Gulf Cement Company P.S.C.

FINANCIAL STATEMENTS

NINE-MONTH PERIOD ENDED
30 SEPTEMBER 2020

Ernst & Young
P.O. Box 1350
BM Towers, Office No. 105
Al Ittihad Street, Al Nahda
Sharjah
United Arab Emirates

Tel: +971 6 558 3078
Fax: +971 6 558 3079
ey.com/mena

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C.

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Gulf Cement Company P.S.C. (the "Company"), which comprise the statement of financial position as at 30 September 2020, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period 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 30 September 2020 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the financial statements, the Company has incurred a loss of AED 268.1 million during the nine-month period ended 30 September 2020 and, as of that date, the Company's accumulated losses amounted to AED 413.2 million which have exceeded 50% of the issued share capital. Moreover, due to the slowdown in the overall economic situation this has materially and adversely affected the demand and selling prices for the Company's primary products and consequently, its operating results have been negatively impacted. As stated in note 2, these conditions, along with other matters as stated in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C. (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Impairment of property, plant and equipment</u> The Company has property, plant and equipment amounting to AED 670.6 million as of 30 September 2020. A history of recent gross and net losses and the fact that the value of shareholders' equity exceeds the market value of the Company have resulted in a possible indication of impairment. The Company has performed an impairment test as at the period end resulting in an impairment loss of AED 172.4 million. Since significant judgement, assumptions and estimation uncertainty is involved in assessing the impairment, we have identified this as a key audit matter. Note 11 to the financial statements includes relevant disclosures and note 4 includes key source of estimation uncertainty.	Our procedures to test the impairment analysis prepared by the Company included the following: ▪ With the assistance of our valuation specialists, we evaluated the reasonableness of the valuation methodology; ▪ We evaluated the appropriateness of assumptions and judgments including input data used to estimate the cash flow forecasts; ▪ We assessed the appropriateness of growth rate by comparing it with prior year's actual results; ▪ With the support of our valuation specialists we assessed the appropriateness of the computation of Weighted Average Cost of Capital ("WACC") and terminal growth rate used in the determination of cash flow forecasts; ▪ We considered the potential impact of reasonably possible sensitivities in key assumptions.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C. (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for slow moving and obsolete inventories	
The gross balance of inventories as at 30 September 2020 is AED 100.6 million, against which provision for slow moving and obsolete inventories amounting to AED 21.0 million was made. Inventories include various types of inventory which are reported at the lower of cost or net realizable value. Assessing net realizable value of inventories is an area of significant judgement, in particular with regard to the estimation of allowance for slow-moving and obsolete inventories. Management has relied upon their experience, physical verification, operational condition and understanding of the nature and use of inventory items and has accordingly made estimations for allowance for slow moving and obsolete inventories. Since significant judgement is involved in assessing the required allowance, we have identified this as a key audit matter. Note 15 to the financial statements includes disclosure of allowance for slow moving and obsolete inventories and note 4 includes significant judgments in applying accounting policies.	As part of our audit, the procedures to test the management estimate of allowance for slow-moving and obsolete inventories included the following: ▪ We inquired of management to understand the procedures undertaken as part of the inventory review and assessment of allowance for slow moving and obsolete items. ▪ We evaluated the analysis and assessments made by the management with respect to the carrying value and slow and obsolete inventories considering the expected demand and market value related to finished products. ▪ We observed the inventory count performed by management and assessed the physical existence and condition of selected samples of the inventories. ▪ We tested the aging of inventory for a sample of selected inventory items and evaluated management's analysis of slow-moving inventories on selected samples. ▪ We tested the valuation of period-end inventory for a sample of selected inventory items, including review of judgements considered regarding obsolescence and net realizable value. ▪ We also assessed the adequacy of the Company's disclosures in note 15 to the financial statements.

Report on the audit of the financial statements (continued)

Other information

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

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

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

Responsibilities of management and board of directors for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The board of directors are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C. (continued)

Report on the audit of the financial statements (continued)

Auditors' 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 our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No.: 690

3 November 2020

Sharjah, United Arab Emirates

STATEMENT OF PROFIT OR LOSS
For the period ended 30 September 2020

		Nine-month period ended	
	Notes	***30 September 2020 AED (audited)***	*30 September 2019 AED (unaudited)*
Revenue from contracts with customers	5	**259,484,280**	341,012,673
Cost of sales	6	**(317,528,143)**	(323,125,890)
GROSS (LOSS) / PROFIT		**(58,043,863)**	17,886,783
Other operating income	7	**5,602,772**	7,710,224
Selling, general and administrative expenses	8	**(36,938,505)**	(33,452,334)
Impairment of property, plant and equipment	11	**(172,392,819)**	-
Investments loss - net	9	**(5,062,454)**	(165,212)
Finance cost		**(2,184,015)**	(271,041)
Other income	10	**891,862**	4,435,280
LOSS FOR THE PERIOD		**(268,127,022)**	(3,856,300)
Earnings per share (EPS):			
Basic loss per share	22	**(0.327)**	(0.005)

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2020

	Notes	*Nine-month period ended* **30 September 2020 (audited)**	*30 September 2019 (unaudited)*
LOSS FOR THE PERIOD		**(268,127,022)**	(3,856,300)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods			
Profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	13(a)	**9,980,000**	2,526,998
Net change in fair value of investments carried at FVTOCI	13(b)	**(7,798,639)**	2,888,511
Total other comprehensive income		**2,181,361**	5,415,509
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD		**(265,945,661)**	1,559,209

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	*30 September 2020 AED (audited)*	*31 December 2019 AED (audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**670,573,905**	875,617,574
Investment property	12	**10,700,000**	12,011,300
Investment carried at fair value through other comprehensive income (FVTOCI)	13(a)	**25,108,624**	32,927,263
Trade and other receivables	14	**2,167,283**	2,667,283
Total non-current assets		**708,549,812**	923,223,420
Current assets			
Inventories	15	**79,526,033**	111,443,422
Trade and other receivables	14	**111,446,098**	139,511,357
Investment carried at fair value through profit or loss (FVTPL)	13(b)	**37,755,550**	44,594,605
Bank balances and cash	16	**7,157,710**	6,558,945
Total current assets		**235,885,391**	302,108,329
TOTAL ASSETS		**944,435,203**	1,225,331,749
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**821,096,820**	821,096,820
Reserves	18	**369,190,461**	369,190,461
Fair value reserves	13(a)	**(61,639,126)**	(165,820,487)
Accumulated losses		**(413,217,273)**	(43,090,251)
Total equity		**715,430,882**	981,376,543
Non-current liabilities			
Provision for employees' end of service indemnity	19	**9,173,601**	10,542,000
Term loans	20	**371,130**	-
Total non-current liabilities		**9,544,731**	10,542,000
Current liabilities			
Bank borrowings	20	**66,331,134**	52,513,300
Term loans	20	**186,760**	-
Trade and other payables	21	**152,941,696**	180,899,906
Total current liabilities		**219,459,590**	233,413,206
Total liabilities		**229,004,321**	243,955,206
TOTAL EQUITY AND LIABILITIES		**944,435,203**	1,225,331,749

