FUJAIRAH CEMENT INDUSTRIES P.J.S.C
FUJAIRAH
UNITED ARAB EMIRATES

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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126009

Independent Auditor's Report to the Shareholders of
Fujairah Cement Industries P.J.S.C
Fujairah – United Arab Emirates

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of **Fujairah Cement Industries P.J.S.C** (the "**Company**") and its subsidiary (the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2021, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed on 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. We have determined the matter described below to be the key audit matters to be communicated in our report.

Valuation of property, plant and equipment

The Group's property, plant and equipment included plant and machinery which are disclosed in Note (5) in these consolidated financial statements, with carrying value of AED. 994,388,125 representing 85% of total property, plant and equipment and 60% of total assets. The Group's management has hired an external valuer to estimate the recoverable amount based on fair value less cost of disposal and the management has concluded that the fair value of plant and machinery is higher than its carrying value so that no impairment provision was required for the year ended 31 December 2021. Also the Group's management conducted a valuation of the land which was carried out by the Dibba Municipality – Government of Fujairah of AED. 34,997,500 which is disclosed in Note (5). Based on the valuation, the management decided to recognize the valuation and record the difference between the carrying value and the valuation within equity under revaluation reserve amounting to AED. 34,747,500.

Independent Auditor's Report to the Shareholders of
Fujairah Cement Industries P.J.S.C (Continued)

Valuation of property, plant and equipment (Continued)

We performed the following audit procedures :

- Evaluating the objectivity, independence and expertise of the external valuation expert appointed by the management in valuation of plant and machinery.
- Evaluating the appropriateness of the underlying assumptions and the methodology used by the valuer and market practice.
- Assessing the adequacy and completeness of the disclosures presented in these consolidated financial statements.

Inventories

The verification of Group's stock of raw materials, semi-finished products, burning media and finished products as at 31 December 2021 representing 17% of total assets and require an independent surveyor to make estimate of the quantities by using certain systematic measurements/calculations. The areas of focus are whether the quantities reported by the surveyor are as per physical stock held by the Group as at 31 December 2021 and valuation of inventories (including spare parts) at lower of cost or net realizable value as assessing net realizable value is an area of significant judgment.

We performed the following audit procedures :

- Reviewed the background and experience of the surveyor.
- Corroborated the results of the surveyor report to the inventory movement.
- Verified the physical existence of inventory on sample basis.
- Tested the valuation of inventory including review of judgments and assumptions considered regarding obsolescence and net realizable value.

Trade receivables

The Group is having significant trade receivables of AED. 94,304,374 representing 6% of total assets and there is a risk over the recoverability of the overdue amounts. Due to the inherently judgmental nature in the computation of the expected credit losses (ECL), there is a risk that the amount of ECL may be misstated.

We performed the following audit procedures :

- Performed test of control over trade receivables processes to determine whether controls are operating effectively throughout the year.
- Requested direct confirmations from a sample of outstanding balances, performed alternate procedures for non-replies, including verification of the supporting documents and subsequent collections.
- Reviewed the management assessment of recoverability of trade receivables through detailed analysis of ageing of receivables and also assessed the adequacy of provisions taken based on Expected Credit Loss "ECL Model" and reviewed the assumption used for ECL.
- Inquired from the management about any past due accounts with no subsequent collections and management's plan for recovering these receivables.
- Inquired about disputes, if any, with customers during the year and reviewed any uncollected amounts to assess recoverability.

Emphasis of a Matter

We draw attention to Note 3.1 to the consolidated financial statements which states that the Group incurred loss of AED. 102,738,529 for the current year compared to loss of AED. 130,500,837 in the previous year and the current liabilities exceeded current assets by AED. 60,634,216 as at 31 December 2021. The accompanying consolidated financial statements have been prepared assuming that the Group will continue as a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Shareholders of Fujairah Cement Industries P.J.S.C (Continued)

Other information

Management is responsible for the other information. Other information consists of the information included in the Group's Board of Directors Report of 2021, other than the consolidated financial statements and our auditor's report thereon. We obtained the report of the Group's Board of Directors, prior to the date of our auditor's report. Management is responsible for the other information.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 International Financial Reporting Standards (IFRSs), and applicable provisions of UAE Federal Law No. 2 of 2015 and its amendments and the Articles of Association of the Company 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.

Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 of 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report to the Shareholders of Fujairah Cement Industries P.J.S.C (Continued)

Auditor's 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by UAE Federal Law No. 2 of 2015 and its amendments we report that:

1. We have obtained all the information and explanation we considered necessary for our audit.

2. The consolidated financial statements are prepared and comply, in all material respect with the applicable provisions of UAE Federal Law No. 2 of 2015 and its amendments.

3. The Group has maintained proper books of account.

4. The financial information of the Director's report are in agreement with the books of account and records of the Group.

5. Transactions and terms with related parties are disclosed in Note 8.

6. The Social Contributions made during the year are disclosed in Note 23.

7. Based on the information and explanation that has been made available to us nothing came to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of UAE Federal Law No. 2 of 2015 and its amendments or the Articles of Association of the Company which would have a material affect on the Group's activities or on its financial position for the year.

