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

Consolidated financial statements
31 December 2019

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31 December 2019

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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 and Industrial Development Co. (PJSC) ("the Company") and its subsidiary (collectively referred to as the "Group") for the year ended 31 December 2019.

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 2019

Consolidated Income Statement of the Group for the year ended 31 December 2019 is presented on page 9 and Consolidated Balance Sheet of the Group as of 31 December 2019 is presented on page 11 of the consolidated financial statements.

The Group has reported sales of AED 567,577 thousand (2018: AED 596,827 thousand) while the net profit for the year was AED 12,070 thousand (2018: AED 29,377 thousand). Shareholders' equity at 31 December 2019 was AED 1,415,836 thousand (2018: AED 1,442,784).

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 2019.

Transactions with related Parties

The consolidated financial statements disclose related party transactions and balances in note 25. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Auditors

KPMG were appointed as external auditors for the Group for the year ended 31 December 2019. A shareholder resolution to absolve them of their responsibility for the year ended 31 December 2019 is proposed. KPMG has been the auditor for the Group for three consecutive years and as per regulatory requirements, another audit firm will be appointed by shareholders at the Annual General Meeting.

Chairman
7 March 2020

ص. ب: ٢٠٨٣، برج الحصن الطابق ١٤، شارع البنوك الروله – الشارقة، الامارات العربية المتحدة
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Independent Auditors' Report

To the Shareholders of Sharjah Cement and Industrial Development Co. (PJSC)

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sharjah Cement and Industrial Development Co. PJSC ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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.

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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 period. 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.

Key audit matter	***How our audit addressed the key audit matter***
Expected credit losses on trade receivables	
Refer to note 26 (a) of the consolidated financial statements	
As described in the accounting policies in note 4 to the consolidated financial statements, impairment of trade receivables is determined through expected credit loss (ECL) model. Trade receivables comprise 11% of the Group's total assets at 31 December 2019 and involves significant estimates and judgements for the determination of expected credit loss on trade receivables.	• Obtained an understanding of the Group's methodology for estimating ECL and assessed the appropriateness of the ECL methodology against the requirements of IFRS 9. • Assessed management's expected credit losses model by reviewing management's analysis of historical credit losses of its receivables, testing the completeness and accuracy of data inputs in the model and evaluating the forward looking overlay applied. • Tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward looking factors used by the Group. • Reviewed arrangements and/ or correspondences with external parties to assess the recoverability of significant overdue outstanding receivables.

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Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of inventories	
Refer to note 12 of the consolidated financial statements	
As described in the accounting policies in note 4 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, the management applies judgment in determining the appropriate provisions for obsolete stock based on its ageing and anticipated future selling price. We identified the valuation of inventories as a key audit matter because determining appropriate provisions involves predicting the excess quantities of stocks which will remain unused or unsold after the end of the reporting period, which can be inherently uncertain and requires the exercise of significant management judgement.	• Tested the operating effectiveness of key controls operating over inventories. • Assessed, on a sample basis, whether items in the inventories ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included purchase invoices and goods received notes. • Tested on a sample basis the net realisable value by comparing cost to recent selling prices and assessing the reasonableness of any resulting write down of inventory items. • Assessed whether the provisions made at the reporting date were consistent with the Group's inventories provision policy by recalculating the provisions based on the relevant parameters in the policy. • Assessed the historical accuracy of management's judgements in making provisions for inventories by examining the utilisation or release of provisions recorded as at year end and new provisions made in the current year in respect of inventories in hand.

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Other Information

Management is responsible for the other information. The other information comprises the information included in the Directors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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, 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 IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- 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 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 consolidated financial statements of the current period 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.

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Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information and explanations 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 UAE Federal Law No. (2) of 2015;

iii) the Group has maintained proper books of account;

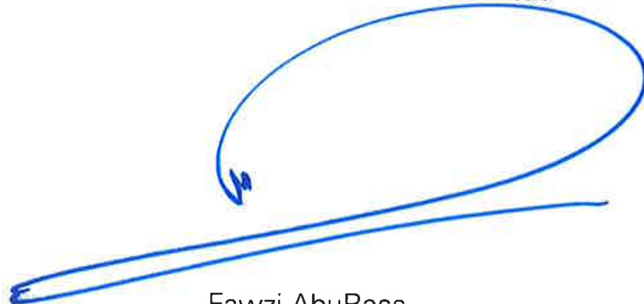
iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) as disclosed in note 11 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2019;

vi) note 25 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted; and

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 Group has contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2019.

