Financial Statements
31 December 2024

Gulf Cement Company P.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2024

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors hereby submit the report and audited financial statements of Gulf Cement Company P.S.C. (the "Company") for the year ended 31 December 2024.

INCORPORATION AND REGISTERED OFFICE

The Company having license no. 32 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).

PRINCIPAL ACTIVITIY

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

FINANCIAL POSITION AND RESULTS

The Company recorded revenue of AED 480.8 million for the year ended 31 December 2024 which is 3.91% higher than revenue of AED 462.7 million in the prior year. The Company incurred net loss amounting to AED 41.5 million (2023: AED 51.6 million) and generated positive net cash flows from operating activities of AED 56.9 million (2023: AED 29.6 million). The financial position and results of the Company for the year ended 31 December 2024 are set out in the accompanying financial statements.

AUDITORS

The independent auditors, Ernst & Young Middle East (Sharjah Branch), have served as the Company's auditor for its sixth year of their engagement. The appointment and remuneration of the new auditor will be proposed at the Annual General Meeting of the Company.

ACKNOWLEDGMENTS

The Board would like to express their gratitude and appreciation to all shareholders, customers and business partners, government agencies, banks and financial institutions and employees, whose continued commitment, support and co-operation has been a great strength and encouragement.

On behalf of the Board,

Sheikh Omar Saqer Khaled Humaid Alqassimi
Chairman

17 February 2025

Ras Al Khaimah, United Arab Emirates

ERNST & YOUNG – MIDDLE EAST
(Sharjah BRANCH)
P.O. Box 1350
City Gate Tower, 14th Floor, Office No. 1402
Al-Ittihad Street, Emirate of Sharjah
United Arab Emirates

Tel: +971 6 574 1491
Fax: +971 4 332 4004
sharjah@ae.ey.com
https://www.ey.com

P.L. No. 2845

INDEPENDENT AUDITOR'S 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 2024, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *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.

Emphasis of matter
We draw attention to note 1.1 in the financial statements, which indicates that the Company incurred a net loss of AED 41.5 million during the year ended 31 December 2024 and, as of that date, the Company's current liabilities exceeded its current assets by AED 112.7 million. As stated in note 1.1, these events or conditions, along with other matters set forth in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Impairment of property, plant and equipment</u> The Company has property, plant and equipment ("PPE") amounting to AED 615.7 million as at 31 December 2024. A history of recurrent gross and net losses has led to indicators of impairment. As at 31 December 2024, management conducted an impairment test by discounting the future cash flows generated from operating the business (value in use "VIU" approach). Management has concluded that there is no impairment of PPE as at 31 December 2024 based on the test performed. Since significant judgement, assumptions and estimation uncertainty is involved in assessing the impairment, we have identified this as a key audit matter. Note 10 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 obtained an understanding of the management's process and controls designed thereof over the test of impairment of PPE. ▪ We examined the methodology to assess the VIU of the PPE in accordance with IFRS Accounting Standards. ▪ We assessed the appropriateness of the assumptions and judgments used including input data used to estimate the cash flow forecasts. ▪ We assessed the reasonableness of management's forecasts for certain key assumptions such as (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 (2) internal communications to management and the Board of Directors and (3) external sources of information. ▪ We assessed the external valuer's competence, capabilities and objectivity including the scope of the engagement. ▪ We assessed the appropriateness of the computation of Weighted Average Cost of Capital ("WACC") and terminal growth rate used in the determination of cash flow forecasts by engaging our internal valuation specialists. ▪ We assessed the appropriateness of the disclosures in the financial statements.

Report on the audit of the financial statements (continued)

Other information

Other information consists of Director'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 IFRS Accounting Standards, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on the audit of the financial statements (continued)

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

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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. (32) of 2021, we report that for the year ended 31 December 2024:

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. (32) of 2021;

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

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

Report on other legal and regulatory requirements (continued)

v) investments in shares and stocks during the year ended 31 December 2024, if any, are disclosed in note 12 to the financial statements;

vi) note 23 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2024, any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Article of Association which would have a material impact on its activities or its financial position as at 31 December 2024; and

viii) note 7(a) reflects the social contributions made during the year.

For Ernst & Young

Wardah Ebrahim
Registration No.: 1258

17 February 2025

Sharjah, United Arab Emirates

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Notes	***2024 AED***	*2023 AED*
Revenue	5	**480,822,562**	462,720,111
Cost of sales		**(489,751,639)**	(484,561,100)
GROSS LOSS		**(8,929,077)**	(21,840,989)
Other operating income	6	**14,118,152**	12,110,533
Selling, general and administrative expenses	7	**(39,609,756)**	(40,356,940)
OPERATING LOSS		**(34,420,681)**	(50,087,396)
Investment income	8	**4,619,625**	3,517,862
Finance costs	9	**(11,754,252)**	(5,605,496)
Finance income		**104,090**	583,090
LOSS FOR THE YEAR		**(41,451,218)**	(51,591,940)
Earnings per share (EPS):			
Basic and diluted loss per share	22	**(0.10)**	(0.13)

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	***2024 AED***	*2023 AED*
LOSS FOR THE YEAR		**(41,451,218)**	(51,591,940)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent years			
Loss on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	12(a)	**(31,238)**	(85,346)
Net change in fair value of investments carried at FVTOCI	12(b)	**(3,778)**	(705,284)
Total other comprehensive loss		**(35,016)**	(790,630)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(41,486,234)**	(52,382,570)

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	*2024 AED*	*2023 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**615,709,065**	634,577,268
Right-of-use asset	24	**2,300,833**	-
Investment property	11	**7,936,000**	7,250,000
Investment carried at fair value through other comprehensive income (FVTOCI)	12(a)	**1,844,244**	1,837,426
Trade and other receivables	13	**897,902**	1,315,763
Total non-current assets		**628,688,044**	644,980,457
Current assets			
Inventories	14	**106,610,996**	102,955,802
Trade and other receivables	13	**114,806,984**	85,426,080
Investment carried at fair value through profit or loss (FVTPL)	12(b)	**13,664,856**	11,697,497
Bank balances and cash	15	**347,012**	579,863
Total current assets		**235,429,848**	200,659,242
TOTAL ASSETS		**864,117,892**	845,639,699
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**410,548,410**	410,548,410
Reserves	17	**166,482,312**	166,482,312
Fair value reserves	12(a)	**(12,947,338)**	(12,955,211)
Accumulated losses		**(57,483,000)**	(15,988,893)
Total equity		**506,600,384**	548,086,618
Non-current liabilities			
Provision for employees' end of service indemnity	18	**7,877,614**	8,344,938
Lease liability	24	**1,531,227**	-
Trade and other payables	20	**-**	577,108
Total non-current liabilities		**9,408,841**	8,922,046
Current liabilities			
Bank borrowings	19	**37,469,657**	56,267,388
Trade and other payables	20	**310,152,844**	232,363,647
Lease liability	24	**486,166**	-
Total current liabilities		**348,108,667**	288,631,035
Total liabilities		**357,517,508**	297,553,081
TOTAL EQUITY AND LIABILITIES		**864,117,892**	845,639,699

Sheikh Omar Saqer Khaled Humaid Alqassimi

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2024	410,548,410	166,482,312	(12,955,211)	(15,988,893)	548,086,618
Loss for the year	-	-	-	(41,451,218)	(41,451,218)
Other comprehensive loss for the year	-	-	(3,778)	(31,238)	(35,016)
Total comprehensive loss for the year	-	-	(3,778)	(41,482,456)	(41,486,234)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 12(a))	-	-	11,651	(11,651)	-
Balance at 31 December 2024	**410,548,410**	**166,482,312**	**(12,947,338)**	**(57,483,000)**	**506,600,384**

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2024

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2023	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188
Loss for the year	-	-	-	(51,591,940)	(51,591,940)
Other comprehensive loss for the year	-	-	(705,284)	(85,346)	(790,630)
Total comprehensive loss for the year	-	-	(705,284)	(51,677,286)	(52,382,570)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 12(a))	-	-	24,275	(24,275)	-
Offsetting of accumulated losses against reserves (note 17)	-	(182,180,729)	-	182,180,729	-
Balance at 31 December 2023	410,548,410	166,482,312	(12,955,211)	(15,988,893)	548,086,618

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

	Notes	*2024* *AED*	*2023* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(41,451,218)**	(51,591,940)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	10	**57,979,914**	60,259,604
Amortisation of right-of-use asset	24	**209,167**	-
Finance costs		**11,690,859**	5,605,496
Interest on lease liability	24	**63,393**	-
Provision for slow-moving inventories	14	**2,128,864**	-
Provision for employees' end of service indemnity	18	**777,262**	625,950
Reversal of provision for expected credit losses	13	**(1,094,222)**	(120,527)
Fair value gain on investment property	8	**(686,000)**	(820,000)
Unrealized gain on investments carried at FVTPL	8	**(2,198,059)**	(2,213,736)
(Gain)/ loss on sale of investments in securities	8	**(131,728)**	85,645
Interest and dividend income	8	**(1,603,838)**	(569,771)
Finance income		**(104,090)**	(583,090)
		25,580,304	10,677,631
Working capital adjustments:			
Trade and other receivables		**(27,764,731)**	(24,520,609)
Inventories		**(5,784,058)**	(12,022,859)
Trade and other payables		**72,816,087**	61,894,116
Cash flows from operations		**64,847,602**	36,028,279
Employees' end of service indemnity paid	18	**(1,244,586)**	(860,283)
Finance costs paid		**(6,719,179)**	(5,605,496)
Net cash flows from operating activities		**56,883,837**	29,562,500
INVESTING ACTIVITIES			
Additions to property, plant and equipment	10	**(39,111,711)**	(35,420,509)
Purchase of investments carried at FVTOCI	12	**(251,124)**	(1,431,866)
Proceeds on disposal of investment in securities		**571,718**	1,372,607
Dividends received		**1,602,732**	568,490
Interest income		**1,106**	1,281
Net cash flows used in investing activities		**(37,187,279)**	(34,909,997)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**142,896,250**	156,741,757
Repayments of bank borrowings		**(161,693,981)**	(151,536,489)
Payment of principal portion of lease liability		**(556,000)**	-
Dividends paid		**(575,678)**	(2,929,264)
Repayments of term loans		**-**	(123,428)
Net cash flows (used in)/ from financing activities		**(19,929,409)**	2,152,576
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE YEAR		**(232,851)**	(3,194,921)
Cash and cash equivalents at the beginning of the year		**579,863**	3,774,784
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	15	**347,012**	579,863

The attached notes 1 to 30 form part of these financial statements.

1 ACTIVITIES

Gulf Cement Company P.S.C. (Public Shareholding Company) - Ras Al Khaimah (the "Company") having license no. 32 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 2024, the Company incurred a loss of AED 41.5 million and, as of that date, the Company's accumulated losses amounted to AED 57.5 million, and current liabilities exceeded current assets by AED 112.7 million. Slowdown in the overall economic situation arising from the consequences of the changing geopolitical situation, competitive prices and a continuous excess supply pressure have negatively impacted the operating results.

The Company meets day-to-day working capital and other funding requirements through advance cash sales, maintaining optimum inventory level, strong credit control management and revolving banking facilities, which include an overdraft facility. The highly concentrated supplier's obligations are satisfied in accordance with the agreed timelines. The Company is in compliant with all bank covenants and other terms of its borrowing agreements during the year and maintained its track record of positive earnings before interest, taxes, depreciation, and amortisation (EBITDA, a non-IFRS measure), with an overall EBITDA for the year of AED 28.5 million (2023: AED 14.3 million).

As at 31 December 2024, the total revolving credit facilities of AED 112 million are sufficient to meet the Company's funding needs. The undrawn borrowing facilities available as at 31 December 2024 are AED 40.8 million (2023: AED 25.4 million), which indicates that the Company has required liquidity to meet its supplier obligations and other financial commitments and provides a strong buffer for operational flexibility in the next 12 months. Historically, the Company's utilization of these facilities has consistently ranged between 50% and 60%, reflecting a prudent approach to liquidity management. Even in the unlikely event of a 20% decrease in the total limit, the Company's ability to continue as a going concern in the next 12 months would remain unaffected in view of the stable cash flows, conservative utilization levels, and a concentration of trade payables with related parties.

The Company's gearing ratio is reduced to 7.8% of equity (2023: 10.3%) with no long-term borrowings or commitments whereas the current ratio of the Company is also maintained at 0.7x.

Management has thoroughly reviewed the detailed projected cash flow forecasts in the next 12 months which considers the following factors:

- Current working capital position and operational requirements;
- Agreed timeline with strategic suppliers;
- Increased rates of machine production and any risks that may impact the levels of production;
- Securing energy sources at competitive price, and consideration for implementation of alternative and renewable energy sources;
- Continuation of current sales contracts and the Company's ability to satisfy these from existing production;
- Continuation of existing pricing mechanism and growth in domestic market;
- Increased proportion of good margin product in diversified sales mix;
- Timing of expected sales receipts including collection from outstanding debtors;
- Timing and magnitude of maintenance capital expenditures; and
- The Company's level of indebtedness and the timing of when these liabilities are due.

Management has conducted a sensitivity analysis to evaluate the impact of changes in the assumptions used to determine the recoverable amount of the Company's property, plant and equipment as at 31 December 2024. For further details, refer to note 10(a).

1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION (continued)

These forecasts assume that the Company's production will continue to operate in good order. The Company also anticipates domestic revenue growth through the realisation of existing sales contracts and finding strategic partner through offtake agreements, as well as from newly generated sales in local market.

The Company has also available contingent plans to mitigate the impact of potential downside scenarios if cash receipts from sales are lower than anticipated. These include utilising undrawn borrowing facilities, leveraging existing sale agreements, reviewing capital expenditures, reducing overheads and renegotiation of the terms on its existing suppliers' obligations.

Based on the Company's expectation related to the forecasts and facilities in place, management with its new members of the Board of Directors believe that the Company will be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Basis of preparation
The financial statements have been prepared in accordance with IFRS Accounting Standards, and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021.

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.

Changes in accounting policies and disclosures
The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2023, except as follows:

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These new and amended standards and interpretations did not have any material impact on the financial statements of the Company.

- Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the year ended 31 December 2024 are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Majority of the amendments below are not expected to have a material impact on the Company's financial statements.

- Lack of exchangeability – Amendments to IAS 21 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed.)
- Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and apply the other amendments later)
- Hedge Accounting by a First-time Adopter - IFRS 1 First-time Adoption of International Financial Reporting Standards (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)

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)

- Gain or Loss on Derecognition - IFRS 7 Financial Instruments: Disclosures (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Lessee Derecognition of Lease Liabilities - IFRS 9 Financial Instruments (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Transaction Price - IFRS 9 Financial Instruments (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Determination of a 'De Facto Agent'- IFRS 10 Consolidated Financial Statements (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Cost Method – IAS 7 Statement of Cash Flows (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted)
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2026. Earlier application is permitted, but will need to be disclosed)
- IFRS 18 Presentation and Disclosure in Financial Statements (The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively)
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (The amendments will be effective for annual reporting periods beginning on or after 1 January 2027. Earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively)
- 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 still permitted and must be disclosed).

