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

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

31 MARCH 2023

Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SHARJAH CEMENT AND INDUSTRIAL DEVELOPMENT CO. (PJSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Sharjah Cement and Industrial Development Co. (PJSC) (the "Company") and its subsidiary (the "Group"), which comprise the interim consolidated statement of financial position as at 31 March 2023 and the related interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

Signed by:
Wardah Ebrahim
Partner
Registration No.: 1258

8 May 2023

Sharjah, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the three months period ended 31 March 2023 (unaudited)

		Three months period ended 31 March	
	Notes	***2023 AED'000***	*2022 AED'000*
Revenue		**157,982**	148,911
Cost of sales		**(155,813)**	(165,619)
GROSS PROFIT/(LOSS)		**2,169**	(16,708)
Administrative and general expenses		**(4,994)**	(5,065)
Selling and distribution expenses		**(1,674)**	(1,606)
Investment income	4	**3,812**	8,658
Finance expenses		**(7,293)**	(3,628)
Other income		**535**	781
LOSS FOR THE PERIOD		**(7,445)**	(17,568)
Loss attributable to:			
Equity holders of the parent		**(7,445)**	(17,568)
Earnings per share			
Basic and diluted earnings per share	13	**(0.012)**	(0.029)

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months period ended 31 March 2023 (unaudited)

	Notes	***Three months period ended 31 March*** ***2023 AED'000***	*2022 AED'000*
Loss for the period		**(7,445)**	(17,568)
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Investments carried at FVOCI – net change in fair value	6.1	**(6,630)**	13,909
Items that may be reclassified to profit or loss:			
Change in fair value of interest rate swap	6.1	**221**	374
Other comprehensive (loss)/income for the period		**(6,409)**	14,283
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(13,854)**	(3,285)
Total comprehensive loss attributable to:			
Equity holders of the parent		**(13,854)**	(3,285)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2023 (unaudited)

	Notes	*31 March 2023 AED'000 (Unaudited)*	*31 December 2022 AED'000 (Audited)*
ASSETS			
Non-current assets			
Property, plant and equipment		**904,398**	910,100
Investment properties	7	**240,365**	242,328
Investments carried at FVTOCI	6	**128,354**	134,429
		1,273,117	1,286,857
Current assets			
Inventories		**334,657**	290,895
Trade and other receivables		**229,409**	240,306
Investments carried at FVTPL	6	**29,602**	30,105
Cash in hand and at bank	8	**10,104**	13,094
Asset held for sale	5	**47,293**	47,293
		651,065	621,693
TOTAL ASSETS		**1,924,182**	1,908,550
EQUITY AND LIABILITIES			
Share capital	10	**608,254**	608,254
Statutory reserve	11	**334,091**	334,091
General reserve	12	**226,373**	226,373
Fair value reserve	6	**(2,799)**	2,931
Retained earnings		**93,994**	102,118
		1,259,913	1,273,767
Non-current liabilities			
Long term borrowings	9	**87,989**	94,931
Provision for staff terminal benefits		**31,289**	31,100
		119,278	126,031
Current liabilities			
Trade and other payables		**221,326**	188,274
Short term borrowings	9	**323,665**	320,478
		544,991	508,752
Total liabilities		**664,269**	634,783
TOTAL EQUITY AND LIABILITIES		**1,924,182**	1,908,550

These interim condensed consolidated financial statements were approved by the Board of Directors, and authorised for issue on 8 May 2023 and signed on their behalf by:

Chairman

Chief Executive

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the Three months period ended 31 March 2023 (unaudited)