KPMG Lower Gulf Limited



Fawzi AbuRass
Registration No. 968
Sharjah, United Arab Emirates
Date: 7 MAR 2020

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

Consolidated income statement
for the year ended 31 December 2019

	Note	**2019** **AED'000**	2018 AED'000
Revenue		**567,577**	596,827
Cost of sales		**(534,111)**	(562,752)
		----------	----------
Gross profit		**33,466**	34,075
Administrative and general expenses		**(15,203)**	(15,877)
Selling and distribution expenses		**(4,626)**	(6,056)
Investments income	*6*	**16,003**	23,055
Impairment loss on investment properties	*9*	**(7,000)**	-
Finance expenses net	*7*	**(14,818)**	(8,849)
Other income		**4,248**	3,029
		--------	--------
Profit for the year	*7*	**12,070**	29,377
		=====	=====
Profit attributable to:			
Owners of the Company		**12,070**	29,377
		=====	=====
Basic and diluted earnings per share (AED)	*21*	**0.020**	0.048
		====	====

The notes on pages 15 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

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

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Note	**2019 AED'000**	2018 AED'000
Profit for the year		**12,070**	29,377
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Investments carried at FVTOCI – net change in fair value	*11.1*	**1,018**	(11,984)
Other comprehensive income/(loss) for the year		**1,018**	(11,984)
Total comprehensive income for the year		**13,088**	17,393
Total comprehensive income attributable to:			
Owners of the Company		**13,088**	17,393

The notes on pages 15 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

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

Consolidated statement of financial position

as at 31 December 2019

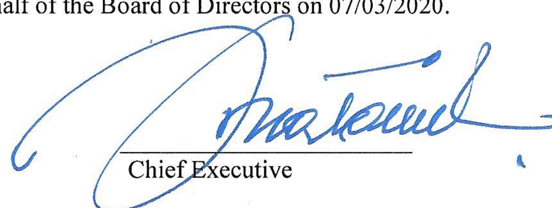
	Note	**2019**	2018
		AED'000	AED'000
Assets			
Non-current assets			
Property, plant and equipment	*8*	**1,002,205**	982,075
Investment properties	*9*	**275,578**	190,207
Investments carried at FVTOCI	*11.1*	**148,064**	166,791
Long term receivables	*13*	**7,892**	-
		1,433,739	1,339,073
Current assets			
Inventories	*12*	**357,732**	315,825
Trade and other receivables	*13*	**293,151**	273,325
Investments carried at FVTPL	*11.2*	**27,680**	20,904
Cash in hand and at bank	*14*	**20,493**	60,536
Asset held for sale	*10*	**22,508**	22,508
		721,564	693,098
Current liabilities			
Trade and other payables	*15*	**181,569**	140,694
Short term borrowings	*16*	**337,826**	258,205
		519,395	398,899
Net current assets		**202,169**	294,199
Non-current liabilities			
Long term borrowings	*16*	**(191,353)**	(162,691)
Provision for staff terminal benefits	*17*	**(28,719)**	(27,797)
Net assets		**1,415,836**	1,442,784
Represented by			
Share capital	*18*	**608,254**	608,254
Statutory reserve	*19*	**334,091**	334,091
General reserve	*20*	**226,373**	226,373
Proposed dividend	*23*	**-**	39,536
Fair value reserve	*11.1*	**12,324**	13,996
Retained earnings		**234,794**	220,534
		1,415,836	1,442,784

To the best of our knowledge, the consolidated financial statements fairly presents, in all material respects, the consolidated financial position, results of operation and consolidated cash flows of the Group as of, and for, the year ended 31 December 2019.

The notes on pages 15 to 54 form an integral part of these consolidated financial statements.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 07/03/2020.

Chairman



Chief Executive

The independent auditors' report is set out on pages 2 to 8.