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 income from investments is recognised when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

Contract balances

Trade receivables

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

Contract balances (continued)

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 profit or loss 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

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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) 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 profit of loss in the year the asset is derecognised.

The 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. 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 10(a).

3 MATERIAL ACCOUNTING POLICY INFORMATION (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, FVTOCI and 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 FVTPL, 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 FVTOCI, 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 FVTPL, 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 FVTOCI 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 marketplace (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 FVTOCI with recycling of cumulative gains and losses
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVTPL

3 MATERIAL ACCOUNTING POLICY INFORMATION (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 FVTOCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI 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 FVTOCI 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 FVTPL
Financial assets at FVTPL 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 FVTOCI. 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; or
- 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 MATERIAL ACCOUNTING POLICY INFORMATION (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. ECLs are recognised in the statement of profit or loss.

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 FVTPL, 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, other payables and lease liability.

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

- Financial liabilities at FVTPL
- 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, other payables and lease liability.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

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

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment property
Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property 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.

Investment property is 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 MATERIAL ACCOUNTING POLICY INFORMATION (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 be 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 Article of Association, a distribution is authorised when it is approved by the shareholders and in accordance with the rules, resolutions and circulations issued by the Securities and Commodities Authority.

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. For the new employees after 31 October 2023, employee contribution has increased from 5% to 11%. 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Employee benefits (continued)
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.

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.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset of 5 years.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

ii) Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

In assessing the recoverability of deferred tax assets, the Company relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased cost of production as a result of measures to reduce carbon emission.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

Events after the reporting period
If the Company receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Company will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Company will not change the amounts recognised in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

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 and the Board of Directors believe 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)

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.

Deferred tax
Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

The Company has AED 42.1 million of tax losses carried forward. These losses do not expire and may be used to offset taxable income in future years. The utilisation of these losses is subject to the Company generating substantial taxable profits in the future years.

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

Units of production depreciation
Certain property, plant and equipment are depreciated using the units of production (UOP) method based on the remaining production capacity as determined by an independent third-party consultant as of 1 January 2020. This results in a depreciation charge proportional to the estimated production capacity of the relevant item of property, plant and equipment. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of the remaining production capacity assuming the operation and maintenance of the property, plant, and equipment as per internationally accepted industry standards. These calculations require the use of estimates and assumptions, including the number of remaining units of productions and estimates of future capital expenditure.

The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production or future capital expenditure estimates changes.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Units of production depreciation (continued)
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.

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 12 and note 27.

As at 31 December 2024, gross trade receivables amounted to AED 100.6 million (2023: AED 75.4 million) and the provision for expected credit losses amounted to AED 2.8 million (2023: AED 3.9 million).

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

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

At the reporting date, gross inventories were AED 121.8 million (2023: AED 116.0 million) with provision for old and obsolete inventories of AED 15.1 million (2023: AED 13.0 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 10(a).

Fair value of investment property
The Company carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment property, 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 value as at 31 December 2024. The key assumptions used to determine the fair value of the property and sensitivity analysis are provided in note 11.

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:

	2024	*2023*
	AED	*AED*
Type of revenue		
Sale of goods	**480,822,562**	462,720,111
Geographical markets		
Within UAE	**262,752,210**	186,490,276
Outside UAE	**218,070,352**	276,229,835
	480,822,562	462,720,111
Timing of revenue recognition		
Goods transferred at a point in time	**480,822,562**	462,720,111

Revenue includes AED 311.2 million which represents 65% of total revenue from 7 customers (2023: AED 360.4 million which represents 78% of total revenue from 7 customers).

5 REVENUE FROM CONTRACT WITH CUSTOMERS (continued)

b) Contract balances

	2024 *AED*	*2023* *AED*
Asset		
Trade receivables (note 13)	**97,755,538**	71,506,364
Liability		
Advances from customers (note 20)	**13,377,660**	4,192,422

Revenue amounting to AED 2.8 million (2023: AED 2.5 million) was recognised from amounts included in advances from customers at the beginning of the year.

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 (2023: 150 to 180 days).

6 OTHER OPERATING INCOME

Other operating income mainly consists of income earned on electricity generated by the Company and distributed to a customer and income from scrap sales amounting to AED 11.4 million (2023: AED 11.0 million) and AED 2.6 million for the year ended 31 December 2024 (2023: AED 1.0 million), respectively.

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2024 *AED*	*2023* *AED*
Loading charges	**21,443,948**	24,011,201
Salaries and employee-related costs (note (b))	**9,865,960**	11,537,069
Professional charges	**2,134,809**	1,312,298
Provision for slow-moving inventories (note 14(c))	**2,128,864**	-
Rent expenses (note 24)	**1,624,821**	-
Director expenses (note 23)	**921,971**	964,510
Sales promotion	**152,158**	36,381
Reversal of provision for expected credit losses (note 13(a))	**(1,094,222)**	(120,527)
Others	**2,431,447**	2,616,008
	39,609,756	40,356,940

a) There were no social contributions (including donations and charity) made during the year (2023: Nil).

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

	2024 *AED*	*2023* *AED*
Cost of sales	**21,896,397**	20,211,577
Selling, general and administrative expenses	**9,865,960**	11,537,069
	31,762,357	31,748,646

c) Others include postage and telephone costs, environmental expenses, loss on PPE disposal and other administrative costs, among others.

8 INVESTMENT INCOME - NET

	2024	*2023*
	AED	*AED*
Unrealised gain on investments carried at FVTPL (note 12)	**2,198,059**	2,213,736
Gain on fair value of investment property (note 11)	**686,000**	820,000
Dividend income	**1,602,732**	568,490
Interest income	**1,106**	1,281
Realised gain/ (loss) on disposal of investments carried at FVTPL	**131,728**	(85,645)
	4,619,625	3,517,862

9 FINANCE COSTS

	2024	*2023*
	AED	*AED*
Interest on overdue payables	**6,135,211**	264,310
Interest on bank borrowings	**3,756,687**	4,055,646
Interest on unwinding of long-term payables	**149,114**	208,378
Interest on lease liability (note 24)	**63,393**	-
Others	**1,649,847**	1,077,162
	11,754,252	5,605,496

10 PROPERTY, PLANT AND EQUIPMENT

	Building and roads AED	*Plant and machinery AED*	*Power stations AED*	*Vehicles and equipment AED*	*IT computer hardware & software AED*	*Capital work in progress AED*	*Spare parts AED*	*Total AED*
Cost								
At 1 January 2023	125,242,726	1,207,567,203	495,824,232	17,772,257	11,470,350	1,873,451	129,479,740	1,989,229,959
Additions	-	-	-	-	1,366,913	-	34,053,596	35,420,509
Transfers	-	28,257,162	-	-	1,873,451	(1,873,451)	(28,257,162)	-
At 31 December 2023	125,242,726	1,235,824,365	495,824,232	17,772,257	14,710,714	-	135,276,174	2,024,650,468
Additions	-	-	-	169,962	-	-	38,941,749	39,111,711
Transfers	-	42,715,579	-	-	177,382	-	(42,892,961)	-
At 31 December 2024	**125,242,726**	**1,278,539,944**	**495,824,232**	**17,942,219**	**14,888,096**	**-**	**131,324,962**	**2,063,762,179**
Depreciation and impairment								
At 1 January 2023	110,456,606	949,024,715	214,868,741	16,840,989	10,750,716	-	27,871,829	1,329,813,596
Charge for the year	1,591,539	49,759,371	8,137,379	50,474	720,841	-	-	60,259,604
At 31 December 2023	112,048,145	998,784,086	223,006,120	16,891,463	11,471,557	-	27,871,829	1,390,073,200
Charge for the year	1,546,577	46,883,938	8,458,787	417,105	673,507	-	-	57,979,914
At 31 December 2024	**113,594,722**	**1,045,668,024**	**231,464,907**	**17,308,568**	**12,145,064**	**-**	**27,871,829**	**1,448,053,114**
Net carrying value								
At 31 December 2024	**11,648,004**	**232,871,920**	**264,359,325**	**633,651**	**2,743,032**	**-**	**103,453,133**	**615,709,065**
At 31 December 2023	13,194,581	237,040,279	272,818,112	880,794	3,239,157	-	107,404,345	634,577,268

10 PROPERTY, PLANT AND EQUIPMENT (continued)

a) During the year ended 31 December 2024, no impairment losses (2023: Nil) has been recognised against property, plant and equipment ("PPE"), to adjust the carrying value to its recoverable amount. The recoverable amount assessed as at 31 December 2024 and 2023 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 PPE 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:

	2024	*2023*
Discount rate	**10%**	10.6%
Growth rate on price per ton	**2.5%**	3%
Terminal year growth rate	**1.5%**	1.5%
Fuel and power price	***refer below***	*refer below*

Fuel and power price include coal and gas prices. 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 of coal is based on publicly available data if available otherwise average five-year actual coal prices are used as an indicator of the future price. In case of gas, forecast figures is derived basis of average of five-year actual gas prices as an indicator of the future price including by reference to agreement entered with the supplier.

Value in use is higher than the carrying amount of the PPE as at 31 December 2024. 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 11.65% (2023: 12%) in the CGU, keeping all other assumptions constant, would result in impairment of AED 2.7 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 2% (2023: 1%) in the growth rate on price per ton in the CGU, keeping all other assumptions constant, would result in impairment of AED 0.5 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 2% (2023: 2.1%) in the terminal year growth rate in the CGU, keeping all other assumptions constant, would result in impairment of AED 0.2 million.

If prices of fuel and power increase on average by 3.8% (2023: 4%), keeping all other assumptions constant, the Company would result in impairment of AED 3.5 million.

b) At 31 December 2024, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 731.5 million (2023: AED 725.3 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 are located in the UAE.

e) There is a negative pledge over property, plant and equipment against borrowings (note 19).

f) Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 19).

11 INVESTMENT PROPERTY

	2024	*2023*
	AED	*AED*
At the beginning of the year	**7,250,000**	6,430,000
Change in fair value (note 8)	**686,000**	820,000
At the end of the year	**7,936,000**	7,250,000

Investment property represents plots of land in Ras Al Khaimah.

The fair value of the Company's investment property at 31 December 2024 and 2023 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 2024 and 2023, the Company's investment property is classified as Level 3 in the fair value hierarchy and there were no transfers between the Levels 1, 2 and 3 during 2024 and 2023.

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

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

	Valuation techniques	***Significant unobservable input***	***Range (weighted average)***	
			2024	*2023*
Plot of land	Current market rate for comparable properties that have been sold in nearby area	Rate per sq. ft.	**AED 37**	AED 35

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

12 INVESTMENT IN SECURITIES

a) Investments carried at FVTOCI

	2024	*2023*
	AED	*AED*
Quoted	**1,949,076**	1,950,131
Unquoted	**12,842,506**	12,842,506
Total gross investments at FVTOCI at cost	**14,791,582**	14,792,637
Less: accumulated fair value reserve, net	**(12,947,338)**	(12,955,211)
	1,844,244	1,837,426

The geographical spread of the above investments is as follows:

	2024			*2023*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
Kuwait	**100%**	**14,791,582**	**1,844,244**	100%	14,792,637	1,837,426

12 INVESTMENT IN SECURITIES (continued)

a) Investments carried at FVTOCI (continued)

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 12.9 million as at 31 December 2024 (2023: negative AED 13.0 million) and is shown under equity. During the year ended 31 December 2024, the Company has transferred AED 11,651 (2023: AED 24,275) from fair value reserve to accumulated losses arising from the disposal of investments carried at FVTOCI. The total proceeds from the disposal of investments carried at FVTOCI amounted to AED 0.21 million (2023: AED 1.03 million) resulting to a loss of AED 0.03 million (2023: loss of AED 0.09 million) which is shown in the statement of comprehensive income.

Equity instruments designated at FVTOCI 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 FVTOCI as the Company considers these investments to be strategic in nature.

b) Investments carried at FVTPL

	2024 AED	*2023 AED*
Quoted investments at cost	**7,409,192**	8,077,946
Unquoted	**8,299,928**	8,299,928
Total gross investments at FVTPL at cost	**15,709,120**	16,377,874
Less: cumulative changes in fair value	**(2,044,264)**	(4,680,377)
Fair value of investments	**13,664,856**	11,697,497

The geographical spread of the above investments is as follows:

	2024			*2023*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**100%**	**7,409,192**	**13,664,856**	100%	8,077,946	11,697,497
Other GCC countries	**0%**	**8,299,928**	**-**	0%	8,299,928	-
	100%	**15,709,120**	**13,664,856**	100%	16,377,874	11,697,497

The total proceeds from the disposal of investments carried at FVTPL amounted to AED 0.36 million (2023: AED 0.35 million) resulting to a gain of AED 0.13 million (2023: loss of AED 0.09 million) which is shown in the statement of profit or loss.

Movement in investment in securities is as follows:

	2024 AED	*2023 AED*
Fair value of investments at the beginning of the year	**13,534,923**	12,138,203
Additions made during the year	**251,124**	1,431,866
Disposals made during the year at carrying value	**(471,228)**	(1,543,599)
Unrealized gain on revaluation of investments carried at FVTPL (note 8)	**2,198,059**	2,213,736
Unrealized loss on revaluation of investments carried at FVTOCI	**(3,778)**	(705,283)
Fair value of investments at the end of the year	**15,509,100**	13,534,923

13 TRADE AND OTHER RECEIVABLES

	2024 *AED*	*2023* *AED*
Trade receivables	**100,590,340**	75,435,388
Less: provision for expected credit losses (note (a))	**(2,834,802)**	(3,929,024)
	97,755,538	71,506,364
Prepayments	**3,547,780**	1,662,676
Advance to suppliers	**6,484,440**	3,899,298
Other receivables	**6,511,067**	7,871,534
Receivable from sale of an associate	**1,406,061**	1,801,971
	115,704,886	86,741,843
Less: receivable from sale of an associate due after one year	**(897,902)**	(1,315,763)
	114,806,984	85,426,080

a) Movement in provision for expected credit losses during the year is as follows:

	2024 *AED*	*2023* *AED*
Balance at the beginning of the year	**3,929,024**	4,049,551
Reversal for the year (note 7)	**(1,094,222)**	(120,527)
	2,834,802	3,929,024

b) In determining the recoverability of trade receivables, the Company considers any significant change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

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

	2024 *AED*	*2023* *AED*
Secured against unconditional bank guarantees	**29,271,069**	28,059,535
Secured against letter of credit	**2,169,311**	4,311,669
Unsecured	**69,149,960**	43,064,184
	100,590,340	75,435,388

d) The average credit period on sale of goods is 150 days to 180 days (2023: 150 days to 180 days).

e) Trade receivables amounting to AED 83.4 million (2023: AED 63.6 million) is due from the Company's five largest customers representing 83% (2023: 84%) of the total outstanding balance at 31 December 2024.

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 - 180 days* *AED*	*above 180 days* *AED*
2024	**100,590,340**	**84,876,827**	**13,489,017**	**328,225**	**1,896,271**
2023	75,435,388	69,277,199	2,741,199	295,171	3,121,819

g) Assignment of trade receivables in relation to banking facilities obtained by the Company (note 19).

