Sharjah Cement & Industrial Development Co. (PJSC) and its subsidiary

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Sharjah Cement & Industrial Development Co. (PJSC) and its subsidiary

Consolidated financial statements
31 December 2021

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Sharjah Cement & Industrial Development Co.
(PJSC)
Established by the Emiri Decree No. 31/79
Paid up Capital AED 608,253,747
Regist No. 312

شركة الشارقة للأسمنت والتنمية الصناعية
(شركة مساهمة عامة)
تأسست بموجب المرسوم الأميري ٧٩/٣١
رأس المال المدفوع ٦٠٨،٢٥٣،٧٤٧
رقم السجل التجاري ٣١٢

Directors' Report

The Board of Directors has the pleasure in presenting the audited consolidated financial statements of Sharjah Cement & Industrial Development Co. (PJSC) ("the Company") and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2021.

Principal activities
The Group is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Group invests its surplus funds in investment securities, private equities and properties. The Group operates from Sharjah, United Arab Emirates and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia.

Results for the year ended 31 December 2021

Consolidated Income Statement of the Group for the year ended 31 December 2021 is presented on page 8 and Consolidated Balance Sheet of the Group as of 31 December 2021 is presented on page 10 of the consolidated financial statements.

The Group has reported sales of AED 493,894 thousand (2020: AED 431,627 thousand) while the net Loss for the year was AED 33,802 thousand (2020: Loss AED 70,636 thousand). Shareholders' equity at 31 December 2021 was AED 1,318,371 thousand (2020: AED 1,320,601 thousand).

Going concern basis

The Board of Directors has reasonable expectation that the Group has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2021.

Transactions with related Parties

The consolidated financial statements disclose related party transactions and balances in note 26. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Auditors

Ernst & Young were appointed as external auditors for the Group for the year ended 31 December 2021, and they have expressed their willingness to continue in office once elected at the forthcoming Annual General Meeting.

Chairman
7 March 2022

Ernst & Young (Sharjah Branch)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT & INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the audit of the Consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sharjah Cement & Industrial Development Co. PJSC (the "Company"), and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group 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 consolidated 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 our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our 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 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 consolidated 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 consolidated 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 consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT & INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the audit of the Consolidated financial statements (continued)

Key Audit Matters (continued)

Key audit matter	**How the Matter Was Addressed in the Audit**
Classification and valuation of Assets held for sale *(refer to note 11 of the consolidated financial statements)*	
In December 2018, the Group divested 50% of the investment in Autoline Industrial Parks Limited (AIPL) for a total gross consideration of AED 39,526 thousand which was receivable over 33 months. In 2020, the Group signed the cancellation agreement with Autoline Industries for sale of its 50% share in AIPL. Accordingly, the profit on sale of shares as well as the finance income total amounting to AED 8,456 thousand recognized in 2019 had been reversed in 2020. and the cost of investment was transferred back to held for sale investment. During the current year, AIPL has entered into a joint development agreement with a developer to develop the land for industrial purposes. For this the due diligence has been completed and this transaction has been approved by the BOD. AIPL and the developer have indicated their willingness to buyout the investment once the legal formalities to develop the land are completed. Since significant judgement is involved in classification and valuation of the same, this is considered as key audit matter.	The work that we performed to address this key audit matter included the following procedures. • We have read the board minutes for approval of selling the assets and correspondence with third party for exit of investment. As the intention is to sell the investment, it has been classified as asset held for sale in the consolidated financial statements. • We have reviewed the valuation of land for which proposal is received for development. We observed that the valuation of land is more than the carrying amount of asset held for sale. • We have verified the shares held by the Company in AIPL as of the reporting date. • We have assessed the adequacy of the disclosures of the transaction in Note 11 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the Audit of the Financial Statements (continued)

Key audit matter	**How the Matter Was Addressed in the Audit**
Existence and valuation of inventories *(refer to note 13 of the consolidated financial statements)*	
Inventories comprises 12% of Group's total assets as on 31 December 2021. Inventories on hand comprise of purchased raw materials consisting mainly of limestone, coal, slag, gypsum, iron ore and bauxite, and work in progress comprising mainly of clinkers which are stored in purpose built shed and stockpiles. Since the weighing of these inventories is not practicable, management assesses the reasonableness of the quantities on hand at the year-end by obtaining measurements of the stockpiles and converting these measurements to unit of volumes by using an angle of repose and the bulk density. Management has relied upon expert for physical verification of inventory. Due to the significance of the inventory balances and related estimations involved in existence and valuation of the same, this is considered a key audit matter.	The work that we performed to address this key audit matter included the following procedures. • We inquired of the management to understand the procedures undertaken as a part of the inventory review and assessment of allowance for slow moving inventory. • We evaluated the analysis and assessment made by the management with respect to the carrying value and slow and obsolete inventories considering the expected demand and market value related to the finished goods. • We observed the physical inventory count performed by the Group. We assessed the reasonableness of the management's measurements of stockpiles during the physical count and reviewed the conversion to the unit of volumes. We also obtained and reviewed the inventory count report of an external surveyor's for the major stock items. • 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 tested the ageing of the inventory for the sample of selected inventory items. • We have also assessed the adequacy of the management's disclosure in note 13 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the Audit of the Financial Statements (continued)

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and of the UAE Federal Law No. (2) of 2015 (as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on the Audit of the Financial Statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)
We also:

- Identify and assess the risks of material misstatement of the consolidated 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 auditor's report to the related disclosures in the consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Report on other legal and regulatory requirements

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

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

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

iii) the financial information included in the Directors' report is consistent with the books of account of the Group;

iv) the Group has maintained proper books of account;

v) investments in shares and stocks during the year ended 31 December 2021, are disclosed in note 12 to the consolidated financial statements;

vi) note 26 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 financial year ended 31 December 2021, any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2021; and

viii) note 31 to the consolidated financial statements reflects the social contributions made during the year.

For Ernst & Young

Signed by:
Ashraf Abu Sharkh
Partner
Registration No: 690

8 March 2022

Sharjah, United Arab Emirates

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

	Notes	***2021 AED'000***	*2020 AED'000*
Revenue from contract with customers	6	**493,894**	431,627
Cost of sales		**(501,165)**	(436,989)
Gross Loss		**(7,271)**	(5,362)
Administrative and general expenses		**(20,937)**	(18,463)
Selling and distribution expenses		**(6,737)**	(6,146)
Investment income/(loss)	7	**10,709**	(6,314)
Impairment loss on investment properties	10	**-**	(11,325)
Finance expenses	8	**(12,447)**	(17,543)
Reversal of gain on sale of assets held for sale	11	**-**	(8,457)
Other income		**2,881**	2,974
LOSS FOR THE YEAR	8	**(33,802)**	(70,636)
Loss attributable to:			
Owners of the Group		**(33,802)**	(70,636)
Basic and diluted earnings per share (AED)	22	**(0.056)**	(0.116)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	***2021*** ***AED'000***	*2020* *AED'000*
Loss for the year		**(33,802)**	(70,636)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Investments carried at FVTOCI – net change in fair value	12	**30,104**	(22,545)
Items that may be reclassified to profit or loss:			
Change in fair value of interest rate swap	12	**1,468**	(2,054)
Other comprehensive Income/(loss) or the year		**31,572**	(24,599)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(2,230)**	(95,235)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(2,230)**	(95,235)