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

Consolidated statement of cash flows

for the year ended 31 December 2019

	2019	2018
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**12,070**	29,377
Adjustments for:		
Depreciation on property, plant and equipment	**63,668**	56,272
Depreciation on investment properties	**2,593**	2,662
Provision for staff terminal benefits	**2,214**	3,323
Gain on disposal of property, plant and equipment	**(734)**	(115)
Gain on sale of asset held for sale	**-**	(5,938)
(Gain)/loss on change in fair value of investments carried at FVTPL	**(6,559)**	4,428
Net gain on disposal of investments carried at FVTPL	**(186)**	(8,091)
Rental income from investment properties	**(1,552)**	(2,944)
Dividend income	**(6,007)**	(9,457)
Impairment loss on Investment properties	**7,000**	-
Interest expense	**16,831**	8,553
	--------	--------
	89,338	78,070
Changes in:		
• inventories	**(41,907)**	(46,670)
• trade and other receivables	**(27,718)**	(40,963)
• trade and other payables	**39,329**	18,766
Staff terminal benefits paid	**(1,292)**	(1,308)
Directors' fee paid	**(500)**	(2,000)
	--------	-------
Net cash generated from operating activities	**57,250**	5,895
	--------	-------
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(83,802)**	(220,454)
Additions to investment properties	**(94,964)**	-
Proceeds from disposal of property, plant and equipment	**738**	175
Purchase of investments carried at FVTOCI	**(4,264)**	(16,416)
Proceeds from disposal of investments carried at FVTOCI	**24,009**	31,549
Dividend income	**6,007**	9,457
Rental income from investment properties	**1,552**	2,944
Purchase of investments carried at FVTPL	**(5,809)**	(5,781)
Proceeds from disposal of investments carried at FVTPL	**5,778**	51,773
Increase in investment in an associate	**-**	(2,891)
	----------	---------
Net cash used in investing activities	**(150,755)**	(149,644)
	----------	---------
Cash flows from financing activities		
Net movement in bank borrowings	**108,283**	209,474
Dividend paid	**(37,990)**	(48,660)
Interest paid	**(16,831)**	(8,553)
	--------	---------
Net cash generated from financing activities	**53,462**	152,261
	--------	---------
Net (decrease)/increase in cash and cash equivalents	**(40,043)**	8,512
Cash and cash equivalents at the beginning of the year	**60,536**	52,024
	--------	--------
Cash and cash equivalents at the end of the year	**20,493**	60,536
	=====	=====
Cash and cash equivalents comprise:		
Cash in hand and at bank	**20,493**	60,536
	=====	=====

The notes on pages 15 to 54 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 to 8.

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

Consolidated statement of changes in equity

for the year ended 31 December 2019

	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 2018	608,254	334,091	226,373	48,660	40,580	218,093	1,476,051
Adjustment on initial application of IFRS 9	-	-	-	-	(8,588)	8,588	-
Adjusted balance at 1 January 2018	608,254	334,091	226,373	48,660	31,992	226,681	1,476,051
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	29,377	29,377
Other comprehensive loss for the year	-	-	-	-	(11,984)	-	(11,984)
Total comprehensive income for the year	-	-	-	-	(11,984)	29,377	17,393
Other equity movement							
Transfer of fair value reserve to retained earnings on disposal of investments carried at FVTOCI (refer note 11.1)	-	-	-	-	(6,012)	6,012	-
Total other equity movement	-	-	-	-	(6,012)	6,012	-
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend declared (refer note 23)	-	-	-	(48,660)	-	-	(48,660)
Directors' fee (refer note 25)	-	-	-	-	-	(2,000)	(2,000)
Proposed cash dividend (refer note 23)	-	-	-	39,536	-	(39,536)	-
Total transactions with owners of the Company	-	-	-	(9,124)	-	(41,536)	(50,660)
At 31 December 2018	**608,254**	**334,091**	**226,373**	**39,536**	**13,996**	**220,534**	**1,442,784**

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

Consolidated statement of changes in equity *(continued)*

for the year ended 31 December 2019

	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 2019	608,254	334,091	226,373	39,536	13,996	220,534	1,442,784
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	12,070	12,070
Other comprehensive income for the year	-	-	-	-	1,018	-	1,018
Total comprehensive income for the year	-	-	-	-	1,018	12,070	13,088
Other equity movement							
Transfer of fair value reserve to retained earnings on disposal of investments carried at FVTOCI (refer note 11.1)	-	-	-	-	(2,690)	2,690	-
Total other equity movement	-	-	-	-	(2,690)	2,690	-
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend declared (refer note 23)	-	-	-	(39,536)	-	-	(39,536)
Directors' fee (refer note 25)	-	-	-	-	-	(500)	(500)
Proposed cash dividend (refer note 23)	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	(39,536)	-	(500)	(40,036)
At 31 December 2019	**608,254**	**334,091**	**226,373**	**-**	**12,324**	**234,794**	**1,415,836**

The notes on pages 15 to 54 are an integral 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 and Kuwait Stock Exchange.

The consolidated financial statements as at and for the year ended 31 December 2019 ("the current year") comprises the financial statements of the Company, its subsidiary and the Company's interest in an associate (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. Details of the Group's accounting policies are included in Note 4.

This is the first set of the Group's financial statements where IFRS 16 – *Leases* have been applied. The related changes to significant accounting policies are described in Note 3.

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 27.

2. Basis of preparation *(continued)*

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.

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 9 – Investment properties and note 11 – Investments.

3. Changes in significant accounting policies

IFRS 16 *Leases*

Policy applicable from 1 January 2019

The Group initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's consolidated financial statements.