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

14 INVENTORIES

	2024 AED	2023 AED
Finished goods	**9,623,268**	9,719,041
Raw materials	**8,662,483**	7,012,981
Work in progress	**34,998,424**	30,246,825
Bags, fuel and lubricants	**31,024,104**	34,779,988
Spare parts	**26,043,373**	23,744,528
Consumable items	**10,951,860**	10,041,480
Tools	**461,903**	436,514
	121,765,415	115,981,357
Less: provision for slow-moving and obsolete inventories (note (c))	**(15,154,419)**	(13,025,555)
	106,610,996	102,955,802

a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 19).

b) Inventories are pledged against banking facilities obtained by the Company (note 19).

c) Movement in provision for slow-moving and obsolete inventories during the year is as follows:

	2024 AED	2023 AED
Balance at the beginning of the year	**13,025,555**	13,025,555
Provision during the year	**2,128,864**	-
	15,154,419	13,025,555

15 BANK BALANCES AND CASH

	2024 AED	2023 AED
Cash on hand	**24,119**	26,593
Bank balances:		
Current accounts	**281,320**	495,249
Call deposits (note (a))	**41,573**	58,021
Total bank balances	**322,893**	553,270
	347,012	579,863

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

b) Bank balance amounting to AED 0.06 million (2023: AED 0.06 million) is under the legal ownership of the Company but for the beneficial interest of its employees. Therefore, the bank balance is not included in the statement of financial position of the Company.

16 SHARE CAPITAL

	2024 *AED*	*2023* *AED*
Issued and fully paid:		
410,548,410 (2023: 410,548,410) ordinary shares of AED 1 each	**410,548,410**	410,548,410

17 RESERVES

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Law No. (32) of 2021, 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.

As at 31 December 2022, the statutory reserve exceeded the 50% of the paid-up share capital. In prior years, 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.

On 14 November 2023, the Company’s Board of Directors has resolved to set off the accumulated losses of AED 182,180,729 by utilizing an equivalent amount standing to the credit of available reserves, which is approved by the shareholders in the general meeting held on 20 December 2023 and Securities and Commodities Authority (SCA). This resulted in a decrease in the accumulated losses and a corresponding reduction in the statutory and voluntary reserves of the Company.

Movement of the Company’s reserves is as follows:

	Statutory reserve AED	***Voluntary Reserve AED***	***Total AED***
Balance at 1 January 2023	343,930,557	4,732,484	348,663,041
Accumulated losses offset against reserves	(177,448,245)	(4,732,484)	(182,180,729)
Balance at 31 December 2023 and 31 December 2024	**166,482,312**	**-**	**166,482,312**

18 PROVISION FOR EMPLOYEES’ END OF SERVICE INDEMNITY

	2024 ***AED***	*2023* *AED*
Provision as at 1 January	**8,344,938**	8,579,271
Provided during the year	**777,262**	625,950
Payments made during the year	**(1,244,586)**	(860,283)
Provision as at 31 December	**7,877,614**	8,344,938

19 BANK BORROWINGS

	2024 *AED*	*2023* *AED*
Bank overdraft facilities	**8,830,331**	8,214,414
Short-term loans	**28,639,326**	48,052,974
Total bank borrowings	**37,469,657**	56,267,388

a) 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 rates based on EIBOR and SOFR 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 14(a)) and movable property, plant and equipment (note 10(f)), assignment of trade receivables (note 13) and pledge over inventories (note 14(b)) and a negative pledge over property, plant and equipment (note 10(e)).

b) Bank overdrafts are considered a form of financing and hence not included as a component of cash and cash equivalents in the statement of cash flows.

c) The Company had covenants on EBITDA to debt service ratio, leverage ratio and minimum tangible net worth which had to be complied with as per the underlying facility agreements. These covenants were complied with as at 31 December 2024 and 2023.

20 TRADE AND OTHER PAYABLES

	2024 *AED*	*2023* *AED*
Trade payables	**255,085,983**	188,520,735
Dividend payable	**25,385,572**	25,961,250
Accrued expenses	**9,480,297**	12,564,425
Advances from customers (note 5)	**13,377,660**	4,192,422
Interest payable	**5,461,491**	489,811
VAT payable	**836,336**	825,388
Other payables	**525,505**	386,724
	310,152,844	232,940,755
Trade payables (non-current)	**-**	(577,108)
	310,152,844	232,363,647

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on and average of 150 days (2023: 120-day terms).
- Other payables are non-interest bearing and have an average term of six months.

For explanations on the Company's liquidity risk management processes, refer to note 27.

21 INCOME TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Company. The Company is subject to the provisions of the UAE CT Law for the year ended 31 December 2024.

Reconciliation of tax expense and accounting loss for the year ended 31 December 2024 is as follows:

	31 December 2024 AED (unaudited)
Accounting loss before tax	**(41,451,218)**
At United Arab Emirates' statutory corporate tax rate of 9% (2023: nil)	
Adjustments for amounts which are non-deductible / (taxable) in calculating taxable income:	
Non-deductible expenses for tax purposes	**-**
Exempt income	**(616,713)**
Loss on disposal of investments carried at FVTOCI	**(31,238)**
Net change in fair value of investments carried at FVTOCI	**(3,778)**
Transfer of fair value reserve of equity instruments designated at FVTOCI	**(11,651)**
Taxable loss	**(42,114,598)**
At the effective income tax rate of 0%	**-**

22 BASIC AND DILUTED EARNINGS PER SHARE

	2024	*2023*
Loss for the year (in AED)	**(41,451,218)**	(51,591,940)
Weighted average number of shares	**410,548,410**	410,548,410
Basic and diluted loss per share (in AED)	**(0.10)**	(0.13)

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

23 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.

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

	2024	*2023*
	AED	*AED*
Revenue		
RAKNOR LLC (an affiliate)	**10,698,957**	12,910,032

	2024	*2023*
	AED	*AED*
Other operating income		
Stevin Rock LLC (an affiliate)	**33,857,280**	32,696,280

	2024	*2023*
	AED	*AED*
Purchases		
RAK Rock LLC (an affiliate)	**(46,675,954)**	(46,724,241)
RAK Gas LLC (an affiliate)	**(286,986,340)**	(275,174,096)
	(333,662,294)	(321,898,337)

	2024	*2023*
	AED	*AED*
Attendance expenses		
Board of Directors and committees' meetings (note 7)	**921,971**	964,510

Balances with related parties included in the statement of financial position are as follows:

	2024	*2023*
	AED	*AED*
Trade and other receivables (note 13)		
Stevin Rock LLC (an affiliate)	**6,110,998**	7,572,468
RAKNOR LLC (an affiliate)	**3,556,370**	1,956,503
	9,667,368	9,528,971
Trade and other payables (note 20)		
RAK Rock LLC (an affiliate)	**(13,480,990)**	(11,614,591)
RAK Gas LLC (an affiliate)	**(175,127,958)**	(117,804,286)
	(188,608,948)	(129,418,877)

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

	2024	*2023*
	AED	*AED*
Salaries and other short-term benefits (note below)	**4,176,650**	4,057,160
Employees' end of service benefits	**236,029**	312,809
	4,412,679	4,369,969

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 2024 and 2023 related to key management personnel.

24 LEASES

Company as a lessee

a) The Company has a lease contract for use of plant and machinery for its operations with lease term of four years.

b) The Company also has certain lease with lease term of 12 months or less. The Company applies the 'short-term lease' recognition exemption for this lease.

c) Set out below is the carrying amount of right-of-use asset recognised and the movements during the year:

	2024 AED
Balance at the beginning of the year	**-**
Additions during the year	**2,510,000**
Amortised during the year	**(209,167)**
Balance at the end of the year	**2,300,833**

d) Set out below is the carrying amount of lease liability recognised and the movements during the year:

	2024 AED
Balance at the beginning of the year	**-**
Additions during the year	**2,510,000**
Accretion of interest during the year	**63,393**
Payment during the year	**(556,000)**
Balance at the end of the year	**2,017,393**
Classified as:	
Current liabilities	**486,166**
Non-current liabilities	**1,531,227**
	2,017,393

e) Following are the amounts recognised in the statement of profit or loss for the year ended 31 December 2024:

	2024 AED
Amortisation of right-of-use asset	**209,167**
Interest on lease liability	**63,393**
Expense relating to short-term lease (note 7)	**1,624,821**
	1,897,381

f) The Company had total cash outflows for its leases of AED 2,180,821 in 2024 (2023: nil). The Company also had non-cash additions to right-of-use assets and lease liabilities of AED 2,510,000 in 2024 (2023: nil).

25 CONTINGENT LIABILITIES AND COMMITMENTS

	2024 AED	*2023 AED*
Letters of credit	**33,629,127**	28,387,370
Letters of guarantee	**36,725**	36,725

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.

	2024			*2023*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment revenue	**480,822,562**	**-**	**480,822,562**	462,720,111	-	462,720,111
Segment result	**(46,070,843)**	**4,619,625**	**(41,451,218)**	(55,109,802)	3,517,862	(51,591,940)
Segment assets	**840,631,219**	**23,486,673**	**864,117,892**	824,796,755	20,842,944	845,639,699
Segment liabilities	**357,517,508**	**-**	**357,517,508**	297,553,081	-	297,553,081

There are no transactions between the business segments.

Additional information required by IFRS 8 Segment Reporting relating to geographical segments and major customers are disclosed in note 5(a).

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 their 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 2023.

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	***2024 AED***	*2023 AED*	***Fair value hierarchy***	***Valuation techniques and key inputs***	***Significant unobservable input***	***Relationship of unobservable inputs to fair value***
Quoted equity investments carried at FVTOCI	**1,844,244**	1,837,426	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity instruments carried at FVTPL	**13,664,856**	11,697,497	Level 1	Quoted bid prices in an active market	None	N/A
	15,509,100	13,534,923				

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

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

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

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

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

27 FAIR VALUE MEASUREMENT (continued)

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.

2024

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	**-**	**-**	**7,936,000**	**7,936,000**
Investments carried at FVTPL	**13,664,856**	**-**	**-**	**13,664,856**
Investments carried at FVTOCI:				
- Quoted equities	**1,844,244**	**-**	**-**	**1,844,244**
	15,509,100	**-**	**7,936,000**	**23,445,100**

2023

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment property	-	-	7,250,000	7,250,000
Investments carried at FVTPL	11,697,497	-	-	11,697,497
Investments carried at FVTOCI:				
- Quoted equities	1,837,426	-	-	1,837,426
	13,534,923	-	7,250,000	20,784,923

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 and lease liability. 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 FVTPL or FVTOCI.

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 review and agree policies for managing each of these risks, which are summarised in the next page.

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 2024 and 2023.

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 2024 and 2023.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)
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 bank borrowings at floating rates of interest linked to EIBOR and SOFR for its 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 at the reporting date:

	Increase/ decrease basis points	*Effect on results for the year in AED*
2024	**+50**	**(187,438)**
	-50	**187,438**
2023	+50	(281,337)
	-50	281,337

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***	
	2024 AED	*2023 AED*	***2024 AED***	*2023 AED*
US Dollars	**193,372,443**	137,493,251	**-**	-
Euro	**624,883**	3,290,272	**-**	-
Kuwaiti Dinar	**1,496,007**	-	**1,891,103**	1,837,426
	195,493,333	140,783,523	**1,891,103**	1,837,426

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 against the AED.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

b) Foreign currency risk (continued)

The following table shows the sensitivity of the statement of profit or loss to reasonable possible changes in currency rates, with all other parameters being unchanged.

	Increase/ Decrease in currency rate %	*Effect on the results of the year AED*
2024	**+10%**	**(22,979)**
	-10%	**22,979**
2023	+10%	(145,285)
	-10%	145,285

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:

	2024			*2023*		
	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%**	**1,366,486**	**-**	±10%	1,169,750	-
Other GCC countries	**±10%**	**-**	**184,424**	±10%	-	183,743

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.

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.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2024		
	Gross value AED	***Provision for expected credit losses AED***	***Expected credit losses (ECL)***
Secured trade receivables	**31,440,380**	**47,095**	**0.15%**
Unsecured trade receivables	**69,149,960**	**2,787,707**	**4.03%**
	100,590,340	**2,834,802**	

	2023		
	Gross value AED	*Provision for expected credit losses AED*	*Expected credit losses (ECL)*
Secured trade receivables	32,371,204	48,948	0.15%
Unsecured trade receivables	43,064,184	3,880,076	9.01%
	75,435,388	3,929,024	

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

	2024 AED	*2023 AED*
In UAE	**99,509,901**	74,547,894
In other GCC countries	**1,080,439**	887,494
	100,590,340	75,435,388

Credit risk on bank balances is 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 is 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.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 5 years AED***	***Total AED***
2024				
Trade and other payables	**85,727,625**	**210,218,896**	**-**	**295,946,521**
Bank borrowings	**14,531,884**	**23,620,269**	**-**	**38,152,153**
Lease liability	**54,000**	**594,000**	**1,728,000**	**2,376,000**
	100,313,509	**234,433,165**	**1,728,000**	**336,474,674**

	Less than 1 month AED	*2 to 12 months AED*	*1 to 5 years AED*	*Total AED*
2023				
Trade and other payables	37,995,849	189,349,988	584,781	227,930,618
Bank borrowings	29,022,573	27,396,957	-	56,419,530
	67,018,422	216,746,945	584,781	284,350,148

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings less bank balances and cash. Total capital is calculated as 'equity' as shown in the statement of financial position.

The gearing ratio at the yearend was as follows:

	2024 AED	*2023 AED*
Bank borrowings	**37,469,057**	56,267,388
Less: bank balances and cash	**(347,012)**	(579,863)
Net debt	**37,122,645**	55,687,525
Total equity	**506,600,384**	548,086,618
Net debt to equity ratio (times)	**0.07**	0.10

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the banks borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 2023.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities

	1 January 2024 AED	***Cash inflows AED***	***Cash outflows AED***	***Others AED***	***31 December 2024 AED***
Bank borrowings	**56,267,388**	**142,896,250**	**(161,693,981)**	**-**	**37,469,657**
Dividends payable	**25,961,250**	**-**	**(575,678)**	**-**	**25,385,572**
Lease liability	**-**	**-**	**(556,000)**	**2,573,393**	**2,017,393**
	82,228,638	**142,896,250**	**(162,825,659)**	**2,573,393**	**64,872,622**

	1 January 2023 AED	*Cash inflows AED*	*Cash outflows AED*	*Others AED*	*31 December 2023 AED*
Bank borrowings	51,062,120	156,741,757	(151,536,489)	-	56,267,388
Dividends payable	28,890,514	-	(2,929,264)	-	25,961,250
Term loans	123,428	-	(123,428)	-	-
	80,076,062	156,741,757	(154,589,181)	-	82,228,638

The ‘Others’ column includes the new leases and the effect of interest on lease liability. The Company classifies interest paid as cash flows from operating activities.

29 COMPARATIVE INFORMATION

Certain corresponding figures for previous year have been reclassified in order to conform to the presentation for the current year. Such reclassifications do not affect previously reported profit or shareholder's equity.