Kayed Omar Saqr Mohamed Al Qassimi
Chairman of the Board of Directors

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2020

	Share capital AED	*Treasury shares AED*	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2020 *(audited)*	821,096,820	-	369,190,461	(165,820,487)	(43,090,251)	981,376,543
Loss for the period	-	-	-	-	(268,127,022)	(268,127,022)
Other comprehensive income for the period	-	-	-	(7,798,639)	9,980,000	2,181,361
Total comprehensive income for the period	-	-	-	(7,798,639)	(258,147,022)	(265,945,661)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 13(a))	-	-	-	111,980,000	(111,980,000)	-
Balance at 30 September 2020 *(audited)*	**821,096,820**	**-**	**369,190,461**	**(61,639,126)**	**(413,217,273)**	**715,430,882**

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2020

	Share capital AED	*Treasury shares AED*	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2019 *(audited)*	821,096,820	(451,248)	410,220,302	(169,971,238)	(18,331,315)	1,042,563,321
Loss for the period	-	-	-	-	(3,856,300)	(3,856,300)
Other comprehensive income for the period	-	-	-	2,888,511	2,526,998	5,415,509
Total comprehensive income for the period	-	-	-	2,888,511	(1,329,302)	1,559,209
Transfer from voluntary reserve (note 18)	-	-	(41,029,841)	-	41,029,841	-
Disposal of treasury shares (note 17)	-	451,248	-	-	(126,059)	325,189
Dividend distribution (note 23)	-	-	-	-	(41,029,841)	(41,029,841)
Balance at 30 September 2019 *(unaudited)*	821,096,820	-	369,190,461	(167,082,727)	(19,786,676)	1,003,417,878

The attached notes 1 to 31 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the period ended 30 September 2020

	Notes	*Nine-month period ended* **30 September 2020 AED (audited)**	*30 September 2019 AED (unaudited)*
OPERATING ACTIVITIES			
Loss for the period		**(268,127,022)**	(3,856,300)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	11	**49,211,498**	53,330,821
Impairment of property, plant and equipment	11	**172,392,819**	-
Finance cost		**2,184,015**	271,041
Provision for employees' end of service indemnity	19	**210,000**	720,000
Allowance for expected credit losses	14	**2,467,900**	-
Fair value loss on investment property	12	**1,311,300**	
Unrealized loss on investments at FVTPL	13(b)	**6,839,055**	2,509,039
Gain on disposal of investments in FVTPL	9	**-**	(74,752)
Interest and dividend income	9	**(3,087,901)**	(2,269,075)
		(36,598,336)	50,630,774
Working capital adjustments			
Trade and other receivables*		**36,097,359**	(18,080,666)
Inventories		**31,917,389**	(61,533,517)
Trade and other payables		**(27,839,679)**	42,628,910
		3,576,733	13,645,501
Employees' end of service indemnity paid	19	**(1,578,399)**	(872,036)
Finance cost paid		**(2,184,015)**	(271,041)
Net cash flows (used in) / from operating activities		**(185,681)**	12,502,424
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(16,560,648)**	(26,061,590)
Purchase of investments carried at FVTOCI	13	**-**	(441,506)
Proceeds on disposal of investments in securities*		**-**	16,784,749
Dividends received	9	**3,077,339**	2,206,227
Interest income	9	**10,562**	62,848
Net cash flows used in investing activities		**(13,472,747)**	(7,449,272)
FINANCING ACTIVITIES			
Repayment of finance lease liability		**-**	(15,789,198)
Disposal of treasury shares	17	**-**	325,189
Dividends paid		**(118,531)**	(40,008,616)
Net movement in bank borrowings and term loans		**14,375,724**	33,926,896
Net cash flows from / (used in) financing activities		**14,257,193**	(21,545,729)
NET INCREASE/ (DECREASE) BANK BALANCES AND CASH DURING THE PERIOD		**598,765**	(16,492,577)
Bank balances and cash at the beginning of the period		**6,558,945**	23,053,928
BANK BALANCES AND CASH AT THE END OF THE PERIOD	16	**7,157,710**	6,561,351

***Non-cash transaction**

In 2020, the Company sold certain investments carried at FVTOCI for AED 10.0 million (note 13(a)).

The attached notes 1 to 31 form part of these financial statements.

1. ACTIVITIES

Gulf Cement Company P.S.C. (Public Shareholding Company) - Ras Al Khaimah (the "Company") is incorporated as a public shareholding company by Emiri decree number 24/77 issued by His Highness, The Ruler of Ras Al Khaimah, U.A.E., in 1977. The address of the Company's registered office is P. O. Box 5295, Ras Al Khaimah, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange (ADX) and Kuwait Stock Exchange (Boursa Kuwait). In the General Assembly Meeting held on 2 April 2020, the shareholders approved the delisting of the Company's shares from Kuwait Stock Exchange (Boursa Kuwait). The last day of trading of the Company's shares in Boursa Kuwait will be on 14 December 2020.

The principal activities of the Company are production and marketing of all types of cement.

1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION

During the nine-month ended 30 September 2020, the Company incurred a loss of AED 268.1 million and, as of that date, the Company's accumulated losses amounted to AED 413.2 million which have exceeded 50% of the issued share capital. Due to the slowdown in the overall economic situation, the performance of the Company has been impacted during the period ended 30 September 2020 and the consequences of the COVID-19 outspread in this period has materially and adversely affected the demand and selling prices for the Company's primary products and therefore, its operating results have been negatively impacted. The construction activities in the export market were slowed due to stringent lockdown measures including fewer working days and suspension in residential construction activities.

The Company has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Company's future performance, capital and liquidity. Even during this challenging time, the Company was able to manage its liquidity position by proactively lowering maintenance capex without going for any significant external finance. Further, the Company has sufficient internal and external sources of finance until the time the performance metrics are improved which is expected to happen in the near future. The Company is currently low-leveraged and consequently management believe that it is better placed to face off the headwinds as compared to its competitors.

Management foresee improvement in local and export markets, formal construction should gradually improve, albeit at slower pace, as the economies reopens. Management is determined on the following:

- Developing strategies to concentrate and expand the Cement sales volumes which is under significant pressure
- Deferment of all non-essential and discretionary expenditure for the conceivable future;
- Restricting capital expenditure to essential maintenance levels;
- Strict working capital management and reducing working capital in line with lower activity levels;
- Substantial restructuring actions to right-size the business in line with evolving demand and price levels and be the lowest cost-producer in the country through energy conservative measures and right mix of power sources and effective and efficient use of available resources.

Management is cognizant of the challenges that lie ahead and will continue proactively adapt in order to ensure optimum performance of the Company.

Management believes that the above actions, combined with other strategic and operational measures taken by the Board of Directors, are realistic and reasonable and will effectively transform the profitability of the Company and improve its ability to generate future profits and cash flows and continue its operations in the foreseeable future.

The impact of COVID-19 may continue to evolve, but at the present time the projections demonstrate that the Company has sufficient resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these financial statements continue to be prepared on a going concern basis.

The Company will continue to closely monitor the impact of COVID-19 as the situation progresses to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance in 2021.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). as issued by the International Accounting Standards Board (IASB).