The details of change in accounting policies are disclosed below:

3. Changes in significant accounting policies *(continued)*

IFRS 16 *Leases* *(continued)*

Policy applicable from 1 January 2019 *(continued)*

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

3. Changes in significant accounting policies *(continued)*

IFRS 16 ***Leases*** *(continued)*

Policy applicable from 1 January 2019 *(continued)*

As a lessee *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers, substantially, all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Based on management's assessment, the application of IFRS 16 – *Leases* does not have a material impact on the consolidated financial statements as a lessor or as a lessee and hence, the Group did not make any adjustments in this regard.

3. Changes in significant accounting policies *(continued)*

IAS 17 *Leases*

Policy applicable before 1 January 2019

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

As a lessee

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

As a lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and so accounts for the contracts as operating leases. Rental income from investment property is recognised as 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. Rental income from other property is recognised as other income.

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.

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.

4. Significant accounting policies *(continued)*

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.

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.

4. Significant accounting policies *(continued)*

Revenue recognition *(continued)*

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:

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

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

4. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

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.

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.

4. Significant accounting policies *(continued)*

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.

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).

4. Significant accounting policies *(continued)*

Financial instruments *(continued)*

Classification and subsequent measurement *(continued)*

Financial assets (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

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.

4. Significant accounting policies *(continued)*

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.

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.

4. Significant accounting policies *(continued)*

Impairment *(continued)*

Non-derivative financial assets *(continued)*

Financial instruments (continued)

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.

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.

4. Significant accounting policies *(continued)*

Impairment *(continued)*

Non-derivative financial assets *(continued)*

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.

Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- *Amendments to References to Conceptual Framework in IFRS Standards.*
- *Definition of a Business (Amendments to IFRS 3).*
- *Definition of Material (Amendments to IAS 1 and IAS 8).*
- IFRS 17 *Insurance Contracts.*

5. Financial risk management *(continued)*

Overview

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

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

Risk management framework

The Company'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 risk management 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.

The Group audit 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. The Group audit 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 the audit 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.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

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.

5. Financial risk management *(continued)*

Credit risk *(continued)*

Cash and cash equivalents

The Group held cash and cash equivalents of AED 20,493 thousand at 31 December 2019 (*2018: AED 60,536 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.

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. Investments income

	2019 AED'000	2018 AED'000
Gain/(loss) on change of fair value of investments carried at FVTPL (refer note 11.2)	**6,559**	(4,428)
Net gain on disposal of investments carried at FVTPL (refer note 11.2)	**186**	8,091
Gain on sale of asset held for sale (refer note 10)	**-**	5,938
Rental income from investment properties (refer note 9)	**1,552**	2,944
Dividend income	**6,007**	9,457
Others	**1,699**	1,053
	16,003	23,055

7. Profit for the year

The profit for the year is stated after charging:

	2019 AED'000	2018 AED'000
Staff costs:		
Wages and salaries	**41,239**	35,044
End of service benefits	**2,298**	3,323
Other employee benefits	**19,492**	20,050
	63,029	58,417
Finance expenses:		
Interest on bank borrowings	**16,831**	8,553
Bank charges	**506**	296
	17,337	8,849
Finance income:		
Unwinding of discount on investment (refer note 10)	**2,519**	-
Finance expenses net	**14,818**	8,849
Cost of sales:		
Material consumed	**356,923**	417,468
Depreciation on property, plant and equipment and investment properties (refer notes 8 and 9)	**66,261**	58,934

8. 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 2018	23,852	397,012	1,220,595	41,159	45,008	4,364	59,595	1,791,585
Additions	-	120	7,086	1,354	904	-	210,990	220,454
On disposals	-	-	(329)	(107)	(431)	-	-	(867)
Transfer		21,466	20,355	199	-	-	(42,020)	-
Transfer to investment properties (refer note 9)	-	-	-	-	-	-	(56,300)	(56,300)
At 31 December 2018	23,852	418,598	1,247,707	42,605	45,481	4,364	172,265	1,954,872
At 1 January 2019	23,852	418,598	1,247,707	42,605	45,481	4,364	172,265	1,954,872
Additions	-	125	1,723	748	764	-	80,442	83,802
On disposals	-	-	(4,070)	-	(954)	-	(4)	(5,028)
Transfer	-	8,520	240,123	(3,723)	-	-	(244,920)	-
At 31 December 2019	**23,852**	**427,243**	**1,485,483**	**39,630**	**45,291**	**4,364**	**7,783**	**2,033,646**

