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

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
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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

	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

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.6 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and current accounts with bank and call deposits with original maturities of three months or less, less bank overdrafts.

4.7 Share capital

Ordinary shares are classified as equity.

4.8 Employee Benefits

4.8.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to Federal Labour Law No. 7 of 1999. The Company 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 Company with respect to the retirement pension and social security scheme is to make the specified contributions (12.5%). The contributions are charged to the statement of income.

4.8.2 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.

4.8.3 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 statement of financial position date.

4.9 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 statement of income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.9 Borrowings (Continued)

Borrowings are removed from the 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 the statement of income 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 the statement of income, 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.10 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

4.11 Trade payables and provisions

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.11 Trade payables and provisions (Continued)

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

4.12 Leases

The Company has adopted IFRS 16 from its mandatory adoption date of 1 January 2019 using the simplified retrospective approach. IFRS 16 introduced a single, on- statement of financial position model for lessees. As a result, the Company, 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.

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.

(a) Company 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 Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of income 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 Company's incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Leases (Continued)

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.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of income. 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 the statement of income in the period in which the event or condition that triggers those payments occurs.

(b)Company as a lessor

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Properties owned by the Company and leased out under operating leases are included in investment property in the 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 statement of income on straight- line basis over the lease term.

4.13 Foreign currencies

Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAE Dirhams at the spot foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in UAE Dirhams at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated to UAE Dirhams at the spot exchange rate at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate the date of the transaction.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.13 Foreign currencies (Continued)

Foreign currency differences arising on translation are generally recognized in the statement of comprehensive income.

4.14 Revenue recognition

IFRS 15 "Revenue from contracts with customers" outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance found across several Standards and Interpretations within IFRSs. It establishes a new 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 Company 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 Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company 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 Company recognises revenue over time if any one of the following criteria is met:

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

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

- The Company's performance does not create an asset with an alternative use to the Company and the entity 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.14 Revenue recognition (Continued)

When the Company 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.

When the Company 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.

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 is at a point in time for sale of goods when the goods are delivered to the customer.

Other income:

(a) Dividend income

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

(b) Interest income

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.

4.15 Dividend distribution

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

4.16 Value added tax

Effective 1 January 2018, the Company recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Value added tax (Continued)

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.

4.17 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to shareholders of the Company, 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

4.18 Segment information

For management purposes, the Company is organized into two operating segments based on their products and services. These segments are independently managed by respective segment managers who are reporting to the Company's management. The Company regularly review the segment results in order to assess the segment performance.

5. PROPERTY, PLANT AND EQUIPMENT

a) This item consists of the following:

	Factory building AED	Plant and machinery AED	Motor vehicle and mobile equipment AED	Office furniture and equipment AED	Capital spare parts AED	Capital work-in-progress AED	Total AED
Cost							
At 1 January 2019	24,983,818	745,027,525	5,878,172	5,991,761	21,585,682	44,745,646	848,212,604
Additions	987,800	1,354,567	--	35,998	--	7,527,786	9,906,151
Transfers	--	48,865,958	--	--	--	(48,865,958)	--
Transfers to inventories	--	--	--	--	(1,150,302)	--	(1,150,302)
Disposals	--	(422,832)	(160,000)	--	--	--	(582,832)
At 31 December 2019	**25,971,618**	**794,825,218**	**5,718,172**	**6,027,759**	**20,435,380**	**3,407,474**	**856,385,621**
Additions	--	--	**830,600**	**4,880**	--	**548,463**	**1,383,943**
Transfer to inventories	--	--	--	--	**(95,755)**	--	**(95,755)**
Disposals	--	--	**(1,012,639)**	**(4,042)**	--	--	**(1,016,681)**
Transfer from a related party	--	**7,500,000**	--	--	--	--	**7,500,000**
At 31 December 2020	**25,971,618**	**802,325,218**	**5,536,133**	**6,028,597**	**20,339,625**	**3,955,937**	**864,157,128**
Accumulated depreciation							
At 1 January 2019	16,116,616	442,996,616	3,811,905	4,347,278	7,441,196	--	474,713,611
Charge for the year	782,855	26,569,038	604,534	620,881	683,654	--	29,260,962
Relating to disposals	--	--	(160,000)	--	--	--	(160,000)
At 31 December 2019	**16,899,471**	**469,565,654**	**4,256,439**	**4,968,159**	**8,124,850**	--	**503,814,573**
Charge for the year	**375,077**	**13,292,950**	**444,404**	**616,900**	**451,621**	--	**15,180,952**
Relating to transfer to inventories	--	--	--	--	**(95,755)**		**(95,755)**
Relating to disposals	--	--	**(1,012,639)**	**(4,042)**	--	--	**(1,016,681)**
Relating to transfer from a related party	--	**7,500,000**	--	--	--	--	**7,500,000**
At 31 December 2020	**17,274,548**	**490,358,604**	**3,688,204**	**5,581,017**	**8,480,716**	--	**525,383,089**
Net Book Value :							
At 31 December 2020 – Exhibit A	**8,697,070**	**311,966,614**	**1,847,929**	**447,580**	**11,858,909**	**3,955,937**	**338,774,039**
At 31 December 2019 – Exhibit A	9,072,147	325,259,564	1,461,733	1,059,600	12,310,530	3,407,474	352,571,048

