Gulf Cement Company P.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2021

Building a better
working world

Ernst & Young (Sharjah Branch)
P.O. Box 1350
City Gate Tower, Office No. 1402
Al Ittihad Street
Sharjah, United Arab Emirates

Tel: +971 6 574 1491
ey.com

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 31 December 2021, and the statements of profit or loss and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("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.

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 year. 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. 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.

Building a better
working world

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
Impairment of property, plant and equipment The Company has property, plant and equipment ("PPE") amounting to AED 659.2 million as of 31 December 2021. A history of recurrent gross and net losses and the fact that the value of shareholders' equity exceeds the market capitalisation of the Company have led to indicators of impairment. During 2021, management estimated the recoverable amount of its PPE being the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). FVLCD was assessed through the assistance of an external valuer while VIU was completed by the management. Management has concluded that both the FVLCD and the VIU are higher than the carrying amount of the PPE such that no impairment provision was required for the year ended 31 December 2021. 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 performed by the Company included the following ▪ We examined the methodology used by management, including those used by the external valuer to assess the recoverable amount of the PPE in accordance with International Financial Reporting Standards (IFRS); ▪ We evaluated the appropriateness of the assumptions and judgments used by the management including input data used to estimate the cash flow forecasts and the input data provided by management to the external valuer such as asset information and historical performance; ▪ We evaluated the reasonableness of management's forecasts for (a) annual revenue growth rates, (b) Gross margins, (c) Terminal growth rate, (d) operating expenses, (e) Capital expenditures, and (f) working capital changes by comparing the forecasts to (1) the historical operating results of the PPE (2) internal communications to management and the Board of Directors; ▪ We evaluated the external valuer's competence, capabilities and objectivity including the scope of the engagement. ▪ We verified 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 have assessed the appropriateness of the disclosures in the 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>Allowance for slow moving and obsolete inventories</u> The gross balance of inventories as at 31 December 2021 amounted to AED 99.8 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 and a history of negative gross margin on sales. 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's expert and assessed the physical existence and condition of selected samples of the inventories. ▪ We tested the valuation of year 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)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Going concern assumption As explained in note 1.1 to the financial statements, the Company incurred a loss of AED 53.0 million during the year, and as at 31 December 2021 accumulated losses of the Company amounted to AED 78.2 million. As at 31 December 2021, the current liabilities exceeded its current assets by AED 55.0 million. As disclosed in the assessment of liquidity risk in note 28 to the financial statements, the Company has financial liabilities of AED 231.0 million to be settled within one year from 31 December 2021. The Company has cash and cash equivalents of AED 7.2 million, other current assets of AED 170.2 million, other non-current liquid investments of AED 31.1 million and unutilized borrowing facilities of AED 58.1 million. The financial statements have been prepared on a going concern basis. The availability of sufficient funding, meeting its budgets including revenue targets and management's assessment of whether the Company will be able to continue meeting its obligations under its financing covenants were important for the going concern assumption and, as such, were significant aspects of our audit. This assessment was largely based on the expectations of, and the estimates made by management. The expectations and estimates can be influenced by subjective elements such as estimated future cash flows, forecasted results and margins from operations, and are sensitive, in particular, to expected raw material prices, sales prices of the Company's products in the foreseeable future and availability of sufficient borrowing facilities.	Our procedures in relation to the management's assessment of going concern assumption included: ▪ We obtained an understanding of the process over the liquidity assessment, compliance with the debt covenants and preparation of the cash flow forecast for the next 12 months after the reporting date. ▪ We analysed management's future cash flow forecasts, and the process by which they were prepared, and reviewed the reasonableness of underlying key assumptions such as expected cash inflow from product sales, external funding and cash outflow from operating and other activities. ▪ Regarding revenue expectations, we reviewed the reasonableness of the estimates made by management by assessing whether the estimates regarding sales forecasts and sales prices are in line with historical revenues to date, approved purchase orders to date and budget approved by the Board of Directors. We also inquired about an alternative scenario analysis of management using the low end of revenue forecasts and accompanying key assumptions to ascertain the extent of change in those assumptions that either individually or collectively would lead to alternative conclusions. ▪ We read the minutes of the meeting of the Board of Directors in order to understand future plans and to identify potential contradictory information.

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
Going concern assumption (continued)	▪ Obtained an understanding of the financing plan, and the progress made on executing against the plan up to the date of this report. We reviewed the financing options being considered by the Company and made our own assessment of the likelihood and feasibility of each option. ▪ We agreed the details of the Company's used and unused available credit facilities (including the amendment and extension of credit facilities) to the supporting documentation. ▪ We assessed the adequacy of the disclosures with respect to the going concern assessment.

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 in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended), 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.

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

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.

- 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.

Report on the audit of the financial statements (continued)

***Auditors' responsibilities for the audit of the financial statements* (continued)**

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, actions taken to eliminate threats or safeguards applied.