The financial statements of the Company for the nine-month period ended 30 September 2020 (the "Period"), were prepared to assist the management and the Board of Directors of the Company to assess the amount of capital reduction by offsetting the accumulated losses as at 30 September 2020. Accordingly, these are not the annual statutory financial statements of the Company as per the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015.

In addition, results for the nine months period ended 30 September 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

The financial statements are prepared on a historical cost basis except for investments carried at fair value through profit or loss, investments carried at fair value through other comprehensive income and investment property that have been measured at fair value.

The financial statements have been presented in United Arab Emirates Dirhams ("AED"), which is also the functional currency of the Company, and all values are rounded to the nearest AED except where otherwise indicated.

Changes in accounting policies and disclosures
The accounting policies adopted in the preparation of the financial statements are consistent with those used in the previous period/ year, except as follows:

Property, plant and equipment
During the period ended 30 September 2020, the Company reviewed the depreciation method used to depreciate certain plant and machinery and power stations and decided to change the depreciation method from straight line basis to unit of production method since it better reflects the pattern in which these asset's future economic benefits are expected to be consumed by the Company. As a result, the Company's accounting policy has been revised to reflect the change in depreciation method prospectively as per the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors as set out in note 3.

New and amended standards and interpretations
The Company applied for the first-time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective, except for amendments to IFRS 16- Covid-19- Related Rent Concessions.

- Amendments to IFRS 3 - Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8 - Definition of Material
- Amendment to IFRS 16 - Covid-19-Related Rent Concessions
- The Conceptual Framework for Financial Reporting

Annual Improvements 2018-2020 cycle (issued in May 2020)

- Amendments to the illustrative examples accompanying IFRS 16 Leases - Lease incentives

The amendments and interpretations apply for the first time in 2020, but do not have any material impact on the financial statements of the Company.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued as listed below, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below.

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023 and apply prospectively).

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Changes in accounting policies and disclosures (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively).

- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective from annual periods beginning on or after 1 January 2022. The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018)).

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective from annual periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment).

- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective from annual periods beginning on or after 1 January 2022. The amendments must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed).

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective from annual periods beginning on or after 1 January 2021 with earlier application permitted).

Annual Improvements 2018-2020 cycle (issued in May 2020)

- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted).
- Amendments to IFRS 9 Financial instruments – Fees in the “10 percent” test for derecognition of financial liabilities (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted).
- Amendments to IAS 41 Agriculture **-** Taxation in fair value measurements (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted).

The management is currently assessing the impact of adopting the below standards, amendments and interpretations on the Company's financial statements in the period of their initial application, and intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below.

Revenue recognition

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

Interest revenue 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.

Contract balances
Trade receivables
A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities
A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

Property, plant and equipment
Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the asset except for certain plant and machinery and power stations which are depreciated using units of product method, as follows:

Building and roads	27 to 35 years
Plant and machinery*	5 to 15 years / units of production
Power stations	units of production
Vehicles and equipment	2 to 5 years
IT computer and hardware	3 years

*Effective from 1 January 2020, the Company changed its depreciation method of a production line classified as part of plant and machinery and power stations to the units of production method (note 11). Power stations were depreciated prior to 1 January 2020 over a useful life of 10 to 30 years.

Units of production rates are based on estimated remaining production units of the plant and machinery and power stations measured in terms of tonnage and megawatts, respectively as of 1 January 2020 as determined by an independent third-party consultant. These remaining production units are estimated considering operation and maintenance of the plant and machinery and power stations as per internationally accepted industry standards.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the period the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end/ year end, and adjusted prospectively if, appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
Spare parts that meet the definition of property, plant and equipment are capitalised as such and accounted for accordingly. If spare parts do not meet the recognition criteria of property, plant and equipment, they are either carried in inventory or consumed and recorded in the statement of profit or loss. Depreciation of spare parts commences when they are put into use, rather than when they are acquired. Spare parts are depreciated over the shorter of its useful life and the remaining expected useful life of the asset to which it relates. During the period before the spare parts is available for service, any reduction in value is reflected as an impairment loss as per the requirements of IAS 36 when indicators of impairment are identified. Key assumptions used by the management in assessing the impairment of property, plant and equipment are disclosed in note 4 and note 11(a)

Inventories
Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials - purchase cost on a weighted average basis
- Finished goods and work in progress - cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

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

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVTOCI), and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances, trade and other receivables, investments carried at FVTOCI and FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)
For purposes of subsequent measurement, financial assets are classified in the following categories:

- Financial assets at amortised cost
- Financial assets at fair value through OCI with recycling of cumulative gains and losses
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortised cost
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes bank balances and trade and other receivables.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as investment income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments and certain listed equity investments under this category.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as investment income in the statement of profit or loss when the right of payment has been established.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition (continued)
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses ("ECL") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECL's at each reporting date. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit losses are recognised in the statement of comprehensive income.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, bank borrowings, term loans and other payables.

Subsequent measurement
The measurement of financial liabilities depends on their classification as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to trade payables, bank borrowings, term loans and other payables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

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

iii) Offsetting of financial instruments

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

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued and the revaluation was taken to other comprehensive income. For such properties, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGUs recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Company considers the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Company measures financial assets such as investment in quoted and unquoted securities and non-financial assets such as investment in properties, at fair value at each balance sheet date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in notes 4,12,13 and 27.

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

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

All other assets are classified as non-current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

Bank balances and cash
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is presented in the statement of changes in equity.

Dividend
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the Company's Memorandum of Association, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

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

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits
Defined contribution plan
UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to the applicable Federal Labour Law. 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 profit or loss.

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

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

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

Value added tax
Expenses and assets are recognised net of the amount of value added tax (VAT), except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Foreign currencies
Transactions in foreign currencies are initially recorded at the spot rates at the date the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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

Component parts of property, plant and equipment
The Company's assets classified within property, plant and equipment, are depreciated on a straight-line basis over their economic useful lives or the units of production method. When determining the economic useful life of an asset, it is broken down into significant component parts such that each significant component part is depreciated separately. Judgement is required in ascertaining the significant components of a larger asset, and while defining the significance of a component, management considers quantitative materiality of the component part as well as qualitative factors such as difference in useful life as compared to mother asset, its pattern of consumption, and its replacement cycle/maintenance schedule.

Classification of properties
Management decides at the time of acquisition of a property whether it should be classified as property, plant and equipment or investment property. The Company classifies properties as property, plant and equipment when the properties are held for use by, or in the operations, of the Company. Properties are classified as investment properties when the intention is to hold them for capital appreciation, for rental or for undetermined use. The Company changes the classification when its intention changes.