TALAL ABU-GHAZALEH & CO. INTERNATIONAL

Ali Hasan Shalabi
Licensed Auditor No. 34

24 February 2022

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

EXHIBIT A

	Note	2021 AED	2020 AED
ASSETS			
Non-Current Assets			
Property, plant and equipment	5	**1,169,626,119**	1,161,988,323
Right –of –use assets	6	**109,645,475**	113,425,153
Total Non-Current Assets		**1,279,271,594**	1,275,413,476
Current Assets			
Inventories	7	**287,044,698**	282,575,476
Trade receivables	9	**94,304,374**	174,559,787
Advances and other receivables	10	**8,574,346**	5,936,864
Cash and cash equivalents	11	**723,106**	1,256,558
Total Current Assets		**390,646,524**	464,328,685
TOTAL ASSETS		**1,669,918,118**	1,739,742,161
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' Equity			
Share capital	12	**355,865,320**	355,865,320
Statutory reserve	13	**161,750,412**	161,750,412
Voluntary reserve	14	**222,536,002**	222,536,002
Revaluation reserve	5	**34,747,500**	--
Retained earnings		**56,323,301**	159,061,830
Total Shareholders' Equity – Exhibit C		**831,222,535**	899,213,564
Non-Current Liabilities			
Employees' end of service benefits	15	**14,298,111**	14,341,137
Lease liabilities	16	**130,202,549**	116,515,197
Bank borrowings	17	**227,643,871**	246,683,750
Trade and other payables	18	**15,270,312**	--
Total Non-Current Liabilities		**387,414,843**	377,540,084
Current Liabilities			
Trade and other payables	18	**132,512,638**	142,539,060
Lease liabilities	16	**13,039,784**	21,888,555
Bank borrowings	17	**305,728,318**	298,560,898
Total Current Liabilities		**451,280,740**	462,988,513
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,669,918,118**	1,739,742,161

THE ACCOMPANYING NOTES CONSTITUTE AN
INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

To the best of our knowledge, the financial information included in these consolidated financial statements fairly presents in all material respects the financial condition, result of operation and cash flows of the Group as of, and for, the periods presented therein.

These consolidated financial statements were approved for issue by the Board of Directors on 24 February 2022 and signed on their behalf by :

Mohamed Bin Hamad Saif Al Sharqi (Chairman)

Board Member

Naser Khammas (General Manager)

FUJAIRAH CEMENT INDUSTRIES P.J.S.C
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

EXHIBIT B

	Note	2021 AED	2020 AED
Revenue	21	**419,977,908**	557,906,925
Cost of sales		**(410,658,137)**	(526,509,508)
Gross profit		**9,319,771**	31,397,417
Selling and distribution expenses	22	**(53,577,550)**	(80,895,768)
General and administrative expenses	23	**(14,279,639)**	(12,042,834)
Provision for impairment of trade receivables	9(c)	**(15,095,491)**	(24,558,484)
Write-down of inventories to net realizable value	7(c)	**(5,568,397)**	(13,249,306)
Other income	24	**1,651,339**	1,887,310
Finance cost – bank borrowings		**(20,729,593)**	(28,621,440)
Finance cost – lease liabilities		**(4,458,969)**	(4,417,732)
Loss for the Year - Exhibit D		**(102,738,529)**	(130,500,837)
Other comprehensive income :			
Items that will not be reclassified subsequently to profit or loss			
Surplus on land revaluation		**34,747,500**	--
Total comprehensive loss for the year - Exhibit C		**(67,991,029)**	(130,500,837)
Basic loss per share	25	**(0.289)**	(0.367)

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

Mohamed Bin Hamad Saif Al Sharqi (Chairman)

Board Member

Naser Khammas (General Manager)

EXHIBIT C

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Revaluation reserve AED	Retained earnings AED	Total AED
Balance at 1 January 2020	355,865,320	161,750,412	222,536,002	--	289,562,667	1,029,714,401
Total comprehensive loss for the year ended 31 December 2020 - Exhibit B	--	--	--	--	(130,500,837)	(130,500,837)
Balance at 31 December 2020 – Exhibit A	**355,865,320**	**161,750,412**	**222,536,002**	--	**159,061,830**	**899,213,564**
Total comprehensive loss for the year ended 31 December 2021 - Exhibit B	--	--	--	**34,747,500**	**(102,738,529)**	**(67,991,029)**
Balance at 31 December 2021 - Exhibit A	**355,865,320**	**161,750,412**	**222,536,002**	**34,747,500**	**56,323,301**	**831,222,535**

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

EXHIBIT D

	2021 AED	2020 AED
CASH FLOW FROM OPERATING ACTIVITIES		
Loss for the year - Exhibit B	**(102,738,529)**	(130,500,837)
Adjustments for:		
Depreciation of property, plant and equipment	**54,177,829**	53,667,797
Depreciation of right-of-use assets	**10,274,135**	9,489,035
Gain on disposal of property, plant and equipment	--	(62,947)
Employees end of service benefits	**1,114,706**	1,150,049
Provision for impairment of trade receivables	**15,095,491**	24,558,484
Write-down of inventories to net realizable value	**5,568,397**	13,249,306
Finance cost – lease liabilities	**4,458,969**	4,417,732
Finance cost – bank borrowings	**20,729,593**	28,621,440
Operating cash flows before changes in operating assets and liabilities	**8,680,591**	4,590,059
(Increase)/decrease in inventories	**(10,037,619)**	102,769,441
Decrease in trade receivables	**65,159,922**	19,291,501
(Increase)/decrease in advances and other receivables	**(2,637,482)**	708,173
Increase in trade and other payables	**5,266,631**	32,338,725
Settlements of employees end of service benefits	**(1,157,732)**	(1,029,244)
Net Cash Provided by Operating Activities	**65,274,311**	158,668,655
CASH FLOW FROM INVESTING ACTIVITIES		
Addition of property, plant and equipment	**(27,068,125)**	(26,368,082)
Proceeds from disposal of property, plant and equipment	--	63,000
Net Cash Used in Investing Activities	**(27,068,125)**	(26,305,082)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	**(6,114,845)**	--
Proceeds from term loans	--	40,000,000
Repayments of term loans	**(89,265,769)**	(76,282,204)
Proceeds from/(repayments of) other bank borrowings, net	**77,393,310**	(106,030,404)
Finance cost paid on bank borrowings	**(20,752,334)**	(29,748,192)
Net Cash Used in Financing Activities	**(38,739,638)**	(172,060,800)
Net decrease in cash and cash equivalents	**(533,452)**	(39,697,227)
Cash and cash equivalents at beginning of year	**1,256,558**	40,953,785
Cash and cash equivalents at end of year - Note 11	**723,106**	1,256,558