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 year 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.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

i) the Company has maintained proper books of account;

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

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and UAE Federal Law No. (2) of 2015 (as amended);

iv) the financial information included in the Management's report is consistent with the books of account of the Company;

v) investments in shares and stocks during the year ended 31 December 2021, are disclosed in note 13 to the financial statements;

vi) note 24 reflects material related party transactions and the terms under which they were conducted;

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

Report on other legal and regulatory requirements (continued)

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Article of Association which would materially affect its activities or its financial position as at 31 December 2021; and

viii) note 8(a) reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No. 690

14 February 2022

Sharjah, United Arab Emirates

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2021

	Notes	***2021 AED***	*2020 AED*
Revenue from contracts with customers	5	**340,637,382**	345,878,760
Cost of sales	6	**(377,108,360)**	(402,728,248)
GROSS LOSS		**(36,470,978)**	(56,849,488)
Other operating income	7	**3,933,367**	7,175,548
Selling, general and administrative expenses	8	**(39,619,560)**	(46,336,016)
Impairment of property, plant and equipment	11	**-**	(172,392,819)
Investment income/ (loss) - net	9	**11,208,335**	(3,111,379)
Finance cost		**(2,229,301)**	(2,953,938)
Other income	10	**10,189,812**	1,004,517
LOSS FOR THE YEAR		**(52,988,325)**	(273,463,575)
Earnings per share (EPS):			
Basic loss per share	22	**(0.13)**	(0.67)

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2021

	Notes	***2021 AED***	*2020 AED*
LOSS FOR THE YEAR		**(52,988,325)**	(273,463,575)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent years			
Profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	13(a)	**103,744**	9,980,000
Net change in fair value of investments carried at FVTOCI	13(b)	**1,563,307**	(4,697,087)
Total other comprehensive income		**1,667,051**	5,282,913
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(51,321,274)**	(268,180,662)

The attached notes 1 to 29 form part of these financial statements.

Gulf Cement Company P.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 AED***	*2020 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	11	**659,158,116**	668,385,081
Investment property	12	**12,630,000**	10,700,000
Investment carried at fair value through other comprehensive income (FVTOCI)	13(a)	**31,137,293**	28,210,176
Trade and other receivables	14	**2,067,283**	2,167,283
Total non-current assets		**704,992,692**	709,462,540
Current assets			
Inventories	15	**78,794,325**	70,951,927
Trade and other receivables	14	**54,400,828**	91,605,898
Investment carried at fair value through profit or loss (FVTPL)	13(b)	**37,024,967**	39,703,643
Bank balances and cash	16	**7,182,161**	6,267,930
Total current assets		**177,402,281**	208,529,398
TOTAL ASSETS		**882,394,973**	917,991,938
EQUITY AND LIABILITIES			
Equity			
Share capital	17	**410,548,410**	410,548,410
Reserves	18	**348,663,041**	369,190,461
Fair value reserves	13(a)	**(39,675,070)**	(58,537,574)
Accumulated losses		**(78,189,194)**	(8,005,416)
Total equity		**641,347,187**	713,195,881
Non-current liabilities			
Provision for employees' end of service indemnity	19	**8,480,783**	8,815,240
Term loans	20	**122,949**	322,978
Total non-current liabilities		**8,603,732**	9,138,218
Current liabilities			
Bank borrowings	20	**28,996,574**	55,498,001
Term loans	20	**200,469**	189,424
Trade and other payables	21	**203,247,011**	139,970,414
Total current liabilities		**232,444,054**	195,657,839
Total liabilities		**241,047,786**	204,796,057
TOTAL EQUITY AND LIABILITIES		**882,394,973**	917,991,938

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

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2021	410,548,410	369,190,461	(58,537,574)	(8,005,416)	713,195,881
Loss for the year	-	-	-	(52,988,325)	(52,988,325)
Other comprehensive income for the year	-	-	1,563,307	103,744	1,667,051
Total comprehensive loss for the year	-	-	1,563,307	(52,884,581)	(51,321,274)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 13(a))	-	-	17,299,197	(17,299,197)	-
Dividend distribution (note 23)	-	(20,527,420)	-	-	(20,527,420)
Balance at 31 December 2021	**410,548,410**	**348,663,041**	**(39,675,070)**	**(78,189,194)**	**641,347,187**

The attached notes 1 to 29 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2021

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2020	821,096,820	369,190,461	(165,820,487)	(43,090,251)	981,376,543
Loss for the year	-	-	-	(273,463,575)	(273,463,575)
Other comprehensive (loss) / income for the year	-	-	(4,697,087)	9,980,000	5,282,913
Total comprehensive loss for the year	-	-	(4,697,087)	(263,483,575)	(268,180,662)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 13(a))	-	-	111,980,000	(111,980,000)	-
Share capital reduction through offsetting of accumulated losses (note 17)	(410,548,410)	-	-	410,548,410	-
Balance at 31 December 2020	410,548,410	369,190,461	(58,537,574)	(8,005,416)	713,195,881