	Notes	*Three months period ended 31 March* **2023** ***AED'000***	*2022 AED'000*
OPERATING ACTIVITIES:			
Loss for the period		**(7,445)**	(17,568)
Adjustments for:			
Depreciation on property, plant and equipment		**18,292**	17,600
Depreciation on investment properties		**1,963**	2,204
Provision for staff terminal benefits		**768**	559
Provision for inventory		**(3,210)**	-
Gain on disposal of property, plant and equipment		**(13)**	(33)
Rental income from investment properties		**(2,376)**	(2,756)
Loss/(gain) on change in fair value of investments carried at FVTPL	4	**30**	(5,672)
Realised (gain)/loss on disposal of investments carried at FVTPL	4	**(115)**	269
Dividend income	4	**(3,146)**	(3,159)
Finance expense		**7,293**	3,628
		12,041	(4,928)
Working capital adjustments:			
Inventories		**(40,552)**	(31,291)
Trade and other receivables		**10,897**	(20,993)
Trade and other payables		**33,310**	11,085
		15,696	(46,127)
Staff terminal benefits paid		**(579)**	(190)
Net cash from/(used in) operating activities		**15,117**	(46,317)
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(12,654)**	(4,440)
Proceeds from disposal of property, plant and equipment		**41**	33
Purchase of investments carried at FVTOCI	6.1	**(1,764)**	(1,837)
Proceeds from disposal of investments carried at FVTOCI	6.1	**1,209**	-
Dividend income	4	**3,146**	3,159
Rental income from investment properties		**2,376**	2,756
Purchase of investment carried at FVTPL	6.2	**(563)**	(1,706)
Proceed from disposal of investments carried at FVTPL	6.2	**1,151**	1,751
Net cash used in investing activities		**(7,058)**	(284)
FINANCING ACTIVITIES			
Repayment of long term bank loans		**(14,688)**	(14,689)
Net movement in short term borrowings		**10,932**	75,736
Interest paid		**(7,293)**	(3,628)
Net cash (used in)/from financing activities		**(11,049)**	57,419
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,990)**	10,818
Cash and cash equivalents at the beginning of the period		**13,094**	13,795
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8	**10,104**	24,613
Represented by:			
Cash in hand and at bank		**10,104**	24,613

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2023 (unaudited)

	Share capital AED' 000	*Statutory reserve AED'000*	*General reserve AED'000*	*Fair value reserve AED'000*	*Retained earnings AED'000*	*Total AED'000*
Balance at 1 January 2023 (audited)	608,254	334,091	226,373	2,931	102,118	1,273,767
Loss for the period	-	-	-	-	(7,445)	(7,445)
Other comprehensive loss for the period	-	-	-	(6,409)	-	(6,409)
Total comprehensive loss for the period	-	-	-	(6,409)	(7,445)	(13,854)
Transfer of realised loss from fair value reserve to retained earnings on disposal of investments carried at FVTOCI (note 6.1)	-	-	-	679	(679)	-
Total other equity movement	-	-	-	679	(679)	-
Balance at 31 March 2023 (unaudited)	**608,254**	**334,091**	**226,373**	**(2,799)**	**93,994**	**1,259,913**
Balance at 1 January 2022 (audited)	608,254	334,091	226,373	18,764	130,889	1,318,371
Loss for the period	-	-	-	-	(17,568)	(17,568)
Other comprehensive income for the period	-	-	-	14,283	-	14,283
Total comprehensive loss for the period	-	-	-	14,283	(17,568)	(3,285)
Balance at 31 March 2022 (unaudited)	608,254	334,091	226,373	33,047	113,321	1,315,086

The attached notes 1 to 19 form part of these interim condensed consolidated financial statements.

1 CORPORATE INFORMATION

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.
The interim condensed consolidated financial statements ('interim financial statements') as at and for the Three months period ended 31 March 2023 comprise the Company and its subsidiary (collectively referred to as the "Group").

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

2 BASIS OF PREPARATION

Statement of compliance
These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

In addition, results for the three months ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Basis of measurement
These interim financial statements have been presented 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 interim financial statements are presented in United Arab Emirates Dirham ("AED"), rounded to nearest thousand except when otherwise indicated, which is the Company's functional currency.

Accounting estimates and judgments
In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Measurement of fair values
A number of the Group's accounting policies and disclosures require the determination 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.

2 BASIS OF PREPARATION (continued)

Measurement of fair values (continued)
When measuring the fair value of an asset or liability, the Group uses market observable 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 might be categorized in 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 significant assumptions made in measuring fair values are explained in Group's consolidated financial statements as at and for the year ended 31 December 2022.