These changes have been made to improve the quality of information presented.

30 APPROVAL OF ANNUAL AUDITED FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 17 February 2025.

Financial Statements
31 December 2023

Gulf Cement Company P.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2023

Building a better
working world

Ernst & Young Middle East
(Sharjah Branch)
P.O. Box 1350
City Gate Tower, 14th Floor, Office No. 1402
Al-Ittihad Street, Emirate of Sharjah
United Arab Emirates

Tel: +971 6 574 1491
Fax: +971 4 332 4004
sharjah@ae.ey.com
ey.com

PL No. 2845

INDEPENDENT AUDITOR'S 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 2023, and the statement of profit or loss, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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 Ethics Standards Board for Accountants' *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.

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 634.6 million as of 31 December 2023. A history of recurrent gross and net losses has led to indicators of impairment. As at 31 December 2023, management estimated the recoverable amount of its PPE being the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). VIU was assessed by the management through the assistance of an external valuer. Management has concluded that since the VIU is higher than the carrying amount of the PPE, hence no impairment provision was required as at 31 December 2023. Since significant judgement, assumptions and estimation uncertainty is involved in assessing the impairment, we have identified this as a key audit matter. Note 9 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 to assess the VIU of the PPE in accordance with International Financial Reporting Standards (IFRS). ▪ We evaluated the appropriateness of the assumptions and judgments used including input data used to estimate the cash flow forecasts. ▪ We evaluated the reasonableness of management's forecasts for certain key assumptions such as (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 (2) internal communications to management and the Board of Directors and (3) external sources of information. ▪ 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 with the support of our internal valuation specialists. ▪ We have assessed the appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S 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
Assessment of going concern basis As explained in note 1.1 to the financial statements, the Company incurred a loss of AED 51.6 million for the year ended 31 December 2023, and as at that date, it has accumulated losses of AED 16 million and net current liabilities of AED 88 million. As disclosed in the assessment of liquidity risk in note 26 to the financial statements, the Company has financial liabilities of AED 283.8 million to be settled within one year from 31 December 2023. The Company has bank balances and cash of AED 0.6 million, other current assets of AED 200.1 million, other non-current liquid investments of AED 1.8 million and unutilized borrowing facilities of AED 25.4 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 forecasts 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 inflows from product sales, external funding and cash outflows 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 budgets approved by the Board of Directors. We also inquired and evaluated 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.

INDEPENDENT AUDITOR'S 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**
Assessment of going concern basis (continued)	▪ We read the minutes of the meeting of the Board of Directors in order to understand whether such cash flow forecasts are approved by the members of the Board of Directors. ▪ We obtained an understanding of the financing plan, and the progress made on executing against the plan up to the date of this report. ▪ We agreed the details of the Company's used and unused available credit facilities (including the amendment and extension of credit facilities) to the underlying borrowing facility arrangements. ▪ We have assessed the appropriateness of the disclosures in the financial statements.

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. 32 of 2021, 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.

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on the audit of the financial statements (continued)

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

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. 32 of 2021, we report that for the year ended 31 December 2023:

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. 32 of 2021;

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 2023, if any, are disclosed in note 11 to the financial statements;

vi) note 21 reflects material related party transactions and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2023, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Article of Association which would have a material impact on its activities or its financial position as at 31 December 2023; and

viii) note 7(a) reflects the social contributions made during the year ended 31 December 2023.

For Ernst & Young

Wardah Ebrahim
Registration No. 1258

13 February 2024

Sharjah, United Arab Emirates

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	***2023 AED***	*2022 AED*
Revenue	5	**462,720,111**	348,112,911
Cost of sales		**(484,561,100)**	(378,569,829)
GROSS LOSS		**(21,840,989)**	(30,456,918)
Other operating income	6	**11,068,996**	5,233,569
Selling, general and administrative expenses	7	**(40,356,940)**	(28,032,207)
Investment income/(loss)	8	**3,517,862**	(891,808)
Finance costs		**(5,605,496)**	(2,640,873)
Finance income		**583,090**	-
Other income		**1,041,537**	2,384,939
LOSS FOR THE YEAR		**(51,591,940)**	(54,403,298)
Earnings per share (EPS):			
Basic and diluted loss per share	20	**(0.13)**	(0.13)

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***2023 AED***	*2022 AED*
LOSS FOR THE YEAR		**(51,591,940)**	(54,403,298)
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income that will not be reclassified to profit or loss in subsequent years			
(Loss)/profit on disposal of investments carried at fair value through other comprehensive income (FVTOCI)	11(a)	**(85,346)**	13,443,462
Net change in fair value of investments carried at FVTOCI	11(b)	**(705,284)**	81,837
Total other comprehensive (loss)/income		**(790,630)**	13,525,299
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(52,382,570)**	(40,877,999)

Gulf Cement Company P.S.C.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	***2023 AED***	*2022 AED*
ASSETS			
Non-current assets			
Property, plant and equipment	9	**634,577,268**	659,416,363
Investment property	10	**7,250,000**	6,430,000
Investment carried at fair value through other comprehensive income (FVTOCI)	11(a)	**1,837,426**	2,223,101
Trade and other receivables	12	**1,315,763**	1,567,283
Total non-current assets		**644,980,457**	669,636,747
Current assets			
Inventories	13	**102,955,802**	90,932,943
Trade and other receivables	12	**85,426,080**	60,298,736
Investment carried at fair value through profit or loss (FVTPL)	11(b)	**11,697,497**	9,915,102
Bank balances and cash	14	**579,863**	3,774,784
Total current assets		**200,659,242**	164,921,565
TOTAL ASSETS		**845,639,699**	834,558,312
EQUITY AND LIABILITIES			
Equity			
Share capital	15	**410,548,410**	410,548,410
Reserves	16	**166,482,312**	348,663,041
Fair value reserves	11(a)	**(12,955,211)**	(12,274,202)
Accumulated losses		**(15,988,893)**	(146,468,061)
Total equity		**548,086,618**	600,469,188
Non-current liabilities			
Provision for employees' end of service indemnity	17	**8,344,938**	8,579,271
Trade and other payables	19	**577,108**	-
Total non-current liabilities		**8,922,046**	8,579,271
Current liabilities			
Bank borrowings	18	**56,267,388**	51,062,120
Term loans	18(b)	**-**	123,428
Trade and other payables	19	**232,363,647**	174,324,305
Total current liabilities		**288,631,035**	225,509,853
Total liabilities		**297,553,081**	234,089,124
TOTAL EQUITY AND LIABILITIES		**845,639,699**	834,558,312

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

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2023	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188
Loss for the year	-	-	-	(51,591,940)	(51,591,940)
Other comprehensive loss for the year	-	-	(705,284)	(85,346)	(790,630)
Total comprehensive loss for the year	-	-	(705,284)	(51,677,286)	(52,382,570)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 11(a))	-	-	24,275	(24,275)	-
Offsetting of accumulated losses against reserves (note 16)	-	(182,180,729)	-	182,180,729	-
Balance at 31 December 2023	**410,548,410**	**166,482,312**	**(12,955,211)**	**(15,988,893)**	**548,086,618**

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2022	410,548,410	348,663,041	(39,675,070)	(78,189,194)	641,347,187
Loss for the year	-	-	-	(54,403,298)	(54,403,298)
Other comprehensive income for the year	-	-	81,837	13,443,462	13,525,299
Total comprehensive loss for the year	-	-	81,837	(40,959,836)	(40,877,999)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 11(a))	-	-	27,319,031	(27,319,031)	-
Balance at 31 December 2022	410,548,410	348,663,041	(12,274,202)	(146,468,061)	600,469,188

The attached notes 1 to 27 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	*2023* *AED*	*2022* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(51,591,940)**	(54,403,298)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	9	**60,259,604**	55,078,877
Finance costs		**5,605,496**	2,640,873
Provision for employees' end of service indemnity	17	**625,950**	743,465
(Reversal)/ provision for expected credit losses	12	**(120,527)**	1,108,327
Fair value gain on investment property	8	**(820,000)**	-
Gain on disposal of investment property	8	**-**	(37,056)
Provision for slow-moving and obsolete inventories written back	13(c)	**-**	(8,000,000)
Unrealized (gain)/ loss on investments carried at FVTPL	8	**(2,213,736)**	202,099
Loss on sale of investments in securities	8	**85,645**	3,389,694
Interest and dividend income	8	**(569,771)**	(2,662,929)
Finance income		**(583,090)**	-
		10,677,631	(1,939,948)
Working capital adjustments			
Trade and other receivables		**(24,520,609)**	(6,506,235)
Inventories		**(12,022,859)**	(4,138,618)
Trade and other payables		**61,894,116**	(28,426,149)
		36,028,279	(41,010,950)
Employees' end of service indemnity paid	17	**(860,283)**	(644,977)
Finance costs paid		**(5,605,496)**	(2,640,873)
Net cash flows from/ (used in) from operating activities		**29,562,500**	(44,296,800)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(35,420,509)**	(55,337,124)
Purchase of investments carried at FVTOCI	11	**(1,431,866)**	(4,921,349)
Proceeds on disposal of investment in securities		**1,372,607**	70,878,912
Proceeds on disposal of investment property	10	**-**	6,237,056
Dividends received		**568,490**	2,660,421
Interest income		**1,281**	2,508
Net cash flows (used in)/ from investing activities		**(34,909,997)**	19,520,424
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**40,598,974**	174,647,781
Repayments of bank borrowings		**(35,393,706)**	(152,582,235)
Repayments of term loans		**(123,428)**	(199,990)
Dividends paid		**(2,929,264)**	(496,557)
Net cash flows from financing activities		**2,152,576**	21,368,999
NET DECREASE IN BANK BALANCES AND CASH DURING THE YEAR		**(3,194,921)**	(3,407,377)
Bank balances and cash at the beginning of the year		**3,774,784**	7,182,161
BANK BALANCES AND CASH AT THE END OF THE YEAR	14	**579,863**	3,774,784

The attached notes 1 to 27 form part of these financial statements.

1 ACTIVITIES

Gulf Cement Company P.S.C. (Public Shareholding Company) - Ras Al Khaimah (the "Company") having license no. 32 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 2023, the Company incurred a loss of AED 51.6 million and, as of that date, the Company's accumulated losses amounted to AED 16.0 million, and current liabilities exceeded current assets by AED 88.0 million. Slowdown in the overall economic situation arising from the consequences of the ongoing Russia-Ukraine war and changing geopolitical situation; competitive prices and a continuous excess supply pressure, operating results have been negatively impacted.

The major challenges during the year were fetching best prices from the customers in export market amid increasing competition, excess supply of cement in both local and export market post the end of COVID-19 pandemic and procuring fuel & energy at optimum prices while the ongoing Russia-Ukraine war continues to aggravate this situation, controlling fixed cost, passing increasing cost to customers and scheduled maintenance. The Company has shown resilience in all respect and has adopted all tangible measures to improvise the situation in the Company's favour. The cost control measures, and various strategies adopted by management in the financial year 2022 in all areas with a specific focus to reduce fixed costs have started reaping benefit during the year ended 31 December 2023. During the year ended 31 December 2023, the Company has reduced its gross loss from 8.7% for the previous year to 4.7% for the current year and improved earnings before interest, taxes, depreciation, and amortization (EBITDA i.e., non-IFRS measure) from AED 3.3 million to AED 14.3 million for the year.

In order to be able to deal with the effects of continued all-time high energy and commodity prices, the current selling price environment, as well as effects of the global uncertainty, the management is continuously reviewing the Company's business and asserting the strategies. Tactical course of actions taken is mentioned below:

- Upward price revision in local market and renegotiation on prices with export customers
- Developing new markets for both existing and new products in the export business
- Reduction of costs and improvements in efficiencies wherever conceivable
- 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
- Automation of machines interfaces with ERP for real time data and effective decision making
- Curtailment of discretionary capital expenditure while preserving the ability of the business to increase production when cement prices and economies improve
- Strict working capital management through negotiation in payment terms with suppliers

Management have prepared cash flow forecasts for a period in excess of 12 months. Various scenarios have been considered to test the Company's resilience to business risks including:

- Significant adverse movements in the energy and fuel prices, and cement selling prices or a combination thereof
- Failure to meet forecast demand sales targets

In view of this, the management has determine that the Company has sufficient internal and external sources of finance until the performance metrics continue to improve. The Company is currently low leveraged that provides sufficient headroom to cushion against downside operational risks, and consequently management believes that it is better placed to face off the headwinds. As at 31 December 2023, the Company had available AED 25.4 million (31 December 2022: AED 48.5 million) of undrawn committed borrowing facilities.

1 ACTIVITIES (continued)

1.1 ASSESSMENT OF GOING CONCERN ASSUMPTION (continued)

Based on the Company's expectation related to the forecasts and facilities in place, management believe that the Company will be able to operate and comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

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. 32 of 2021.

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.

Changes in accounting policies and disclosures
The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2022, except as follows:

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). These new and amended standards and interpretations did not have any material impact on the financial statements of the Company.

- IFRS 7 Insurance Contracts
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- International Tax Reform – Pillar-Two Model Rules – Amendments to IAS 12

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, as at 31 December 2023 are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Majority of the amendments below are not expected to have a material impact on the Company's financial statements.

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2024 and must be applied retrospectively)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted, and that fact must be disclosed)
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 (effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed)
- 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 still permitted and must be disclosed)
- Lack of exchangeability – Amendments to IAS 21 (The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information)

3 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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.

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 profit or loss 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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment (continued)
An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) 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 profit of loss in the year the asset is derecognised.

The 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. 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 9(a).

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

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

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

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

i) Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVTOCI and 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 FVTPL, 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 FVTOCI, 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 FVTPL, 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 FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)
Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (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 FVTOCI with recycling of cumulative gains and losses
- Financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVTPL

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 FVTOCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI 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 FVTOCI 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 FVTPL
Financial assets at FVTPL 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 FVTOCI. 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; or
- 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition (continued)
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.

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. ECLs are recognised in the statement of profit or loss.

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 FVTPL, 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 and other payables.

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

- Financial liabilities at FVTPL
- 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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)
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 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 profit or loss.

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.

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investment properties

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

Investment properties are derecognised either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the 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, 11, 12 and 24.

3 MATERIAL ACCOUNTING POLICY INFORMATION (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 be 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 Article 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 MATERIAL ACCOUNTING POLICY INFORMATION (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)

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 2020. This results in a depreciation charge proportional to the estimated production capacity of the relevant item of property, plant and equipment. Each items' life, which is assessed annually, has regard to both its physical life limitations and to present assessments of the remaining production capacity assuming the operation and maintenance of the property, plant, and equipment as per internationally accepted industry standards. These calculations require the use of estimates and assumptions, including the number of remaining units of productions and estimates of future capital expenditure. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production or future capital expenditure estimates changes.

Changes to estimated production capacity could arise due to changes in the factors or assumptions used in estimating capacity, including the below:

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

Changes in estimates are accounted for prospectively.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables and contract assets is disclosed in note 12 and note 26.