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021

	Notes	*2021* *AED*	*2020* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(52,988,325)**	(273,463,575)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	11	**44,948,120**	60,760,200
Impairment of property, plant and equipment	11	**-**	172,392,819
Finance cost		**2,229,301**	2,953,938
Provision for employees' end of service indemnity	19	**548,037**	210,000
(Reversal)/ provision for expected credit losses	14	**(217,686)**	2,467,900
Fair value (gain)/ loss on investment properties	12	**(1,930,000)**	1,311,300
Unrealized (gain)/ loss on investments carried at FVTPL	13(b)	**(5,080,931)**	4,890,962
Gain on sale of investments in securities	9	**(887,532)**	-
Interest and dividend income	9	**(3,309,872)**	(3,090,883)
Unwinding of receivable from sale of an associate	10	**(400,000)**	-
		(17,088,888)	(31,567,339)
Working capital adjustments			
Trade and other receivables		**37,922,756**	45,937,559
Inventories		**(7,842,398)**	40,491,495
Trade and other payables		**62,588,828**	(40,796,402)
		75,580,298	14,065,313
Employees' end of service indemnity paid	19	**(882,494)**	(1,936,760)
Finance cost paid		**(2,229,301)**	(2,953,938)
Net cash flows from operating activities		**72,468,503**	9,174,615
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(35,721,155)**	(25,920,526)
Purchase of investments carried at FVTOCI	13	**(19,933,938)**	-
Proceeds on disposal of investments in securities		**27,321,011**	10,000,000
Dividends received		**3,303,432**	3,077,339
Interest income		**6,440**	13,544
Net cash flows used in investing activities		**(25,024,210)**	(12,829,643)
FINANCING ACTIVITIES			
Net movement in bank borrowings and term loans		**(26,690,411)**	3,497,103
Dividends paid		**(19,839,651)**	(133,090)
Net cash flows (used in)/ from financing activities		**(46,530,062)**	3,364,013
NET INCREASE/ (DECREASE) IN BANK BALANCES AND CASH DURING THE YEAR		**914,231**	(291,015)
Bank balances and cash at the beginning of the year		**6,267,930**	6,558,945
BANK BALANCES AND CASH AT THE END OF THE YEAR	16	**7,182,161**	6,267,930

The attached notes 1 to 29 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). 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 was 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 year ended 31 December 2021, the Company incurred a loss of AED 52.98 million compared to a net loss of AED 273.5 million in the previous year. Despite the slowdown in the overall economic situation due to the consequences of the COVID-19 outspread, tough price business conditions and a continuous excess supply pressure, the Company's performance has been improved during the year ended 31 December 2021.

The major challenges during the year were the supply chain disruption post Covid-19, recovery, which impacted rising global fuel and energy prices which constitute prominent portion of the total cost of production, controlling fixed cost and scheduled maintenance considering world-wide Covid-19 restrictions on movement and trade. The Company has shown resilience in all respect and adopt all tangible measures to improvise the situation in Company favour. The cost control measures, and various strategies adopted by management in 2020 in all areas with a specific focus to reduce fixed costs have started reaping fruit during the year 2021, with a significant reduction in fixed cost by AED 22 million.

In significance, the Company has been successful to an extent in shifting the burden of higher input cost by increasing the selling prices, substituting high fuel cost with other burning materials and sources, utilizing best possible mix of power sources, and carrying out the successful maintenance of the plant. However, these all efforts were substantially materialized by the end of the year 2021. Hence, the Company expect significant improvement in performance in next year.

On liquidity side, even during this challenging time, the Company was able to manage its liquidity position without going for any significant external finance. The Company reduced the external borrowing by AED 26.5 million during the year 2021. 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. At 31 December 2021 the Company had available of AED 46.9 million (2020: AED 102.3 million) of undrawn committed borrowing facilities.

Management shall continue the following strategies:

- 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;
- energy conservative measures and right mix of power sources and effective and efficient use of available resources to be lowest cost-producer in the country through

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 as the economic activities gain further momentum, stability in commodity prices and the effects of pandemic decline, the market is projected to make a broad based recovery to keep the cement demand going in addition to the above actions, combined with other strategic and operational measures taken by the Board of Directors will effectively transform the profitability of the Company in the foreseeable future.

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 2022.

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) and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 (as amended).

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 year, except as follows:

New and amended standards and interpretations
New and amended standards effective for annual period beginning on or after 1 January 2021

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments and interpretations apply for the first time in 2021, but do not have any material impact on the financial statements of the Company.

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

The amendments and interpretations apply for the first time in 2021, 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.

- Covid -19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 effective for annual periods beginning on or after 1 April 2021)

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17)

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1(effective from annual 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 and apply prospectively)

- 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)

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)

- 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.)
- Definition of Accounting Estimates - Amendments to IAS 8 (effective from annual periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective from annual periods beginning on or after 1 January 2023with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (In December 2015, the IASB decided to defer the effective date of the amendments until such time as it has finalised any amendments that result from its research project on the equity method. The amendments must be applied prospectively. Early application is permitted and must be disclosed).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (effective for annual periods beginning on or after 1 January 2023)

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

- 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)
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted)
- IAS 41 Agriculture – Taxation in fair value measurements (effective from annual periods beginning on or after 1 January 2022 with earlier application permitted)

Management is currently assessing the impact of adopting the above standards, amendments and interpretations on the Company's financial statements in the year 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 at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

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

*In 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. 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 2021 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 year the asset is derecognised.

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

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 year 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)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Subsequent measurement
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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Subsequent measurement (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 year 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 year in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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 year in which they arise. Fair values are determined based on an annual valuation performed by an accredited external independent valuer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)
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 year 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 year.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting year

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 year, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting year

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.

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 and ratified by the market regulator. A corresponding amount is derecognised from equity and transferred to liabilities.

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.

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 year.

3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)
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 years.

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:

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and believes that the Company has the necessary required resources to enable it to continue its operations and meet its obligations as and when they fall due (note 1.1).

Based on the above, the management believes that the Company will be able to continue as a going concern for the foreseeable future, and accordingly, the financial statements of the Company have been prepared on a going concern basis.