8. Property, plant and equipment *(continued)*

	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
Depreciation								
At 1 January 2018	-	214,233	623,340	35,870	40,268	3,621	-	917,332
Charge for the year	-	13,204	39,417	1,660	1,927	64	-	56,272
On disposals	-	-	(269)	(107)	(431)	-	-	(807)
At 31 December 2018	-	227,437	662,488	37,423	41,764	3,685	-	972,797
At 1 January 2019	-	227,437	662,488	37,423	41,764	3,685	-	972,797
Charge for the year	-	13,632	46,682	1,649	1,641	64	-	63,668
On disposals	-	-	(4,070)	-	(954)	-	-	(5,024)
On transfers	-	-	3,522	(3,522)	-	-	-	-
At 31 December 2019	**-**	**241,069**	**708,622**	**35,550**	**42,451**	**3,749**	**-**	**1,031,441**
Net book value								
At 31 December 2019	**23,852**	**186,174**	**776,861**	**4,080**	**2,840**	**615**	**7,783**	**1,002,205**
At 31 December 2018	23,852	191,161	585,219	5,182	3,717	679	172,265	982,075

(i) Depreciation expense has been allocated as follows:

	2019 AED'000	2018 AED'000
Cost of sales	**60,388**	54,552
Administrative and general expenses	**3,280**	1,720
	63,668	56,272

9. 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 2018	78,270	18,497	68,862	-	165,629
Additions	-	-	-	-	-
Transfer from property, plant and equipment (refer note 8)	-	-	-	56,300	56,300
Advances transferred from other receivables (refer note 13)	-	-	1,866	-	1,866
At 31 December 2018	78,270	18,497	70,728	56,300	223,795
At 1 January 2019	78,270	18,497	70,728	56,300	223,795
Additions	-	-	-	94,964	94,964
At 31 December 2019	78,270	18,497	70,728	151,264	318,759
Depreciation and impairment					
At 1 January 2018	-	-	30,926	-	30,926
Charge for the year	-	-	2,662	-	2,662
At 31 December 2018	-	-	33,588	-	33,588
At 1 January 2019	-	-	33,588	-	33,588
Charge for the year	-	-	2,593	-	2,593
Impairment loss	686	-	6,314	-	7,000
At 31 December 2019	686	-	42,495	-	43,181
Net book value					
At 31 December 2019	**77,584**	**18,497**	**28,233**	**151,264**	**275,578**
At 31 December 2018	78,270	18,497	37,140	56,300	190,207

(i) All of the Group's investment properties are held under freehold interests.

(ii) The fair value of the investment properties as at 31 December 2019 has been arrived on the basis of a valuation report issued by an independent valuer. The valuer is registered in the United Arab Emirates.

(iii) The fair value of the investment properties have been determined by following methods :

-Direct Comparison' method which involves analyzing sales and asking prices of similar properties and comparing these to the subject property. Comparative analysis isolates similarities and differences in the property rights appraised, market conditions, size, location and physical features.

-Income capitalization' method which involves deducting 'running cost' from the 'gross rental income' of the properties in order to derive the net rental income. The net rental income is capitalized using the yield factor taking in to account the market trends, investment risks, liquidity and size of the properties.

9. Investment properties *(continued)*

(iv) The fair value of the entire portfolio of investment properties as at 31 December 2019 is AED 443 million *(2018: AED 321 million).* The valuation has been categorized as level 3 fair value based on the inputs of valuation techniques used.

(v) During the current year, the Group has recognized impairment loss of AED 7 million *(2018: Nil)* on investment properties.

(vi) Investment properties include properties rented to third parties amounting to AED 44 million *(2018: AED 39 million).*

(vii) During the year ended 31 December 2019, the Group has earned rental income amounting to AED 1.6 million *(2018: AED 2.9 million)* after offsetting depreciation charge during the year (refer note 6).

(viii) During the year 2018, a building under development with net book value of AED 56.3 million has been reclassified as investment properties in line with the determined usage of the properties from property, plant and equipment.

Measurement of fair values

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio each year.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation technique and significant unobservable inputs

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorised 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 might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

9. Investment properties *(continued)*

Measurement of fair values *(continued)*

Fair value hierarchy (continued)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED '000
At 31 December 2019	**-**	**-**	**443,342**	**443,342**
	====	====	======	======
At 31 December 2018	-	-	321,236	321,236
	====	====	======	======

The fair value of investment properties is classified under level 3 fair value hierarchy.

10. Asset held for sale

	2019 AED'000	2018 AED'000
Opening balance	**22,508**	-
Transferred from investment in equity investee (refer note (i) below)	**-**	45,016
Less: disposal during the year (refer note (ii) below)	**-**	(22,508)
	--------	--------
Closing balance	**22,508**	22,508
	=====	=====

(i) During the previous year, the board of directors has resolved to divest the investment in Autoline Industrial Park Limited within next twelve months.

(ii) 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 is receivable over 33 months. The net consideration after discounting and deduction of the expected cost to sell is AED 28.4 million resulting in a gain of AED 5.9 million. During the current year, unwinding of discount amounting to AED 2.5 million has been recognized.

(iii) Management is in active discussion with few potential buyers to sell the remaining investment. Management is of the view that carrying value is not expected to be higher than the fair value less cost to sell.