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	*2021* *AED'000*	*2020* *AED'000*
ASSETS			
Non-curent assets			
Property, plant and equipment	9	**917,023**	970,643
Investment properties	10	**250,849**	259,664
Investments carried at FVTOCI	12	**164,563**	125,614
		1,332,435	1,355,921
Current assets			
Inventories	13	**220,003**	236,690
Trade and other receivables	14	**185,431**	183,743
Investments carried at FVTPL	12	**33,660**	22,651
Cash in hand and at bank	15	**13,795**	26,643
Asset held for sale	11	**47,293**	45,016
		500,182	514,743
TOTAL ASSETS		**1,832,617**	1,870,664
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**608,254**	608,254
Statutory reserve	20	**334,091**	334,091
General reserve	21	**226,373**	226,373
Fair value reserve	12	**18,764**	(12,314)
Retained earnings		**130,889**	164,197
Total equity		**1,318,371**	1,320,601
Non-current liabilities			
Long term borrowings	17	**113,876**	183,306
Provision for staff terminal benefits	18	**27,955**	27,453
		141,831	210,759
Current liabilities			
Trade and other payables	16	**106,394**	97,489
Short term borrowings	17	**266,021**	241,815
		372,415	339,304
Total liabilities		**514,246**	550,063
TOTAL EQUITY AND LIABILITIES		**1,832,617**	1,870,664

These financial statements were approved and authorized for issue on behalf of the Board of Directors on 7 March 2022

Chairman

Chief Executive

The attached notes 1 to 32 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	***2021*** ***AED'000***	*2020* *AED'000*
OPERATING ACTIVITIES			
Loss for the year		**(33,802)**	(70,636)
Adjustments for:			
Depreciation on property, plant and equipment	9	**69,777**	69,296
Depreciation on investment properties	10	**8,815**	8,794
Provision for staff terminal benefits	18	**2,210**	2,355
Allowance for expected credit loss	14	**(10)**	750
Provision for inventory (net off)	13	**5,838**	(1,351)
Gain on disposal of property, plant and equipment		**(53)**	-
Reversal of gain on sale of assets held for sale	11	**-**	8,457
(gain)/ loss on change in fair value of investments carried at FVTPL	12	**(4,965)**	3,148
Realised loss on disposal of investments carried at FVTPL	12	**199**	769
Rental income from investment properties	10	**(6,024)**	(1,053)
Dividend income	7	**(3,995)**	(5,132)
Impairment loss on Investment properties	10	**-**	11,325
Finance expense	8	**12,447**	17,543
		50,437	44,265
Changes in:			
- inventories	13	**10,849**	122,394
- trade and other receivables	14	**(1,678)**	85,585
- trade and other payables	16	**10,374**	(86,134)
Staff terminal benefits paid	18	**(1,708)**	(3,621)
Net cash generated from operating activities		**68,274**	162,489
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	9	**(16,157)**	(34,046)
Additions to investment	11	**(2,277)**	-
Additions to investment properties	10	**-**	(7,893)
Proceeds from disposal of property, plant and equipment		**53**	-
Purchase of investments carried at FVTOCI	12	**(10,997)**	(2,021)
Proceeds from disposal of investments carried at FVTOCI	12	**2,152**	1,926
Dividend income	7	**3,995**	5,132
Rental income from investment properties	10	**6,024**	1,053
Purchase of investments carried at FVTPL	12	**(11,010)**	(8,027)
Proceeds from disposal of investments carried at FVTPL	12	**4,767**	9,139
Net cash used in investing activities		**(23,450)**	(34,737)
FINANCING ACTIVITIES			
Loan repaid	28	**(422,188)**	(553,233)
Loan taken	28	**376,963**	449,174
Interest paid	8	**(12,447)**	(17,543)
Net cash used in financing activities		**(57,672)**	(121,602)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(12,848)**	6,150
Cash and cash equivalents at the beginning of the year	15	**26,643**	20,493
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**13,795**	26,643
Cash and cash equivalents comprise:			
Cash in hand and at bank	15	**13,795**	26,643

The attached notes 1 to 32 form part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital AED' 000	*Statutory reserve AED'000*	*General reserve AED'000*	*Proposed dividend AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
At 1 January 2021	608,254	334,091	226,373	-	(12,314)	164,197	1,320,601
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(33,802)	(33,802)
Other comprehensive income for the year	-	-	-	-	31,572	-	31,572
Total comprehensive loss for the year	-	-	-	-	31,572	(33,802)	(2,230)
Other equity movement							
Transfer of realised gain from fair value reserve to retained earnings on disposal of investments carried at FVTOCI (note 12)	-	-	-	-	(494)	494	-
Total other equity movement	-	-	-	-	(494)	494	-
Transactions with owners of the Group							
Contribution by and distributions to owners							
Directors' fee (note 26)	-	-	-	-	-	-	-
Total transactions with owners of the Group	-	-	-	-	-	-	-
At 31 December 2021	**608,254**	**334,091**	**226,373**	**-**	**18,764**	**130,889**	**1,318,371**

The attached notes 1 to 32 form part of these consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2021

	Share capital AED' 000	*Statutory reserve AED'000*	*General reserve AED'000*	*Proposed dividend AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
At 1 January 2020	608,254	334,091	226,373	-	12,324	234,794	1,415,836
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	-	(70,636)	(70,636)
Other comprehensive loss for the year	-	-	-	-	(24,599)	-	(24,599)
Total comprehensive loss for the year	-	-	-	-	(24,599)	(70,636)	(95,235)
Other equity movement							
Transfer of realised gain from fair value reserve to retained earnings on disposal of investments carried at FVTOCI (note 12)	-	-	-	-	(39)	39	-
Total other equity movement	-	-	-	-	(39)	39	-
Transactions with owners of the Group							
Contribution by and distributions to owners							
Directors' fee (note 26)	-	-	-	-	-	-	-
Total transactions with owners of the Group	-	-	-	-	-	-	-
At 31 December 2020	608,254	334,091	226,373	-	(12,314)	164,197	1,320,601

The attached notes 1 to 32 form part of these consolidated financial statements.

1 REPORTING ENTITY

Sharjah Cement and Industrial Development Co. (PJSC) ("the Company") was incorporated in Sharjah, United Arab Emirates in 1977 under an Emiri Decree issued by H.H The Ruler of Sharjah and has since been registered as a public joint stock company. The registered office of the Company is P.O. Box 2083 Sharjah, United Arab Emirates. The shares of the Company are listed on Abu Dhabi Securities Market. . Shareholders have resolved at the Annual General Meeting held on 30 April 2020 to delist the company's shares from Kuwait Stock Exchange and authorized the Board of Directors to complete all formalities for the delisting. Kuwait Capital Market Authority has approved the voluntary withdrawal of the Company from Kuwait Stock Exchange and 26 August 2021 was the last date for trading of Company's shares on Kuwait Stock Exchange.