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

Estimates and assumptions (continued)

Judgements (continued)

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 main 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 2021. 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 40.4 million (2020: AED 82.5 million) and the provision for expected credit losses was AED 2.9 million (2020: AED 3.2 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 99.8 million (2020: AED 92.0 million) with provision for old and obsolete inventories of AED 21.0 million (2020: AED 21.0 million). Any differences between the amounts actually realised in future years 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 observable or unobservable valuation techniques including the discounted cash flow (DCF) model, where appropriate. 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 market approach (i.e. sales comparison method) and cost approach (i.e. depreciated replacement cost method). The value in use calculation is based on a DCF model.

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).

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

Estimates and assumptions (continued)

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 considers 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 31 December 2021. 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, excluding power stations and a production line classified as part of plant and machinery

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:

	2021	*2020*
	AED	*AED*
Type of revenue		
Sale of goods	**340,637,382**	345,878,760

	2021	*2020*
	AED	*AED*
Geographical markets		
Within UAE	**75,435,741**	96,189,479
Outside UAE	**265,201,641**	249,689,281
	340,637,382	345,878,760

	2021	*2020*
	AED	*AED*
Timing of revenue recognition		
Goods transferred at a point in time	**340,637,382**	345,878,760

Revenue includes AED 313.8 million which represents 92% of total revenue from 7 customers (2020: AED 302.2 million which represents 87% of total revenue from 7 customers).

b) Contract balances

	2021	*2020*
	AED	*AED*
Asset		
Trade receivables (note 14)	**37,468,660**	79,381,184
Liability		
Advances from customers (note 21)	**1,410,742**	1,479,147

c) Performance obligations

The performance obligation on sales of goods is satisfied upon delivery and payment is generally due within 150 to 180 days from delivery (2020: 150 to 210 days).

6. COST OF SALES

	2021 **AED**	*2020* *AED*
Fuel	**161,845,393**	157,021,429
Raw material used in production	**77,389,908**	88,465,442
Depreciation of property, plant and equipment (note 11)	**44,948,120**	60,760,200
Electricity	**28,991,992**	14,703,046
Water	**25,318,245**	29,076,914
Salaries and employee related cost (note 8)	**18,798,425**	18,902,964
Spare parts consumption and consumables	**4,447,297**	5,926,083
Other direct operating expenses	**10,589,081**	12,090,354
Total manufacturing costs	**372,328,461**	386,946,432
Decrease in inventory of finished and semi-finished goods	**4,779,899**	15,781,816
	377,108,360	402,728,248

7. OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company. Income earned during the year ended 31 December 2021 amounted to AED 3.9 million (2020: AED 7.2 million).

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2021 AED	*2020 AED*
Loading charges	**23,834,411**	24,639,666
Salaries and employee related cost (note (b))	**11,866,393**	12,259,999
Professional charges	**962,434**	2,273,264
Director expenses (note 24)	**539,447**	761,178
Sales promotion	**134,207**	507,568
Allowance for expected credit losses (note 14 (a))	**(217,686)**	2,467,900
Others	**2,500,354**	3,426,441
	39,619,560	46,336,016

a) The social contributions (including donations and charity) made during the year amounting to nil (2020: AED 850).

b) Salaries and employee related cost for the year were allocated as follows:

	2021 AED	*2020 AED*
Cost of sales (note 6)	**18,798,425**	18,902,964
Selling, general and administrative expenses	**11,866,393**	12,259,999
	30,664,818	31,162,963

9. INVESTMENT INCOME/ (LOSS) - NET

	2021	*2020*
	AED	*AED*
Unrealised gain/ (loss) on investments carried at FVTPL (note 13)	**5,080,931**	(4,890,962)
Dividend income	**3,303,432**	3,077,339
Gain/ (loss) on fair valuation of investment properties (note 12)	**1,930,000**	(1,311,300)
Gain on disposal of investments carried at FVTPL	**887,532**	-
Interest income	**6,440**	13,544
	11,208,335	(3,111,379)

10. OTHER INCOME

Other income includes AED 6.7 million received by the Company as a compensation for the release of a plot of land to RAK Port Authority. The plot was allocated to the Company in prior years by the Ras Al Khaimah government for nil consideration.

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 2020	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	-	24,874,932	25,920,526
Transfers	-	21,409,873	-	-	-	-	(21,409,873)	-
At 31 December 2020	157,445,609	1,085,666,008	488,256,226	16,717,384	10,333,644	3,686,727	136,066,082	1,898,171,680
Additions	-	795,933	-	676,830	196,165	-	34,052,227	35,721,155
Transfers	-	40,203,543	-	-	-	(3,686,727)	(36,516,816)	-
At 31 December 2021	**157,445,609**	**1,126,665,484**	**488,256,226**	**17,394,214**	**10,529,809**	**-**	**133,601,493**	**1,933,892,835**
Depreciation and impairment								
At 1 January 2020	132,756,467	721,075,602	118,626,847	16,440,677	7,733,987	-	-	996,633,580
Charge for the year	1,942,062	48,385,126	9,358,343	101,261	973,408	-	-	60,760,200
Impairment during the year (note (a))	4,735,184	65,335,681	74,036,261	40,313	373,551	753,962	27,117,867	172,392,819
At 31 December 2020	139,433,713	834,796,409	202,021,451	16,582,251	9,080,946	753,962	27,117,867	1,229,786,599
Charge for the year	1,628,138	35,056,357	7,332,245	87,608	843,772	-	-	44,948,120
Transfers	-	-	-	-	-	(753,962)	753,962	-
At 31 December 2021	**141,061,851**	**869,852,766**	**209,353,696**	**16,669,859**	**9,924,718**	**-**	**27,871,829**	**1,274,734,719**
Net carrying value								
At 31 December 2021	**16,383,758**	**256,812,718**	**278,902,530**	**724,355**	**605,091**	**-**	**105,729,664**	**659,158,116**
At 31 December 2020	18,011,896	250,869,599	286,234,775	135,133	1,252,698	2,932,765	108,948,215	668,385,081