As at the date of the statement of financial position, gross trade receivables were AED 75.4 million (2022: AED 54.4 million) and the provision for expected credit losses was AED 3.9 million (2022: AED 4.0 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 116.0 million (2022: AED 104.0 million) with provision for old and obsolete inventories of AED 13.0 million (2022: AED 13.0 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 9(a).

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Fair value of investment property
The Company carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment property, 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 value as at 31 December 2023. The key assumptions used to determine the fair value of the property and sensitivity analysis are provided in note 10.

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:

	2023 AED	*2022 AED*
Type of revenue		
Sale of goods	**462,720,111**	348,112,911
Geographical markets		
Within UAE	**192,158,748**	120,723,817
Outside UAE	**270,561,363**	227,389,094
	462,720,111	348,112,911
Timing of revenue recognition		
Goods transferred at a point in time	**462,720,111**	348,112,911

Revenue includes AED 360.4 million which represents 78% of total revenue from 7 customers (2022: AED 259.0 million which represents 74% of total revenue from 7 customers).

b) Contract balances

	2023 AED	*2022 AED*
Asset		
Trade receivables (note 12)	**71,506,364**	50,323,883
Liability		
Advances from customers (note 19)	**4,192,422**	13,443,152

5 REVENUE FROM CONTRACT WITH CUSTOMERS (continued)

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 (2022: 150 to 180 days).

6 OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company. Income earned during the year ended 31 December 2023 amounted to AED 11.0 million (2022: AED 5.2 million).

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2023 AED	*2022 AED*
Loading charges	**24,011,201**	18,071,525
Salaries and employee-related costs (note (b))	**11,537,069**	12,244,347
Professional charges	**1,312,298**	970,117
Director expenses (note 21)	**964,510**	1,059,099
Sales promotion	**36,381**	80,369
Provision for slow-moving inventories written back	**-**	(8,000,000)
(Reversal)/ provision for expected credit losses (note 12 (a))	**(120,527)**	1,108,327
Others	**2,616,008**	2,498,423
	40,356,940	28,032,207

a) The social contributions (including donations and charity) made during the year amounting to AED nil (2022: AED 6,550).

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

	2023 AED	*2022 AED*
Cost of sales	**20,211,577**	20,852,288
Selling, general and administrative expenses	**11,537,069**	12,244,347
	31,748,646	33,096,635

8 INVESTMENT INCOME/ (LOSS) - NET

	2023 AED	*2022 AED*
Unrealised gain/ (loss) on investments carried at FVTPL (note 11)	**2,213,736**	(202,099)
Gain on fair value of investment property (note 10)	**820,000**	-
Dividend income	**568,490**	2,660,421
Interest income	**1,281**	2,508
Gain on sale of investment property (note 10)	**-**	37,056
Realised loss on disposal of investments carried at FVTPL	**(85,645)**	(3,389,694)
	3,517,862	(891,808)

9 PROPERTY, PLANT AND EQUIPMENT

	Building and roads AED	*Plant and machinery AED*	*Power stations AED*	*Vehicles and equipment AED*	*IT computer hardware & software AED*	*Capital work in progress AED*	*Spare parts AED*	*Total AED*
Cost								
At 1 January 2022	157,445,609	1,126,665,484	488,256,226	17,394,214	10,529,809	-	133,601,493	1,933,892,835
Additions	-	723,483	7,568,006	200,661	1,117,923	9,441,456	36,285,595	55,337,124
Transfers	-	47,975,353	-	-	-	(7,568,005)	(40,407,348)	-
At 31 December 2022	157,445,609	1,175,364,320	495,824,232	17,594,875	11,647,732	1,873,451	129,479,740	1,989,229,959
Additions	-	-	-	-	1,366,913	-	34,053,596	35,420,509
Transfers	-	28,257,162	-	-	1,873,451	(1,873,451)	(28,257,162)	-
At 31 December 2023	**157,445,609**	**1,203,621,482**	**495,824,232**	**17,594,875**	**14,888,096**	**-**	**135,276,174**	**2,024,650,468**
Depreciation and impairment								
At 1 January 2022	141,061,851	869,852,766	209,353,696	16,669,859	9,924,718	-	27,871,829	1,274,734,719
Charge for the year	1,597,638	47,069,780	5,515,045	70,416	825,998	-	-	55,078,877
At 31 December 2022	142,659,489	916,922,546	214,868,741	16,740,275	10,750,716	-	27,871,829	1,329,813,596
Charge for the year	1,591,539	49,759,371	8,137,379	50,474	720,841	-	-	60,259,604
At 31 December 2023	**144,251,028**	**966,681,917**	**223,006,120**	**16,790,749**	**11,471,557**	**-**	**27,871,829**	**1,390,073,200**
Net carrying value								
At 31 December 2023	**13,194,581**	**236,939,565**	**272,818,112**	**804,126**	**3,416,539**	**-**	**107,404,345**	**634,577,268**
At 31 December 2022	14,786,120	258,441,774	280,955,491	854,600	897,016	1,873,451	101,607,911	659,416,363

9 PROPERTY, PLANT AND EQUIPMENT (continued)

a) During the year ended 31 December 2023, no impairment losses (2022: AED nil) has been recognised against property, plant and equipment ("PPE"), to adjust the carrying value to its recoverable amount. The recoverable amount assessed as at 31 December 2023 and 31 December 2022 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 PPE 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:

	2023	*2022*
Discount rate	**10.60%**	10.50%
Growth rate on price per ton	**3.0%**	4.73%
Terminal year growth rate	**1.5%**	2.5%
Fuel and power price	***refer below***	*refer below*

Fuel and power price include coal and gas prices. 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 of coal is based on publicly available data if available otherwise average five-year actual coal prices are used as an indicator of the future price. In case of gas, forecast figures is derived basis of average of five-year actual gas prices as an indicator of the future price including by reference to agreement entered with the supplier.

Value in use is higher than the carrying amount of the PPE as at 31 December 2023. 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 10.7% (2022: 10.6%) (i.e., +10 basis points)) in the CGU would result in no impairment.

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 (2022: no impairment).

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 (2022: no impairment).

If prices of fuel and power increase on average by 0.5%, the Company will have no impairment (2022: no impairment).

b) At 31 December 2023, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 725.3 million (2022: AED 620.7 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 are located in the UAE.

e) As at 31 December 2022, motor vehicles with net book value of AED 364 thousand are mortgaged against auto loan (note 18(b)). The related loan was settled during the year.

f) There is a negative pledge over property, plant and equipment against borrowings (note 18).

g) Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 18).

10 INVESTMENT PROPERTY

	2023	*2022*
	AED	*AED*
At the beginning of the year	**6,430,000**	12,630,000
Change in fair value	**820,000**	-
Disposal during the year	**-**	(6,200,000)
At the end of the year	**7,250,000**	6,430,000

Investment property represents plots of land in Ras Al Khaimah.

In 2022, one of the investment properties had been sold for AED 6,237,056, resulting in a gain on disposal of AED 37,056.

The fair value of the Company's investment property at 31 December 2023 and 31 December 2022 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 2023 and 31 December 2022, the Company's investment property is classified as Level 3 in the fair value hierarchy and there were no transfers between the Levels 1, 2 and 3 during 2023 and 2022.

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

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

	Valuation techniques	***Significant unobservable input***	***Range (weighted average)***	
			2023	*2022*
Plot of land	Current market rate for comparable properties that have been sold in nearby area	Rate per sq. ft.	**AED 35**	AED 30

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

11 INVESTMENT IN SECURITIES

a) Investments carried at FVTOCI

	2023	*2022*
	AED	*AED*
Quoted	**1,950,131**	1,654,797
Unquoted	**12,842,506**	12,842,506
Total gross investments at FVTOCI at cost	**14,792,637**	14,497,303
Less: accumulated fair value reserve, net	**(12,955,211)**	(12,274,202)
Fair value of investments	**1,837,426**	2,223,101

11 INVESTMENT IN SECURITIES (continued)

The geographical spread of the above investments is as follows:

	2023			*2022*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
Kuwait	**100%**	**14,792,637**	**1,837,426**	100%	14,497,303	2,223,101

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 13.0 million as at 31 December 2023 (2022: negative AED 12.3 million) and is shown under equity. During the year, the Company has transferred AED 0.02 million (2022: AED 27.3 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 1.03 million (2022: AED 47.4 million) resulting to a loss of AED 0.09 million (2022: gain of AED 13.4 million) which is shown in the statement of comprehensive income.

Equity instruments designated at FVTOCI 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 FVTOCI as the Company considers these investments to be strategic in nature.

b) Investments carried at FVTPL

	2023 AED	*2022 AED*
Quoted investments at cost	**8,077,946**	9,319,976
Unquoted	**8,299,928**	8,264,138
Total gross investments at FVTPL at cost	**16,377,874**	17,584,114
Less: cumulative changes in fair value	**(4,680,377)**	(7,669,012)
Fair value of investments	**11,697,497**	9,915,102

The geographical spread of the above investments is as follows:

	2023			*2022*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**100%**	**8,077,946**	**11,697,497**	95.6%	8,077,941	9,483,754
Other GCC countries	**0%**	**8,299,928**	**-**	4.4%	9,506,173	431,348
	100%	**16,377,874**	**11,697,497**	100%	17,584,114	9,915,102

The total proceeds from the disposal of investments carried at FVTPL amounted to AED 0.35 million (31 December 2022: AED 23.5 million) resulting to a loss of AED 0.09 million (31 December 2022: loss of AED 3.4 million) which is shown in the statement of profit or loss.

11 INVESTMENT IN SECURITIES (continued)

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

	2023 ***AED***	*2022* *AED*
Fair value of investments at the beginning of the year	**12,138,203**	68,162,260
Additions made during the year	**1,431,866**	4,921,349
Disposals made during the year at carrying value	**(1,543,599)**	(60,825,144)
Unrealized gain/ (loss) on revaluation of investments carried at FVTPL (note 8)	**2,213,736**	(202,099)
Unrealized (loss)/ gain on revaluation of investments carried at FVTOCI	**(705,283)**	81,837
Fair value of investments at the end of the year	**13,534,923**	12,138,203

12 TRADE AND OTHER RECEIVABLES

	2023 ***AED***	*2022* *AED*
Trade receivables	**75,435,388**	54,373,434
Less: provision for expected credit losses (note (a))	**(3,929,024)**	(4,049,551)
	71,506,364	50,323,883
Other receivables	**13,433,508**	9,474,853
Receivable from sale of an associate	**1,801,971**	2,067,283
	86,741,843	61,866,019
Less: receivable from sale of an associate due after one year	**(1,315,763)**	(1,567,283)
	85,426,080	60,298,736

a) Movement in provision for expected credit losses during the year is as follows:

	2023 ***AED***	*2022* *AED*
Balance at the beginning of the year	**4,049,551**	2,941,224
(Reversal)/ charge for the year (note 7)	**(120,527)**	1,108,327
	3,929,024	4,049,551

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

12 TRADE AND OTHER RECEIVABLES (continued)

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

	2023 AED	*2022 AED*
Secured against unconditional bank guarantees	**28,059,535**	26,870,249
Secured against letter of credit	**4,311,669**	-
Unsecured	**43,064,184**	27,503,185
	75,435,388	54,373,434

d) The average credit period on sale of goods is 150 days to 180 days (2022: 150 days to 180 days).

e) Trade receivables amounting to AED 63.6 million (2022: AED 46.9 million) is due from the Company's five largest customers representing 84% (2022: 86%) of the total outstanding balance at 31 December 2023.

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 - 180 days AED*	*above 180 days AED*
2023	**75,435,388**	**69,277,199**	**2,741,199**	**295,171**	**3,121,819**
2022	54,373,434	42,627,621	8,173,285	1,099,002	2,473,526

Information on the credit risk exposure is disclosed in note 26.

13 INVENTORIES

	2023 AED	*2022 AED*
Finished goods	**9,719,041**	11,306,385
Raw materials	**7,012,981**	3,940,992
Work in progress	**30,246,825**	14,352,488
Bags, fuel and lubricants	**34,779,988**	39,268,946
Spare parts	**23,744,528**	24,152,337
Consumable items	**10,041,480**	10,486,969
Tools	**436,514**	450,381
	115,981,357	103,958,498
Less: provision for slow-moving and obsolete inventories (note (c))	**(13,025,555)**	(13,025,555)
	102,955,802	90,932,943

a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 18).

b) Inventories are pledged against banking facilities obtained by the Company (note 18).

13 INVENTORIES (continued)

c) Movement in provision for slow-moving and obsolete inventories during the year is as follows:

	2023 ***AED***	*2022* *AED*
Balance at the beginning of the year	**13,025,555**	21,025,555
Provisions written back during the year (refer note below)	**-**	(8,000,000)
	13,025,555	13,025,555

In 2022, provisions for slow-moving and obsolete inventories of AED 8 million were written back based on the health check-up performed by an external party.

14 BANK BALANCES AND CASH

	2023 ***AED***	*2022* *AED*
Cash on hand	**26,593**	83,491
Bank balances:		
Current accounts	**495,249**	2,464,997
Call deposits	**58,021**	1,226,296
Total bank balances	**553,270**	3,691,293
Bank balances and cash	**579,863**	3,774,784

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

15 SHARE CAPITAL

	2023 ***AED***	*2022* *AED*
Issued and fully paid:		
410,548,410 (2022: 410,548,410) ordinary shares of AED 1 each	**410,548,410**	410,548,410

16 RESERVES

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Law No. 32 of 2021, 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.

As at 31 December 2022, the statutory reserve exceeded the 50% of the paid-up share capital. In prior years, 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.

16 RESERVES (continued)

On 14 November 2023, the Company's Board of Directors has resolved to set off the accumulated losses of AED 182,180,729 by utilizing an equivalent amount standing to the credit of available reserves, which is approved by the shareholders in the general meeting held on 20 December 2023 and Securities and Commodities Authority (SCA). This resulted in a decrease in the accumulated losses and a corresponding reduction in the statutory and voluntary reserves of the Company.

Movement of the Company's reserves is as follows:

	Statutory reserve AED	*Voluntary Reserve AED*	*Total AED*
Balance at 1 January 2022 and 31 December 2022	343,930,557	4,732,484	348,663,041
Balance at 1 January 2023	343,930,557	4,732,484	348,663,041
Accumulated losses offset against reserves	(177,448,245)	(4,732,484)	(182,180,729)
Balance at 31 December 2023	**166,482,312**	**-**	**166,482,312**

17 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

	2023 AED	*2022 AED*
Provision as at 1 January	**8,579,271**	8,480,783
Provided during the year	**625,950**	743,465
Payments made during the year	**(860,283)**	(644,977)
Provision as at 31 December	**8,344,938**	8,579,271

18 BORROWINGS

a) Short-term

	2023 AED	*2022 AED*
Bank overdraft facilities	**8,214,414**	6,147,904
Short term loan	**48,052,974**	44,914,216
Total bank borrowings	**56,267,388**	51,062,120

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 13(a)) and movable property, plant and equipment (note 9(g)) and pledge over inventories (note 13(b)) and a negative pledge over property, plant and equipment (note 9(f)).