THE ACCOMPANYING NOTES CONSTITUTE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS

1. STATUS AND ACTIVITIES

Fujairah Cement Industries P.J.S.C – Fujairah (the "Company") is a public joint stock company in the Emirate of Fujairah – United Arab Emirates established on 20 December 1979. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange and Boursa Kuwait (Kuwait Stock Exchange).

The main activities of Company and its subsidiary (collectively referred to as the "**Group**") are clinkers and hydraulic cement manufacturers and ready mixed concrete manufacturing.

The Company is domiciled in Fujairah and its registered address is P.O. Box : 600, Fujairah – United Arab Emirates.

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS

The accounting policies adopted in the preparation of consolidated financial statements are consistent with those applied by the Company in the interpretation of the financial statements for the year ended 31 December 2020 except for the adoption of the following new standards, interpretation and amendments.

2.1 Standards, interpretations issued and effective for the current year

The Group has adopted all the applicable new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRSC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2021.

- IFRS-16 – Covid – 19 related Rent Concession:

  In May 2020, the IASB issued Covid-19 Rent Concessions (Amendment to IFRS -16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS-16. The practical expedient permits a lessee to elect not to assess whether Covid-19 related Rent Concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change applying IFRS -16 if the change were not a lease modification.

  However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

2. NEW AND REVISED STANDARDS, INTERPRETATION AND AMENDMENTS (CONTINUED)

2.1 Standards, interpretations issued and effective for the current year

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

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- *A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest*
- *Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued*
- *Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component*

These amendments had no material impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

2.2 Standards, interpretations and amendments in issue not yet effective

		Effective date
IAS 16 – Amendment	Property, plant and equipment: Proceeds before indented use	1 January 2022
IFRS 3 – Amendment	Reference to the Conceptual Frame work	1 January 2022
IAS 37 – Amendment	Onerous Contract – Cost of fulfilling a contract	1 January 2022
IFRS standards 2018-2020	Annual Improvements (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)	1 January 2022
IAS 1 – Amendment	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS- 17 – New	Insurance Contracts	1 January 2023
IAS 1 – Amendment & IFRS practice statement 2	Disclosure of Accounting Policies	1 January 2023
IAS 8- Amendment	Definition of Accounting Estimate	1 January 2023

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group. If applicable, the Group intends to adopt these new and amended standards and interpretations when they become effective.

3. BASIS OF PREPARATION

3.1 Going concern

The Group incurred loss of AED. 102,738,529 for the current year compared to loss of AED. 130,500,837 in the previous year and the current liabilities exceeded current assets by AED. 60,634,216 as at 31 December 2021.

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

3.2 Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the UAE Companies Law No. 2 of 2015 and its amendments.

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group is in the process of reviewing the new provisions to apply the requirements of new law.

3.3 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for land which has been measured on the basis of valuation.

These consolidated financial statements are presented in United Arab Emirates Dirham (AED), which is the Group's Functional Currency. Amounts presented in AED in these consolidated financial statements are rounded to the nearest Dirhams.

3.4 Use of estimates, assumptions and judgment

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgment, estimates and assumption that affect the application of policies and reported amount of assets and liabilities, income and expenses, other disclosures and disclosures of contingent liabilities.

The Group based its assumptions, judgments and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future development, however, may change due to market changes or circumstances arising beyond the control of the Group. Actual results may differ from these estimates. Such changes are reflected in the consolidated financial statements when they occur.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

Estimates, judgments and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected.

Estimates, assumptions and judgments are continually evaluated and are based on management historical experience and other factors, including expectation of future events that are believed to be reasonable under circumstance.

Estimates, assumptions and judgments with significant risk of material adjustment in the future year mainly comprise of the following :

Provision relating to contracts

The Group reviews all its arrangements on a regular basis to identify any arrangements where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under it. The unavoidable costs under contract reflect the least net cost of exiting from the contract which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfill it. The Group estimates any such provision based on the facts and circumstances relevant to the contracts.

Determining the lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the current usage of the assets compared to full utilization capabilities of the assets and physical wear and tear. Group's management reviews the residual value and useful lives annually.

Impairment loss on property, plant and equipment

The Group reviews its property, plant and equipment to assess impairment, if there is an indication of impairment. In determining whether impairment losses should be reported in consolidated statement of comprehensive income, the Group makes judgments as to whether there is any observable data indication that there is a reduction in the carrying value of property, plant and equipment. 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.