11. Investments

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	2019 AED'000	2018 AED'000
Non-current investments		
Investments carried at FVTOCI		
Investment in quoted securities	**117,584**	132,960
Investment in unquoted securities	**30,480**	33,831
	----------	----------
	148,064	166,791
	----------	----------

11. Investments *(continued)*

	2019 AED'000	2018 AED'000
Current investments		
Investments carried at FVTPL		
Investment in quoted securities	**27,680**	20,904
	----------	----------
	175,744	187,695
	======	======
Quoted:		
UAE	**120,912**	125,149
Outside UAE	**24,352**	28,715
Unquoted:		
UAE	**3,823**	5,100
Outside UAE	**26,657**	28,731
	-----------	-----------
	175,744	187,695
	======	======

11.1 Investments carried at FVTOCI

	2019 AED'000	2018 AED'000
As at 1 January	**166,791**	-
Adjustment on initial application of IFRS 9		
Reclassification as investments carried at FVTOCI	**-**	193,908
Purchases made during the year	**4,264**	16,416
Net change in fair value	**1,018**	(11,984)
Disposals during the year	**(24,009)**	(31,549)
	---------	----------
As at 31 December	**148,064**	166,791
	======	======

Cumulative changes in fair value reserve of investment carried at FVTOCI

	2019 AED'000	2018 AED'000
As at 1 January	**13,996**	40,580
Adjustment on initial application of IFRS 9		
Transfer to retained earnings upon reclassification of investments carried at FVTOCI to FVTPL	**-**	(8,588)
	--------	--------
Adjusted balance as at 1 January	**13,996**	31,992
Net change in fair value during the year	**1,018**	(11,984)
Less: transfer to retained earnings upon disposal	**(2,690)**	(6,012)
	--------	--------
As at 31 December	**12,324**	13,996
	=====	=====

11.1 Investments carried at FVTOCI *(continued)*

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 11.8 million *(2018: AED 13.3 million).*

Unquoted investments are carried at fair value of shares in the respective investee companies as at 31 December 2019. 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.

11.2 Investments carried at FVTPL

Movement during the year as follows:

	2019 AED'000	2018 AED'000
As at 1 January	**20,904**	9,203
Adjustment on initial application of IFRS 9		
Reclassification from investments carried at as available for sale	**-**	54,030
	--------	--------
Adjusted balance as at 1 January	**20,904**	63,233
Purchases made during the year	**5,809**	5,781
Net change in fair value (refer note 6)	**6,559**	(4,428)
Gain on disposal of investments carried at FVTPL (refer note 6)	**186**	8,091
Disposals during the year	**(5,778)**	(51,773)
	--------	--------
As at 31 December	**27,680**	20,904
	=====	=====

11. Investments *(continued)*

11.3 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 non-performance 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.

11. Investments *(continued)*

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

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 1 million has been recorded during the current year in other comprehensive income *(2018: loss AED 12 million)*.

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 2019				
Investments carried at FVTOCI	**117,584**	**-**	**30,480**	**148,064**
Investments carried at FVTPL	**27,680**	**-**	**-**	**27,680**
	145,264	**-**	**30,480**	**175,744**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2018				
Investments carried at FVTOCI	132,960	-	33,831	166,791
Investments carried at FVTPL	20,904	-	-	20,904
	153,864	-	33,831	187,695

12. Inventories

	2019 AED'000	2018 AED'000
Raw materials	**107,868**	70,434
Work in progress and semi-finished goods	**143,279**	153,649
Finished goods	**17,062**	16,087
Stores and spares	**98,533**	97,271
	366,742	337,441
Less: provision for slow moving inventories	**(25,744)**	(30,744)
	340,998	306,697
Goods-in-transit	**16,734**	9,128
	357,732	315,825

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

	2019 AED'000	2018 AED'000
At 1 January	**30,744**	30,744
Less: written back during the year	**(5,000)**	-
At 31 December	**25,744**	30,744

13. Trade and other receivables

	2019 AED'000	2018 AED'000
Trade receivables	**251,079**	234,018
Less: allowance for impairment	**(5,487)**	(7,202)
	245,592	226,816
Prepayments and advances to suppliers	**20,535**	12,628
Deposits and other receivables*	**7,569**	5,435
Receivable on sale of investment in equity accounted investee (refer note 10)	**27,347**	28,446
	301,043	273,325
Less: long-term receivable on sale of investment in equity accounted investee	**(7,892)**	-
	293,151	273,325

* During the previous year, advances amounting to AED 1.86 million have been transferred to investment properties (refer note 9).