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) The factory and its related buildings are constructed on a plot of land owned by the Government of Ras Al Khaimah. There is no rent charged on such land.

c) Interest expense capitalized during the year ended 31 December 2020 is AED Nil (2019 : AED 1,103,139).

d) Plant and machinery include Waste Heat Recovery asset which were capitalised during 2019. These assets are pledged against the borrowings of the Company (Note 15).

e) Depreciation for the year is allocated to cost of sales and general selling and administrative expenses amounting to AED 14,404,349 (2019: AED 28,320,247) and AED 776,603 (2019: AED 940,715), respectively.

f) Effective 1 January 2020, the Company changed its estimates of the useful lives of factory building, plant and machinery and capital spare parts. The depreciation lives of these assets previously were 28-30 years for factory building, plant and machinery, and 30 years for capital spare parts, have been increased to 28-40 years for factory building, plant and machinery and 40 years for capital spare parts. These changes were made to better reflect the estimated periods during which such assets will remain in service. The change had the effect of decreasing depreciation expense and decreasing the net loss of AED. 14,080,010 for the year ended 31 December 2020.

6. INTANGIBLE ASSETS

This item consists of the following:

	Computer software AED
Cost	
At 1 January 2019	2,013,560
At 31 December 2019	2,013,560
At 31 December 2020	**2,013,560**
Accumulated amortisation	
At 1 January 2019	967,459
Charge for the year (Note 19)	287,738
At 31 December 2019	1,255,197
Charge for the year (Note 19)	287,738
At 31 December 2020	**1,542,935**
Net Book Value :	
At 31 December 2020 – Exhibit A	**470,625**
At 31 December 2019 – Exhibit A	758,363

7. INVESTMENT IN AN ASSOCIATE

Investment in an associate represents the Company's investment in the capital of Reem Ready Mix LLC - Abu Dhabi, United Arab Emirates. The Company presently owns 20% (2019: 20%) of the share capital in Reem Ready Mix L.L.C. Investment in an associate is accounted for using the equity method.

The movement in investment in associate is as follows:

	2020 AED	2019 AED
Balance at the beginning of the year	**40,087,691**	40,074,992
Share of (loss)/profit	**(1,073,852)**	483,143
Other adjustments	**(621,615)**	(470,444)
Balance as at the end of the year – Exhibit A	**38,392,224**	40,087,691

The summarised financial information as at 31 December 2020 and 2019 is as follows:

	2020 AED	2019 AED
Current Assets		
Cash and cash equivalents	**2,155,320**	1,807,277
Other current assets	**169,084,329**	146,937,403
Total Current Assets	**171,239,649**	148,744,680
Non-Current Assets	**61,490,619**	59,587,221
Current liabilities:		
Financial liabilities (excluding trade payables)	**(109,115,378)**	(75,814,859)
Other current liabilities	**(31,501,815)**	(34,630,439)
Total Current Liabilities	**(140,617,193)**	(110,445,298)
Non-Current Liabilities	**(6,024,912)**	(3,321,104)
Net Assets	**86,088,163**	94,565,499
Company's share in net assets	**17,217,633**	18,913,100
Goodwill	**21,174,591**	21,174,591
Carrying Amount	**38,392,224**	40,087,691
Total revenue	**159,758,029**	194,043,151
Net (loss)/profit for the year	**(5,369,261)**	2,415,708
Share of associate's (loss)/profit for the year	**(1,073,852)**	483,143
Share of Contingent Liabilities	**2,542,400**	2,970,629

8. FINANCIAL ASSETS

Financial assets comprised of the following :

a) Investments Carried At Fair Value Through Other Comprehensive Income (FVTOCI)

i) This item consists of the following:

	2020 **AED**	2019 AED
Quoted - Note 8(a)(iii)	**82,706,171**	26,175,251
Unquoted - Note 8(a)(iv)	**5,068,366**	7,468,366
Total – Note 8(a)(ii)	**87,774,537**	33,643,617

ii) Movement in the investments carried at fair value through other comprehensive income (FVTOCI)were as follows:

	2020 **AED**	2019 AED
Fair value at the beginning of the year	**33,643,617**	48,082,172
Purchased during the year	**65,561,300**	29,682,406
Disposal during the year	**(23,630,857)**	(39,343,942)
Increase/(decrease) in fair value of investments at FVTOCI	**14,176,226**	(6,507,154)
(Loss)/gain of selling investments listed at FVTOCI	**(1,975,749)**	1,730,135
Total – Exhibit A	**87,774,537**	33,643,617

iii) Quoted investments carried at FVTOCI amounting to AED 82,706,171 (2019: AED 26,175,251) represent investments listed on the local stock markets in the United Arab Emirates.

iv) Unquoted investments carried at FVTOCI represent investments in shares of entities based in the United Arab Emirates.

b) Investments Carried At Fair Value Through Profit or Loss (FVTPL)

i) This item consists of the following :

	2020 **AED**	2019 AED
Quoted – **Note 8(b)(ii)**	**12,823,718**	--

8. FINANCIAL ASSETS (CONTINUED)

b) Investments Carried At Fair Value Through Profit or Loss (FVTPL) (Continued)

ii) Movements in the investments carried at fair value through profit or loss (FVTPL) were as follows :

	2020 AED	2019 AED
Fair value at the beginning of the year	--	--
Purchased during the year	38,750,797	--
Disposal during the year	(27,195,821)	--
Decrease in fair value of investments at FVTPL	(218,478)	--
Gain from selling investments listed at FVTPL	1,487,220	--
Total – Exhibit A	**12,823,718**	--

ii) Quoted investments carried at FVTPL amounting to AED 12,823,718 (2019 : AED Nil) represent investments listed on the local stock markets in the United Arab Emirates.

c) Pursuant to SCA letter ref. no. SHS/KH/411/2018 dated 9 July 2018, the Company 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.

9. INVENTORIES

a) This item consists of the following:

	2020 AED	2019 AED
Finished goods	9,581,401	10,977,263
Raw materials	2,513,732	4,601,867
Work in progress	13,805,494	4,483,984
Total	25,900,627	20,063,114
Spare parts - maintenance	37,505,980	37,656,129
Consumable items	5,958,216	4,286,094
Total	43,464,196	41,942,223
Allowance for slow-moving inventories	(6,933,524)	(6,933,524)
Net Amount	**36,530,672**	35,008,699
Total – Exhibit A	**62,431,299**	55,071,813

b) Cost of inventory charged to statement of income amounting to AED 34,637,248 (2019: AED 51,850,223) (Note 18).

c) Inventories have been reduced by AED. 1,992,214 (2019 : AED. Nil) as a result of the write-down to net realized value. This write-down was recognized as an expenses during the year 2020 (Note 18).

10. TRADE AND OTHER RECEIVABLES

a) This item consists of the following:

	2020 AED	2019 AED
Trade receivables – Note 10(c)	**66,818,047**	89,575,879
Advances to suppliers	**2,960,185**	462,986
Prepayments	**2,453,964**	5,507,783
Other assets – Note 10(b)	**4,570,459**	17,834,123
Other receivables	**2,181,000**	9,582,785
Total	**78,983,655**	122,963,556
Less: provision for impairment loss – Note 10(d)	**(17,721,725)**	(3,699,265)
Net Amount – Exhibit A	**61,261,930**	119,264,291

b) Other assets represent a product (clinker) loaned to a third party on mutually agreed terms.

c) Analysis of trade receivables are set out below:

	2020 AED	2019 AED
Secured against unconditional bank guarantees	**14,900,000**	18,763,608
Secured against letter of credit	--	3,999,869
Open credit	**51,918,047**	66,812,402
Total – Note 10(a)	**66,818,047**	89,575,879

d) The movement in provision for impairment loss was as follows:

	2020 AED	2019 AED
Balance at the beginning of the year	**3,699,265**	3,096,601
Charge relating to trade receivables	**22,450,336**	2,607,169
Charge relating to other receivables	--	4,000,000
Charge relating to other assets	**4,936,334**	--
Write off during the year	**(13,364,210)**	(6,004,505)
Balance at the end of the year – Note 10(a)	**17,721,725**	3,699,265

The average credit period on sales of goods is 120 days (2019: 120 days). No interest is charged on outstanding trade receivables.