3. BASIS OF PREPARATION (CONTINUED)

3.4 Use of estimates, assumptions and judgment (Continued)

Impairment of inventories

Inventories are stated at the lower of cost or net realizable value. When inventories become slow-moving or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant but which are slow moving or obsolete, are assessed collectively and provision is made according to inventories type and degree of ageing or obsolescence, based on historical selling prices.

Calculation of the quantity of inventory

The calculation of closing stock quantities of certain raw materials, clinker and finished cement requires the use of estimates. At the end of each reporting period, management appoints a surveyor to determine the volume of the inventory which is used by management in a scientific formula by reference to its estimated density, to arrive to the closing quantity. The inventory as reflected in the accounting records, closely approximates the actual quantities.

Provision for expected credit loss

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Refer to note 9 for the provision for the loss allowance for the year.

The Impact of the Spread of Coronavirus (COVID-19)

The coronavirus (COVID-19) had spread across several regions globally, including the United Arab Emirates and on March 2020, the World Health Organization (WHO) officially declared COVID-19 as a global pandemic. This impacted the global economy and business sectors. The outbreak of Coronavirus (Covid 19) continue to progress and evolve, causing disruption to business and economic activity and adversely affected the demand, cost of sales and selling prices for the Group's products. These accompanying challenges caused the decline in the Group's revenue compared with the previous year by 25%. The Group's management is closely monitoring the situation and has taken the necessary measures to address the situation in general. The extent and duration of these effects is not specific and depends on future developments that cannot be accurately predicted at this time.

3. BASIS OF PREPARATION (CONTINUED)

3.5 Basis of consolidation

These consolidated financial statements incorporated the financial statements of the parent company and entity controlled by the Company. Control is achieved when :

- The Group has power over the investee.
- The Group is exposed, or has rights to variable returns from its involvement with the investee.
- The Group has the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controlled mentioned above.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts circumstances whether it has power over an investee, including ;

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed during the year is included in the consolidated statement of comprehensive income from the date the Group gains control until the date when Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributable to the owners of the Group and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustments are made to the financial statements of a subsidiary to bring their accounting policies into line with the Group accounting policies.

All intragroup balances and income, equity and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Changes in the Group ownership interests in a subsidiary that do not result in the Group losing control over a subsidiary are accounted for as equity transactions. The carrying amounts of the Group interests and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

The details of the subsidiary is as follows :

Entity	% of ownership		Principal activities	Country of incorporation
	2021	2020		
Fujairah Cement Industries PJSC FZE*	**100**	--	Ready mixed concrete manufacturing	UAE

* The Establishment has not yet started operation. The factory is under construction.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

The property, plant and equipment are carried at their cost/valuation less any accumulated depreciation and any accumulated impairment. Cost includes purchase cost together with any incidental costs of acquisition.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item and the cost of the item can be measured reliably.

The cost of day to day service of property and equipment is expensed as incurred.

Depreciation of an asset begins when it is available for use in the manner intended by management.

	Estimated useful lives Years
Factory buildings	8 to 35
Plant and machinery	6 to 35
Furniture and fixtures	4
Vehicle and mobile plant	4
Tools and equipment	2 - 4
Quarry development cost	6 to 20

No depreciation is charged on land and capital work-in-progress. The depreciation charge for each period is recognized in the consolidated statement of comprehensive income.

The estimated useful lives, residual values and depreciation method are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than estimated recoverable amount.

Gain or loss arising on disposal of any item of property and equipment (calculated as the difference between the net disposal proceeds, and the carrying amount of the asset) is recognized in the consolidated statement of comprehensive income.

Capital work-in-progress

Properties in the course of construction for production, supply or administrative purposes or for purposes not yet determined are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.2 Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is :

- Expected to be realized or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when :

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Group classifies all other liabilities as non-current.

4.3 Leases

The Group evaluates at the beginning of the lease agreement whether the contract is a lease agreement or includes a rental arrangement. If the contract is wholly or partially transferring the right to control the use of a specific asset from one party to another for a specific period of time in exchange for a specific compensation or allowance, then the Group recognizes the right to use the assets and lease obligations with the exception of short-term leases of one year or less and the leases for leased assets with low value. For these leases, the Group recognizes lease payments as an operating expense on a straight line basis over the term of the lease, unless another systematic basis further presents the period of time in which the economic benefits from the leased assets are amortized.

Lease obligations

Lease obligations are recognized and measured initially at the present value of lease payments that have not been paid on the commencement date of the lease contract, and those payments are discounted using the interest rate implicit in the contract, and if it is not known, then the Group uses the incremental borrowing interest rate.

Unpaid lease payments include:

- Fixed lease payments less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, measured initially using the index or rate at the start date of the lease.
- The amount the lessee is expected to pay the lessor when there is a residual value guaranteed in the lease agreement.
- The price of exercising buying options, if the lessee is reasonably certain of exercising the options.
- Termination fines, if the lease reflects the exercise of the option to terminate the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Leases (Continued)

Lease obligations (Continued)

The lease liability is presented as a separate component of the Group's consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease obligation and by reducing the carrying amount to reflect the lease payments paid.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a significant event or change in circumstances that lead to a change in the evaluation of the purchase option exercise, in which case the lease liability is re-measured by discounting the revised lease payments using the revised discount rate.

- Rental payments change due to changes in an index or rate or change in expected payments under a guaranteed residual value, in which cases the rental liabilities are re-measured by discounting the adjusted rental payments using an unchanged discount rate (unless the rental payments change due to the change in the floating interest rate. In this case, the adjusted discount rate is used.)