13. Trade and other receivables *(continued)*

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

	2019 AED'000	2018 AED'000
At 1 January	**7,202**	7,068
Add: provided during the year	**-**	180
Less: reversal during the year	**(1,715)**	(46)
At 31 December	**5,487**	7,202

14. Cash in hand and at bank

	2019 AED'000	2018 AED'000
Cash in hand	**464**	476
Cash at bank	**20,029**	60,060
	20,493	60,536

15. Trade and other payables

	2019 AED'000	2018 AED'000
Trade payables	**45,279**	68,503
Accruals and other payables	**107,442**	52,470
Unclaimed dividend payable to shareholders	**15,508**	13,962
Payable against construction of property, plant and equipment and Investment property (refer note below)	**13,340**	5,759
	181,569	140,694

Payable mainly comprise of retentions payable related to the construction of Investment property.

16. Bank borrowings

	2019	2018
	AED'000	AED'000
Long term borrowings:		
Term loans	**254,184**	191,554
Less: short term portion of term loans	**(62,831)**	(28,863)
	---------	---------
Long term portion of loan	**191,353**	162,691
	=====	=====
Short term borrowings:		
Short term loans	**274,995**	229,342
Current portion of term loans	**62,831**	28,863
	----------	----------
	337,826	258,205
	======	======

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

(ii) Demand promissory note for AED 320 million in favor of the bank as a security against the bank facilities.

(iii) Borrowings include term loans taken in respect of development of an investment property which is secured by a registered mortgage over the property for an amount of AED 79 million and a notarized commercial mortgage over financed Power Plant for an amount of AED 169 million in favour of the banks in UAE.

(iv) Bank borrowings are also subject to certain financial covenants. Testing for compliance with the financial covenants is done annually on 31 December. As at 31 December 2019, the Group had complied with the financial covenants as specified in the facility letters with the banks.

17. Provision for staff terminal benefits

	2019	2018
	AED'000	AED'000
At 1 January	**27,797**	25,782
Provision made during the year	**2,214**	3,323
Payments made during the year	**(1,292)**	(1,308)
	--------	--------
At 31 December	**28,719**	27,797
	=====	=====

18. Share capital

	2019	2018
	AED'000	AED'000
Authorised, issued and fully paid up:		
608,253,746 shares of AED 1 each		
(2018: 608,253,746 shares of AED 1 each)	**608,254**	608,254
	======	======

19. 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 Company 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 Company. 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 *(2018: Nil).*

20. 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 *(2018: Nil).*

21. 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 2019, calculated as follows:

	2019	2018
Net profit for the year (AED'000)	**12,070**	29,377
	=====	=====
Weighted average number of shares outstanding ('000)	**608,254**	608,254
	======	======
Basic and diluted earnings per share (AED)	**0.020**	0.048
	====	====

22. Contingent liabilities and commitments

As at 31 December 2019, the Group has issued guarantees relating to performance bonds amounting to AED 1.8 million *(2018: AED 2.6 million)*, from which it is anticipated that no material liabilities will arise.

Estimated capital expenditure commitment at the reporting date amounted to AED 17.8 million *(2018: AED 113.9 million).*

The Group also has commitments of AED 8.6 million *(2018: AED 9.2 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.

23. Dividend

Dividend declared

At the Annual General Meeting held on 30 March 2019, the shareholders approved cash dividend of AED 39.54 million *(2018: AED 48.66 million)* at AED 0.065 per share *(2018: AED 0.08 per share)*, as proposed by the Board of Directors, in respect of the year ended 31 December 2018. Dividend amounting to AED 37.57 million has been paid during the current year.

Proposed cash dividend

At the Board of Directors Meeting held on 7 March 2020, the directors proposed a cash dividend of AED Nil in respect of the year ended 31 December 2019, which is subject to the approval by the shareholders in the annual general meeting.

24. 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 Company'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.

	2019	2018
	AED'000	AED'000
Manufacturing		
Revenue	**567,577**	596,827
Cost of sales	**(534,111)**	(562,752)
Gross profit	**33,466**	34,075
Miscellaneous income	**4,227**	626
Expenses	**(9,700)**	(10,689)
Net segment results	**27,993**	24,012
Investment		
Income from investment in private and public equities and funds	**13,006**	19,836
Interest income	**298**	275
Impairment loss on investment properties	**(7,000)**	-
	6,304	20,111
Income from investment properties	**5,292**	5,606
Depreciation	**(2,593)**	(2,662)
Net segment results	**9,003**	23,055
Finance costs	**(17,337)**	(8,849)
Finance income	**2,519**	-
Unallocated expenses - Head office	**(10,108)**	(8,841)
Profit for the year	**12,070**	29,377

24. Segment reporting *(continued)*

Other information

	31 December 2019			31 December 2018		
	Manufacturing AED'000	**Investment AED'000**	**Total AED'000**	Manufacturing AED'000	Investment AED'000	Total AED'000
Segment assets	**1,650,393**	**504,910**	**2,155,303**	1,598,944	433,227	2,032,171
Segment liabilities	**727,516**	**11,951**	**739,467**	588,297	1,090	589,387
Depreciation	**63,668**	**2,593**	**66,261**	56,272	2,662	58,934
Capital expenditure	**83,802**	**94,964**	**178,766**	168,850	51,604	220,454

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2019 and 31 December 2018.