The consolidated financial statements as at and for the year ended 31 December 2021 ("the current year") comprises the financial statements of the Company and its subsidiary (collectively referred to as "the Group").

The Group is engaged in the manufacture and supply of cement, paper sacks and plastic ropes. The Group invests its surplus funds in investment securities, private equities and properties. The Group operates from Sharjah, United Arab Emirates and sells its products in the UAE and certain other countries in the Middle East, Africa and Asia.

2 BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") and comply with relevant Articles of the Company and the UAE Federal Law No. (2) of 2015 (as amended).

Federal Law Decree No. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the new Decree Law came into effect.

Details of the Group's accounting policies are included in Note 4.

Basis of measurement
The consolidated financial statements have been prepared on the historical cost basis except for investments carried at fair value through other comprehensive income ("FVTOCI"), investments carried at fair value through profit or loss ("FVTPL") and derivative financial instruments which are measured at fair value.

Functional and presentation currency
These consolidated financial statements are presented in United Arab Emirate Dirham ("AED"), which is the Group's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Use of judgments and estimates
In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is discussed in note 29.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a management team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The management team regularly reviews significant unobservable inputs and valuation adjustments.

2 BASIS OF PREPARATION (continued)

Measurement of fair values (continued)
If third party information is used to measure fair values, then the management team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in note 10 – Investment properties and note 12 – Investments.

Basis of consolidation
The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*	
			2021	*2020*
Gulf Rope & Plastic Products Co. LLC	Rope and plastic products	United Arab Emirates	100%	100%

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the period ended 31 December 2020, except for the adoption of new standards and interpretations effective as of 1 January 2021.

New and amended standards and interpretations
The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 as noted below:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2021.

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

3.1 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 financial statements are disclosed below.

Contents	***Effective date***
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022

The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective. Management is currently assessing the impact of adopting the above standards, amendments and interpretations on the Group's financial statements in the year of their initial application, and intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

4 SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise (refer also note 3).

Business combinations
The Group accounts for business combination using the acquisition method when the control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in the profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Non-controlling interests
Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Revenue recognition
Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The Group recognises revenue based on a five-step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or service to a customer, excluding amounts collected on behalf of third parties.
Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. A contract asset becomes contract receivable when the Group's right to the consideration is unconditional, which is the case when only the passage of time is required before payment of the consideration is due. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

In determining the transaction price, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When a significant financing component is identified the Group is required to adjust the promised amount of consideration for the effects of the time value of money. This is because the Group is required to recognise revenue at an amount that reflects the price that the customer would have paid for the promised goods or services if the customer had paid in cash for those goods or services when (or as) they transfer to the customer.

Sale of goods
Revenue is recognised when the goods are delivered and have been accepted by customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.

The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.

Rental income
Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Dividend income and return on investments in securities
Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Finance expenses and income
The Group's finance expenses comprises interest expenses on borrowings and bank charges. Finance income comprise of unwinding of discount for receivable on sale of investment. Finance income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

In calculating interest expense, the effective interest rate is applied to the amortised cost of the liability.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for its intended use.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Capital work in progress
Capital work in progress is stated at cost less any impairment losses and not depreciated until such time the assets are available for use.

Depreciation
Items of property, plant and equipment are depreciated from the date that they are available for use. Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	Life (years)
Asset	
Freehold buildings	20 – 25
Plant and machinery	5 – 30
Furniture and equipment	5
Motor vehicles	3 – 5
Quarry costs	15

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Reclassification to investment properties
When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property considering that the accounting policy for investment property is the ‘Cost Model’ in accordance with IAS 40.

Investment property
Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for using the cost model. Under the cost model, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

The cost of replacing a part of an item of investment property is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day maintenance of investment property are recognised in profit or loss as incurred.

The depreciation on buildings is charged on straight line basis over their estimated useful lives of 25 years. The depreciation method, estimation of useful lives and residual values are reassessed at the reporting date. Land is not depreciated.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the property) is recognised in profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories
Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is determined as follows:

Raw material, stores and spares and semi-finished goods purchased
The cost includes insurance, freight and other incidental charges incurred in acquiring the inventories and bringing them to their present location and condition. Valuation is determined on a weighted average basis.

Raw materials produced locally, work in progress and finished goods
The cost includes cost of direct materials and direct labour plus an appropriate share of production overheads based on normal operating capacity. Valuation is determined on a weighted average basis.

Assets held for sale
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, investment property, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, property, plant and equipment are no longer amortized or depreciated, and any equity accounted investee is no longer equity accounted.

Financial instruments

Recognition and initial measurement
Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets
On initial recognition, a financial asset is classified as measured at: amortised cost; FVTOCI – debt investment; FVTOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets (continued)

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVTOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVTOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities
The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting
Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting
The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Cash flow hedges
When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as a cost of hedging and recognised in a costs of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Cash and cash equivalents
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.

Provisions
A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance expenses.

Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency (continued)

Foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AED at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AED at the exchange rates at the dates of the transactions.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Impairment

Non-derivative financial assets

Financial instruments
The Group recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost; and
- debt investments measured at FVTOCI

The Group also recognises loss allowances for ECLs on lease receivables, which are disclosed as part of trade and other receivables.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables (including lease receivables) and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 120 days past due.

The Group considers a financial asset to be in default when:
- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 365 days past due.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

Non-derivative financial assets (continued)

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVTOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Impairment loss is reversed if the reversal can be objectively related to an event that have occurred after the impairment loss was recognised. For financial assets that are measured at amortised cost, the reversal is recognised in profit or loss account.

Write-off
The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 365 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

Non-financial assets
At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provision for staff terminal benefits
The provision for staff terminal benefits is calculated in accordance with the provisions of the UAE Labour Law and is based on the liability that would arise if the employment of all staff were to be terminated at the reporting date. These are classified as long term liabilities.

With respect to its UAE national employees, the Group makes contributions to the General Pension and Social Security Authority. These contributions are calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Earnings per share
The Group presents basic earnings per share (EPS) data for its shares. The calculation of basic EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. The calculation of diluted EPS has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. Weighted average number of shares outstanding is retrospectively adjusted to include the effect of any increase in the number of shares without a corresponding change in resources.

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

5 FINANCIAL RISK MANAGEMENT

Overview
The Group has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk

Risk management framework
The Group's board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The board of directors has established the Board Audit and Compliance Committee , which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the board of directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

Board Audit and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. Board Audit and Compliance Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to Board Audit and Compliance Committee.

Credit risk
Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets represent the maximum credit exposure.