- The lease is amended and the lease amendment is not counted as a separate lease contract, in which case the lease liabilities are re-measured based on the modified lease term by discounting the modified lease payments using the modified discount rate at the date of modification.

Right-of-use assets

Right-of-use assets include the initial measurement of the corresponding lease liability, lease payments made on or before the inception day, minus any lease incentives received and any initial direct costs subsequently measured minus accumulated depreciation and impairment losses.

When the Group incurs a commitment to the costs of dismantling and removing a leased asset, restoring the site on which it is located, or restoring the asset to the required condition under the terms of the lease contract, the provision is recognized and measured in accordance with IAS (37) and to the extent that the costs relate to the right-of-use assets, the costs are included in related right-of-use assets, unless these costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the contract term or the useful life of the specified asset.

If the lease contract transfers ownership of the underlying asset or right-of-use cost reflects that the Group expects to exercise the purchase option, then the related use value is depreciated over the useful life of the underlying asset. Depreciation starts on the date of commencement of the lease agreement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.3 Leases (Continued)

Right-of-use assets (Continued)

Right-to-use assets are presented as a separate component in the consolidated statement of financial position.

The Group applies IAS (36) to determine whether the right to use value has decreased and calculates any impairment loss identified as described in the "property, plant and equipment" policy.

As a practical expedient, IFRS 16 allows a lessee not to separate the non-leased components, and instead any lease contract and associated non-lease components are counted as a single arrangement. The Group did not use this practical expedient. For contracts that contain a leasing component and one or more leasing or non-leasing components, the Group allocates consideration in the contract to each leasing component based on the independent relative price of the leasing component and the total sum of the single price of the non-leasing components.

4.4 Impairment of non-financial assets

Non-financial assets (cash generating units) are assessed for indicators of impairment at the end of each reporting period to determine whether there is objective evidence that a specific non-financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the consolidated statement of comprehensive income.

There is group range of internal and external factors are considered as part of indicator review process, however, an impairment assessment is performed.

Impairment testing requires an estimation of the fair values less cost to sell and value in use of the cash generating units. The recoverable amounts require the Group to estimate the amount and timing of future cash flows, disposal value of assets and choose a suitable discount rate in order to calculate the present value of the cash flows.

4.5 Financial Instruments

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

Financial assets

- **Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost (AC), fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL). The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Financial Instruments (Continued)

Financial assets (Continued)

- **Initial recognition and measurement (Continued)**

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

- **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

- **Subsequent measurement**

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income (OCI) with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through other comprehensive income (OCI) with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

As of reporting date, that the Group contracted with only the financial assets at amortized cost (debt instrument).

- **Financial assets at amortized cost (Debt instruments)**

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and,

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Financial Instruments (Continued)

Financial assets (Continued)

- **Financial assets at amortized cost (Debt instruments) (Continued)**

  - The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes trade receivables and other, cash and cash equivalents and due from related parties.

- **Impairment of financial assets**

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition and ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

- **Financial liabilities**

Financial liabilities are recognized when the Group becomes a party to the contractual arrangement provision of the instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Financial Instruments (Continued)

- **Financial liabilities (Continued)**

Financial liabilities are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

- **Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

4.6 Inventories

Inventories are valued at the lower of weighted average cost or net realizable value cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditures based on the normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price less all estimated costs of completion and costs necessary to make the sale

4.7 Cash and cash equivalents

For the purpose of preparing consolidated statement of cash flows (Exhibit D) cash and cash equivalents comprise cash in hand and cash equivalents and fixed deposits with an original maturity of three months or less from date of placement.

4.8 Share capital

Ordinary shares are classified as equity.

4.9 Trade payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and the amounts are unsecured. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense

4.11 Employees benefits

Employees' end of service benefits for Non-UAE Citizens is calculated in accordance with U.A.E. Labour Law requirements.

Retirement pension and social benefit scheme for the U.A.E citizens are made by the Group in accordance with Federal Law.

4.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the consolidated statement of comprehensive income as other income or finance costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.12 Borrowings (Continued)

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the consolidated statement of comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

4.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period which they are incurred.

4.14 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated financial statement of financial position if, any only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.15 Revenue from contracts with customers balances

Trade receivables

Trade receivables are amount due from customers for goods sold or services performed in the ordinary course of business. The accounting policies of financial assets in financial instruments paragraph details the initial recognition and subsequent measurement of trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Contract revenue

The Group recognize revenue from contracts with customers based on the five step model set out in IFRS 15.

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 are committed to perform criteria are met.

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 customer.

3. *Determine the transaction price*

   The transaction price represent the amount of consideration to which the Group expects to be entitled in exchange for transferring good or service to a customer.

4. *Allocate the transaction price to performance obligation*

   For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation based on stand alone selling prices for each good or service.

5. *Recognize revenue when (or as) the entity satisfies a performance obligation*

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

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

For performance obligation, where none of the condition are met, revenue is recognized at the point in time at which the performance is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods and services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Sale of goods
Revenue from sale of goods is recognized at the point of time when control of the goods is transferred to the buyer usually on delivery of the goods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.17 Foreign currencies

Transactions in foreign currencies are translated to UAE Dirhams at the foreign exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to UAE Dirhams at the spot foreign exchange rate ruling at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in UAE Dirhams at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in the foreign currency translated at the spot exchange rate at the end of the year.