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime 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 customers including bank guarantees and letters of credit provided, 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Company 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.

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

Of the trade receivables balance, AED 38 million representing 57% of the trade receivables (2019: AED 49 million representing 55% of the trade receivables) are due from the Company's 6 major customers (2019: 6 major customers).

31 December 2020	Not past due AED	Less than 30 Days AED	31 - 60 Days AED	61 - 90 Days AED	91 - 120 Days AED	121 - 150 Days AED	More than 150 Days AED	Total AED
Expected credit loss rate	1.00%	0.00%	1.75%	2.25%	2.75%	5.75%	89.60%	
Gross receivable	37,957,239	13,441	151,394	1,894,028	948,941	5,778,047	20,074,957	66,818,047
Secured receivable	11,711,125	--	--	283,333	183,333	1,812,018	910,191	14,900,000
Exposure	26,246,114	13,441	151,394	1,610,695	765,608	3,966,029	19,164,766	51,918,047
Expected credit loss	262,461	--	2,650	36,241	21,070	228,047	17,171,256	17,721,725

31 December 2019	Not past due AED	Less than 30 Days AED	31 - 60 Days AED	61 - 90 Days AED	91 - 120 Days AED	121 - 150 Days AED	More than 150 Days AED	Total AED
Expected credit loss rate	0.82%	1%	1.68%	2.21%	2.57%	5.48%	80.6%	
Gross receivable	69,742,284	8,313,063	2,193,205	1,877,462	898,131	1,048,162	5,503,572	89,575,879
Secured receivable	16,741,647	2,646,338	769,555	896,134	21,845	10,788	1,677,171	22,763,478
Exposure	53,000,637	5,666,725	1,423,650	981,328	876,286	1,037,374	3,826,401	66,812,401
Expected credit loss	433,649	56,722	23,925	21,688	22,496	56,855	3,083,930	3,699,265

11. CASH AND CASH EQUIVALENTS

This item consists of the following:

	2020 AED	2019 AED
Cash on hand	**64,186**	94,315
Current accounts	**6,728,393**	5,326,678
Call deposit	**117,253**	--
Total – Exhibit A & D	**6,909,832**	5,420,993

Bank balances and cash are maintained in United Arab Emirates.

12. SHARE CAPITAL

This item consists of the following:

	2020 AED	2019 AED
Authorized share capital is AED 503,118,000		
Ordinary share of AED 1 each fully paid – Exhibit A	**503,118,000**	503,118,000

During the year ended 31 December 2016 and 31 December 2017, the Company has bought back 55,902,000 ordinary shares in total from the stock market for a total cash consideration of AED 47,711,881. This buyback programme of up to 10% of the Company's shares was approved by the Securities and Commodities Authority and the Company's shareholders.

During 2018, the bought-back ordinary shares holding period of two years had expired and as stipulated in the Security and Commodity Authority's Board of Directors' Decision no. (40) for the year 2015, the Company is required to decrease its share capital by the nominal amount of these bought-back shares. The Shareholders approved the decrease of share capital and the amendment of the Company's Article of Associations in their meeting on 25 October 2018.

The treasury shares were retired on 24 January 2019 according to the amendment to article 6 of the statue of the Company which was communicated to Abu Dhabi Securities Exchange on 21 January 2019. The difference between the total cash consideration paid and the nominal shares price was transferred to the Company's accumulated losses.

13. RESERVES

a) **Statutory reserve**

As required by the UAE Federal Law No. (2) of 2015, a minimum of 10% of the profit for the year is to be allocated annually to a non-distributable statutory reserve account and such appropriation shall be suspended when the reserve balance reaches an amount equal to 50% of the Company's paid-up capital. Such appropriation will be resumed whenever the reserve balance becomes less than 50% of the Company's paid-up capital.

b) **Voluntary reserve**

Another 10% of the profit for the year is to be transferred for the creation of a voluntary reserve account. This appropriation will be suspended by a resolution from the general assembly meeting based on a proposal put forward by the Board of Directors, or if such reserve amounts to 20% of Company's paid-up capital. This reserve can be utilised by the Company for the objects as determined by the general assembly meeting on proposals submitted by the Board of Directors.