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Units of production depreciation
Certain property, plant and equipment are depreciated using the units of production (UOP) method based on the remaining production capacity as determined by an independent third-party consultant as of 1 January 2020. This results in a depreciation charge proportional to the estimated production capacity of the relevant item of property, plant and equipment. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of the remaining production capacity assuming the operation and maintenance of the property, plant, and equipment as per internationally accepted industry standards. These calculations require the use of estimates and assumptions, including the number of remaining units of productions and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production or future capital expenditure estimates changes. Changes to estimated production capacity could arise due to changes in the factors or assumptions used in estimating capacity, including the below:

- Unforeseen operational issues
- Manufacturing defects
- Improper modifications done
- Improper replacements done
- Poor maintenance practices
- Reducing costly unscheduled outages caused by in-service failures

Changes in estimates are accounted for prospectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Provision for expected credit losses of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in note 14 and note 28.

As at the date of the statement of financial position, gross trade receivables were AED 93.5 million (31 December 2019: AED 128.2 million) and the provision for expected credit losses was AED 3.2 million (31 December 2019: AED 1.9 million).

Existence of inventories
Inventories comprise of purchased raw materials (limestone, sand, slag, gypsum, iron ore and bauxite) and work in progress (mainly clinker which are stored in purpose built shed and stockpiles). Since the weighing of these inventories is not practicable, management assesses the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using the angle of repose and the bulk density. In doing so, management appoints an independent surveyor to estimate the quantities by using certain scientific systematic measurements calculations and applying the density conversion methods which are applied for similar stock in the cement industry.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, gross inventories were AED 100.6 million (31 December 2019: AED 132.5 million) with provision for old and obsolete inventories of AED 21.0 million (31 December 2019: AED 21.0 million). Any differences between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Fair value of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Impairment of non-financial assets (continued)
The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGU are disclosed in note 11(a).

Fair value of investment properties
The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on the current prices in an active market for similar properties is used. In the absence of such information, the Company determined the amounts within a range of reasonable fair value estimates. In making its judgment, the Company considered recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

The Company engaged an independent valuation specialist to assess fair values as at 30 September 2020. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in note 12.

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 expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

5. REVENUE FROM CONTRACT WITH CUSTOMERS

a) Disaggregated revenue information

Set out below is the disaggregation of the revenue from contracts with customers:

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Type of revenue		
Sale of goods	**259,484,280**	341,012,673

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Geographical markets		
Within UAE	**67,623,100**	86,280,255
Outside UAE	**191,861,180**	254,732,418
	259,484,280	341,012,673

5. REVENUE FROM CONTRACT WITH CUSTOMERS (continued)

a) Disaggregated revenue information (continued)

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Timing of revenue recognition		
Goods transferred at a point in time	**259,484,280**	341,012,673

Revenue includes AED 228.5 million which represents 88% of total revenue (30 September 2019: AED 302.8 million) which represents 89% of total revenue) from 7 customers (30 September 2019: 7 customers).

b) Contract balances

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Asset		
Trade receivables (note 14)	**90,319,598**	126,289,364
Liability		
Advances from customers (note 21)	**1,682,053**	1,946,956

c) Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 150 to 210 days from delivery (31 December 2019: 150 to 180 days).

6. COST OF SALES

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Fuel	**114,453,535**	155,170,026
Raw material used in production	**66,338,097**	86,827,349
Depreciation of property, plant and equipment (note 11)	**49,211,498**	53,330,821
Water	**22,668,548**	27,223,220
Electricity	**13,822,326**	18,577,045
Salaries and employee related cost (note 8)	**13,985,029**	16,734,703
Spare parts consumption and consumables	**4,296,916**	6,290,825
Other direct operating expenses	**7,869,042**	11,332,876
Total manufacturing costs	**292,644,991**	375,486,865
Decrease/ (increase) in inventory of finished and semi-finished goods	**24,883,152**	(52,360,975)
	317,528,143	323,125,890

7. OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company. Income earned during the period ended 30 September 2020 amounted to AED 5.6 million (2019: AED 7.7 million).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Loading charges	**19,604,850**	16,069,362
Salaries and employee related cost (note(a))	**9,322,127**	10,633,885
Allowance for expected credit losses (note 14(a))	**2,467,900**	-
Professional charges	**1,868,221**	1,741,453
Sales promotion	**441,141**	1,047,747
Director expenses (note 24)	**336,768**	833,796
Others	**2,897,498**	3,126,091
	36,938,505	33,452,334

a) Salaries and employee related cost for the period were allocated as follows:

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Cost of sales (note 6)	**13,985,029**	16,734,703
Selling, general and administrative expenses (note 8)	**9,322,127**	10,633,885
	23,307,156	27,368,588

9. INVESTMENTS LOSS - NET

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Unrealised loss on investments carried at FVTPL (note 13)	**(6,839,055)**	(2,509,039)
Loss on fair valuation of investment property (note 12)	**(1,311,300)**	-
Gain on disposal of investments in securities	**-**	74,752
Interest income	**10,562**	62,848
Dividend income	**3,077,339**	2,206,227
	(5,062,454)	(165,212)

10. OTHER INCOME

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Provision no longer required	**-**	3,162,571
Miscellaneous income	**891,862**	1,272,709
	891,862	4,435,280

11. PROPERTY, PLANT AND EQUIPMENT

	Building and roads AED	*Plant and machinery AED*	*Power stations AED*	*Vehicles and equipment AED*	*IT Computer & hardware AED*	*Capital work in progress AED*	*Spare parts AED*	*Total AED*
Cost								
At 1 January 2019 *(audited)*	157,445,609	1,034,015,381	390,567,880	16,652,383	10,238,051	99,987,528	133,324,062	1,842,230,894
Additions	-	783,822	-	-	-	3,934,996	25,301,442	30,020,260
Transfers	-	28,571,932	97,688,346	-	-	(100,235,797)	(26,024,481)	-
At 31 December 2019 *(audited)*	157,445,609	1,063,371,135	488,256,226	16,652,383	10,238,051	3,686,727	132,601,023	1,872,251,154
Additions	-	885,000	-	65,001	95,593	-	15,515,054	16,560,648
Transfers	-	15,515,081	-	-	-	-	(15,515,081)	-
At 30 September 2020 *(audited)*	**157,445,609**	**1,079,771,216**	**488,256,226**	**16,717,384**	**10,333,644**	**3,686,727**	**132,600,996**	**1,888,811,802**
Depreciation and impairment								
At 1 January 2019 *(audited)*	130,709,764	663,193,114	106,374,823	16,300,010	6,677,565	-	-	923,255,276
Charge for the year	2,046,703	57,882,488	12,252,024	140,667	1,056,422	-	-	73,378,304
At 31 December 2019 *(audited)*	132,756,467	721,075,602	118,626,847	16,440,677	7,733,987	-	-	996,633,580
Charge for the period	1,535,028	39,217,086	7,606,732	79,583	773,069	-	-	49,211,498
Impairment during the period (note (a))	4,735,184	65,335,681	74,036,261	40,313	373,551	753,962	27,117,867	172,392,819
At 30 September 2020 *(audited)*	**139,026,679**	**825,628,369**	**200,269,840**	**16,560,573**	**8,880,607**	**753,962**	**27,117,867**	**1,218,237,897**
Net carrying value								
At 30 September 2020 *(audited)*	**18,418,930**	**254,142,847**	**287,986,386**	**156,811**	**1,453,037**	**2,932,765**	**105,483,129**	**670,573,905**
At 31 December 2019 *(audited)*	24,689,142	342,295,533	369,629,379	211,706	2,504,064	3,686,727	132,601,023	875,617,574