Non monetary assets and liabilities that are measured at fair value in a foreign currency are translated to UAE Dirhams at the spot exchange rate at the date on which the fair value is determined. Non monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate the date of the transaction.

Foreign currency differences arising on translation are generally recognized in the consolidated statement of comprehensive income.

4.18 Dividend distribution

Dividend distribution to the shareholders is recognised as liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4.19 Value added tax

Expenses and assets are recognized net of the amount of VAT, except :

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

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

4.20 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares if any.

4.21 Contingent liabilities

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably. Contingent liabilities are not recognized in the consolidated financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

a) The details of this item are as follows :

	Land AED	Factory buildings AED	Plant and machinery AED	Furniture and fixtures AED	Vehicles and mobile plant AED	Tools and equipment AED	Quarry development cost AED	Capital work in progress AED	Total AED
Cost/Valuation :									
At 1 January 2020	--	158,812,112	2,005,774,590	3,531,266	28,907,490	13,112,437	31,949,125	1,920,343	2,244,007,363
Additions during the year	--	147,800	17,913,034	235,478	2,358,200	68,970	--	5,644,600	26,368,082
Disposals during the year	--	--	--	--	(4,232,958)	--	--	--	(4,232,958)
Transfers	250,000	1,039,524	474,833	--	--	--	--	(1,764,357)	--
At 31 December 2020	**250,000**	**159,999,436**	**2,024,162,457**	**3,766,744**	**27,032,732**	**13,181,407**	**31,949,125**	**5,800,586**	**2,266,142,487**
Additions during the year	--	--	**7,381,899**	**133,133**	--	**59,954**	--	**19,493,139**	**27,068,125**
Transfers	--	--	--	**489,048**	--	--	--	**(489,048)**	--
Revaluation surplus	**34,747,500**	--	--	--	--	--	--	--	**34,747,500**
At 31 December 2021	**34,997,500**	**159,999,436**	**2,031,544,356**	**4,388,925**	**27,032,732**	**13,241,361**	**31,949,125**	**24,804,677**	**2,327,958,112**
Accumulated Depreciation :									
At 1 January 2020	--	44,377,488	944,490,380	3,177,442	25,925,284	12,775,637	23,973,041	--	1,054,719,272
Charged for the year	--	4,849,565	46,139,380	210,807	1,348,487	193,477	926,081	--	53,667,797
Relating to disposal	--	--	--	--	(4,232,905)	--	--	--	(4,232,905)
At 31 December 2020	--	**49,227,053**	**990,629,760**	**3,388,249**	**23,040,866**	**12,969,114**	**24,899,122**	--	**1,104,154,164**
Charged for the year	--	**4,857,138**	**46,526,471**	**269,433**	**1,464,957**	**133,749**	**926,081**	--	**54,177,829**
At 31 December 2021	--	**54,084,191**	**1,037,156,231**	**3,657,682**	**24,505,823**	**13,102,863**	**25,825,203**	--	**1,158,331,993**
Net Book Value :									
At 31 December 2021 - Exhibit A	**34,997,500**	**105,915,245**	**994,388,125**	**731,243**	**2,526,909**	**138,498**	**6,123,922**	**24,804,677**	**1,169,626,119**
At 31 December 2020 - Exhibit A	250,000	110,772,383	1,033,532,697	378,495	3,991,866	212,293	7,050,003	5,800,586	1,161,988,323

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

b) Land mentioned above of AED. 34,997,500 is stated at valuation by Land and Property Management – Dibba Municipality – Government of Fujairah and the difference amounting to AED. 34,747,500, was credited to revaluation reserve (Exhibit A).

c) Part of the factory buildings and plant and machinery are constructed/erected on leased land obtained from the Dibba Municipality – Government of Fujairah.

d) There is a registered chattel mortgage (being executed) over the Waste Heat Recovery based captive power plant expansion project included in plant and machinery mentioned above and an assignment of insurance policy covering the project in favour of the bank against bank borrowings (Note 17).

e) Insurance policy covering movable assets is assigned in favor of a bank against bank borrowings (Note 17).

f) Commercial mortgage over thermal power plant included in plant and machinery mentioned above, assignment of insurance policies covering the cement factory and thermal power plant and assignment of leasehold rights over the land on which the thermal power plant is located are provided as securities against bank borrowings (Note 17).

g) There is a registered mortgage and assignment of insurance policy over specific machinery upgraded (Note 17) included in plant and machinery mentioned above.

h) Depreciation is fully charged to cost of sales.

i) Cost of fully depreciated property, plant and equipment that was still in use, at the end of the reporting period amounted to AED. 353,478,614 (2020 : AED. 351,845,031).