14. Employees' end of service benefits

This item consists of the following :

	2020	2019
	AED	AED
Balance at the beginning of the year	**3,759,349**	3,945,235
Charge during the year	**291,221**	551,747
Settlements during the year	**(1,636,100)**	(737,633)
Balance at the end of year – Exhibit A	**2,414,470**	3,759,349

15. BANK BORROWINGS

This item consists of the following:

	2020	2019
	AED	AED
Term loan installments due for settlement within 12 months from the reporting date – **Exhibit A**	**15,062,506**	22,014,431

15. Bank Borrowings (Continued)

Movement of the bank borrowings during the year was as follows:

	2020 AED	2019 AED
Balance at the beginning of the year	**22,014,431**	27,807,703
Paid during the year	**(6,951,925)**	(5,793,272)
Balance at the end of the year	**15,062,506**	22,014,431

The Company obtained a term loan facility of AED 30,000,000 to finance the construction of Waste Heat Recovery Plant at Ras Al Khaimah Factory against which the draw down is AED 15 million (2019: AED 22 million). The loan is repayable in 48 equal monthly instalments. The loan carries interest rate of 3 months EIBOR + 2.75% per annum, subject to a minimum of 4.25% per annum. The term loan is secured by:

- Pledge over Waste Heat Recovery Plant (note 5);
- Assignment of contractors all risk insurance policy or erection policy for Waste Heat Recovery Plant; and
- Assignment of comprehensive insurance policy on Waste Heat Recovery Plant.

The short-term borrowings (bank overdraft) represent unsecured bank facilities from a commercial bank in the United Arab Emirates. The facility carries an interest rate of 3 months EIBOR + 2.75% per annum, subject to minimum of 4.5% per annum.

16. Trade And Other Payables

a) This item consists of the following:

	2020 AED	2019 AED
Trade payables	**58,480,449**	44,830,011
Advances from customers	**1,663,635**	4,296,335
Dividends payable	**4,067,286**	4,093,889
Accruals	**6,364,448**	6,524,282
Other payables	**--**	1,794,187
Margin trading account payable – Note 16(b)	**40,408,356**	--
Total – Exhibit A	**110,984,174**	61,538,704

b) As per the Margin Trading Agreement between the Company and a local brokerage company, the brokerage company financed the Company on margin to buy securities listed on the market. The Company's margin trading account is assigned for margin trading for which the Company will pay an agreed commission and interest on margin priced at 8% plus 3-month EIBOR (minimum 10%) per annum. The margin trading account is secured by a pledge over the securities in the margin trading account of the Company and other collaterals as set by the applicable laws and regulations.

17. SALES

This item consists of the following:

	2020	2019
	AED	AED
Revenue recognised at point in time :		
Local sales (in the UAE)	**107,455,438**	163,872,386
Export sales (Outside the UAE)	**45,620,690**	17,788,190
Total – Exhibit B	**153,076,128**	181,660,576

Sales includes AED 63.2 million – 40% from 6 customers (2019: AED 39.9 million - 22%, from 5 customers).

18. COST OF SALES

a) This item consists of the following:

	2020	2019
	AED	AED
Energy cost	**40,618,301**	52,482,588
Direct material	**34,637,248**	51,850,223
Electricity	**31,084,207**	32,922,363
Depreciation on property, plant and equipment (Note 5)	**14,404,349**	28,320,247
Staff costs - (Note 20)	**8,824,668**	14,235,958
Repairs and maintenance	**11,454,138**	10,224,867
Compensation for using a third party plant – Note 18(b)	--	10,000,000
Paper bags consumption	**7,873,041**	9,308,325
Other	**5,575,210**	6,478,723
Write-down of inventories to net realizable value	**1,992,214**	--
Total – Exhibit B	**156,463,376**	215,823,294

b) During the first quarter of 2019, the Company paid AED 10 million as an advance payment to acquire Newtec Cement Factory and Al Bana Quarries (the "Establishments"), located in the United Arab Emirates. The total transaction value of the acquisition was intended to have been approximately AED 450 million. The terms of the acquisition agreement stipulated that the acquisition was contingent upon the Company being able to obtain necessary financing to make the acquisition. The Company was unable to obtain a suitable financing and as a result, during the third quarter of 2019, decided to cancel the acquisition.