2.1 BASIS OF CONSOLIDATION

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

Subsidiary	***Principal activity***	***Country of incorporation***	***Ownership***	
			2023	2022
Gulf Rope & Plastic Products Co. LLC	Rope and plastic products	United Arab Emirates	**100%**	100%

Basis of consolidation
The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2023.

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2022 except for the below accounting policy.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements.

4 INVESTMENT INCOME

	Three months period ended 31 March	
	2023 AED'000	*2022 AED'000*
Loss/(gain) on change of fair value of investments carried at FVTPL (refer note 6.2)	**(30)**	5,672
Realized gain/(loss) on disposal of investments carried at FVTPL (refer note 6.2)	**115**	(269)
Operating income from investment properties	**413**	552
Dividend income	**3,146**	3,159
Others	**168**	(456)
	3,812	8,658

5 ASSET HELD FOR SALE

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Opening balance	**47,293**	47,293
Closing balance	**47,293**	47,293

(i) This represents 35.5% shareholding of Autoline Industrial Park Limited ("AIPL) in India which holds industrial plots of land in Maharashtra, India.

(ii) The Board of Directors of AIPL has approved the sale of AIPL and has signed an indicative term sheet with a potential buyer who is in the process of completing the legal and financial due diligence. Board of Directors of the Group also approved sale of its shareholding in AIPL and the Group has signed an indicative term sheet to sale its shareholding in AIPL to this potential buyer. The Group expects to conclude the sale of this investment within next 12 to 15 months.

(iii) Management is of the view that the fair value less cost to sell is expected to be higher than the carrying value.

6 INVESTMENTS

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Investments carried at FVTOCI		
Investment in quoted securities	**98,281**	106,120
Investment in unquoted securities	**30,073**	28,309
(i) - refer note 6.1	**128,354**	134,429
Investments carried at FVTPL		
Investment in quoted securities - refer note 6.2	**29,602**	30,105
(ii)	**29,602**	30,105
(i) + (ii)	**157,956**	164,534

6 INVESTMENTS (continued)

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Quoted:		
UAE	**102,260**	108,545
Outside UAE	**25,623**	27,680
Unquoted:		
UAE	**1,673**	1,673
Outside UAE	**28,400**	26,636
	157,956	164,534

6.1 Investments carried at FVTOCI

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Opening balance	**134,429**	164,563
Purchase during the period/year	**1,764**	5,120
Change in fair value	**(6,630)**	(5,105)
Disposals during the period/ year	**(1,209)**	(30,149)
Closing balance	**128,354**	134,429

Cumulative changes in fair value of investments carried at FVTOCI

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Opening balance	**3,410**	19,350
Change in fair value during the period/year	**(6,630)**	(5,105)
Less: transferred to retained earnings upon disposal	**679**	(10,835)
Closing balance (i)	(**2,541)**	3,410

Change in fair value of interest rate swap

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Opening balance	**(479)**	(586)
Change in fair value during the period/year	**221**	107
Closing balance (ii)	**(258)**	(479)
Fair value reserve as on (i) + (ii)	**(2,799)**	2,931

6 INVESTMENTS (continued)

6.2 Investments carried at FVTPL

Movement during the period/ year is as follows:

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Opening balance	**30,105**	33,660
Purchase during the period/year	**563**	5,993
Change in fair value (refer note 4)	**(30)**	1,078
Gain/(loss) on disposal of investments carried at FVTPL (refer note 4)	**115**	(1,850)
Disposals during the period/ year	**(1,151)**	(8,776)
Closing balance	**29,602**	30,105

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:

At 31 March 2023	***Level 1 AED'000***	***Level 2 AED'000***	***Level 3 AED'000***	***Total AED'000***
Investments carried at FVTOCI	**98,281**	**-**	**30,073**	**128,354**
Investments carried at FVTPL	**29,602**	**-**	**-**	**29,602**
	127,883	**-**	**30,073**	**157,956**

At 31 December 2022	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Investments carried at FVTOCI	106,120	-	28,309	134,429
Investments carried at FVTPL	30,105	-	-	30,105
	136,225	-	28,309	164,534

There were no transfers between Level 1, Level 2, and Level 3 during the period.