6. RIGHT-OF-USE ASSETS

The movement of the right-of-use assets is as follows :

	2021	2020
	AED	AED
Cost :		
At 1 January	**132,403,222**	132,403,222
Additions during the year	**6,494,457**	--
Balance at 31 December	**138,897,679**	132,403,222
Accumulated Depreciation :		
At 1 January	**18,978,069**	9,489,034
Charged for the year	**10,274,135**	9,489,035
Balance at 31 December	**29,252,204**	18,978,069
Net book Value at 31 December – Exhibit A	**109,645,475**	113,425,153

7. INVENTORIES

a) This item consists of the following :

	2021 AED	2020 AED
Raw materials	**17,006,665**	20,126,092
Semi-finished products	**66,175,823**	48,811,461
Finished products	**3,108,902**	2,553,490
Total	**86,291,390**	71,491,043
Spare parts	**128,031,829**	127,927,731
Allowance for slow-moving spare parts – Note 7(b)	**(20,702,113)**	(20,702,113)
Net	**107,329,716**	107,225,618
Burning media	**73,212,154**	81,117,905
Bags and packing material	**722,634**	693,553
Total	**73,934,788**	81,811,458
Goods-in-transit	**19,488,804**	22,047,357
Total – Exhibit A	**287,044,698**	282,575,476

Insurance policy is assigned against bank borrowings.

b) Movement in allowance to slow-moving spare parts are as follows :

	2021 AED	2020 AED
Balance at 1 January	**20,702,113**	24,000,000
Obsolete stores written off	--	(3,297,887)
Balance at 31 December – Note 7(a)	**20,702,113**	20,702,113

c) Inventories have been reduced by AED. 5,568,397 (2020 : AED. 13,249,306) as a result of the write-down to net realizable value. This write-down was recognized as expenses (Exhibit B).

8. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

In the normal course of business, the Group enters into various transactions with related parties. Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The prices and terms of these transactions are agreed with the Group's management.

- At the statement of consolidated financial position date, balances of related parties are as follows :

	2021 AED	2020 AED
Balances due from related parties (included in trade receivables)	**1,104,667**	1,849,546
Balances due to related parties (included in trade and other payables)	**84,876**	29,797

- The following are the details of significant related party transactions :

	2021 AED	2020 AED
Sales	**2,503,376**	4,001,578
Purchases/service contracts	**1,166,490**	1,097,851
Construction of property, plant and equipment	**633,950**	795,100

- The remuneration , salaries and other benefits of key management staff during the year are as follows :

	2021 AED	2020 AED
Salaries and other benefits of key management staff	**3,855,995**	3,730,647

9. TRADE RECEIVABLES

a) This item consists of the following :

	2021 AED	2020 AED
Trade receivables	**135,942,404**	201,111,959
Provision for impairment of trade receivables - Note 9(c)	**(41,638,030)**	(26,552,172)
Net amount – Exhibit A	**94,304,374**	174,559,787
Coverage :		
Trade receivables against BG & L/C's	**45,713,677**	99,896,730
Trade receivables	**90,228,727**	101,215,229
Total	**135,942,404**	201,111,959

9. TRADE RECEIVABLES (CONTINUED)

b) Trade receivables include :

- 5 customers (2020 : AED. 5 customers) representing 78% (2020 : 65%) of the trade receivables.
- AED. 63.7 Million (2020 : AED. 63.4 Million) which is past due of this AED. 4.8 Million (2020 : AED. 10.4 Million) is secured.
- Trade receivables are assigned against bank borrowings (Note 17).

The Group applies IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

There has been no change in the estimation techniques or significant assumption made during the current reporting period in assessing the provision for impairment of trade receivables.

The average credit period for the trade receivables is 119 days (2020 : 133 days). No interest is charged on trade receivables in the normal course of business.

c) The details of movement in provision for impairment of trade receivables during the year are as follows :

	2021 AED	2020 AED
Balance at 1 January	**26,552,172**	2,004,656
Additions during the year	**15,095,491**	24,558,484
Written off	**(9,633)**	(10,968)
Balance at 31 December – Note 9(a)	**41,638,030**	26,552,172

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

Geographical Analysis

The geographical analysis of trade receivables are as follows :

	2021 AED	2020 AED
Within U.A.E	**96,661,418**	117,321,629
Outside U.A.E	**39,280,986**	83,790,330
Total	**135,942,404**	201,111,959

10. ADVANCES AND OTHER RECEIVABLES

This item consists of the following :

	2021 AED	2020 AED
Prepayments	**683,781**	636,379
Advances to suppliers	**2,228,715**	3,558,153
Other receivables	**5,661,850**	1,742,332
Total - Exhibit A	**8,574,346**	5,936,864

11. CASH AND CASH EQUIVALENTS

This item consists of the following :

	2021 AED	2020 AED
Cash in hand	**114,651**	153,463
Bank balances - Current accounts	**608,455**	1,103,095
Total – Exhibit A & D	**723,106**	1,256,558

12. SHARE CAPITAL

This item consists of the following :

	2021 AED	2020 AED
Authorized share capital is AED. 355,865,320 ordinary share of AED. 1 each fully paid – Exhibit A & C	**355,865,320**	355,865,320

13. STATUTORY RESERVE

This item consists of the following :

	2021 AED	2020 AED
Balance at 1 January	**161,750,412**	161,750,412
Balance at 31 December - Exhibit A & C	**161,750,412**	161,750,412

In accordance with UAE Federal Law No. (2) of 2015 and its amendments and Company's Articles of Association, 10% of the profit of each year is to be appropriated to a statutory reserve. Transfer may be discontinued when the reserve reaches 50% of the paid-up capital. This reserve is not available for distribution except in circumstances stipulated by the law.

14. VOLUNTARY RESERVE

This item consists of the following :

	2021 AED	2020 AED
Balance at 31 December - **Exhibit A & C**	**222,536,002**	222,536,002

In prior years, 10% of the profits was appropriated to a voluntary reserve. This reserve is distributable when approved by a shareholders' resolution based on the recommendation of the Board of Directors in accordance with UAE Federal Law No. (2) of 2015 and its amendments and the Company's Articles of Association.