11. PROPERTY, PLANT AND EQUIPMENT (continued)

a) During the year ended 31 December 2021, no impairment losses (2020: AED 172 million of impairment loss) had been recognised against property, plant and equipment ("PPE"), to adjust the carrying value to its recoverable amount. Impairment losses are recognised in the statement of profit or loss as 'impairment of property, plant and equipment'. The recoverable amount assessed as at 31 December 2021 and 31 December 2020 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 with a terminal growth rate assumed after the 5th year. The CGU consisted of whole block of 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 PPE, the Company has projected the future cash flows for a period of five years using the following assumptions:

	2021	*2020*
Discount rate	**8.9%**	8.5%
Growth rate on price per ton	**3%**	3%
Terminal year growth rate	**1.5%**	1.5%
Average coal price in USD	**refer below**	refer below

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.

The management also engaged an accredited independent valuer to determine the fair value less cost of disposal of its PPE as at 31 December 2021.

The fair values of property, plant and equipment except motor vehicles were derived using the cost approach (i.e. depreciated replacement cost) and fair values of motor vehicles were derived using market approach (i.e. sales comparison method). The approaches are defined below:

- The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (ie similar) assets, liabilities or a group of assets and liabilities, such as a business.
- The cost approach reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

Both the fair value less cost of disposal and the value in use are higher than the carrying amount of the PPE as at 31 December 2021. Hence, no impairment losses were recorded by the Company.

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 9.0% (2020: 8.6%) (i.e., +10 basis points)) in the CGU would result in no impairment (2020: 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 real Gross Domestic Product. Historically, cement industry growth had a direct correlation with economic growth. A reduction by 0.1% in the growth rate on price per ton in the CGU would result in no impairment (2020: further impairment of AED 10.6 million).

The terminal year growth rate is based on the projected growth of the Company which is in line with its historical experience, economic conditions of the countries where the Company operates, and the Company's future plans. A reduction by 0.1% in the terminal year growth rate in the CGU would result in no impairment (2020: a further impairment of AED 4.4 million).

If prices of coal increase on average by 0.5%, the Company will have no impairment (2020: a further impairment amounting to AED 8.6 million).

11. PROPERTY, PLANT AND EQUIPMENT (continued)

b) At 31 December 2021, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 602.0 million (2020: AED 587.2 million).

c) Depreciation on 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.

d) 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.

e) Motor vehicles with net book value of AED 504 thousand (31 December 2020: AED 680 thousand) are mortgaged against auto loan (note 20).

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

g) Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 20).

12. INVESTMENT PROPERTY

	2021 ***AED***	*2020* *AED*
At the beginning of the year	**10,700,000**	12,011,300
Change in fair value	**1,930,000**	(1,311,300)
At the end of the year	**12,630,000**	10,700,000

Investment property represents plots of land in Ras Al Khaimah.

The fair value of the Company's investment property at 31 December 2021 and 31 December 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 year.

At 31 December 2021 and 31 December 2020, 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 2021 and 2020.

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)*** ***2021***	*2020*
Plot of land	Current market rate for comparable properties that have been sold in nearby area	Rate per sq. ft.	**AED 30-155**	AED 20-155

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)

	2021 AED	*2020 AED*
Quoted	**66,734,658**	82,670,045
Unquoted	**4,077,705**	4,077,705
Total gross investments at FVTOCI at cost	**70,812,363**	86,747,750
Less: accumulated fair value reserve, net	**(39,675,070)**	(58,537,574)
Fair value of investments	**31,137,293**	28,210,176

The geographical spread of the above investments is as follows:

	2021			*2020*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**0.5%**	**175,838**	**162,150**	0.4%	175,838	111,600
Kuwait	**99.5%**	**70,636,525**	**30,975,143**	99.6%	86,571,912	28,098,576
	100%	**70,812,363**	**31,137,293**	100%	86,747,750	28,210,176

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 39.7 million as at 31 December 2021 (2020: negative AED 58.5 million) and is shown under equity. During 2021, the Company has transferred AED 17.3 million (2020: AED 111.98 million) from fair value reserve to accumulated losses arising from the disposal of investments carried FVTOCI. The total proceeds from the disposal of investments carried at FVTOCI amounted to AED 17.6 million (2020: AED 10 million) resulting to a gain of AED 0.1 million (2020: AED 9.98 million) which is shown in the statement of comprehensive income.

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.