5 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables
Management has established a credit policy under which each new customer is analysed individually for credit worthiness before the Group's standard payment and delivery terms and conditions are offered. Exposures within each credit risk grade are segmented by nature of customers' operations and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on GDP forecast and industry outlook.

Cash and cash equivalents
The Group held cash and cash equivalents of AED 13,795 thousand at 31 December 2021 (2020: AED 26,643 thousand). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A1 to Baa3, based on Moody's corporation ratings. Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties and accordingly, the expected credit loss is negligible.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group aims to maintain the level of cash and cash equivalents and other liquid investments at an amount in excess of expected cash outflows on financial liabilities. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

Market risk
Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is not exposed to significant currency risk as the Group has transactions denominated in AED, or USD, a currency to which AED is currently pegged.

Interest rate risk
Interest rate risk is the risk that value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is primarily on its borrowings with banks. The interest rate on the Group's financial instruments is based on market rates. Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

Financial assets and liabilities that are subject to fair value risk are the ones with fixed interest rate. Financial assets and liabilities that are subject to cash flow rate risk are the ones with floating interest rate.

Equity price risk
Equity price risk arises from marketable securities measured at fair value. Management of the Group monitors the mix of debt and equity securities and between quoted and unquoted in investments portfolio to maximize investment returns, which is the primary goal of the Group's investment strategy. In accordance with this strategy certain investments are designated as fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

5 FINANCIAL RISK MANAGEMENT (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves and retained earnings. The Board of Directors monitors the return on capital as well as level of dividend to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There was no change to the Group's approach to capital management during the current year.

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue consists of the following:

	2021 AED'000	*2020 AED'000*
Type of revenue		
Sale of goods	**493,894**	431,627

	2021 AED'000	*2020 AED'000*
Geographical markets		
Within UAE	**375,745**	335,508
Outside UAE	**118,149**	96,119
Total revenue from contracts with customers	**493,894**	431,627

Timing of revenue recognition

	2021 AED'000	*2020 AED'000*
Goods transferred at a point in time	**493,894**	431,627

Contract balances

A contract asset is Group's right to consideration in exchange for goods that has been transferred to the customers. The Group has trade receivable of AED 174,911 thousand (2020: AED 178,506 thousand) and short term advances received from customers to supply the goods are AED 2,067 thousand (2020: AED 340 thousand) as at 31 December 2021.

Performance obligations

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

7 INVESTMENTS INCOME/(LOSS)

	2021	*2020*
	AED'000	*AED'000*
Gain/(loss) on change of fair value of investments carried at FVTPL (note 12)	**4,965**	(3,148)
Realised loss on disposal of investments carried at FVTPL (note 12)	**(199)**	(769)
Operating loss on investment properties (note 10)	**(2,791)**	(7,741)
Dividend income	**3,995**	5,132
Profit distribution from funds	**4,740**	154
Others	**(1)**	58
	10,709	(6,314)

8 LOSS FOR THE YEAR

The loss for the year is stated after charging:

	2021	*2020*
	AED'000	*AED'000*
Staff costs:		
Wages and salaries	**36,015**	33,234
End of service benefits (note 18)	**2,210**	2,355
Other employee benefits	**18,156**	13,459
	56,381	49,048
Finance expenses:		
Interest on bank borrowings	**10,391**	15,860
Bank charges	**2,056**	1,683
	12,447	17,543
Cost of sales:		
Material consumed	**256,191**	239,628
Depreciation on property, plant and equipment and investment properties (note 9 and 10)	**78,592**	78,090

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold land AED'000	*Freehold buildings AED'000*	*Plant and machinery AED'000*	*Furniture, and equipment AED'000*	*Motors vehicles AED'000*	*Quarry costs AED'000*	*Capital work-in progress AED'000*	*Total AED'000*
Cost								
At 1 January 2020	23,852	427,243	1,485,483	39,630	45,291	4,364	7,783	2,033,646
Additions	-	349	449	1,742	-	-	31,506	34,046
Disposals	-	-	-	-	-	-	-	-
Transfer	-	1,890	10,796	27	-	-	(12,713)	-
Transfer from investment properties (note 10)	-	-	-	3,688	-	-	-	3,688
At 31 December 2020	23,852	429,482	1,496,728	45,087	45,291	4,364	26,576	2,071,380
At 1 January 2021	23,852	429,482	1,496,728	45,087	45,291	4,364	26,576	2,071,380
Additions	-	138	2,733	538	2,764	-	9,984	16,157
Disposals	-	-	-	-	(974)	-	-	(974)
Transfer	-	-	30,436	-	-	-	(30,436)	-
At 31 December 2021	**23,852**	**429,620**	**1,529,897**	**45,625**	**47,081**	**4,364**	**6,124**	**2,086,563**
Depreciation								
At 1 January 2020	-	241,069	708,622	35,550	42,451	3,749	-	1,031,441
Charge for the year	-	14,080	51,030	2,613	1,509	64	-	69,296
At 31 December 2020	-	255,149	759,652	38,163	43,960	3,813	-	1,100,737
At 1 January 2021	-	255,149	759,652	38,163	43,960	3,813	-	1,100,737
Charge for the year	-	14,116	51,719	2,615	1,262	65	-	69,777
On disposals	-	-	-	-	(974)	-	-	(974)
At 31 December 2021	-	**269,265**	**811,371**	**40,778**	**44,248**	**3,878**	-	**1,169,540**
Net book value								
At 31 December 2021	**23,852**	**160,355**	**718,526**	**4,847**	**2,833**	**486**	**6,124**	**917,023**
At 31 December 2020	23,852	174,333	737,076	6,924	1,331	551	26,576	970,643

9 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation has been allocated as follows:

	2021 ***AED'000***	*2020* *AED'000*
Cost of sales	**65,899**	65,175
Administrative and general expenses	**3,878**	4,121
	69,777	69,296

a) Capital work in progress included in property, plant and equipment at 31 December 2021 was relating to expenditure for plant & machinery in the course of construction.

b) At 31 December 2021, the cost of fully depreciated property, plant and equipment that is still in use amounted to AED 473 million (2020: AED 452 million).

c) There are commercial mortgage and assignment of insurance policy in respect of plant & machinery in relation to banking facilities obtained by the Group (note 17).