7 INVESTMENT PROPERTIES

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Lands	**96,019**	96,019
Buildings	**144,346**	146,309
Total	**240,365**	242,328

Investment properties are accounted for using the cost model. The fair value of the investment properties as at 31 December 2022 has been arrived on the basis of a valuation report issued by an independent valuer. The valuer is registered in the United Arab Emirates. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Valuations are performed on a periodic basis, at least annually. Fair value of the Company's investment properties are based on unobservable inputs (i.e. Level 3). The fair value of the entire portfolio of investment properties as at 31 December 2022 was AED 409 million.

8 CASH IN HAND AND AT BANK

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Cash in hand and at bank	**10,104**	13,094

Cash in hand and at bank includes AED 0.24 million (31 December 2022: AED 1.6 million and 31 March 2022: AED 0.69 million) held outside UAE.

9 BANK BORROWINGS

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Long term borrowings:		
Term loans	**129,187**	143,875
Less: short term portion of term loans	**(41,198)**	(48,944))
Long term portion of loan	**87,989**	94,931
Short term borrowings:		
Short term loans	**282,467**	271,534
Current portion of term loans	**41,198**	48,944
	323,665	320,478

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

(ii) Bank borrowings are secured by:

- Demand promissory note for AED 296 million in favor of the bank as a security against the bank facilities.
- Registered mortgage & assignment of insurance policy over an investment property for an amount of AED 92 million.
- Assignment of insurance policy in favour of one of the banks in UAE for an amount of AED 80 million in respect of plant and machinery on Paari Passu basis.
- Commercial mortgage over financed captive power plant for an amount of AED 145 million (Non- Notarized) and assignment of insurance policy in respect of captive power plant for an amount of AED 36 million in favour of one of the banks in UAE.
- Registered pledge and assignment of insurance policy over waste heat recovery plant for an amount of AED 30 million in favour of one of the banks in UAE.

(iii) Bank borrowing agreements contain various restrictive covenants and require the Group to maintain certain minimum amounts of working capital, equity and financial ratios. Testing for compliance with the financial covenants is done annually on 31 December. These covenants were met by the Group as at 31 December 2022 except for the covenants of one bank, where the bank has waived the covenant testing till 31 December 2023.

(iv) The Group has unused credit facilities of AED 150 million as at 31 March 2023 (31 December 2022: AED 180 million).

10 SHARE CAPITAL

	31 March 2023 AED'000 (Unaudited)	*31 December 2022 AED'000 (Audited)*
Authorised, issued and paid up		
608,253,747 shares of AED 1 each	**608,254**	608,254

11 STATUTORY RESERVE

In accordance with Article 241 of the UAE Federal Law No. (32) of 2021 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.

12 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.

13 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 March 2023, calculated as follows:

	Three months period ended 31 March	
	2023 (Unaudited)	*2022 (Unaudited)*
Earnings per share		
Net loss for the period (AED'000)	**(7,445)**	(17,568)
Weighted average number of shares ('000)	**608,254**	608,254
Basic and diluted loss per share (AED)	**(0.012)**	(0.029)

14 CONTINGENT LIABILITIES AND COMMITMENTS

As at 31 March 2023, the Group has issued guarantees relating to performance bonds amounting to AED 2.3 million (31 December 2022: AED 1.9 million), from which it is anticipated that no material liabilities will arise.

The group has commitments towards letter of credit at the reporting date amounted to AED 35.8 million (31 December 2022: AED 15.2 million).

Estimated capital expenditure commitment at the reporting date amounted to AED 4.8 million (31 December 2022: AED 7.4 million).

The Group also has commitments of AED 6.5 million (31 December 2022: AED 8.2 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.

15 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.