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

	2021 AED	*2020 AED*
Quoted investments at cost	**72,515,016**	83,815,027
Unquoted	**2,826,156**	2,826,156
Total gross investments at FVTPL at cost	**75,341,172**	86,641,183
Less: cumulative changes in fair value	**(38,316,205)**	(46,937,540)
Fair value of investments	**37,024,967**	39,703,643

13. INVESTMENT IN SECURITIES (continued)

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

The geographical spread of the above investments is as follows:

	2021			*2020*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**46.1%**	**27,271,815**	**17,060,897**	48.4%	31,496,928	19,207,200
Other GCC countries	**53.9%**	**48,069,357**	**19,964,070**	51.6%	55,144,255	20,496,443
	100%	**75,341,172**	**37,024,967**	100%	86,641,183	39,703,643

Movement in investment in securities (FVTOCI and FVTPL) were as follows:

	2021 AED	*2020 AED*
Fair value of investments at the beginning of the year	**67,913,819**	77,521,868
Additions made during the year	**19,933,938**	-
Disposals made during the year at carrying value	**(26,329,735)**	(20,000)
Unrealized gain/ (loss) on revaluation of investments carried at FVTOCI	**1,563,307**	(4,697,087)
Unrealized gain/ (loss) on revaluation of investments carried at FVTPL (note 9)	**5,080,931**	(4,890,962)
Fair value of investments at the end of the year	**68,162,260**	67,913,819

14. TRADE AND OTHER RECEIVABLES

	2021 AED	*2020 AED*
Trade receivables	**40,409,884**	82,540,094
Less: allowance for expected credit losses (note (a))	**(2,941,224)**	(3,158,910)
	37,468,660	79,381,184
Other receivables	**16,432,168**	11,724,714
Receivable from sale of an associate	**2,567,283**	2,667,283
	56,468,111	93,773,181
Less: receivable from sale of an associate due after one year	**(2,067,283)**	(2,167,283)
	54,400,828	91,605,898

14. TRADE AND OTHER RECEIVABLES (continued)

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

	2021 ***AED***	*2020* *AED*
Balance at the beginning of the year	**3,158,910**	1,872,634
(Reversal)/ charge for the year (note 8)	**(217,686)**	2,467,900
Provision write off during the year	**-**	(1,181,624)
	2,941,224	3,158,910

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. The majority of trade receivables are secured against bank guarantees or letters of credit, and management believes that the allowance for ECL at the reporting date is sufficient.

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

	2021 ***AED***	*2020* *AED*
Secured against unconditional bank guarantees	**18,946,982**	57,155,867
Secured against letter of credit	**-**	1,514,448
Unsecured	**21,464,002**	23,869,779
	40,409,884	82,540,094

d) The average credit period on sale of goods is 120 days to 180 days (2020: 150 days to 210 days).

e) Trade receivables amounting to AED 35.3 million (2020: AED 73.7 million) is due from the Company's five largest customers representing 87% (2020: 89%) of the total outstanding balance at 31 December 2021.

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*
2021	**40,409,884**	**33,334,911**	**5,296,798**	**-**	**1,778,175**
2020	82,540,094	43,384,197	9,545,152	2,469,319	27,141,426

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

15. INVENTORIES

	2021 *AED*	*2020* *AED*
Finished goods	**2,874,205**	10,519,259
Raw materials	**9,968,153**	16,755,305
Work in progress	**8,183,044**	5,317,889
Bags, fuel and lubricants	**40,986,155**	25,756,594
Spare parts – maintenance department	**26,196,164**	24,780,293
Consumable items	**11,163,842**	8,412,939
Tools	**448,317**	435,203
	99,819,880	91,977,482
Less: allowance for slow-moving and obsolete inventories	**(21,025,555)**	(21,025,555)
	78,794,325	70,951,927

a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 20).

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

16. BANK BALANCES AND CASH

	2021 *AED*	*2020* *AED*
Cash on hand	**9,857**	13,416
Bank balances:		
Current accounts	**4,298,290**	4,479,566
Call deposits	**2,874,014**	1,774,948
Total bank balances	**7,172,304**	6,254,514
Bank balances and cash	**7,182,161**	6,267,930

	2021 *AED*	*2020* *AED*
Bank balances		
In UAE	**5,143,563**	5,073,251
In other GCC countries	**2,028,741**	1,181,263
	7,172,304	6,254,514

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

17. SHARE CAPITAL

	2021	*2020*
	AED	*AED*
Issued and fully paid:		
410,548,410 (2020: 410,548,410) ordinary shares of AED 1 each	**410,548,410**	410,548,410

a) The Board of Directors of the Company in their meeting held on 3 November 2020, proposed to strengthen the capital base of the Company by reducing the issued share capital and extinguishing the accumulated losses to the extent of AED 410.5 million. Subsequently, capital reduction was approved in the general meeting of the shareholders on 28 November 2020 and thereby the decrease in capital was approved by and registered with the relevant authorities on 29 December 2020. Accordingly, the issued share capital was reduced to AED 410.5 million.

18. RESERVES

According to the Company's Articles of Association and the requirements of the UAE Federal Law No (2) of 2015 (as amended), 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.

Subsequent to the capital reduction during the year ended 31 December 2020, the statutory reserve exceeded the 50% of the paid-up share capital, however, upon the approval and recommendation by the regulatory authorities in the UAE, the management has decided to maintain the statutory reserve at the same level.