10 INVESTMENT PROPERTIES

	Undeveloped land *AED'000*	*Developed Land* *AED'000*	*Buildings* *AED'000*	*Properties under development* *AED'000*	*Total* *AED'000*
Cost:					
At 1 January 2020	78,270	18,497	70,728	151,264	318,759
Additions	-	-	7,893	-	7,893
Transfer	(24,969)	24,969	145,710	(145,710)	-
Transfer to property, plant and equipment (Note 9)	-	-	-	(3,688)	(3,688)
At 31 December 2020	53,301	43,466	224,331	1,866	322,964
At 1 January 2021	53,301	43,466	224,331	1,866	322,964
Additions	-	-	-	-	-
At 31 December 2021	**53,301**	**43,466**	**224,331**	**1,866**	**322,964**
Depreciation and impairment:					
At 1 January 2020	686	-	42,495	-	43,181
Charge for the year	-	-	8,794	-	8,794
Impairment loss	62	-	9,397	1,866	11,325
At 31 December 2020	748	-	60,686	1,866	63,300
At 1 January 2021	748	-	60,686	1,866	63,300
Charge for the year	-	-	8,815	-	8,815
At 31 December 2021	**748**	**-**	**69,501**	**1,866**	**72,115**
Net book value:					
At 31 December 2021	**52,553**	**43,466**	**154,830**	**-**	**250,849**
At 31 December 2020	52,553	43,466	163,645	-	259,664

10 INVESTMENT PROPERTIES (continued)

Net operating loss from investment properties is as below

	2021	*2020*
	AED'000	*AED'000*
Rental income derived from investment properties	**11,848**	5,436
Direct operating expenses	**(5,824)**	(4,383)
Rental income net off direct operating expenses	**6,024**	1,053
Depreciation charge	**(8,815)**	(8,794)
Net loss arising from investment properties	**(2,791)**	(7,741)

Investment properties are carried at cost and the fair value of the investment properties as of 31 December 2021, based on valuation undertaken by an independent qualified value, amounted to AED 397,533 thousand (2020: AED 407,725 thousand). The fair value of the investment properties has been determined using level 3 fair value.

There is a registered mortgage and assignment of fire insurance policy over an investment property in relation to banking facilities obtained by the Group (note 17).

Impairment of investment properties
Management has made impairment assessment based on the difference between projected rental income and actual inflows and involved an external valuer for valuation of investment properties. Based on the assessment, market value of the properties are not less than carrying value. Based on the assessment made an impairment loss of AED nil (2020: AED 11,325 thousand) was recorded during the year.

11 ASSET HELD FOR SALE

	2021	*2020*
	AED'000	*AED'000*
Opening balance	**45,016**	22,508
Transferred from other receivables (refer note (ii) below)	**-**	22,508
Additions made during the year (refer note (iii) below)	**2,277**	-
Closing balance	**47,293**	45,016

(i) During the year 2018, the board of directors has resolved to divest the investment in Autoline Industrial Park Limited (AIPL) within next twelve months. In December 2018, the Group divested 50% of the investment in Autoline Industrial Parks Limited for a total gross consideration of AED 39.08 million which was receivable over 33 months. The net consideration after discounting and deduction of the expected cost to sell was AED 28.4 million resulting in a gain of AED 5.9 million. During the year 2020, unwinding of discount amounting to AED 2.5 million had been recognized.

(ii) During the year 2020, Due to Covid-19 pandemic and resultant economic slowdown, buyer expressed his inability to continue with the scheduled payments towards the consideration for purchase of AIPL shares as his cash flows were seriously impacted. After negotiations, both parties signed the termination agreement to terminate the agreement for sale of company's 50% shares in Autoline Industrial Park Limited. Consequently, gain recognized on sale of shares amounting to AED 8.4 million (gain of AED 5.9 million & discounting impact AED 2.5 million) was reversed and the amount due from the buyer was reclassified from other receivables to reinstate the Asset held for sale at its original cost.

(iii) During the current year, company paid an amount of AED 2.3 million towards subscription of 858,231 equity shares of AIPL. Allotment of shares was completed in 2021 and the formalities of dematerialization of shares is under process as on 31 December 2021.

(iv) The Board of Directors of AIPL has approved a joint development of the land with a developer and the regulatory procedures for the joint development of the land are being completed.

(v) Management is in active discussion with potential buyers and expect to sell the investment within next 12 to 15 months. Management is of the view that carrying value is not expected to be higher than the fair value less cost to sell.

12 INVESTMENTS

	2021	*2020*
	AED'000	*AED'000*
Non-current investments		
Investments carried at FVTOCI		
Investment in quoted securities	**135,561**	100,610
Investment in unquoted securities	**29,002**	25,004
	164,563	125,614
Current investments		
Investments carried at FVTPL		
Investment in quoted securities	**33,660**	22,651
Closing balance	**198,223**	148,265
Quoted:		
UAE	**138,139**	101,641
Outside UAE	**31,082**	21,619
Unquoted:		
UAE	**1,972**	2,027
Outside UAE	**27,030**	22,978
	198,223	148,265

Investments carried at FVTOCI

	2021	*2020*
	AED'000	*AED'000*
As at 1 January	**125,614**	148,064
Purchases made during the year	**10,997**	2,021
Net change in fair value	**30,104**	(22,545)
Disposals during the year	**(2,152)**	(1,926)
As at 31 December	**164,563**	125,614

Cumulative changes in fair value reserve of investment carried at FVTOCI

	2021	*2020*
	AED'000	*AED'000*
As at 1 January	**(10,260)**	12,324
Net change in fair value during the year	**30,104**	(22,545)
Less: transfer to retained earnings upon disposal	**(494)**	(39)
As at 31 December (i)	**19,350**	(10,260)

12 INVESTMENTS (continued)

Change in fair value of interest rate swap

	2021	*2020*
	AED'000	*AED'000*
As at 1 January	**(2,054)**	-
Change in fair value during the year	**1,468**	(2,054)
As at 31 December (ii)	**(586)**	(2,054)
Fair value reserve as at 31 December (i) + (ii)	**18,764**	(12,314)

Sensitivity analysis – equity price risk

The Group's investments in quoted equity securities are listed on the Dubai Financial Market (DFM), Abu Dhabi Security Exchange (ADX), Kuwait Stock Exchange (KSE), National Stock Exchange of India Ltd (NSE) and Bahrain Stock Exchange (BSE). For quoted investments classified as FVTOCI, a 10 % increase/(decrease) in all of these stock exchanges at the reporting date would have increased OCI/(decreased OCI) by AED 13,556 thousand (2020: AED 10,100 thousand).

Unquoted investments are carried at fair value of shares in the respective investee companies as at 31 December 2021. In determining the fair value of these investments, management engage professionally qualified external valuers to measure the fair value. The fair value of these investments is determined based on market comparable information related to the investee companies and on net assets value.

Investments carried at FVTPL

Movement during the year as follows:

	2021	*2020*
	AED'000	*AED'000*
As at 1 January	**22,651**	27,680
Purchases made during the year	**11,010**	8,027
Fair value gain/(loss) (note 7)	**4,965**	(3,148)
Loss on disposal of investments (note 7)	**(199)**	(769)
Disposals during the year	**(4,767)**	(9,139)
As at 31 December	**33,660**	22,651

13 INVENTORIES

	2021	*2020*
	AED'000	*AED'000*
Raw materials	**76,200**	94,360
Work in progress and semi-finished goods	**57,920**	59,066
Finished goods	**15,110**	11,209
Stores and spares	**97,751**	96,227
	246,981	260,862
Less: provision for slow moving inventories	**(30,231)**	(24,393)
	216,750	236,469
Goods-in-transit	**3,253**	221
	220,003	236,690

13 INVENTORIES (continued)

Movement in the provision for slow moving inventories is as follows:

	2021 AED'000	*2020 AED'000*
At 1 January	**24,393**	25,744
Add: provided during the year	**9,838**	2,149
Less: written back during the year*	**(4,000)**	(3,500)
	30,231	24,393

*Group has consumed the old stock of stores & spares during the year ended 31 December 2021.