	Three months period ended 31 March	
	2023 AED'000	*2022 AED'000*
Manufacturing		
Sales	**157,982**	148,911
Cost of sales	**(155,813)**	(165,619)
Gross profit/(loss)	**2,169**	(16,708)
Miscellaneous income	**522**	763
Expenses	**(3,918)**	(3,690)
Net segment results	**(1,227)**	(19,635)

Investment

	Three months period ended 31 March	
	2023 AED'000	*2022 AED'000*
Income from investment in private and public equities and funds	**3,399**	8,106
	3,399	8,106
Income from investment properties	**2,376**	2,756
Depreciation	**(1,963)**	(2,204)
	413	552
Net segment results	**3,812**	8,658
Finance costs	**(7,293)**	(3,628)
Unallocated income and expenses - Head office	**(2,737)**	(2,963)
Loss for the period	**(7,445)**	(17,568)

15 SEGMENT REPORTING (continued)

Other information

	31 March 2023			*31 December 2022*		
	Manufacturing AED'000	***Investment AED'000***	***Total AED'000***	*Manufacturing AED'000*	*Investment AED'000*	*Total AED'000*
Segment assets	**1,478,547**	**445,635**	**1,924,182**	1,454,375	454,175	1,908,550
Segment liabilities	**664,266**	**3**	**664,269**	634,780	3	634,783
Depreciation	**18,292**	**1,963**	**20,255**	71,060	8,521	79,581
Capital expenditure	**12,654**	**1,764**	**14,418**	64,439	5,121	69,560

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the periods ended 31 March 2023 and 31 March 2022.

	31 March 2023			*31 March 2022*		
	Domestic AED'000	***International AED'000***	***Total AED'000***	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Revenue	**126,484**	**31,498**	**157,982**	120,609	28,302	148,911
Investment income	**3,493**	**319**	**3,812**	5,516	3,142	8,658

	31 March 2023			*31 December 2022*		
	Domestic AED'000	***International AED'000***	***Total AED'000***	*Domestic AED'000*	*International AED'000*	*Total AED'000*
Assets	**1,796,799**	**127,383**	**1,924,182**	1,769,488	139,062	1,908,550
Liabilities	**555,845**	**108,424**	**664,269**	534,854	99,929	634,783
Capital expenditure	**12,654**	**1,764**	**14,418**	65,242	4,318	69,560

16 TAXATION

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000.

As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group continues to assess the impact of these pending cabinet decisions on the deferred taxes as and when finalized and published.

17 RISK MANAGEMENT

The market environment in the construction sector is being influenced by the negative effects of the Russian / Ukraine conflict and energy, raw material and transport prices have risen considerably, especially in recent months. In this context, uncertainties remain. Global GDP growth is expected to slow down and risk of recession could be amplified by rising interest rates intended to curb inflation.

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

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

a) Funding and liquidity

The Group continues to monitor and respond to all liquidity and funding requirements through its plan reflecting the current economic scenarios. The Group believes that, as at 31 March 2023, liquidity position of the Group remains strong and its existing balances of cash and cash equivalents, along with undrawn facilities will be sufficient to satisfy its working capital needs, capital expenditures and other liquidity requirements as they fall due in the foreseeable future.

b) Provision for expected credit losses of trade receivables

The Group has updated the relevant forward-looking information with respect to; the weightings of the relevant macroeconomic scenarios of the respective market in which it operates; significant increase in credit risk; and assessing the indicators of impairment for the exposures in potentially affected sectors.

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

c) Fair value of financial instruments

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

18 RELATED PARTY TRANSACTIONS AND BALANCES

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

Compensation of key management personnel is as follows:

	Three months period ended 31 March	
	2023 AED'000	*2022 AED'000*
Short term employee benefits and end of service benefits	**2,065**	2,043
Number of key management personnel	**15**	15
Director's fees	-	-

19 SUBSEQUENT EVENTS

Subsequent to the period ended 31 March 2023, the Shareholders at the Annual General Meeting held on April 13, 2023, have resolved not to distribute any dividends to shareholders and not to allocate remuneration to Board members for the financial year 2022.