11. PROPERTY, PLANT AND EQUIPMENT (continued)

a) During the period, an impairment loss of AED 172 million has been recognised against property, plant and equipment, to adjust the carrying value to its recoverable amount as a result of accumulated reported gross margins and overall slowdown in the cement industry accentuated by the Covid-19 pandemic. This is recognised in the statement of profit or loss as 'impairment of property, plant and equipment'. The recoverable amount as at 30 September 2020 amounting to AED 670,573,905 was based on value in use calculated using the discounted cash flow approach over the period of next 5 years determined at the level of CGU. The CGU consisted of whole block of property, plant and equipment as all the assets are used inseparably to provide service to customers that generate the cash flows. In arriving at the value in use of the property, plant and equipment, the Company has projected the future cash flows for a period of five years using the following assumptions:

	30 September 2020 (audited)	*31 December 2019 (audited)*
Discount rate	**8.5%**	10%
Growth rate on price per ton	**3%**	3%
Terminal period growth rate	**1.5%**	2.5%
Average coal price in USD	**refer below**	refer below

Sensitivity to Changes in Assumptions

The discount rates represent the current market assessment of the risk specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate is derived from the weighted average cost of capital, which takes into account both debt and equity. The cost of equity is derived from the expected return on investment of the Company's investors. The cost of debt is based on average lending rates. Segment specific risk is incorporated by applying individual beta factors, evaluated annually based on publicly available market data. A rise in the discount rate to 8.6% (i.e., +10 basis points) in the CGU would result in a further impairment of AED 7.7 million.

On average, the revenue of the CGU over the next five years is projected to grow in line with the economy or with nominal Gross Domestic Product. Historically, cement industry growth had a direct correlation with economic growth. A reduction by 0.1% in the revenue growth rate in the CGU would result in a further impairment of AED 10.6 million.

The terminal period growth rate is based on the projected growth of the Company, based on historical experience, economic conditions and the Company's future plans. A reduction by 0.1% in the terminal period growth rate in the CGU would result in a further impairment of AED 4.4 million.

Average coal prices are obtained from published indices for the countries from which materials are sourced, as well as data relating to specific commodities. Forecast figures are used if data is publicly available otherwise average five-year actual coal prices are used as an indicator of the future price. If prices of coal increase on average by 0.5%, the Company will have further impairment amounting to AED 8.6 million.

b) At 30 September 2020, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 576.3 million (31 December 2019: AED 540.5 million).

c) The change in the depreciation method as explained in note 3, has resulted in decrease in depreciation charge for the period ended 30 September 2020 by an amount of AED 9.8 million and decrease in net loss by the same amount. Further, the annual savings from the depreciation charge for the future years will be an approximate amount of AED 7.33 million at full scale production and the income/loss for the future years will be increased/decreased by the same amount.

d) Depreciation on capital work-in-progress and spare parts is not charged until such time as these assets are placed in service and transferred to the respective categories of property, plant and equipment.

e) The factory and its related buildings are constructed on plots of land owned by the Government of Ras Al Khaimah.All property, plant and equipment is located in the UAE.

f) Motor vehicles with net book value of AED 710 thousand are mortgaged against auto loan (note 20).

g) There is a negative pledge over property, plant and equipment against borrowings. (note 20).

12. INVESTMENT PROPERTY

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
At the beginning of the period/ year	**12,011,300**	12,011,300
Change in fair value	**(1,311,300)**	-
At the end of the period/ year	**10,700,000**	12,011,300

Investment property represents plots of land in Ras Al Khaimah.

The fair value of the Company's investment property at 30 September 2020 has been arrived at on the basis of a valuation carried out at by an independent and competent valuer. The valuation was arrived at by reference to market evidence of transaction prices for similar properties. There has been no change to valuation technique compared to previous period/year. No material change in the fair value of investment properties was noted by the independent valuer for the year ended 31 December 2019.

At 30 September 2020 and 31 December 2019, the Company's investment properties are classified as Level 3 in the fair value hierarchy and there were no transfers between the Levels 1,2,3 during the period ended 30 September 2020 and for the year ended 31 December 2019.

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation techniques	***Significant unobservable input***	***Range (weighted average)***	
			2020	*2019*
Plot of land	Current market rate for comparable properties that have been sold in nearby area	Rate per sq. ft.	**AED 20 - 155**	AED 20 - 190

Significant increases / (decreases) in estimated rate per square feet in isolation would result in a significantly higher (lower) fair value of the investment properties.

13. INVESTMENT IN SECURITIES

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

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Quoted	**82,670,045**	82,670,045
Unquoted	**4,077,705**	116,077,705
Total gross investments at FVTOCI	**86,747,750**	198,747,750
Accumulated Fair value reserve, net	**(61,639,126)**	(165,820,487)
Fair value of investments	**25,108,624**	32,927,263

13. INVESTMENT IN SECURITIES (continued)

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

The geographical spread of the above investments is as follows:

	30 September 2020 (audited)		*31 December 2019 (audited)*	
	Concentration percentage	***Fair value AED***	*Concentration percentage*	*Fair value AED*
UAE	**0.4%**	**89,850**	0.6%	181,250
Other GCC countries	**99.6%**	**25,018,774**	99.4%	32,746,013
	100%	**25,108,624**	100%	32,927,263

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 61.6 million as at 30 September 2020 (31 December 2019: negative AED 165.8 million) and is shown under equity.

Equity instruments designated at fair value through OCI include investments in equity shares of listed and non-listed companies. The Company holds non-controlling interests in these companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

In 2020, the Company sold certain of its equity investments for AED 10.0 million to a related party (Note 24). The fair value of these investments prior to the date of sale was AED 20 thousand and the accumulated fair value loss recognized in OCI of AED 111.98 million was transferred to accumulated losses within the statement of changes in equity. The gain on disposal of the investments amounted to AED 9.98 million was also recognised directly in accumulated losses within the statement of changes in equity.

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

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Quoted investments at cost	**83,815,027**	83,815,027
Unquoted	**2,826,156**	2,826,156
Total gross investments at FVTPL at cost	**86,641,183**	86,641,183
Less: cumulative changes in fair value	**(48,885,633)**	(42,046,578)
Fair value of investments, net	**37,755,550**	44,594,605

The geographical spread of the above investments is as follows:

	30 September 2020 (audited)		*31 December 2019 (audited)*	
	Concentration percentage	***Fair value AED***	*Concentration percentage*	*Fair value AED*
UAE	**49.1%**	**18,553,021**	49.7%	22,143,780
Other GCC countries	**50.9%**	**19,202,529**	50.3%	22,450,825
	100%	**37,755,550**	100%	44,594,605

13. INVESTMENT IN SECURITIES (continued)

Movement in investment in securities were as follows:

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Fair value of investments at the beginning of the period/ year	**77,521,868**	88,474,576
Additions made during the period/ year	**-**	441,506
Disposals made during the period/ year	**(20,000)**	(15,333,530)
Unrealized loss on revaluation of investments carried at FVTPL	**(6,839,055)**	(211,435)
(Decrease)/ increase in the fair value of investments carried at FVTOCI	**(7,798,639)**	4,150,751
Fair value of investments at the end of the period/ year	**62,864,174**	77,521,868