In March 2019, at the time of making the advance payment, the Company along with the Establishments' seller amended the trade licences of the Establishments to reflect the Company as their new owner. This was done on the basis that the acquisition would complete before December 2019. However, because the acquisition will not now take place, the Company is currently in the process of re-amending the trade licences of the Establishments to again reflect the seller as the owner. The Company did not obtain control over the Establishments at any stage and therefore has not consolidated their related interim financial information.

18. COST OF SALES (CONTINUED)

During the year 2020, the Company signed a settlement agreement with the owner of the Establishments where as the Company would compensate the Owner for an equal amount to the advance paid of AED 10 million for the Company's right to use the establishments for its own production during the financial year 2019. Accordingly, the advance paid during the year was offset against the consideration payable for the Establishments use right. The net results of operating Al Bana Quarries amounted to net losses of AED 1.2 million recorded as other losses in the statement of income in the year 2019.

19. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

This item consists of the following:

	2020 AED	2019 AED
Staff costs (Note 20)	**8,071,091**	9,536,949
Government, professional and consultancy expenses	**6,177,614**	1,616,636
Depreciation on property, plant and equipment (Note 5)	**776,603**	940,715
Amortisation of intangible assets (Note 6)	**287,738**	287,738
Donations and social contributions	**106,000**	284,988
Others	**2,848,261**	2,342,662
Total – Exhibit B	**18,267,307**	15,009,688

20. STAFF COSTS

a) This item consists of the following:

	2020 AED	2019 AED
Salaries and wages	**13,468,943**	18,238,222
Other benefits	**3,135,595**	4,982,938
End of service benefits - (Note 14)	**291,221**	551,747
Total	**16,895,759**	23,772,907

b) Staff costs are allocated as follows :

	2020 AED	2019 AED
Cost of sales – (Note 18)	**8,824,668**	14,235,958
Selling, general and administrative expenses – (Note 19)	**8,071,091**	9,536,949
Total	**16,895,759**	23,772,907

21. OTHER INCOME

This item consists of the following:

	2020 AED	2019 AED
Scrap sales	**107,952**	230,767
Gain on sale of property, plant and equipment	**--**	8,000
Gain in foreign currency exchange	**188,775**	--
Others	**1,101,279**	407,959
Total – Exhibit B	**1,398,006**	646,726

22. GEOGRAPHICAL INFORMATION

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

	2020 AED	2019 AED
United Arab Emirates	**107,455,438**	154,137,372
Other countries	**45,620,690**	27,523,204
Total	**153,076,128**	181,660,576

23. BASIC LOSS PER SHARE

This item consists of the following:

	2020 AED	2019 AED
Loss for the year (in AED)	**(51,328,755)**	(55,712,800)
Weighted average number of shares (share)	**503,118,000**	503,118,000
Basic loss per share (in AED) – Exhibit B	**(0.102)**	(0.110)

The denominator for the purpose of calculating basic earnings per share for has been adjusted to reflect the buyback of own shares (Note 12).

24. RELATED PARTIES' TRANSACTIONS

Related parties include the Company's major Shareholders, associates, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Compensations of key management personnel and Board of Directors are as follows :

	2020 AED	2019 AED
Key management personnel		
Short-term and long term benefits	**2,056,380**	**2,440,380**

25. DIVIDENDS

No dividends were declared at the Annual General Meeting held on 20 April 2020.

26. CONTINGENT LIABILITIES

	2020	2019
	AED	AED
Letters of guarantee	**2,618,812**	2,303,000

27. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company 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 Company consists of bank balance and cash and equity, comprising issued capital, reserves and accumulated losses.

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

As at 31 December 2020, the gearing ratios of the Company was as follows:

	2020	2019
	AED	AED
Bank borrowings (Note 15)	**15,062,506**	22,014,431
Less: Cash and bank balances (Note 11)	**(6,909,832)**	(5,420,993)
Net debt	**8,152,674**	16,593,438
Total Equity	**480,377,054**	519,505,332
Total	**488,529,728**	536,098,770
Gearing Ratio	**1.7%**	3.1%

27. CAPITAL RISK MANAGEMENT (CONTINUED)

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

- Pledge over plant and machinery procured for Waste Heat Recovery plant project for AED 30 million in favour of the bank;
- Assignment of comprehensive insurance policy over plant and machinery for Waste Heat Recovery plant project for AED 30 million in favour of the bank and registration of such assignment with the security registry at the cost of the Company;
- The average Debt Service Coverage Ratio will not fall below 1.25:1 at any given point during the tenor of the loan;
- All assets of the Company are fully insured at all times during the tenor of the facility;
- The adjusted leverage ratio will be maintained at 1:1 or below at all times during the tenor of the loan

The Company has defaulted on of its debt covenants with the bank, relating to the average debt service coverage ratio. As the result, borrowings were fully classified as current liabilities (Note 15).

