financial liability. *IFRS 16 Amendments, Leases* The amendment to illustrative example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements. *IAS 41 Amendments, Agriculture* The amendment removes the requirement in paragraph 22 of IAS 41 for the entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.	
IFRS 3 Amendments, Business Combinations – reference to the Conceptual Framework	The amendments aim to update the reference to the conceptual framework without changing the accounting requirements of IFRS 3 Business Combinations.	1 January 2022 or after
IAS 16 Amendments, Property, plant and equipment – proceeds before intended use	Amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.	1 January 2022 or after
IAS 37 Amendments, Provisions, Contingent Assets and Liabilities – Onerous Contracts – Cost of Fulfilling a Contract	Amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract will produce a loss.	1 January 2022 or after

2. ADOPTION OF NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.2 New and Revised Standard, Interpretation and Amendments Issued But Not Yet (Continued)

- **Standards and Interpretations Issued but Not Yet Effective (Continued)**

Standard or Interpretation No.	Description	Effective Date
IAS 1 Amendments, Presentation of Financial Statements	• Clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period. • Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. • Explain that rights are in existence if covenants are complied with at the end of the reporting period. • Introduce a definition of "settlement" to make clear that settlements refers to the transfer to the counterparty of cash, equity instruments, other assets or services. • Are applied retrospectively.	1 January 2023 or after
IFRS 10 and IAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Association or Joint Venture	The amendments address an acknowledge inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.	Indefinite effective date

- The management anticipates that no significant impact on the financial statements when will be adopted of these standards in future periods.

3. BASIS OF PREPARATION

3.1 Statement of compliance

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) and comply with the applicable requirements of the laws of UAE.

3. BASIS OF PREPARATION (CONTINUED)

3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial instruments which has been measured on the basis of fair value.

These financial statements are presented in United Arab Emirates Dirham (AED), which is the Company's Functional Currency. Amounts presented in AED in these financial statements are rounded to the nearest Dirhams.

3.3 Use of estimates, assumptions and judgment

The preparation of financial statements in conformity with IFRSs requires management to make judgment, estimates and assumption that affect the application of policies and reported amount of assets and liabilities, income and expenses, other disclosures and disclosures of contingent liabilities.

The Company based its assumptions, judgments and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of the Company. Actual results may differ from these estimates. Such changes are reflected in the financial statements when they occur.

Estimates, judgments and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Estimates, assumptions and judgments are continually evaluated and are based on management historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstance.

Estimates, assumptions and judgments with significant risk of material adjustment in the future year mainly comprise of the following:

Provision relating to contracts

The Company reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under it. The unavoidable costs under contract reflect the least net cost of exiting from the contract which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. The Company estimates any such provision based on the facts and circumstances relevant to the contracts.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company's financial assets that are subject to IFRS 9's new expected credit loss model are trade receivables and cash in bank.

Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the assets compared to full utilization capabilities of the assets and physical wear and tear. Company's management reviews the residual value and useful lives annually.

Impairment loss on property, plant and equipment

The Company reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in statement of comprehensive income, the Company makes judgments as to whether there is any observable data indication that there is a reduction in the carrying value of property, plant and equipment. Accordingly, provision for impairment is made where there is an identified loss event or condition which, based on previous experience, is evidence of a reduction in the carrying value of property, plant and equipment.

3. BASIS OF PREPARATION (CONTINUED)

3.3 Use of estimates, assumptions and judgment (Continued)

Impairment of inventories

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

Calculation of the quantity of inventory

The calculation of closing stock quantities of certain raw materials, clinker and finished cement requires the use of estimates. At the end of each reporting period, management appoints a surveyor to determines the volume of the inventory which is used by management in a scientific formula by reference to its estimated density, to arrive to the closing quantity. The inventory as reflected in the accounting records, closely approximates the actual quantities.

Provision for loss allowance

When measuring ECL the Company 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 10 for the provision for the loss allowance for the year.

Share of (loss)/profit of an associate

Share of (loss)/profit of an associate company amounting to AED (1,695,467) (2019 : AED 12,699) is based on the associate unaudited financial statements as at 31 December 2020. Historically, the audit of the associate is completed after the issuance of the Company's financial statements. Based on the past practice and experience, management believes that it is appropriate to use the loss/profit as per the unaudited financial statements for equity accounting of the associate and the unaudited results will not materially vary from the audited results.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment, where applicable. The cost of property, plant and equipment is its purchase cost together with any incidental expenses of acquisition. 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 Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

	Years
Factory building	28 - 40
Plant and machinery	28 - 40
Motor vehicles and mobile equipment	4 - 10
Office furniture and equipment	10 - 15
Capital spare parts	40

Gains and losses on disposals are determined by comparing proceeds with the asset's carrying amount and are recognised within profit and loss in the statement of income.

Capital work in progress
Capital work-in-progress is stated at cost less impairment, if any, until construction is complete. Upon the completion of construction, the cost of such assets together with the cost directly attributable to construction, including capitalised borrowing costs, are transferred to the appropriate asset category and depreciated in accordance with the Company's policies when construction of the asset is completed and the asset is available for use.

4.2 Intangible assets

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

These costs are amortised over their estimated useful lives of 7 years.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Investments in an associate

(a) Associates

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

(b) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Company's share of the post – acquisition profits or losses of the investee in the statement of income, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains or transactions between the Company and associates are eliminated to the extent of the Company's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company. The carrying amount of equity – accounted investments is tested for impairment in accordance with the policy described in Note 3.3.

4.4 Financial assets

(a) Classification

The Company 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 Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company reclassifies debt investments when and only when its business model for managing those assets changes.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Financial assets (Continued)

(a) Classification (Continued)

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

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company 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 statement of income.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Financial assets (Continued)

(d) Debt instruments (Continued)

- FVTOCI: 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 FVTOCI. Movements in the carrying amount are taken through OCI, 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 OCI 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 statement of income.

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

(e) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, 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 Company's right to receive payments is established.

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

4.5 Inventories

Finished products are stated at the lower of cost or 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 replacement cost.

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 completion and costs to be incurred in marketing, selling and distribution