14. TRADE AND OTHER RECEIVABLES

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Trade receivables	**93,478,508**	128,161,998
Less: allowance for expected credit losses (note (a))	**(3,158,910)**	(1,872,634)
	90,319,598	126,289,364
Other receivables (note (g))	**20,626,500**	10,721,993
Receivable from sale of an associate	**2,667,283**	5,167,283
	113,613,381	142,178,640
Less: receivable from sale of an associate due after one year	**(2,167,283)**	(2,667,283)
	111,446,098	139,511,357

a) The movement in allowance for expected credit losses during the period/ year was as follows:

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Balance at the beginning of the period/ year	**1,872,634**	691,010
Charge for the period/ year	**2,467,900**	1,181,624
Provision write off during the period/ year	**(1,181,624)**	-
	3,158,910	1,872,634

b) In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Since the majority of trade receivables are secured against bank guarantees or letters of credit, management believes that the allowance for ECL at the reporting date is sufficient.

14. TRADE AND OTHER RECEIVABLES (continued)

c) Analysis of gross trade receivables are set out below:

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Secured against unconditional bank guarantees	**59,311,376**	70,639,692
Secured against letter of credit	**12,172,791**	36,319,756
Unsecured	**21,994,341**	21,202,550
	93,478,508	128,161,998

d) The average credit period on sale of goods is 150 days to 210 days (31 December 2019: 150 days to 180 days).

e) Trade receivables amounting to AED 80.3 million (31 December 2019: AED 113.9 million) is due from the Company's five largest customers representing 86% (31 December 2019: 89%) of the total outstanding balance at 30 September 2020.

f) Ageing analysis of gross trade receivables are as follows:

			Past due		
	Total AED	*Neither past due nor impaired AED*	*1 – 90 days AED*	*91 - 181 days AED*	*above 180 days AED*
30 September 2020 *(audited)*	**93,478,508**	**44,143,452**	**13,304,634**	**1,817,212**	**34,213,210**
31 December 2019 *(audited)*	128,161,998	62,064,311	14,456,810	8,058,482	43,582,395

g) Other receivable includes AED 10.0 million in relation to certain equity investments sold to a related party (note 24).

Information on the credit risk exposure is disclosed in note 28.

15. INVENTORIES

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Finished goods	**4,010,830**	11,923,196
Raw materials	**19,002,859**	16,246,538
Work in progress	**2,724,982**	36,652,155
Bags, fuel and lubricants	**37,798,025**	31,631,226
Spare parts – maintenance department	**24,562,571**	22,552,111
Consumable items	**11,999,212**	13,000,254
Tools	**453,109**	463,497
	100,551,588	132,468,977
Less: allowance for slow-moving and obsolete inventories	**(21,025,555)**	(21,025,555)
	79,526,033	111,443,422

Inventories are pledged against banking facilities obtained by the Company (note 20).

16. BANK BALANCES AND CASH

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Cash on hand	**23,255**	52,045
Bank balances:		
Current accounts	**940,942**	4,453,037
Call deposits	**6,193,513**	2,053,863
Total bank balances	**7,134,455**	6,506,900
Bank balances and cash	**7,157,710**	6,558,945

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Bank balances		
In UAE	**5,947,446**	5,195,762
In other GCC countries	**1,187,009**	1,311,138
	7,134,455	6,506,900

Call deposits carry interest at commercial rates per annum and are made for a period of less than three months.

17. SHARE CAPITAL

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Issued and fully paid:		
821,096,820 ordinary shares of AED 1 each	**821,096,820**	821,096,820

In 2016, the Company bought back 500,000 ordinary shares from the stock market at a total cash consideration of AED 451,248. This buyback programme of up to 10% of the Company’s shares was approved by the Securities Commodities Authority and the Company’s shareholders. In 2019, the shares were sold in the stock market for a consideration of AED 325,189 resulting in a loss of AED 126,059 after obtaining the approval of the Securities and Commodities Authority.

18. RESERVES

According to the Company's Articles of Association and the requirements of the UAE Federal Law No (2) of 2015, 10% of the profit of each year is transferred to the statutory reserve. The transfer to statutory reserve may be suspended when it reaches 50% of the paid-up share capital. Statutory reserve is not available for distribution except as stipulated by the Law.

According to the Company's Articles of Association 10% of the profit for each year is transferred to the voluntary reserve. The transfer to voluntary reserve may be suspended by the ordinary general assembly at the recommendation of the Board of Directors or when it reaches 20% of the Company's paid-up share capital.

18. RESERVES (continued)

The movement of the Company's reserves during the period/ year are as follows:

	Statutory reserve AED	*Voluntary reserve AED*	*Total AED*
Balance at 1 January 2019	364,457,977	45,762,325	410,220,302
Transferred to retained earnings	-	(41,029,841)	(41,029,841)
Balance at 31 December 2019 and 30 September 2020	**364,457,977**	**4,732,484**	**369,190,461**

At the Annual General Meeting held on 18 April 2019, the shareholders approved the transfer of AED 41.0 million from voluntary reserve to retained earnings. No transfers were made for the period ended 30 September 2020.

19. PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Provision as at 1 January	**10,542,000**	11,540,995
Provided during the period/ year	**210,000**	293,043
Payments made during the period/ year	**(1,578,399)**	(1,292,038)
Provision as at 31 December	**9,173,601**	10,542,000

20. BORROWINGS

a) Short-term

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Bank overdraft facilities	**9,672,558**	8,360,196
Short-term loans	**56,658,576**	44,153,104
Total bank borrowings	**66,331,134**	52,513,300

The Company's overdraft balances are repayable on demand and short-term loans are repayable within twelve months. The overdraft balances and short-term loan carries interest rates at market competitive variable rates based on EIBOR plus a spread and are secured against promissory note issued by the Company and certain other securities such as assignment of fire insurance policy over inventory and movable property, plant and equipment and pledge over inventories and a negative pledge over property, plant and equipment.

20. BORROWINGS (continued)

b) Long-term

Interest-bearing term loans are disclosed in the statement of financial position as follows:

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Current portion	**186,760**	-
Non-current portion	**371,130**	-
Total term loans	**557,890**	-

The term loans carry interest at 3% p.a. and are secured against vehicles financed (note 11(g)) and have maturities until 2023.

21. TRADE AND OTHER PAYABLES

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Trade payables	**112,983,614**	143,388,713
Dividend payable	**28,713,861**	28,832,392
Accrued expenses	**5,836,529**	5,002,319
Advances from customers	**1,682,053**	1,946,956
Other payables	**3,725,639**	1,729,526
	152,941,696	180,899,906

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on and average of 75-day terms
- Other payables are non-interest bearing and have an average term of six months

For explanations on the Company's liquidity risk management processes, refer to note 28.