Bank overdrafts are considered a form of financing and hence not included as a component of cash and cash equivalents in the statement of cashflows.

18 BORROWINGS (continued)

b) Long-term

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

	2023 AED	*2022 AED*
Current portion	**-**	123,428

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 9(e)) and repayable monthly with last instalment paid on 1 August 2023.

19 TRADE AND OTHER PAYABLES

	2023 AED	*2022 AED*
Trade payables	**188,853,078**	108,811,677
Dividend payable	**25,961,250**	28,890,514
Accrued expenses	**12,721,892**	21,734,228
Advances from customers (note 5)	**4,192,422**	13,443,152
VAT payable	**825,388**	814,807
Other payables	**386,725**	629,927
	232,940,755	174,324,305
Trade payables (non-current)	**(577,108)**	-
	232,363,647	174,324,305

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on and average of 120 days (2022: 120-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 26.

20 BASIC AND DILUTED EARNINGS PER SHARE

	2023	*2022*
Loss for the year (in AED)	**(51,591,940)**	(54,403,298)
Weighted average number of shares	**410,548,410**	410,548,410
Basic and diluted loss per share (in AED)	**(0.13)**	(0.13)

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

21 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:

	2023	*2022*
	AED	*AED*
Attendance expenses for Board of Directors and committees' meetings (note 7)	**964,510**	1,059,099

b) Compensation of key management personnel

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

	2023	*2022*
	AED	*AED*
Salaries and other short-term benefits (note below)	**4,057,160**	4,409,170
Employees' end of service benefits	**312,809**	316,289
	4,369,969	4,725,459

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 2023 and 2022 related to key management personnel.

22 CONTINGENT LIABILITIES AND COMMITMENTS

	2023	*2022*
	AED	*AED*
Letters of credit	**28,387,370**	29,442,760
Letters of guarantee	**36,725**	36,725
Capital commitments	**-**	974,162

23 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.

	2023			*2022*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment revenue	**462,720,111**	**-**	**462,720,111**	348,112,911	-	348,112,911
Segment result	**(55,109,802)**	**3,517,862**	**(51,591,940)**	(53,511,490)	(891,808)	(54,403,298)
Segment assets	**824,796,755**	**20,842,944**	**845,639,699**	814,763,813	19,794,499	834,558,312
Segment liabilities	**297,553,081**	**-**	**297,553,081**	234,089,124	-	234,089,124

There are no transactions between the business segments.

Additional information required by IFRS 8 Segment Reporting relating to geographical segments and major customers are disclosed in note 5(a).

24 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 their 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 2022.

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;

Financial assets	***Fair value*** 2023 AED (audited)	*Fair value* 2022 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	**1,837,426**	1,604,728	Level 1	Quoted bid prices in an active market	None	N/A
Unquoted equity investments carried at FVTOCI	**-**	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	**11,697,497**	9,915,102	Level 1	Quoted bid prices in an active market	None	N/A
	13,534,923	12,138,203				

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

24 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.

2023

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	**-**	**-**	**7,250,000**	**7,250,000**
Investments carried at FVTPL	**11,697,497**	**-**	**-**	**11,697,497**
Investments carried at FVTOCI:				
- Quoted equities	**1,837,426**	**-**	**-**	**1,837,426**
	13,534,923	**-**	**7,250,000**	**20,784,923**

2022

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Investment property	-	-	6,430,000	6,430,000
Investments carried at FVTPL	9,915,102	-	-	9,915,102
Investments carried at FVTOCI:				
- Quoted equities	1,604,728	-	-	1,604,728
- Unquoted equities	-	-	618,373	618,373
	11,519,830	-	7,048,373	18,568,203

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.

25 CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Decision No. 116 of 2022 (published in December 2022 and considered to be effective from 16 January 2023) specifies that taxable income not exceeding AED 375,000 would be subject to a 0% UAE CT rate, and taxable income exceeding AED 375,000 would be subject to the 9% UAE CT rate. With the publication of this Decision, the UAE CT Law is considered to have been substantively enacted for the purposes of accounting for Income Taxes.

Subsequently, the UAE CT Law has been supplemented by a number of Decisions of the Cabinet of Ministers of the UAE (Decisions). Such Decisions and other interpretive guidance of the UAE Federal Tax Authority provide important details relating to the interpretation of the UAE CT Law and are required to fully evaluate the impact of the UAE CT Law on the Group.

The Company should be subject to the provisions of the UAE CT Law with effect from 1 January 2024, and current taxes shall be accounted for as appropriate in the financial statements for the financial year beginning 1 January 2024.

25 CORPORATE INCOME TAX (continued)

Based on the provisions of the UAE CT Law (including interpretation based on the Ministerial decisions and related guidance) as at the reporting date and in accordance with IAS 12 Income Taxes, the Company has concluded there is no significant impact related to deferred tax.

26 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 FVTPL or FVTOCI.

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

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, trade 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 2023 and 2022.

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 2023 and 2022.

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 bank borrowings at floating rates of interest linked to EIBOR and SOFR for its 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 at the reporting date:

	Increase/ decrease basis points	*Effect on results for the year in AED*
2023	**+50**	**(281,337)**
	-50	**281,337**

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

a) Interest rate risk (continued)

	Increase/ decrease basis points	*Effect on results for the year in AED*
2022	+50	(255,311)
	-50	255,311

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***	
	2023 AED	*2022 AED*	***2023 AED***	*2022 AED*
US Dollars	**137,493,251**	77,896,087	**-**	-
Euro	**3,290,272**	3,229,753	**-**	-
Kuwaiti Dinar	**-**	-	**1,837,426**	2,654,109
Japanese Yen	**-**	1,228,655	**-**	-
	140,783,523	82,354,495	**1,837,426**	2,654,109

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 yearend for a 10% change in foreign currency rates against the AED.

The following table shows the sensitivity of the statement of profit or loss to reasonable possible changes in currency rates, with all other parameters being unchanged.

	Increase/ Decrease in currency rate %	*Effect on the results of the year AED*
2023	**+10%**	**(145,285)**
	-10%	**140,285**
2022	+10%	(180,430)
	-10%	180,430

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

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:

	2023			*2022*		
	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%**	**1,169,750**	**-**	±10%	948,375	-
Other GCC countries	**±10%**	**-**	**183,743**	±10%	43,135	222,310

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.

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.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2023		
	Gross value AED	***Provision for expected credit losses AED***	***Expected credit losses (ECL)***
Secured trade receivables	**32,371,204**	**48,948**	**0.15%**
Unsecured trade receivables	**43,064,184**	**3,880,076**	**9.01%**
	75,435,388	**3,929,024**	

	2022		
	Gross value AED	*Provision for expected credit losses AED*	*Expected credit losses (ECL)*
Secured trade receivables	26,870,249	27,787	0.10%
Unsecured trade receivables	27,503,185	4,021,764	14.72%
	54,373,434	4,049,551	

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

	2023 AED	*2022 AED*
In UAE	**74,547,894**	54,363,887
In other GCC countries	**887,494**	9,547
	75,435,388	54,373,434

Credit risk on bank balances is 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 is 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.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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 5 years AED***	***Total AED***
2023				
Trade and other payables	**37,995,849**	**189,349,988**	**584,781**	**227,930,618**
Bank borrowings	**29,022,573**	**27,396,957**	**-**	**56,419,530**
	67,018,422	**216,746,945**	**584,781**	**284,350,148**

	Less than 1 month AED	*2 to 12 months AED*	*1 to 5 years AED*	*Total AED*
2022				
Trade and other payables	34,226,784	125,839,562	-	160,066,346
Bank borrowings	14,575,459	38,526,069	-	53,101,528
Term loans	18,608	110,399	-	129,007
	48,820,851	164,476,030	-	213,296,881

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings less bank balances and cash. Total capital is calculated as 'equity' as shown in the statement of financial position.

The gearing ratio at the yearend was as follows:

	2023 AED	*2022 AED*
Bank borrowings	**56,267,388**	51,062,120
Less: bank balances and cash	**(579,863)**	(3,774,784)
Net debt	**55,687,525**	47,287,336
Total equity	**548,086,618**	600,469,188
Net debt to equity ratio (times)	**0.10**	0.08

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the banks borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

26 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities

	1 January 2023 AED	*Cash inflows AED*	*Cash outflows AED*	*31 December 2023 AED*
Bank borrowings	**51,062,120**	**40,598,974**	**(35,393,706)**	**56,267,388**
Dividends payable	**28,890,514**	**-**	**(2,929,264)**	**25,961,250**
Term loans	**123,428**	**-**	**(123,428)**	**-**
	80,076,062	**40,598,974**	**(38,446,398)**	**82,228,638**

	1 January 2022 AED	*Cash inflows AED*	*Cash outflows AED*	*31 December 2022 AED*
Bank borrowings	28,996,574	174,647,781	(152,582,235)	51,062,120
Dividends payable	29,387,071	-	(496,557)	28,890,514
Term loans	323,418	-	(199,990)	123,428
	58,707,063	174,647,781	(153,278,782)	80,076,062

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.

27 APPROVAL OF ANNUAL AUDITED FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 13 February 2024.

Financial Statements
31 December 2022

Gulf Cement Company P.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2022

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

PL No. 2845

INDEPENDENT AUDITOR'S 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 2022, and the statements of profit or loss, 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 2022, 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.

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

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<u>Impairment of property, plant and equipment</u> The Company has property, plant and equipment ("PPE") amounting to AED 659.4 million as of 31 December 2022. A history of recurrent gross and net losses have led to indicators of impairment. During 2022, management estimated the recoverable amount of its PPE being the higher of fair value less costs of disposal ("FVLCD") and value in use ("VIU"). VIU was assessed by the management through the assistance of an external valuer. Management has concluded that since the VIU is higher than the carrying amount of the PPE, hence no impairment provision was required for the year ended 31 December 2022. Since significant judgement, assumptions and estimation uncertainty is involved in assessing the impairment, we have identified this as a key audit matter. Note 10 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 to assess the VIU of the PPE in accordance with International Financial Reporting Standards (IFRS). ▪ We evaluated the appropriateness of the assumptions and judgments used including input data used to estimate the cash flow forecasts. ▪ 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 (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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C. (continued)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for slow moving and obsolete inventories The gross balance of inventories as at 31 December 2022 amounted to AED 104.0 million, against which provision for slow moving and obsolete inventories amounting to AED 13.0 million was recorded. 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 14 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 have assessed the appropriateness of the disclosures in the financial statements.

INDEPENDENT AUDITOR'S 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>Assessment of going concern basis</u> As explained in note 1.1 to the financial statements, the Company incurred a loss of AED 54.4 million for the year , and as at 31 December 2022 accumulated losses of the Company amounted to AED 146.5 million. As at 31 December 2022, the current liabilities exceeded its current assets by AED 60.6 million. As disclosed in the assessment of liquidity risk in note 28 to the financial statements, the Company has financial liabilities of AED 213.0 million to be settled within one year from 31 December 2022. The Company has cash and cash equivalents of AED 3.8 million, other current assets of AED 161.1 million, other non-current liquid investments of AED 2.2 million and unutilized borrowing facilities of AED 48.5 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.

Building a better working world

INDEPENDENT AUDITOR'S 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
Assessment of going concern basis (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 have assessed the appropriateness of the disclosures in the financial statements.

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. 32 of 2021, 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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF CEMENT COMPANY P.S.C. (continued)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Report on the audit of the financial statements (continued)

Auditor's 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. 32 of 2021, we report that for the year ended 31 December 2022:

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. 32 of 2021;

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

v) investments in shares and stocks during the year ended 31 December 2022, if any, are disclosed in note 12 to the financial statements;

vi) note 23 reflects material related party transactions and the terms under which they were conducted;

INDEPENDENT AUDITOR'S 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 2022, any of the applicable provisions of the UAE Federal Law No. 32 of 2021 or of its Article of Association which would have a material impact on its activities or its financial position as at 31 December 2022; and

viii) note 7(a) reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

13 February 2023

Sharjah, United Arab Emirates

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	***2022 AED***	*2021 AED*
Revenue from contracts with customers	5	**348,112,911**	340,637,382
Cost of sales		**(378,569,829)**	(377,108,360)
GROSS LOSS		**(30,456,918)**	(36,470,978)
Other operating income	6	**5,233,569**	3,933,367
Selling, general and administrative expenses	7	**(28,032,207)**	(39,619,560)
Investment (loss)/ income	8	**(891,808)**	11,208,335
Finance cost		**(2,640,873)**	(2,229,301)
Other income	9	**2,384,939**	10,189,812
LOSS FOR THE YEAR		**(54,403,298)**	(52,988,325)
Earnings per share (EPS):			
Basic loss per share	21	**(0.13)**	(0.13)

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	***2022 AED***	*2021 AED*
LOSS FOR THE YEAR		**(54,403,298)**	(52,988,325)
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)	12(a)	**13,443,462**	103,744
Net change in fair value of investments carried at FVTOCI	12(b)	**81,837**	1,563,307
Total other comprehensive income		**13,525,299**	1,667,051
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(40,877,999)**	(51,321,274)

The attached notes 1 to 30 form part of these financial statements.