14 TRADE AND OTHER RECEIVABLES

	2021 AED'000	*2020 AED'000*
Trade receivables	**174,911**	178,506
Less: allowance for impairment	**(6,227)**	(6,237)
	168,684	172,269
Prepayments and advances to suppliers	**12,099**	5,844
Deposits and other receivables	**4,648**	5,630
	185,431	**183,743**

Movement in the allowance for impairment of trade receivables is as follows:

	2021 AED'000	*2020 AED'000*
At 1 January	**6,237**	5,487
Add: provided during the year	**-**	750
Less: reversal during the year	**(10)**	**-**
	6,227	6,237

Ageing analysis of gross trade receivables are as follows:

			Past due		
	Total AED'000	*Neither past due nor impaired AED'000*	*1 - 90 days AED'000*	*91 - 180 days AED'000*	*Above 180 days AED'000*
2021	**174,911**	**29,823**	**57,167**	**64,145**	**23,776**
2020	178,506	30,402	49,295	66,437	32,372

15 CASH IN HAND AND AT BANK

	2021	*2020*
	AED'000	*AED'000*
Cash in hand	**543**	437
Cash at bank	**13,252**	26,206
	13,795	26,643

16 TRADE AND OTHER PAYABLES

	2021	*2020*
	AED'000	*AED'000*
Trade payables	**53,305**	38,874
Accruals and other payables	**38,094**	28,218
Unclaimed dividend payable to shareholders	**13,357**	14,191
*Payable against construction of property, plant and equipment	**1,638**	16,206
	106,394	97,489

*Payable mainly comprise of retentions payable related to the construction of plant & machinery.

17 BANK BORROWINGS

	2021	*2020*
	AED'000	*AED'000*
Long term borrowings:		
Term loans	**172,632**	242,062
Less: short term portion of term loans	**(58,756)**	(58,756)
Long term portion of loan	**113,876**	183,306
Short term borrowings:		
Short term loans	**207,265**	183,059
Current portion of term loans	**58,756**	58,756
	266,021	241,815
	379,897	425,121

(i) All facilities bear interest rates at prevailing market rates.

(ii) Bank borrowings are secured by:

- Demand promissory note for AED 266 million in favor of the bank as a security against the bank facilities
- Registered mortgage & assignment of insurance policy over an investment property for an amount of AED 92 million. (note 10)
- Assignment of insurance policy in favour of one of the banks in UAE for an amount of AED 80 million in respect of plant and machinery on Paari Passu basis. (note 9)
- Commercial mortgage over financed captive power plant for an amount of AED 145 million (Non- Notarized) and assignment of insurance policy in respect of captive power plant for an amount of AED 134 million in favour of one of the banks in UAE. (note 9)

17 BANK BORROWINGS (continued)

(iii) Bank borrowing agreements contain various restrictive covenants and require the Group to maintain certain minimum amounts of working capital, equity and financial ratios. Testing for compliance with the financial covenants is done annually on 31 December. As at 31 December 2021, the Group had complied with the financial covenants as specified in the facility letters with the banks.

(iv) The Group has unused credit facilities of AED 161 million (2020: AED 159 million) as at 31 December 2021.

(v) The Group has short term borrowing with average interest rate of 2.5% to 3.5% p.a. (2020:2.5% to 3.50% p.a.) as at 31 December 2021.

18 PROVISION FOR STAFF TERMINAL BENEFITS

	2021 AED'000	*2020 AED'000*
At 1 January	**27,453**	28,719
Provision made during the year	**2,210**	2,355
Payments made during the year	**(1,708)**	(3,621)
At 31 December	**27,955**	27,453

19 SHARE CAPITAL

	2021 AED'000	*2020 AED'000*
Authorised, issued and fully paid up:		
608,253,746 shares of AED 1 each (2020: 608,253,746 shares of AED 1 each)	**608,254**	608,254

20 STATUTORY RESERVE

In accordance with Article 239 of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, a minimum of 10% of the net profit of the Group is allocated every year to a non- distributable statutory reserve. Such allocation may be ceased when the statutory reserve equals half of the paid up share capital of the Group. This reserve is not available for distribution except in circumstances stipulated by the law. The Board of Directors have not proposed any further transfer to the statutory reserve as the reserve is in excess of 50% of the paid up share capital (2020: 50%).

21 GENERAL RESERVE

As per Company's Articles of Association, 10% of the profit for the year has to be transferred to general reserve until the reserve reaches 25% of the paid up share capital. This reserve is available for distribution at the recommendation of the directors and approval of shareholders in an ordinary general meeting. The Board of Directors have not proposed any further transfer to the general reserve as the reserve is in excess of 25% of the paid up share capital (2020: 25%).

22 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to owners of the Group and the weighted average number of ordinary shares outstanding as at 31 December 2021, calculated as follows:

	2021	*2020*
Net loss for the year (AED'000)	**(33,802)**	(70,636)
Weighted average number of shares outstanding ('000)	**608,254**	608,254
Basic and diluted loss per share (AED)	**(0.056)**	(0.116)

23 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 December 2021, the Group has issued guarantees relating to performance bonds amounting to AED 1.7 million (2020: AED 1.6 million), from which it is anticipated that no material liabilities will arise.

Estimated capital expenditure commitment at the reporting date amounted to AED 16.3 million (2020: AED 0.08 million).

The Group also has commitments of AED 4.5 million (2020: AED 6.5 million) on account of investments made in securities and funds. The Group has to pay as and when calls are made by the fund managers/investee companies.

24 DIVIDEND

Proposed cash dividend
At the Board of Directors Meeting held on 7 March 2022, the directors proposed a cash dividend of AED nil in respect of the year ended 31 December 2021 (31 December 2020: Nil), which is subject to the approval by the shareholders in the annual general meeting.

25 SEGMENT REPORTING

The Group has broadly two major reportable segments as described below, which are the Group's strategic business units. The strategic business units operate in different sectors and are managed separately because they require different strategies. The following summary describes the operation in each of the Group's reportable segments:

Manufacturing segment includes cement, paper sacks and ropes products.

Investment segment includes investment and cash management for the Group's own account.

Investment segment is organised into two business units as follows:
- Investment and letting out properties in UAE.
- Investment in public and private equities and funds, mainly in GCC and Asia.

The above segments are the basis on which the management monitors the operating results of these segments for the purpose of making decisions about resource allocation and performance assessment. Transactions between segments are eliminated on consolidation.