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

	Statutory reserve AED	*Voluntary reserve AED*	*Total AED*
Balance at 1 January 2020 and 31 December 2020	364,457,977	4,732,484	369,190,461
Dividend distribution (note below and note 23)	(20,527,420)	-	(20,527,420)
Balance at 31 December 2021	**343,930,557**	**4,732,484**	**348,663,041**

At the Annual General Meeting held on 11 April 2021, the shareholders approved the declaration of dividend distribution of AED 20.5 million through statutory reserve (note 23) as approved by the regulatory authorities in the UAE.

19. PROVISION FOR EMPLOYEES’ END OF SERVICE INDEMNITY

	2021	*2020*
	AED	*AED*
Provision as at 1 January	**8,815,240**	10,542,000
Provided during the year	**548,037**	210,000
Payments made during the year	**(882,494)**	(1,936,760)
Provision as at 31 December	**8,480,783**	8,815,240

20. BORROWINGS

a) Short-term

	2021 *AED*	*2020* *AED*
Bank overdraft facilities	**1,395,827**	10,585,732
Short term loan	**27,600,747**	44,912,269
Total bank borrowings	**28,996,574**	55,498,001

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 (note 15(a)) and movable property, plant and equipment (note 11 (h)) and pledge over inventories (note 15(b)) and a negative pledge over property, plant and equipment (note 11(g)).

b) Long-term

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

	2021 *AED*	*2020* *AED*
Current portion	**200,469**	189,424
Non-current portion	**122,949**	322,978
Total term loans	**323,418**	512,402

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 11(g)) and repayable on a monthly basis with last instalment due on 1 August 2023.

21. TRADE AND OTHER PAYABLES

	2021 *AED*	*2020* *AED*
Trade payables	**159,260,174**	96,877,645
Dividend payable	**29,387,071**	28,699,302
Accrued expenses	**11,202,697**	10,872,155
Advances from customers	**1,410,742**	1,479,147
VAT Payable	**1,102,116**	1,289,648
Other payables	**884,211**	752,517
	203,247,011	139,970,414

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on and average of 120 days (2020: 75-day terms)
- VAT payable are non-interest bearing and are normally settled after one month.
- 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

	2021 AED	*2020 AED*
Loss for the year (in AED)	**(52,988,325)**	(273,463,575)
Weighted average number of shares	**410,548,410**	410,548,410
Basic loss per share (in AED)	**(0.13)**	(0.67)

a) The denominator for the purpose of calculation of basic loss per share for the year ended 31 December 2020 has been adjusted to reflect the effect of capital reduction as if the capital reduction occurred from the beginning of the prior period without a corresponding change in resources in accordance with the requirements of IAS 33 'Earnings per share' (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 11 April 2021, AED 20.5 million cash dividends which represents 5% of the Company's share capital were approved (AED 0.05 per share) for the year ended 31 December 2020 as approved by the regulatory authorities in the UAE. Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2020 (2019: 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 year, the Company entered into the following transactions with related parties:

	2021 AED	*2020 AED*
Attendance expenses for Board of Directors and committees' meetings (note 8)	**539,447**	761,178
Profit on the release of a plot of land owned by the Ras Al Khaimah government (note 10)	**6,691,655**	-
Profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI) (note 13(a))	**-**	9,980,000

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Compensation of key management personnel

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

	2021 ***AED***	*2020* *AED*
Salaries and other short-term benefits (note below)	**3,784,432**	4,164,043
Employees' end of service benefits	**295,252**	288,308
	4,079,684	4,452,351

The amounts disclosed in the table above relating to salaries and other short-term benefits are the amounts recognised as an expense for the year ended 31 December 2021 and 2020 related to key management personnel.

25. CONTINGENT LIABILITIES AND COMMITMENTS

	2021 ***AED***	*2020* *AED*
Letters of credit	**61,973,294**	21,408,151
Letters of guarantee	**36,725**	5,236,724

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 current accounts) and investment properties.

	2021			*2020*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment revenue	**340,637,382**	**-**	**340,637,382**	345,878,760	-	345,878,760
Segment result	**(64,196,660)**	**11,208,335**	**(52,988,325)**	(270,352,196)	(3,111,379)	(273,463,575)
Impairment of property, plant and equipment (note 11(a))	**-**	**-**	**-**	(172,392,819)	-	(172,392,819)
Segment assets	**798,728,699**	**83,666,274**	**882,394,973**	837,603,171	80,388,767	917,991,938
Segment liabilities	**241,047,786**	**-**	**241,047,786**	204,796,057	-	204,796,057

There are no transactions between the business segments.

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

a) Information about geographical segments

During the year ended 31 December 2021, revenue from customers located in the Company's country of domicile (UAE) is AED 75.4 million (2020: AED 96.2 million) and revenue from customers outside UAE (foreign customers) is AED 265.2 million (2020: AED 249.7 million).

b) Major customers

Revenue includes AED 313.8 million which represents 92% of total revenue (2020: AED 302.2 million) which represents 87% of total revenue) from 7 customers (2020: 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 2020.

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 year. The following table gives information about how the fair values of these financial assets are determined;

	Fair value					
Financial assets	***2021 AED (audited)***	*2020 AED (audited)*	***Fair value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Quoted equity investments carried at FVTOCI	**30,518,920**	27,591,803	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	**618,373**	618,373	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	**37,024,967**	39,703,643	Level 1	Quoted bid prices in an active market	None	N/A
	68,162,260	67,913,819				

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

27. FAIR VALUE MEASUREMENT (continued)

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 year.