28. FINANCIAL INSTRUMENTS

The Company 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 Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.1 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 4 to the financial statements.

28.2 Categories of financial instruments

	2020	2019
	AED	AED
Financial assets – at Fair value		
Investments carried at FVTOCI (Note 8)	**87,774,537**	33,643,617
Investments carried at FVTPL (Note 8)	**12,823,718**	--
Financial assets – amortised cost		
Trade and other receivables (excluding advances to suppliers and prepayments) (Note 10)	**55,847,781**	113,293,522
Cash and cash equivalents (Note 11)	**6,909,832**	5,420,993
Total	**163,355,868**	152,358,132
Financial liabilities – amortised cost		
Borrowings (Note 15)	**15,062,506**	22,014,431
Trade and other payables (excluding advances from customers (Note 16)	**109,320,539**	57,242,369
Total	**124,383,045**	79,256,800

28.3 Fair value measurement

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 Company 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.

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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.3 Fair value measurement (Continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited financial statements for the year ended 31 December 2019.

(a) Fair value of the Company's financial assets that are measured at fair value on recurring basis.

Some of the Company'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 31 December 2020 AED	Fair value as at 31 December 2019 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	82,706,171	26,175,251	Level 1	Quoted prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	5,068,366	7,468,366	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value.
Quoted equity investments – FVTPL	12,823,718	--	Level 1	Quoted prices in an active market.	None.	NA

(b) Fair value hierarchy

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 Company is the current quoted price. These instruments are included in level 1;

- 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.3 Fair value measurement (Continued)

31 December 2020

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investments carried at fair value				
Quoted equities - FVTOCI	82,706,171	--	--	82,706,171
Unquoted equities - FVTOCI	--	--	5,068,366	5,068,366
Quoted equities - FVTPL	12,823,718	--	--	12,823,718
Total	95,529,889	--	5,068,366	100,598,255

31 December 2019

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investments carried at FVTOCI				
Quoted equities	26,175,251	--	--	26,175,251
Unquoted equities	--	--	7,468,366	7,468,366
Total	26,175,251	--	7,468,366	33,643,617

There were no transfers between 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.

28.4 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices, such as foreign currency risk and interest rate risk. Financial instruments affected by market risk include loans and borrowings. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

i) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Company's activities are not exposed to the financial risks of changes in foreign currency exchange rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams (AED) or US Dollars to which the AED is pegged.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.4 Market risk (Continued)

ii) Interest rate risk

The Company is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balance at the start of the financial year.

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2020 are as follows :

	Effective interest rate	
	2020	2019
Bank loan	**3 months EIBOR + 2.75% p.a (subject to minimum 4.25% p.a)**	3 months EIBOR + 2.75% p.a (subject to minimum 4.25% p.a)
Bank overdraft	**3 months EIBOR + 2.75% p.a (subject to minimum 4.5% p.a)**	3 months EIBOR + 2.75% p.a (subject to minimum 4.5% p.a)

The Company's sensitivity to interests rates has not changed significantly from the prior year.

28.5 Credit risk

Credit risk is the risk of financial loss to the Company, if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash flows from financial assets recorded at amortized cost such as cash and cash equivalents and trade receivables.

The Company trade with recognized, creditworthy parties. The Company's policy that all customers are analyzed for creditworthiness on credit terms and are subject to monitor the receivable balances of customers on an ongoing basis, that receivable balances are the maximum exposure to credit risk relating accounts receivable.

The Company applies IFRS 9 simplified approach to measure expected credit loss (ECL) by grouping all financial assets based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of that business transaction and the corresponding historical credit loss experienced within this period.

The historical loss rates are adjusted to reflect current and future information on macro economic factors affecting the abilities of the customers to settle their receivable balances.

With respect to credit risk arising from other financial assets such as cash and cash equivalents including deposits arising from default of counter party to limit that credit risk. The Company's cash is placed with banks of repute. Management is confident that it does not result in any credit risk to the Company as the banks are major banks operating in UAE.