Gulf Cement Company P.S.C.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022* *AED*	*2021* *AED*
ASSETS			
Non-current assets			
Property, plant and equipment	10	**659,416,363**	659,158,116
Investment property	11	**6,430,000**	12,630,000
Investment carried at fair value through other comprehensive income (FVTOCI)	12(a)	**2,223,101**	31,137,293
Trade and other receivables	13	**1,567,283**	2,067,283
Total non-current assets		**669,636,747**	704,992,692
Current assets			
Inventories	14	**90,932,943**	78,794,325
Trade and other receivables	13	**60,298,736**	54,400,828
Investment carried at fair value through profit or loss (FVTPL)	12(b)	**9,915,102**	37,024,967
Bank balances and cash	15	**3,774,784**	7,182,161
Total current assets		**164,921,565**	177,402,281
TOTAL ASSETS		**834,558,312**	882,394,973
EQUITY AND LIABILITIES			
Equity			
Share capital	16	**410,548,410**	410,548,410
Reserves	17	**348,663,041**	348,663,041
Fair value reserves	12(a)	**(12,274,202)**	(39,675,070)
Accumulated losses		**(146,468,061)**	(78,189,194)
Total equity		**600,469,188**	641,347,187
Non-current liabilities			
Provision for employees' end of service indemnity	18	**8,579,271**	8,480,783
Term loans	19	-	122,949
Total non-current liabilities		**8,579,271**	8,603,732
Current liabilities			
Bank borrowings	19	**51,062,120**	28,996,574
Term loans	19	**123,428**	200,469
Trade and other payables	20	**174,324,305**	203,247,011
Total current liabilities		**225,509,853**	232,444,054
Total liabilities		**234,089,124**	241,047,786
TOTAL EQUITY AND LIABILITIES		**834,558,312**	882,394,973

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

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital AED	*Reserves AED*	*Fair value reserve AED*	*Accumulated losses AED*	*Total AED*
Balance at 1 January 2022	410,548,410	348,663,041	(39,675,070)	(78,189,194)	641,347,187
Loss for the year	-	-	-	(54,403,298)	(54,403,298)
Other comprehensive income for the year	-	-	81,837	13,443,462	13,525,299
Total comprehensive loss for the year	-	-	81,837	(40,959,836)	(40,877,999)
Transfer of fair value reserve of equity instruments designated at FVTOCI (note 12(a))	-	-	27,319,031	(27,319,031)	-
Balance at 31 December 2022	**410,548,410**	**348,663,041**	**(12,274,202)**	**(146,468,061)**	**600,469,188**

The attached notes 1 to 30 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2022

	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 12(a))	-	-	17,299,197	(17,299,197)	-
Dividend distribution (note 22)	-	(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 30 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	Notes	*2022* *AED*	*2021* *AED*
OPERATING ACTIVITIES			
Loss for the year		**(54,403,298)**	(52,988,325)
Adjustments to reconcile loss to cash flows:			
Depreciation of property, plant and equipment	10	**55,078,877**	44,948,120
Finance cost		**2,640,873**	2,229,301
Provision for employees' end of service indemnity	18	**743,465**	548,037
Provision/ (reversal) for expected credit losses	13	**1,108,327**	(217,686)
Fair value gain on investment properties	11	**(37,056)**	(1,930,000)
Allowance for slow-moving and obsolete inventories written back	14(c)	**(8,000,000)**	-
Unrealized loss/ (gain) on investments carried at FVTPL	8	**202,099**	(5,080,931)
Loss/ (gain) on sale of investments in securities	8	**3,389,694**	(887,532)
Interest and dividend income	8	**(2,662,929)**	(3,309,872)
Unwinding of receivable from sale of an associate		**-**	(400,000)
		(1,939,948)	(17,088,888)
Working capital adjustments			
Trade and other receivables		**(6,506,235)**	37,922,756
Inventories		**(4,138,618)**	(7,842,398)
Trade and other payables		**(28,426,149)**	62,588,828
		(41,010,950)	75,580,298
Employees' end of service indemnity paid	18	**(644,977)**	(882,494)
Finance cost paid		**(2,640,873)**	(2,229,301)
Net cash flows (used in)/ from operating activities		**(44,296,800)**	72,468,503
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(55,337,124)**	(35,721,155)
Purchase of investments carried at FVTOCI	12	**(4,921,349)**	(19,933,938)
Proceeds on disposal of investments in securities		**70,878,912**	27,321,011
Proceeds on disposal of investments Property		**6,237,056**	-
Dividends received		**2,660,421**	3,303,432
Interest income		**2,508**	6,440
Net cash flows from/ (used in) investing activities		**19,520,424**	(25,024,210)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		**174,647,781**	140,704,544
Repayments of bank borrowings		**(152,582,235)**	(167,205,971)
Repayments of term loans		**(199,990)**	(188,984)
Dividends paid		**(496,557)**	(19,839,651)
Net cash flows from/ (used in) financing activities		**21,368,999**	(46,530,062)
NET (DECREASE)/ INCREASE IN BANK BALANCES AND CASH DURING THE YEAR		**(3,407,377)**	914,231
Bank balances and cash at the beginning of the year		**7,182,161**	6,267,930
BANK BALANCES AND CASH AT THE END OF THE YEAR	15	**3,774,784**	7,182,161

The attached notes 1 to 30 form part of these financial statements.

1 ACTIVITIES

Gulf Cement Company P.S.C. (Public Shareholding Company) - Ras Al Khaimah (the "Company") having license no. 32 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 2022, the Company incurred a loss of AED 54.4 million, as of that date, the Company's accumulated losses amounted to AED 146.5 million, and current liabilities exceeded current assets by AED 60.6 million. Slowdown in the overall economic situation arising from the consequences of the Covid-19 outspread and changing geopolitical situation; competitive prices and a continuous excess supply pressure, operating results have been negatively impacted.

The major challenges during the year were the supply chain disruption post Covid-19 recovery, which caused rising global fuel and energy prices while the ongoing Russia-Ukraine war further aggravated this situation, controlling fixed cost, passing increasing cost to customers and scheduled maintenance considering world-wide Covid-19 restrictions on movement and trade. The Company has shown resilience in all respect and has adopted all tangible measures to improvise the situation in the Company's favour. The cost control measures, and various strategies adopted by management in 2022 in all areas with a specific focus to reduce fixed costs have started reaping fruit during the year. During the year, the Company has improved its gross loss from 10.7% for the previous year to 8.7% for the current year & improved EBITDA from negative AED 5.8 million to positive AED 3.3 million.

In order to be able to deal with the effects of continued all-time high energy and commodity prices, the current selling price environment, as well as effects of the Covid-19 outbreak and global uncertainty, the management is continuously reviewing the Company's business and asserting the strategies. Tactical course of actions taken is mentioned below:

- Upward price revision in local market and renegotiation on prices with export customers
- Developing new markets for both existing and new products in the export business
- Reduction of costs and improvements in efficiencies wherever conceivable
- 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
- Restoration of machine efficiencies following successful maintenances that was delayed due to covid
- Automation of machines interfaces with ERP for real time data and effective decision making
- Curtailment of discretionary capital expenditure while preserving the ability of the business to increase production when cement prices and economies improve
- Strict working capital management through negotiation in payment terms with suppliers

Management have prepared cash flow forecasts for a period in excess of 12 months. Various scenarios have been considered to test the Company's resilience to business risks including:

- Significant adverse movements in the energy and fuel prices, and cement selling prices or a combination thereof
- Failure to meet forecast demand targets

In view of this, the management has determined that the Company has sufficient internal and external sources of finance until the performance metrics improve, which is expected 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 that provides sufficient headroom to cushion against downside operational risks and the risk of breaching any debt covenants. At 31 December 2022, the Company had available AED 48.5 million (31 December 2021: AED 46.9 million) of undrawn committed borrowing facilities.

Based on the Company's expectation related to the forecasts and facilities in place, management believe that the Company will be able to operate and comply with its financial covenants and be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the financial statements on a going concern basis.

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. 32 of 2021.

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 used in the preparation of the consolidated financial statements are consistent with those used in the preparation of the consolidated financial statements for the year ended 31 December 2021, except as follows:

New and amended standards and interpretations
The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. These new and amended standards and interpretations did not have any material impact on the financial statements of the Company.

- Covid -19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements

Standards issued but not yet effective
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 Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. Majority of the amendments below are not expected to have a material impact on the Company's financial statements.

- 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)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective from annual periods beginning on or after 1 January 2024 and must be applied retrospectively)
- 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 2023 with 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 still 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)
- Lease Liability in a Sale and Leaseback – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 January 2024. Earlier application is permitted and that fact must be disclosed.)

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.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)
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. 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 10(a).

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

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

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

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

i) Financial assets

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

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

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Initial recognition and measurement (continued)

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

i) Financial assets (continued)

Derecognition (continued)
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

ii) Financial liabilities (continued)

Subsequent measurement (continued)
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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 4,11,12 and 26.

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 Article 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Defined contribution plan

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to the applicable Federal Labour Law. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions (12.5%). The contributions are charged to profit or loss.

Annual leave

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

Provision for employees' end of service indemnity

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

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

Value added tax

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

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

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

Foreign currencies

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

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

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

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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 2022. 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Units of production depreciation (continued)
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.

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 13 and note 28.

As at the date of the statement of financial position, gross trade receivables were AED 54.4 million (2021: AED 40.4 million) and the provision for expected credit losses was AED 4.0 million (2021: AED 2.9 million).

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

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

At the reporting date, gross inventories were AED 104.0 million (2021: AED 99.8 million) with provision for old and obsolete inventories of AED 13.0 million (2021: 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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

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 10(a).

Fair value of investment properties
The Company carries its investment properties at fair value, with changes in fair value being recognised in the statement of profit or loss. For investment properties, a valuation methodology based on the current prices in an active market for similar properties is used. In the absence of such information, the Company determined the amounts within a range of reasonable fair value estimates. In making its judgment, the Company 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 2022. The key assumptions used to determine the fair value of the properties and sensitivity analysis are provided in note 11.

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:

	2022 ***AED***	*2021* *AED*
Type of revenue		
Sale of goods	**348,112,911**	340,637,382
Geographical markets		
Within UAE	**120,723,817**	75,435,741
Outside UAE	**227,389,094**	265,201,641
	348,112,911	340,637,382
Timing of revenue recognition		
Goods transferred at a point in time	**348,112,911**	340,637,382

Revenue includes AED 259.0 million which represents 74% of total revenue from 7 customers (2021: AED 313.8 million which represents 92% of total revenue from 7 customers).

5 REVENUE FROM CONTRACT WITH CUSTOMERS (continued)

b) Contract balances

	2022 *AED*	*2021* *AED*
Asset		
Trade receivables (note 13)	**50,323,883**	37,468,660
Liability		
Advances from customers (note 20)	**13,443,152**	1,410,742

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 (2021: 150 to 180 days).

6 OTHER OPERATING INCOME

Other operating income consists of income earned on electricity generated by the Company. Income earned during the year ended 31 December 2022 amounted to AED 5.2 million (2021: AED 3.9 million).

7 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	2022 *AED*	*2021* *AED*
Loading charges	**18,071,525**	23,834,411
Salaries and employee related cost (note (b))	**12,244,347**	11,866,393
Director expenses (note 23)	**1,059,099**	539,447
Professional charges	**970,117**	962,434
Allowance for slow-moving inventories written back	**(8,000,000)**	-
Allowance/ (reversal) for expected credit losses (note 13 (a))	**1,108,327**	(217,686)
Sales promotion	**80,369**	134,207
Others	**2,498,423**	2,500,354
	28,032,207	39,619,560

a) The social contributions (including donations and charity) made during the year amounting to AED 6,550 (2021: AED nil).

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

	2022 *AED*	*2021* *AED*
Cost of sales	**20,852,288**	18,798,425
Selling, general and administrative expenses	**12,244,347**	11,866,393
	33,096,635	30,664,818

8 INVESTMENT (LOSS)/ INCOME - NET

	2022	*2021*
	AED	*AED*
Unrealised (loss)/ gain on investments carried at FVTPL (note 12)	**(202,099)**	5,080,931
Dividend income	**2,660,421**	3,303,432
Gain on fair valuation of investment properties (note 11)	**-**	1,930,000
Gain on sale of investment properties (note 11)	**37,056**	-
Realised (loss)/ gain on disposal of investments carried at FVTPL	**(3,389,694)**	887,532
Interest income	**2,508**	6,440
	(891,808)	11,208,335

9 OTHER INCOME

For the year ended 31 December 2022, other income mainly consists of scrap sales. In the previous year, 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.

10 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 2021	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
Additions	-	723,483	7,568,006	200,661	1,117,923	9,441,456	36,285,595	55,337,124
Transfers	-	47,975,353	-	-	-	(7,568,005)	(40,407,348)	-
At 31 December 2022	**157,445,609**	**1,175,364,320**	**495,824,232**	**17,594,875**	**11,647,732**	**1,873,451**	**129,479,740**	**1,989,229,959**
Depreciation and impairment								
At 1 January 2021	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
Charge for the year	1,597,638	47,069,780	5,515,045	70,416	825,998	-	-	55,078,877
At 31 December 2022	**142,659,489**	**916,922,546**	**214,868,741**	**16,740,275**	**10,750,716**	-	**27,871,829**	**1,329,813,596**
Net carrying value								
At 31 December 2022	**14,786,120**	**258,441,774**	**280,955,491**	**854,600**	**897,016**	**1,873,451**	**101,607,911**	**659,416,363**
At 31 December 2021	16,383,758	256,812,718	278,902,530	724,355	605,091	-	105,729,664	659,158,116

10 PROPERTY, PLANT AND EQUIPMENT (continued)

a) During the year ended 31 December 2022, no impairment losses (2021: AED nil of impairment loss) has 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 2022 and 31 December 2021 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 PPE 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:

	2022	*2021*
Discount rate	**10.50%**	8.9%
Growth rate on price per ton	**4.73%**	3%
Terminal year growth rate	**2.5%**	1.5%
Fuel and power price	**refer below**	refer below

Fuel and power price include coal and gas prices. 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 of coal is based on publicly available data if available otherwise average five-year actual coal prices are used as an indicator of the future price. In case of gas, forecast figures is derived basis of average of five-year actual gas prices as an indicator of the future price.

Value in use is higher than the carrying amount of the PPE as at 31 December 2022. 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 10.6% (2021: 9.0%) (i.e., +10 basis points)) in the CGU would result in no impairment (2021: no impairment.)

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 (2021: no impairment).

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 (2021: no impairment).

If prices of fuel and power increase on average by 0.5%, the Company will have no impairment (2021: no impairment).

b) At 31 December 2022, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 620.7 million (2021: AED 602.0 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 141 thousand (31 December 2021: AED 504 thousand) are mortgaged against auto loan (note 19).

f) There is a negative pledge over property, plant and equipment against borrowings (note 19).

g) Assignment of fire insurance policy over moveable property, plant and equipment in relation to banking facilities obtained by the Company (note 19).

11 INVESTMENT PROPERTY

	2022	*2021*
	AED	*AED*
At the beginning of the year	**12,630,000**	10,700,000
Change in fair value	**-**	1,930,000
Disposal during the year	**(6,200,000)**	-
At the end of the year	**6,430,000**	12,630,000

Investment property represents plots of land in Ras Al Khaimah.

During the year, one of the investment property has been sold for AED 6,237,056, resulting in a gain on disposal of AED 37,056.

The fair value of the Company's investment property at 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021, 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 2022 and 2021.

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)***	
			2022	*2021*
Plot of land	Current market rate for comparable properties that have been sold in nearby area	Rate per sq. ft.	AED 30	AED 30-155

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

12 INVESTMENT IN SECURITIES

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

	2022	*2021*
	AED	*AED*
Quoted	**10,419,598**	66,734,658
Unquoted	**4,077,705**	4,077,705
Total gross investments at FVTOCI at cost	**14,497,303**	70,812,363
Less: accumulated fair value reserve, net	**(12,274,202)**	(39,675,070)
Fair value of investments	**2,223,101**	31,137,293

12 INVESTMENT IN SECURITIES (continued)

The geographical spread of the above investments is as follows:

	2022			*2021*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**0%**	**-**	**-**	0.5%	175,838	162,150
Kuwait	**100%**	**14,497,303**	**2,223,101**	99.5%	70,636,525	30,975,143
	100%	**14,497,303**	**2,223,101**	100%	70,812,363	31,137,293

The cumulative change in fair value of investments carried at FVTOCI amounted to negative AED 12.3 million as at 31 December 2022 (2021: negative AED 39.7 million) and is shown under equity. During the year, the Company has transferred AED 27.3 million (2021: AED 17.3 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 47.4 million (2021: AED 17.6 million) resulting to a gain of AED 13.4 million (2021: AED 0.1 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)

	2022 AED	*2021 AED*
Quoted investments at cost	**14,757,958**	72,515,016
Unquoted	**2,826,156**	2,826,156
Total gross investments at FVTPL at cost	**17,584,114**	75,341,172
Less: cumulative changes in fair value	**(7,669,012)**	(38,316,205)
Fair value of investments	**9,915,102**	37,024,967

The geographical spread of the above investments is as follows:

	2022			*2021*		
	Concentration percentage on fair value	***Cost AED***	***Fair value AED***	*Concentration percentage on fair value*	*Cost AED*	*Fair value AED*
UAE	**95.6%**	**8,077,941**	**9,483,754**	46.1%	27,271,815	17,060,897
Other GCC countries	**4.4%**	**9,506,173**	**431,348**	53.9%	48,069,357	19,964,070
	100%	**17,584,114**	**9,915,102**	100%	75,341,172	37,024,967

The total proceeds from the disposal of investments carried at FVTPL amounted to AED 23.5 million (31 December 2021: AED 7.8 million) resulting to a loss of AED 3.4 million (31 December 2021: gain of AED 887.5 thousand) which is shown in the statement of profit or loss.