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

2021

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	**-**	**-**	**12,630,000**	**12,630,000**
Investments carried at FVTPL	**37,024,967**	**-**	**-**	**37,024,967**
Investments carried at FVTOCI:				
- Quoted equities	**30,518,920**	**-**	**-**	**30,518,920**
- Unquoted equities	**-**	**-**	**618,373**	**618,373**
	67,543,887	**-**	**13,248,373**	**80,792,260**

2020

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment property	-	-	10,700,000	10,700,000
Investments carried at FVTPL	39,703,643	-	-	39,703,643
Investments carried at FVTOCI:				
- Quoted equities	27,591,803	-	-	27,591,803
- Unquoted equities	-	-	618,373	618,373
	67,295,446	-	11,318,373	78,613,819

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

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.

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

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 receivables, bank balances and other receivables and investments in equity instruments.

The sensitivity analysis in the following sections relate to the position as at 31 December 2021 and 2020.

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 31 December 2021 and 2020.

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

	Increase/ decrease basis points	*Effect on results for the year in AED*
2021	**+50**	**(131,224)**
	-50	**131,224**
2020	+50	(268,615)
	-50	268,615

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.

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

	Liabilities		***Assets***	
	2021 AED	*2020 AED*	***2021 AED***	*2020 AED*
US Dollars	**112,100,300**	71,200,734	**-**	-
Euro	**1,095,782**	1,216,172	**-**	-
Kuwaiti Dinar	**-**	-	**42,161,805**	41,177,906
Japanese Yen	**11,796**	-	**-**	-
Norwegian Krone	**-**	-	**8,777,387**	6,798,714
	113,207,878	72,416,906	**50,939,192**	47,976,620

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

Market risk (continued)

b) Foreign currency risk (continued)
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, Japanese Yen and Norwegian Kroner, the Company's result for the year ended 31 December 2021 and equity as of 31 December 2021 would have increased or decreased by approximately AED 5.0 million (2020: AED 4.7 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:

	2021			*2020*		
	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%**	**1,706,090**	**16,215**	±10%	1,920,720	11,160
Other GCC countries	**±10%**	**1,996,407**	**3,035,677**	±10%	2,049,644	2,748,020

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

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.

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

Credit risk (continued)

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:

	2021		
	Gross value AED	***Allowance for expected credit losses AED***	***Expected credit loss (ECL)***
Secured trade receivables	**18,946,982**	**28,529**	**0.15%**
Unsecured trade receivables	**21,464,002**	**2,912,695**	**13.57%**
	40,409,884	**2,941,224**	

	2020		
	Gross value AED	*Allowance for expected credit losses AED*	*Expected credit loss (ECL)*
Secured trade receivables	58,670,316	63,270	0.11%
Unsecured trade receivables	22,533,922	1,759,784	7.81%
Specific provision for receivables	1,335,856	1,335,856	100%
	82,540,094	3,158,910	

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

	2021 AED	*2020 AED*
In UAE	**40,366,642**	81,074,155
In other GCC countries	**43,242**	1,465,939
	40,409,884	82,540,094

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

Credit risk (continued)
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 and Kuwait. Accordingly, the ECL as at the reporting date against bank balances is minimal. 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.

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 year 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***
2021				
Trade and other payables	**158,819,153**	**43,017,116**	**-**	**201,836,269**
Bank borrowings	**10,071,574**	**19,176,412**	**-**	**29,247,986**
Term loans	**17,803**	**195,833**	**124,621**	**338,257**
	168,908,530	**62,389,361**	**124,621**	**231,422,512**

	Less than 1 month AED	*2 to 12 months AED*	*1 to 3 years AED*	*Total AED*
2020				
Trade and other payables	98,919,810	39,571,457	-	138,491,267
Bank borrowings	20,145,523	36,249,384	-	56,394,907
Term loans	17,803	195,833	338,257	551,893
	119,083,136	76,016,674	338,257	195,438,067

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 year ended 31 December 2021 and 2020. Capital comprises share capital, reserves, fair value reserves and accumulated losses. As at 31 December 2021, the Company's capital is measured at AED 641.3 million (2020: AED 713.2 million).

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

Changes in liabilities arising from financing activities

	1 January 2021 AED	***Cash inflows AED***	***Cash outflows AED***	***Other changes AED***	***31 December 2021 AED***
Short term loan	**44,912,269**	**140,704,544**	**(158,016,066)**	**-**	**27,600,747**
Bank overdrafts	**10,585,732**	**-**	**(9,189,905)**	**-**	**1,395,827**
Dividends payable	**28,699,302**	**-**	**(19,839,651)**	**20,527,420**	**29,387,071**
Term loans	**512,402**	**-**	**(188,984)**	**-**	**323,418**
	84,709,705	**140,704,544**	**(187,234,606)**	**20,527,420**	**58,707,063**

	1 January 2020 AED	*Cash inflows AED*	*Cash outflows AED*	*31 December 2020 AED*
Short term loan	44,153,104	136,279,613	(135,520,448)	44,912,269
Bank overdrafts	8,360,196	2,225,536	-	10,585,732
Dividends payable	28,832,392	-	(133,090)	28,699,302
Term loans	-	735,000	(222,598)	512,402
	81,345,692	139,240,149	(135,876,136)	84,709,705

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

29. APPROVAL OF ANNUAL AUDITED FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 14 February 2022.