	31 December 2019			31 December 2018		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Revenue	**470,288**	**97,289**	**567,577**	516,518	80,309	596,827
Investment income	**9,405**	**6,598**	**16,003**	12,567	10,488	23,055

	31 December 2019			31 December 2018		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Assets	**1,776,936**	**378,367**	**2,155,303**	1,899,686	132,485	2,032,171
Liabilities	**639,063**	**100,404**	**739,467**	482,053	107,334	589,387
Capital expenditure	**178,766**	**-**	**178,766**	220,454	-	220,454

25. Related parties transactions

Related parties represent major shareholders, directors and key management personnel of the Company, 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:

	2019 AED'000	2018 AED'000
Short term employee benefits and end of service benefits	**11,309**	12,148
Number of key management personnel	**19**	19
Director's fees (refer note below)	**500**	2,000

At the Board of Directors meeting held on 7 March 2020, the directors proposed an appropriation for the directors' fee amounting to AED 0.5 million for the year ended 31 December 2019 which is subject to the approval by the shareholders in the annual general meeting. At the Annual General Meeting held on 30 March 2019, the shareholders approved the directors' fee amounting to AED 2 million for the year ended 31 December 2018.

26. Financial instruments

Financial assets comprise trade and other receivables and cash at bank. Financial liabilities comprise trade and other payables and borrowings. Accounting policies for financial assets and financial liabilities are set out in note 4.

a) Credit risk

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:

	2019 AED'000	2018 AED'000
Trade receivables *(less provision for impairment loss)*	**245,592**	226,816
Deposits and other receivables	**7,569**	5,435
Cash at banks	**20,029**	60,060
	273,190	292,311

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

	2019 AED'000	2018 AED'000
Domestic	**218,600**	277,347
Other regions	**54,590**	14,964
	273,190	292,311

26. Financial instruments *(continued)*

a) Credit risk *(continued)*

Impairment losses

Expected credit loss assessment

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.

31 December 2019:

	Weighted average loss rates	**Gross 2019 AED'000**	**Impairment 2019 AED'000**	**Credit impaired**
Secured trade receivables	**0.00%**	**187,870**	**-**	**No**
Unsecured trade receivables	**7.21%**	**62,209**	**4,487**	**No**
Specific provision	**100.00%**	**1,000**	**1,000**	**Yes**
		----------	-------	
		251,079	**5,487**	
		======	====	

31 December 2018:

	Weighted average loss rates	Gross 2018 AED'000	Impairment 2018 AED'000	Credit impaired
Secured trade receivables	0.00%	178,468	-	No
Unsecured trade receivables	7.07%	52,025	3,677	No
Specific provision	100.00%	3,525	3,525	Yes
		----------	-------	
		234,018	7,202	
		======	====	

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.

26. Financial instruments *(continued)*

b) Liquid risk

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

31 December 2019 *Non-derivative financial liabilities*	Carrying amount AED'000	Contractual cash flows AED'000	Less than 1 year AED'000	More than 1 year AED'000
Trade and other payables	**168,229**	**168,229**	**168,229**	**-**
Payable against construction of property, plant and equipment/Investment property	**13,340**	**13,340**	**13,340**	**-**
Bank borrowings	**529,179**	**554,315**	**353,873**	**200,442**
	710,748	**735,884**	**535,442**	**200,442**
31 December 2018 *Non-derivative financial liabilities*				
Trade and other payables	134,935	134,935	134,935	-
Payable against construction of property, plant and equipment	5,759	5,759	5,759	-
Bank borrowings	420,896	440,888	270,469	170,419
	561,590	581,582	411,163	170,419

c) 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:

	2019 AED'000	2018 AED'000
Fixed rate instruments		
Financial assets	**508**	1,562
Variable rate instruments		
Financial liabilities	**529,179**	420,896

26. Financial instruments *(continued)*

c) Market risk *(continued)*

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. The analysis is performed on the same basis for 2018.

	Profit or loss	
	100 bp increase AED'000	**100 bp decrease AED'000**
31 December 2019	**(5,292)**	**5,292**
31 December 2018	(4,209)	4,209

Equity price risks

The Group is exposed to equity price risks arising from quoted investments. Refer note 11 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 9 and 11.

27. 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 11 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.

27. Significant accounting judgments and estimates *(continued)*

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 2019 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.