22. BASIC EARNINGS PER SHARE

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Loss for the period (in AED)	**(268,127,022)**	(3,856,300)
Weighted average number of shares	**821,096,820**	820,652,376
Basic loss per share (in AED)	**(0.327)**	(0.005)

22. BASIC EARNINGS PER SHARE (continued)

The denominator for the purpose of calculation of basic loss per share has been adjusted to reflect the sale of treasury shares (note 17).

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

23. DIVIDENDS

At the annual general meeting held on 2 April 2020, no dividends were approved for declaration by the shareholders for the year ended 31 December 2019 (2019: 5% of share capital amounting to AED 41.0 million (AED 0.05 per share) for the year ended 31 December 2018). Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2019 (31 December 2018: nil).

24. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Related party transactions

During the period, the Company entered into the following transactions with related parties:

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Attendance expenses for Board of Directors and committees' meetings (note 8)	**336,768**	622,500
Profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI) (note 13(a))	**9,980,000**	-

b) Balances

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Receivable from a related party (note 14 (g))	**10,000,000**	-

Terms and conditions with related parties
For amount due from a related party, an impairment provision has been assessed on the basis of historical default rate adjusted with forward looking factor. Based on the outstanding amount, history of default and subsequent collection, the impact of expected credit loss is immaterial and hence no provision has been booked in respect of this receivable balance. No bank guarantees are taken from related parties against balances due from them.

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Compensation of key management personnel

The remuneration of key management during the period was as follows:

	Nine-month period ended	
	30 September 2020 AED (audited)	*30 September 2019 AED (unaudited)*
Salaries and other short-term benefits (note below)	**3,102,314**	3,510,573
Employees' end of service benefits	**25,217**	30,247
	3,127,531	3,540,820

The amounts disclosed in the table above relating to salaries and other short-term benefits are the amounts recognised as an expense for the period ended 30 September 2020 and 30 September 2019 related to key management personnel.

25. CONTINGENT LIABILITIES AND COMMITMENTS

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
Letters of credit	**34,300,269**	38,276,063
Letters of guarantee	**10,236,730**	200,000

26. SEGMENT INFORMATION

The Company is organised into two main business segments:

Manufacturing of all types of cement and investments incorporating investments in marketable equity securities, deposits with banks (excluding call accounts) and investment properties.

	Nine-month period ended					
	30 September 2020 (audited)			*30 September 2019 (unaudited)*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment revenue	**259,484,280**	**-**	**259,484,280**	341,012,673	-	341,012,673
Segment result	**(263,064,568)**	**(5,062,454)**	**(268,127,022)**	(3,691,088)	(165,212)	(3,856,300)
Impairment of property, plant and equipment (note 11(a))	**(172,392,819)**	**-**	**(172,392,819)**	-	-	-

	30 September 2020 (audited)			*31 December 2019 (audited)*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment assets	**871,571,029**	**72,864,174**	**944,435,203**	1,135,798,581	89,533,168	1,225,331,749
Segment liabilities	**229,004,321**	**-**	**229,004,321**	243,955,206	-	243,955,206

There are no transactions between the business segments.

26. SEGMENT INFORMATION (continued)

Additional information required by IFRS 8 Segment Reporting, is disclosed below:

a) Information about geographical segments

During the nine-month period ended 30 September 2020, revenue from customers located in the Company's country of domicile (UAE) is AED 67.6 million (30 September 2019: AED 86.3 million) and revenue from customers outside UAE (foreign customers) is AED 191.9 million (30 September 2019: AED 254.7 million).

b) Major customers

Revenue includes AED 228.5 million which represents 88% of total revenue (30 September 2019: AED 302.8 million) which represents 89% of total revenue) from 7 customers (30 September 2019: 7 customers).

27. 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, mainly due to short-term maturities.

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 financial statements for the year ended 31 December 2019.

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;

	Fair value		***Fair value hierarchy***			
Financial assets	***30 September 2020 AED (audited)***	*31 December 2019 AED (audited)*		***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Quoted equity investments carried at FVTOCI	**24,490,251**	32,288,878	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	**618,373**	638,385	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management
Quoted equity instruments carried at FVTPL	**37,755,550**	41,768,450	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTPL	**-**	2,826,155	Level 3	Adjusted net assets valuation method	Net assets value and discount for lack of marketability	Management has used net assets valuation method, which is appropriate fair value as per management
	62,864,174	77,521,868				

27. FAIR VALUE MEASUREMENT (continued)

Fair value hierarchy
All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no changes in the Company's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

30 September 2020 *(audited)*

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	**-**	**-**	**10,700,000**	**10,700,000**
Investments carried at FVTPL	**37,755,550**	**-**	**-**	**37,755,550**
Investments carried at FVTOCI:				
- Quoted equities	**24,490,251**	**-**	**-**	**24,490,251**
- Unquoted equities	**-**	**-**	**618,373**	**618,373**
	62,245,801	**-**	**11,318,373**	**73,564,174**

31 December 2019 *(audited)*

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment property	-	-	12,011,300	12,011,300
Investments carried at FVTPL				
- Quoted equities	41,768,450	-	-	41,768,450
- Unquoted equities	-	-	2,826,155	2,826,155
Investments carried at FVTOCI:				
- Quoted equities	32,288,878	-	-	32,288,878
- Unquoted equities	-	-	638,385	638,385
	74,057,328	-	15,475,840	89,533,168

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

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities compose of bank borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, bank balances and other receivables that derive directly from its operations. The Company also holds investments in equity instruments which are classified as either fair value through profit or loss or fair value through other comprehensive income.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Company's senior management is supported by an executive committee that advises on financial risks and the appropriate financial risk governance framework for the Company. The executive committee provides assurance to the Company's senior management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, trade and other payables, trade receivables, bank balances and other receivables and investments in equity instruments.

The sensitivity analysis in the following sections relate to the position as at 30 September 2020 and 31 December 2019.

The sensitivity of the relevant statement of profit or loss item or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 30 September 2020 and 31 December 2019.

There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

a) Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term deposits with banks at variable interest rates and bank borrowings at floating rates of interest linked to LIBOR for some facilities and EIBOR for certain other facilities.

The following table demonstrates the sensitivity of the statement of profit and loss to reasonably possible changes in interest rates, with all other variables held constant. The sensitivity of the statement of profit and loss is the effect of the assumed changes in interest rates on the Company's results for the period/ year, based on the variable rate financial liabilities and assets at the reporting date:

	Increase/ decrease basis points	*Effect on results for the period in AED*
30 September 2020 *(audited)*	**+50**	**(334,445)**
	-50	**(334,445)**
30 September 2019 *(unaudited)*	+50	(252,297)
	-50	252,297

b) Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency).

The Company undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

b) Foreign currency risk (continued)

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

	Liabilities		***Assets***	
	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*	***30 September 2020 AED (audited)***	*31 December 2019 AED (audited)*
US Dollars	**91,151,969**	94,655,627	**9,758,067**	31,140,288
Euro	**1,062,476**	1,282,767	**-**	-
Kuwaiti Dinar	**-**	-	**38,839,335**	43,254,813
Japanese Yen	**54,279**	-	**-**	-
Norwegian Kroner	**-**	-	**4,853,416**	11,397,252
	92,268,724	95,938,394	**53,450,818**	85,792,353

The Company is mainly exposed to United States Dollars (USD), Kuwaiti Dinar, Euro and Norwegian Kroner.