25 SEGMENT REPORTING (continued)

	2021	*2020*
	AED'000	*AED'000*
Manufacturing		
Revenue	**493,894**	431,627
Cost of sales	**(501,165)**	(436,989)
Gross loss	**(7,271)**	(5,362)
Miscellaneous income	**2,903**	2,887
Expenses	**(15,296)**	(14,853)
Net segment results	**(19,664)**	(17,328)
Investment		
Income/(loss) from investment in private and public equities and funds	**13,500**	(4,511)
Impairment loss on investment properties	**-**	(11,325)
	13,500	(15,836)
Income from investment properties	**6,024**	1,053
Depreciation	**(8,815)**	(8,794)
Net segment results	**10,709**	(23,577)
Finance costs	**(12,447)**	(17,543)
Finance expense	**-**	(2,519)
Unallocated expenses - Head office	**(12,400)**	(9,669)
Loss for the year	**(33,802)**	(70,636)

Other information

At 31 December 2021	***Manufacturing AED'000***	***Investment AED'000***	***Total AED'000***
Segment assets	**1,336,037**	**496,580**	**1,832,617**
Segment liabilities	**513,843**	**403**	**514,246**
Depreciation	**69,777**	**8,815**	**78,592**
Capital expenditure	**16,157**	**13,274**	**29,431**

At 31 December 2020	*Manufacturing AED'000*	*Investment AED'000*	*Total AED'000*
Segment assets	1,413,883	456,781	1,870,664
Segment liabilities	546,319	3,744	550,063
Depreciation	69,296	8,794	78,090
Capital expenditure	34,045	9,914	43,959

25 SEGMENT REPORTING (continued)

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2021 and 31 December 2020.

At 31 December 2021	***Domestic AED'000***	***International AED'000***	***Total AED'000***
Revenue	**375,745**	**118,149**	**493,894**
Investment income	**2,234**	**8,475**	**10,709**

At 31 December 2020	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Revenue	335,508	96,119	431,627
Investment income	(5,084)	(1,230)	(6,314)

At 31 December 2021	***Domestic AED'000***	***International AED'000***	***Total AED'000***
Assets	**1,705,809**	**126,808**	**1,832,617**
Liabilities	**402,749**	**111,497**	**514,246**
Capital expenditure	**25,132**	**4,299**	**29,431**

At 31 December 2020	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Assets	1,760,911	109,753	1,870,664
Liabilities	441,770	108,294	550,064
Capital expenditure	41,938	2,021	43,959

26 RELATED PARTIES TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significant influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management and mutually agreed with the related parties.

Compensation of key management personnel is as follows:

	2021 AED'000	*2020 AED'000*
Short term employee benefits and end of service benefits	**8,173**	8,293
Number of key management personnel	**16**	16
Director's fees (note below)	**-**	-

26 RELATED PARTIES TRANSACTIONS (continued)

At the Board of Directors meeting held on 7 March 2022, the directors proposed an appropriation for the directors' fee amounting to AED nil for the year ended 31 December 2021 which is subject to the approval by the shareholders in the annual general meeting. At the Annual General Meeting held on 30 March 2021, the shareholders approved the directors' fee amounting to AED nil for the year ended 31 December 2020.

There are no related party transactions during the year except mentioned above and there are no balances due to / due from related parties as on 31 December 2021.

27 FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	2021 AED'000	*2020 AED'000*
Financial assets		
Loans and receivables		
Trade and other receivables (excluding advances & prepayments) (Note 14)	**173,332**	177,898
Cash and bank balances (Note 15)	**13,795**	26,643
	187,127	204,541
FVPTL financial assets (Note 12)	**33,660**	22,651
FVTOCI financial assets (Note 12)	**164,563**	125,614
	385,350	352,806
Financial liabilities		
Other financial liabilities at amortised cost		
Trade and other payables (excluding advance rent and advances) (Note 16)	**105,787**	97,384
Borrowings (Note 17)	**379,897**	425,121
	485,684	522,505

28 FINANCIAL RISK MANAGEMENT

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 Group is exposed to credit risk from its operating activities. The financial assets exposed to credit risk are as follows:

Exposure to credit risk
The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 AED'000	*2020 AED'000*
Trade receivables (less provision for impairment loss)	**168,684**	172,269
Deposits and other receivables	**4,648**	5,630
Cash at banks	**13,252**	26,206
	186,584	204,105

28 FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Exposure to credit risk (continued)
The maximum exposure to credit risk for other financial assets and trade receivables at the reporting date by geographic region was:

	2021 ***AED'000***	*2020* *AED'000*
Domestic	**164,075**	182,958
Other regions	**22,509**	21,147
	186,584	204,105

Impairment losses
The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and monitoring outstanding receivables.

Credit quality of a customer is assessed based on a credit rating and individual credit limits are defined in accordance with this assessment.

The Group has adopted a policy of only dealing with credit worthy counterparties as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Group annually and monitoring outstanding receivables.

Expected credit loss assessment
An impairment analysis is performed at each reporting date to measure expected credit losses. The Group uses an allowance matrix to measure the ECLs of trade receivables. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The methodology for the calculation of ECL is the same as described in the last annual financial statements.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021:

	Gross value 2021 AED'000	***Allowances for expected credit losses 2021 AED'000***	***Expected credit loss (ECL)***
Secured trade receivables	**108,343**	**-**	**0.00%**
Unsecured trade receivables	**64,407**	**4,066**	**6.31%**
Specific provision on trade receivable	**2,161**	**2,161**	**100.00%**
	174,911	**6,227**	

	Gross value 2020 AED'000	*Allowances for expected credit losses 2020 AED'000*	*Expected credit loss (ECL)*
Secured trade receivables	126,740	-	0.00%
Unsecured trade receivables	50,337	4,808	9.56%
Specific provision on trade receivable	1,429	1,429	100.00%
	178,506	6,237	

Loss rates are based on actual credit loss experience over the past three years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. Scalar factors are based on actual and forecast GDP of respective countries in which the Group operates.

28 FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk
The following are the contractual maturities of financial liabilities, including interest payments:

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than 1 year AED'000*	*More than 1 year AED '000*
At 31 December 2021				
Non-derivative financial liabilities				
Trade and other payables	**104,756**	**104,756**	**104,756**	**-**
Payable against construction of property, plant and equipment/Investment property	**1,638**	**1,638**	**1,638**	**-**
Bank borrowings	**379,897**	**389,460**	**272,062**	**117,398**
	486,291	**495,854**	**378,456**	**117,398**

	Carrying amount AED'000	*Contractual cash flows AED'000*	*Less than 1 year AED'000*	*More than 1 year AED '000*
At 31 December 2020				
Non-derivative financial liabilities				
Trade and other payables	81,283	81,283	81,283	-
Payable against construction of property, plant and equipment/Investment property	16,206	16,206	16,206	-
Bank borrowings	425,121	443,796	250,251	193,545
	522,610	541,285	347,740	193,545

Market risk

Currency risk
The Group has no significant exposure to foreign currency risk at the reporting date.