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.5 Credit risk (CONTINUED)

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

	2020	2019
	AED	AED
United Arab Emirates	**64,748,838**	86,383,445
Other Gulf Cooperation Council countries	**2,069,209**	3,192,434
Total	**66,818,047**	89,575,879

28.6 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Company monitors its risk to shortage of funds using a cash flow model. This tool considers the maturity of financial assets and projected cash flows from operation and capital projects.

The Company objective is to maintain a balance between continuity of funding and flexibility through the use of term loans.

The details of maturity dates of the Company's financial assets and financial liabilities are as follows :

As at 31 December 2020 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	6,909,832	--	--	6,909,832
Trade and other receivables	28,847,367	27,000,414	--	55,847,781
Investments carried at fair value through profit or loss (FVTPL)	12,823,718	--	--	12,823,718
Investments carried at fair value through other comprehensive income (FVTOCI)	--	--	87,774,537	87,774,537
Total	48,580,917	27,000,414	87,774,537	163,355,868
Financial Liabilities				
Bank borrowings	1,158,654	13,903,852	--	15,062,506
Trade payables and others	48,912,183	60,408,356	--	109,320,539
Total	50,070,837	74,312,208	--	124,383,045

28. FINANCIAL INSTRUMENTS (CONTINUED)

28.6 Liquidity risk (Continued)

As at 31 December 2019 :

	Less than three months	From 3 months to one year	1-5 years	Total
	AED	AED	AED	AED
Financial Assets				
Cash and cash equivalents	5,420,993	--	--	5,420,993
Trade and other receivables	18,327,327	94,966,195	--	113,293,522
Investments carried at fair value through other comprehensive income (FVTOCI)	--	--	33,643,617	33,643,617
Total	23,748,320	94,966,195	33,643,617	152,358,132
Financial Liabilities				
Bank borrowings	1,158,654	20,855,777	--	22,014,431
Trade payables and others	19,145,434	38,096,935	--	57,242,369
Total	20,304,088	58,952,712	--	79,256,800

28.7 Equity price risk

The Company's exposure to equity securities price risk arises from quoted investments held by the Company and classified in the statement of financial position either as at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL) (Note 8) to manage its price risk arising from investments in equity securities, the Company diversifies its portfolio.

Diversification of the portfolio is done in accordance with the limits set by the Company.

The majority of the Company's equity investments are publicly traded.

Sensitivity analysis

At the reporting date if the equity prices of the quoted investments held at FVTPL and FVTOCI are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the results for the year in the Company's statement of income and statement of other comprehensive income would have increased/decreased by AED 1.2 million (2019 : AED. Nil) and AED. 8.2 million (2019: AED 2.6 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 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on statement of income and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

29. SEGMENT INFORMATION

The Company's operations is organized into two main business segments, manufacturing of all types of land cement (except white cement) and investments incorporating investments in securities and investment in an associate.

	2020			2019		
	Manufacturing AED	**Investments AED**	**Total AED**	Manufacturing AED	Investments AED	Total AED
Segment revenue	**153,076,128**	**--**	**153,076,128**	181,660,576	--	181,660,576
Segment result	**(52,144,683)**	**815,928**	**(51,328,755)**	(57,216,144)	1,503,344	(55,712,800)
Segment assets	**469,847,725**	**138,990,479**	**608,838,204**	533,086,508	73,731,308	606,817,816
Segment liabilities	**88,052,794**	**40,408,356**	**128,461,150**	87,312,484	--	87,312,484

30. THE IMPACT OF THE SPREAD OF CORONAVIRUS (COVID-19) ON THE COMPANY

The coronavirus (COVID-19) had spread across several regions globally, including the United Arab Emirates and on March 2020, the World Health Organization (WHO) officially declared COVID-19 as a global pandemic. This impacted the global economy and business sectors and adversely affected the demand and selling prices for the Company's products. These accompanying challenges caused the decline in the Company's sales compared with the previous year by 16%. The Company's management is closely monitoring the situation and has taken the necessary measures to address the situation in general. The extent and duration of these effects is not specific and depends on future developments that cannot be accurately predicted at this time.

31. SUBSEQUENT EVENTS

On 14 March 2021, a general assembly meeting was held for the Company to amend the Articles of Association of the Company and agreed to :

1. Amend the name of the Company to Ras Al Khaimah Cement Company for Investment.

2. Amend its activities to include investing, establishing and managing of commercial, industrial and agricultural projects. Specially, establishing, owning, contributing, participating in or acquiring companies, institutions and projects in general, whether inside or outside the United Arab Emirates.

The amendments to the Articles of Association of the Company mentioned above are subject to the approval of all concerned authorities.