The UAE Dirham is currently pegged to the USD, thus the Company is not exposed to the risk on changes in foreign currency relating to its assets and liabilities denominated in USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates.

Based on the sensitivity analysis on a 10% increase or decrease in the AED against Kuwaiti Dinar, Euro and Norwegian Kroner, the Company's result for the period ended 30 September 2020 and equity as of 30 September 2020 would have increased or decreased by approximately AED 4.3 million (30 September 2019: AED 5.3 million).

c) Price risk

The Company's listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the price risk through geographical and risk diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management and board of directors on a regular basis.

The effect on statement of comprehensive income due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	30 September 2020 (audited)			*31 December 2019 (audited)*		
	Change in equity price %	***Effect on profit or loss AED***	***Effect on OCI AED***	*Change in equity price %*	*Effect on profit or loss AED*	*Effect on OCI AED*
Market indices						
UAE	**±10%**	**1,855,302**	**8,985**	±10%	2,214,378	18,125
Other GCC countries	**±10%**	**1,920,253**	**2,440,040**	±10%	1,962,467	3,210,763

The Company limits market price risk by monitoring developments in the markets.

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

c) Price risk (continued)
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.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade and other receivables) including short-term deposits with banks.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or letter of guarantees). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The letters of credit and letter of guarantees are considered integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

	30 September 2020 (audited)		
	Gross value AED	***Allowance for expected credit losses AED***	***Expected credit loss (ECL)***
Secured trade receivables	**71,484,167**	**19,100**	**0.03%**
Unsecured trade receivables	**19,860,704**	**1,006,173**	**5.07%**
Specific provision for receivables (unsecured trade receivables)	**2,133,637**	**2,133,637**	**100%**
	93,478,508	**3,158,910**	

	31 December 2019 (audited)		
	Gross value AED	*Allowance for expected credit losses AED*	*Expected credit loss (ECL)*
Secured trade receivables	105,777,824	151,982	0.14%
Unsecured trade receivables	21,202,550	539,028	2.54%
Specific provision for receivables	1,181,624	1,181,624	100%
	128,161,998	1,872,634	

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

	30 September 2020 AED (audited)	*31 December 2019 AED (audited)*
In UAE	**91,371,897**	125,266,158
In other GCC countries	**2,106,609**	2,895,840
	93,478,506	128,161,998

Credit risk on bank balances are assessed to be minimal as these balances are callable on demand and held with reputable financial institutions in the UAE. Credit risk on other financial assets are assessed to be minimal based on historical default and the fact that they are held with counterparties with creditworthiness evaluated to be good by the Company's internal process. Accordingly, the ECL as at the reporting date against bank balances is minimal.

The maximum exposure to credit risk for financial assets at the reporting date is limited to the carrying value.

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

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

The table below summarises the maturity profile of the Company's financial liabilities. The contractual maturities of the financial liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure that adequate liquidity is maintained. The maturity profile of the liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 1 month AED	***2 to 12 months AED***	***1 to 3 years AED***	***Total AED***
30 September 2020 *(audited)*				
Trade and other payables	**113,915,725**	**37,343,918**	**-**	**151,259,643**
Bank borrowings	**18,152,783**	**48,920,922**	**-**	**67,073,705**
Term loans	**17,803**	**195,833**	**391,666**	**605,302**
	132,086,311	**86,460,673**	**391,666**	**218,938,650**

	Less than 1 month AED	*2 to 12 months AED*	*1 to 3 years AED*	*Total AED*
31 December 2019 *(audited)*				
Trade and other payables	135,816,336	43,136,614	-	178,952,950
Bank borrowings	13,223,088	40,190,156	-	53,413,244
	149,039,424	83,326,770	-	232,366,194

28. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the period ended 30 September 2020 and year ended 31 December 2019. Capital comprises share capital, treasury shares, reserves, fair value reserves and accumulated losses. As at 30 September 2020, the Company's capital is measured at AED 715.4 million (31 December 2019: AED 981.4 million).

Changes in liabilities arising from financing activities

	1 January 2020 AED	*Cash inflows AED*	*Cash outflows AED*	*Other changes AED*	*30 September 2020 AED*
Short term loan	**44,153,104**	**96,885,425**	**(84,937,843)**	**-**	**56,100,686**
Bank overdrafts	**8,360,196**	**1,870,252**	**-**	**-**	**10,230,448**
Dividends payable	**28,832,392**	**-**	**(118,531)**	**-**	**28,713,861**
Term loans	**-**	**735,000**	**(177,110)**	**-**	**557,890**
	81,345,692	**99,490,677**	**(85,233,484)**	**-**	**95,602,885**

	1 January 2019 AED	*Cash inflows AED*	*Cash outflows AED*	*Other changes AED*	*30 September 2019 AED*
Short term loan	-	52,218,117	(24,858,344)	-	27,359,773
Bank overdrafts	-	6,567,123	-	-	6,567,123
Finance lease liability	15,789,198	-	(15,789,198)	-	-
Dividends payable	28,383,894	-	(40,008,616)	41,029,841	29,405,119
	44,173,092	58,785,240	(80,656,158)	41,029,841	63,332,015

The 'Others' column includes the effects of dividend declared and accrued during the period that were not yet paid at the period end. The Company classifies finance cost paid as cash flows from operating activities.

29. COMPARATIVE INFORMATION

Some of the corresponding figures for previous period/ year have been reclassified in order to conform to the presentation for the current period/ year. Such reclassifications do not affect previously reported profit or equity. These changes have been made to improve the comparability of information presented.

30. APPROVAL OF ANNUAL AUDITED FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 3 November 2020.

31. IMPACT OF COVID-19

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organisation and is causing disruptions to businesses and economic activities. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Company will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2020.

COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Company has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements.

Whilst it is challenging now, to predict the full extent and duration of its business and economic impact, the Company's management carried out an impact assessment on the overall Company's operations and business aspects including factors like supply chain, travel restrictions, oil prices, product demand, etc. and concluded that, as of the issuance date of these financial statements, no significant changes are required to the judgements and key estimates. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the financial statements:

a) Provision for expected credit losses of trade receivables

The uncertainties caused by COVID-19 have required the Company to reassess the inputs and assumptions used for the determination of expected credit losses ("ECLs") as at 30 September 2020. The Company has updated the relevant forward-looking information with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Since the majority of trade receivables are secured against bank guarantees or letters of credit, management believes that the allowance for ECL at the reporting date is appropriate.

b) Impairment of non-financial assets

The Company has performed a detailed assessment for possible indicators for impairment of its property, plant and equipment, and compared the actual results for the nine-month period ended 30 September 2020 against the budget and industry benchmarks and has recorded an impairment loss amounting to AED 172 million for the period (note 11(a)).

c) Fair value of financial instruments

The Company has assessed the appropriateness of the existing valuation techniques in line with the volatile environment due to the current market conditions and has concluded that there is no material impact of COVID-19 other than changes to fair values which have been incorporated as at the period end.