Interest rate risk
At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	2021 AED'000	*2020 AED'000*
Fixed rate instruments		
Financial assets	**508**	508
Financial liabilities	**65,283**	114,442
Variable rate instruments		
Financial liabilities	**314,596**	310,679

28 FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to keep upto 25% of its borrowings at fixed rates of interest. To manage this, the Group enters into fixed rate loan, Bonds and interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

		Contractual cash flows AED'000	
		Less than 1 year	*More than 1 year*
31 December 2021	**Nominal Amount**	**266,021**	**113,876**
	Fair value assets (liabilities)	**272,062**	**117,398**
31 December 2020	Nominal Amount	241,815	183,306
	Fair value assets (liabilities)	250,251	193,545

Fair value sensitivity analysis for fixed interest rate instruments

The Group does not account for any fixed rate financial assets or liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp Increase AED'000	*100 bp decrease AED'000*
31 December 2021	**(3,146)**	**3,146**
31 December 2020	(3,107)	3,107

Equity price risks

The Group is exposed to equity price risks arising from quoted investments. Refer note 12 for the equity price sensitivity analysis of these investments.

Fair values

The management of the Group believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date. Also refer notes 12 and 17.

Capital Risk Management

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

The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the year ended 31 December 2021 and 2020. Capital comprises share capital, reserves, fair value reserves and accumulated losses. As at 31 December 2021, the Group's capital is measured at AED 1,318,371 thousand (2020: AED 1,320,601 thousand).

28 FINANCIAL RISK MANAGEMENT (continued)

Capital Risk Management (continued)

	1 January 2021 AED'000	***Cash inflows AED'000***	***Cash outflows AED'000***	***Other changes AED'000***	***31 December 2021 AED'000***
Short term loan	**183,059**	**376,964**	**(352,757)**	**-**	**207,266**
Term loans	**242,062**	**-**	**(69,431)**	**-**	**172,631**
	425,121	**376,964**	**(422,188)**	**-**	**379,897**

	1 January 2020 AED'000	*Cash inflows AED'000*	*Cash outflows AED'000*	*Other changes AED'000*	*31 December 2020 AED'000*
Short term loan	274,995	440,188	(482,124)	(50,000)	183,059
Term loans	254,184	8,987	(71,109)	50,000	242,062
	529,179	449,175	(553,233)	-	425,121

29 MEASUREMENT OF FAIR VALUES

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its nonperformance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

29 MEASUREMENT OF FAIR VALUES (continued)

Level 1: Quoted market price (unadjusted) in an active market. The fair values are based on market price at the valuation date. The Group's investment in held for trading quoted equity securities are classified in this category.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted market prices for identical or similar instruments in markets that are considered less active; broker quotes; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation techniques include inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

In certain cases, the valuation is also determined based on fund manager valuation reports and project progress reports. The Group's investment in unquoted equity securities and funds are classified in this category. Generally, a change in underlying comparative data used for estimating fair value is accompanied by change in the fair value.

The management has reviewed fair value of investments at FVTOCI and accordingly, a fair valuation gain of AED 30,104 thousand has been recorded during the current year in other comprehensive income (2020: loss AED 22,545 thousand).

The table below analyses financial instruments, measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorized:

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED '000*
At 31 December 2021				
Financial Asset				
Investments carried at FVTOCI	**135,561**	**-**	**29,002**	**164,563**
Investments carried at FVTPL	**33,660**	**-**	**-**	**33,660**
Non Financial Asset				
Investment properties	**-**	**-**	**397,533**	**397,533**
	169,221	**-**	**426,535**	**595,756**
At 31 December 2020				
Financial Asset				
Investments carried at FVTOCI	100,610	-	25,004	125,614
Investments carried at FVTPL	22,651	-	-	22,651
Non Financial Asset				
Investment properties	-	-	407,725	407,725
	123,261	-	432,729	555,990

30 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Investment in securities
Investments are classified as either investments carried at FVTOCI or fair value through profit or loss. In judging whether investments are held for trading or investments carried at FVTOCI, the management has considered the detailed criteria for determination of such classification as detailed in accounting policies. The management is satisfied that its investments in securities are appropriately classified as either investments carried at FVTOCI or fair value through profit or loss. Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for the items and with similar terms and risk characteristics; or
- Other valuation models

Estimate of fair value of financial instruments
The management uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 29 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Estimating useful lives of investment properties and own-use property, plant and equipment
The Group's management determines the estimated useful lives and related depreciation charges for its investment properties and property, plant and equipment. The Group has carried out a review of the residual values and useful lives as at 31 December 2021 to assess the reasonableness of such estimates. Management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

Provision for obsolete inventory
The Group reviews its inventory to assess loss on account of obsolescence and any write down for net realizable value adjustment on a regular basis. In determining whether a provision for obsolescence should be recorded in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realizable value for such product. Provision for net realizable value write down is made where the net realizable value is less than cost based on best estimates by management. The provision for obsolescence of inventory is based on its ageing and the past trend of consumption.

Impairment losses on receivables
The Group reviews its receivables to assess impairment at least on an annual basis. The Group's credit risk is primarily attributable to its trade receivables. In determining whether impairment losses should be recognised in profit and loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. Accordingly, an allowance for impairment is made in accordance with 'expected credit loss' (ECL) model. This will requires considerable judgment about how the changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

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

31 SOCIAL CONTRIBUTION

During the year, the Group made social contributions of AED 583 thousand (2020: 426 thousand).

32 IMPACT OF COVID-19

On 11 March 2020, Covid-19 was declared as pandemic by the World Health Organization and several variants of the virus are mutating continuously causing disruptions to businesses and economic activities. Fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Group will continue to closely monitor as the situation progresses and has activated its business continuity planning and other risk management practices to manage the potential business operations disruption and financial performance in 2021. COVID-19 has brought about uncertainties in the global economic environment. In light of the rapidly escalating situation, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the financial statements.

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

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

a) Recoverable amount of investment properties

Recoverable amount of investment properties is inherently subjective due to the unique characteristics of each property, its location, expected yield, rental growth rate and discount rates reflecting continued uncertainty. Based on the impairment assessments carried out by the management, the recoverable amount of investment properties are not less than the carrying value (note.10). The estimate of value in use for the recoverable amount was determined based on independent valuation of all investment properties.

b) Funding and liquidity

In response to the pandemic situation, the Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 31 December 2021, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn facilities will be sufficient to satisfy its working capital needs, capital expenditures and other liquidity requirements as they fall due in the foreseeable future.

c) Provision for expected credit losses of trade receivables

The uncertainties caused by COVID-19 have required the Group to reassess the inputs and assumptions used for 31 December 2021. The Group has updated the relevant forward-looking information with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

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

d) Impairment of non-financial assets

The Group has performed a detailed assessment for possible indicators for impairment of its property, plant and equipment, and compared the actual results for the year ended 31 December 2021 against the budget and industry benchmarks and has concluded that no impairment provision is required in respect of non-financial assets.

e) Fair value of financial instruments

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