12 INVESTMENT IN SECURITIES (continued)

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

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

	2022 ***AED***	*2021* *AED*
Fair value of investments at the beginning of the year	**68,162,260**	67,913,819
Additions made during the year	**4,921,349**	19,933,938
Disposals made during the year at carrying value	**(60,825,144)**	(26,329,735)
Unrealized (loss)/ gain on revaluation of investments carried at FVTPL (note 8)	**(202,099)**	5,080,931
Unrealized gain on revaluation of investments carried at FVTOCI	**81,837**	1,563,307
Fair value of investments at the end of the year	**12,138,203**	68,162,260

13 TRADE AND OTHER RECEIVABLES

	2022 ***AED***	*2021* *AED*
Trade receivables	**54,373,434**	40,409,884
Less: allowance for expected credit losses (note (a))	**(4,049,551)**	(2,941,224)
	50,323,883	37,468,660
Other receivables	**9,474,853**	16,432,168
Receivable from sale of an associate	**2,067,283**	2,567,283
	61,866,019	56,468,111
Less: receivable from sale of an associate due after one year	**(1,567,283)**	(2,067,283)
	60,298,736	54,400,828

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

	2022 ***AED***	*2021* *AED*
Balance at the beginning of the year	**2,941,224**	3,158,910
Charge/ (reversal) for the year (note 7)	**1,108,327**	(217,686)
	4,049,551	2,941,224

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 credit, and management believes that the allowance for ECL at the reporting date is sufficient.

13 TRADE AND OTHER RECEIVABLES (continued)

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

	2022 ***AED***	*2021* *AED*
Secured against unconditional bank guarantees	**26,870,249**	18,946,982
Unsecured	**27,503,185**	21,462,902
	54,373,434	40,409,884

d) The average credit period on sale of goods is 150 days to 180 days (2021: 150 days to 180 days).

e) Trade receivables amounting to AED 46.9 million (2021: AED 35.3 million) is due from the Company's five largest customers representing 86% (2021: 87%) of the total outstanding balance at 31 December 2022.

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 - 180 days* *AED*	*above 180 days* *AED*
2022	**54,373,434**	**42,627,621**	**8,173,285**	**1,099,002**	**2,473,526**
2021	40,409,884	33,334,911	5,296,798	-	1,778,175

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

14 INVENTORIES

	2022 ***AED***	*2021* *AED*
Finished goods	**11,306,385**	2,874,205
Raw materials	**3,940,992**	9,968,153
Work in progress	**14,352,488**	8,183,044
Bags, fuel and lubricants	**39,268,946**	40,986,155
Spare parts – maintenance department	**24,152,337**	26,196,164
Consumable items	**10,486,969**	11,163,842
Tools	**450,381**	448,317
	103,958,498	99,819,880
Less: allowance for slow-moving and obsolete inventories (note (c))	**(13,025,555)**	(21,025,555)
	90,932,943	78,794,325

a) Assignment of fire insurance policy over inventories in relation to banking facilities obtained by the Company (note 19).

b) Inventories are pledged against banking facilities obtained by the Company (note 19).

14 INVENTORIES (continued)

c) The movement in allowance for slow-moving and obsolete inventories during the year was as follows:

	2022 ***AED***	*2021* *AED*
Balance at the beginning of the year	**21,025,555**	21,025,555
Provisions written back during the year (refer note below)	**(8,000,000)**	-
	13,025,555	21,025,555

Provisions for slow-moving and obsolete inventories of AED 8 million were written back during the year basis of health check-up performed by an external party.

15 BANK BALANCES AND CASH

	2022 ***AED***	*2021* *AED*
Cash on hand	**83,491**	9,857
Bank balances:		
Current accounts	**2,464,997**	4,298,290
Call deposits	**1,226,296**	2,874,014
Total bank balances	**3,691,293**	7,172,304
Bank balances and cash	**3,774,784**	7,182,161

	2022 ***AED***	*2021* *AED*
Bank balances		
In UAE	**2,927,786**	5,143,563
In other GCC countries	**763,507**	2,028,741
	3,691,293	7,172,304

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

16 SHARE CAPITAL

	2022 ***AED***	*2021* *AED*
Issued and fully paid:		
410,548,410 (2021: 410,548,410) ordinary shares of AED 1 each	**410,548,410**	410,548,410

17 RESERVES

According to the Company's Articles of Association and the requirements of the U.A.E. Federal Law No. 32 of 2021, 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.

As of 31 December 2022, the statutory reserve exceeded the 50% of the paid-up share capital. In prior years, 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 is as follows:

	Statutory reserve AED	***Voluntary Reserve AED***	***Total AED***
Balance at 31 December 2021	343,930,557	4,732,484	348,663,041
Balance at 31 December 2022	**343,930,557**	**4,732,484**	**348,663,041**

18 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

	2022 AED	*2021 AED*
Provision as at 1 January	**8,480,783**	8,815,240
Provided during the year	**743,465**	548,037
Payments made during the year	**(644,977)**	(882,494)
Provision as at 31 December	**8,579,271**	8,480,783

19 BORROWINGS

a) Short-term

	2022 AED	*2021 AED*
Bank overdraft facilities	**6,147,904**	1,395,827
Short term loan	**44,914,216**	27,600,747
Total bank borrowings	**51,062,120**	28,996,574

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 14(a)) and movable property, plant and equipment (note 10 (g)) and pledge over inventories (note 14(b)) and a negative pledge over property, plant and equipment (note 10(f)).

Bank overdraft are considered a form of financing and hence not included as a component of cash and cash equivalents in the statement of cashflows.

19 BORROWINGS (continued)

b) Long-term

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

	2022 AED	*2021 AED*
Current portion	**123,428**	200,469
Non-current portion	**-**	122,949
Total term loans	**123,428**	323,418

The term loans carry interest at 3% p.a., are secured against vehicles financed (note 10(e)) and repayable on a monthly basis with last instalment due on 1 August 2023.

20 TRADE AND OTHER PAYABLES

	2022 AED	*2021 AED*
Trade payables	**108,811,677**	159,260,174
Dividend payable	**28,890,514**	29,387,071
Accrued expenses	**21,734,228**	11,202,697
Advances from customers	**13,443,152**	1,410,742
VAT Payable	**814,807**	1,102,116
Other payables	**629,927**	884,211
	174,324,305	203,247,011

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on and average of 120 days (2021: 120-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.

21 BASIC EARNINGS PER SHARE

	2022 AED	*2021 AED*
Loss for the year (in AED)	**(54,403,298)**	(52,988,325)
Weighted average number of shares	**410,548,410**	410,548,410
Basic loss per share (in AED)	**(0.13)**	(0.13)

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

22 DIVIDENDS

At the annual general meeting held on 28 March 2022 (2021: 11 April 2021), no dividends were approved by the shareholders for the year ended 31 December 2021 (2021: AED 20.5 million cash dividends were approved which represents 5% of the Company's share capital for the year ended 31 December 2020). Shareholders also approved no remuneration for Board of Directors' for the year ended 31 December 2021 (2020: nil).

23 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:

	2022 AED	*2021 AED*
Attendance expenses for Board of Directors and committees' meetings (note 7)	**1,059,099**	539,447
Profit on the release of a plot of land owned by the Ras Al Khaimah government (note 9)	**-**	6,691,655

b) Compensation of key management personnel

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

	2022 AED	*2021 AED*
Salaries and other short-term benefits (note below)	**4,409,170**	3,784,432
Employees' end of service benefits	**316,289**	295,252
	4,725,459	4,079,684

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 2022 and 2021 related to key management personnel.

24 CONTINGENT LIABILITIES AND COMMITMENTS

	2022 AED	*2021 AED*
Letters of credit	**29,442,760**	61,973,294
Letters of guarantee	**36,725**	36,725
Capital commitment	**974,162**	-

25 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.

	2022			*2021*		
	Manufacturing AED	***Investments AED***	***Total AED***	*Manufacturing AED*	*Investments AED*	*Total AED*
Segment revenue	**348,112,911**	**-**	**348,112,911**	340,637,382	-	340,637,382
Segment result	**(53,511,490)**	**(891,808)**	**(54,403,298)**	(64,196,660)	11,208,335	(52,988,325)
Segment assets	**814,763,813**	**19,794,499**	**834,558,312**	798,728,699	83,666,274	882,394,973
Segment liabilities	**234,089,124**	**-**	**234,089,124**	241,047,786	-	241,047,786

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 2022, revenue from customers located in the Company’s country of domicile (UAE) is AED 120.7 million (2021: AED 75.4 million) and revenue from customers outside UAE (foreign customers) is AED 227.4 million (2021: AED 265.2 million).

b) Major customers

Revenue includes AED 259.0 million which represents 74% of total revenue (2021: AED 313.8 million which represents 92% of total revenue) from 7 customers (2021: 7 customers).

26 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 2021.

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;

Financial assets	***Fair value*** 2022 AED (audited)	***Fair value*** *2021 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	**1,604,728**	30,518,920	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	**9,915,102**	37,024,967	Level 1	Quoted bid prices in an active market	None	N/A
	12,138,203	68,162,260				

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

26 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.

2022

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Investment property	**-**	**-**	**6,430,000**	**6,430,000**
Investments carried at FVTPL	**9,915,102**	**-**	**-**	**9,915,102**
Investments carried at FVTOCI:				
- Quoted equities	**1,604,728**	**-**	**-**	**1,604,728**
- Unquoted equities	**-**	**-**	**618,373**	**618,373**
	11,519,830	**-**	**7,048,373**	**18,568,203**

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

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.

27 CORPORATE INCOME TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate. A rate of 0% will apply to taxable income not exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance). In addition, there are several other decisions that are yet to be finalised by way of a Cabinet Decision that are significant in order for entities to determine their tax status and the taxable income. Therefore, pending such important decisions by the Cabinet as at 31 December 2022, the Company has considered that the Law is not substantively enacted from IAS 12 – Income Taxes perspective as at 31 December 2022. The Company shall continue to monitor the timing of the issuance of these critical cabinet decisions to determine their tax status and the application of IAS 12 – Income Taxes.

The Company is currently in the process of assessing the possible impact on financial statements, both from current and deferred tax perspective, once these critical cabinet decisions are issued.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include bank borrowings, trade 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 2022 and 2021.

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 2022 and 2021.

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*
2022	**+50**	**(255,311)**
	-50	**255,311**
2021	+50	(131,224)
	-50	131,224

b) Foreign currency risk

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

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

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

b) Foreign currency risk (continued)

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

	Liabilities		*Assets*	
	2022 AED	*2021 AED*	***2022 AED***	*2021 AED*
US Dollars	**77,896,087**	112,100,300	**-**	-
Euro	**3,229,753**	1,095,782	**-**	-
Kuwaiti Dinar	**-**	-	**2,654,109**	42,161,805
Japanese Yen	**1,228,655**	11,796	**-**	-
Norwegian Krone	**-**	-	**-**	8,777,387
	82,354,495	113,207,878	**2,654,109**	50,939,192

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 against the AED.

The following table shows the sensitivity of the statement of profit or loss to reasonable possible changes in currency rates, with all other parameters being unchanged.

	Increase/ Decrease in currency rate %	*Effect on the results of the year AED*
2022	**+10%**	**(180,430)**
	-10%	**180,430**
2021	+10%	4,983,161
	-10%	(4,983,161)

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:

	2022			*2021*		
	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%**	**948,375**	**-**	±10%	1,706,090	16,215
Other GCC countries	**±10%**	**43,135**	**222,310**	±10%	1,996,407	3,035,677

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.

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

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

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

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

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

	2022		
	Gross value AED	***Allowance for expected credit losses AED***	***Expected credit loss (ECL)***
Secured trade receivables	**26,870,249**	**27,787**	**0.10%**
Unsecured trade receivables	**27,503,185**	**4,021,764**	**14.72%**
	54,373,434	**4,049,551**	

	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	21,462,902	2,912,695	13.57%
	40,409,884	2,941,224	

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

	2022 ***AED***	*2021* *AED*
In UAE	**54,363,887**	40,366,642
In other GCC countries	**9,547**	43,242
	54,373,434	40,409,884

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 5 years AED***	***Total AED***
2022				
Trade and other payables	**34,226,784**	**125,839,562**	**-**	**160,066,346**
Bank borrowings	**14,575,459**	**38,526,069**	**-**	**53,101,528**
Term loans	**18,608**	**110,399**	**-**	**129,007**
	48,820,851	**164,476,030**	**-**	**213,296,881**

	Less than 1 month AED	*2 to 12 months AED*	*1 to 5 years AED*	*Total AED*
2021				
Trade and other payables	43,017,116	157,717,037	-	200,734,153
Bank borrowings	10,071,574	19,176,412	-	29,247,986
Term loans	17,803	195,833	124,621	338,257
	53,106,493	177,089,282	124,621	230,320,396

28 FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as bank borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less bank balances and cash. Total capital is calculated as 'equity' as shown in the statement of financial position.

The gearing ratio at the year end was as follows:

	2022 AED	*2021 AED*
Bank borrowings	**51,062,120**	28,996,574
Less: Bank balances and cash	**(3,774,784)**	(7,182,161)
Net debt	**47,287,336**	21,814,413
Total equity	**600,469,188**	641,347,187
Net debt to equity ratio (times)	**0.08**	0.03

In order to achieve this overall objective, the Company's capital management, among other things, aims to ensure that it meets financial covenants attached to the banks borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

Changes in liabilities arising from financing activities

	1 January 2022 AED	***Cash inflows AED***	***Cash outflows AED***	***Other changes AED***	***31 December 2022 AED***
Bank borrowings	**28,996,574**	**174,647,781**	**(152,582,235)**	**-**	**51,062,120**
Dividends payable	**29,387,071**	**-**	**(496,557)**	**-**	**28,890,514**
Term loans	**323,418**	**-**	**(199,990)**	**-**	**123,428**
	58,707,063	**174,647,781**	**(153,278,782)**	**-**	**80,076,062**

	1 January 2021 AED	*Cash inflows AED*	*Cash outflows AED*	*Other changes AED*	*31 December 2021 AED*
Bank borrowings	55,498,001	140,704,544	(167,205,971)	-	28,996,574
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

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 13 February 2023.

30 COMPARATIVE FIGURES

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