15. EMPLOYEES END OF SERVICE BENEFITS

The details of movement in this item are as follows :

	2021 AED	2020 AED
Balance at 1 January	**14,341,137**	14,220,332
Charge for the year	**1,114,706**	1,150,049
Settlements during the year	**(1,157,732)**	(1,029,244)
Balance at 31 December - Exhibit A	**14,298,111**	14,341,137

16. LEASE LIABILITIES

Lease liabilities represent the long term lease plots of land from Government of Fujairah. The details of movements in this item are as follows :

	2021 AED	2020 AED
Balance at 1 January	**138,403,752**	133,986,020
Additions during the year	**6,494,457**	--
Finance cost on lease liabilities	**4,458,969**	4,417,732
Payment during the year	**(6,114,845)**	--
Balance at 31 December	**143,242,333**	138,403,752
Non-Current -Exhibit A	**130,202,549**	116,515,197
Current -Exhibit A	**13,039,784**	21,888,555
Total	143,242,333	138,403,752

17. BANK BORROWINGS

a) Bank-term borrowing

i) This item consists of the following :

	2021 AED	2020 AED
Balance at 1 January	**342,850,828**	379,133,032
Add: Received during the year	**--**	40,000,000
Less: Repaid during the year	**(89,265,769)**	(76,282,204)
Balance at 31 December	**253,585,059**	342,850,828
Non-Current portion – Note 17(c)(i)	**227,643,871**	246,683,750
Current portion – Note 17(c)(ii)	**25,941,188**	96,167,078
Total– Note 17(a)(ii)	**253,585,059**	342,850,828

ii) Break-up of term loans are as follows :

Loan	Maturity date	2021 AED	2020 AED
Term loan 1	January 2030	**53,240,681**	65,240,681
Term loan 2	December 2028	**14,836,699**	17,202,468
Term loan 3	December 2021	**--**	12,500,000
Term loan 4	November 2026	**101,807,679**	124,907,679
Term loan 5	December 2028	**83,700,000**	93,000,000
Term loan 6	September 2021	**--**	30,000,000
Total – Note 17(a)(i)		**253,585,059**	342,850,828

Term loan 1

During 2017, the Group entered into an Islamic financing arrangement (Ijarah) from a bank operating in the United Arab Emirates for AED. 114,445,987 to settle the existing term loan. During November 2017, the outstanding balance of AED. 101,240,681 were rescheduled to be repaid in 22 equal quarterly installments of AED. 3,000,000 each commenced in January 2018 and ending in April 2023 and the remaining amount of AED. 35,240,681 to be settled in July 2023. The existing Ijarah balance of AED. 53,240,681 as at 31 December 2021 has been refinanced by the same bank to be repaid in 31 equal quarterly installments of AED. 1,664,063 commencing from April 2022 and the remaining amount of AED. 1,654,728 to be settled in January 2030.

17. BANK BORROWINGS (CONTINUED)

a) Bank-term borrowing (Continued)

Term loan 2

During 2017, the Group entered into an Islamic financing arrangement (Mudaraba) from a bank operating in the United Arab Emirates for AED. 30,000,000 of which AED. 21,893,199 was drawn down, to finance the upgrade of the raw mill/slag grinding project. Out of the outstanding amount of AED. 19,407,168, the Group paid AED. 54,391 in January 2020 and the balance is scheduled to be repaid in 27 equal quarterly installments of AED. 716,769 each commencing in April 2020 and ending in August 2026. In 30 June 2021, the outstanding amount of AED. 15,768,929 is rescheduled to be repaid in 30 quarterly installments commencing from July 2021 and ending December 2028.

Term loan 3

During 2017, the Group was sanctioned this loan from a bank operating in the United Arab Emirates for AED. 50,000,000 for general corporate purposes and to finance the purchase of a long term base stock of thermal/steaming coal. Repayment of this loan is in two tranches as follows : i) 16 equal quarterly installments of AED. 2,500,000 each commenced in February 2018 and ending in November 2021 and ii) 16 equal quarterly installments of AED. 625,000 each commenced in March 2018 and ending in December 2021. During the year 2021, the loan has been settled fully.

Term loan 4

During 2017, the Group was sanctioned this loan from a bank operating in the United Arab Emirates for a maximum amount of AED. 209,680,000 of which AED. 209,607,679 was drawn down, to refinance the existing liabilities with other banks. Repayment of this loan is in 26 equal quarterly installments of AED. 7,700,000 each commenced in May 2018 and ending in August 2024 and the remaining amount of AED. 9,407,679 to be settled in November 2024. In September 2021, the outstanding amount of AED. 101,807,679 is rescheduled to be repaid in 20 quarterly installments commencing from February 2022 and ending in November 2026. The installments details are as below :

- 8 installments of AED. 2,500,000
- 4 installments of AED. 5,000,000
- 4 installments of AED. 7,000,000
- 3 installments of AED. 9,000,000
- 1 installment of AED. 6,807,679

17. BANK BORROWINGS (CONTINUED)

a) Bank-term borrowing (Continued)

Term loan 5

During 2019, the Group was sanctioned and entered into an Islamic financing arrangement (Mudaraba) from a bank operating in United Arab Emirates for AED. 100,000,000 to settle existing liabilities with other banks. The loan is repayable in 28 quarterly installments, commencing in March 2020 and ending in December 2026. In June 2021, the outstanding amount of AED. 91,000,000 is rescheduled to be repaid in 31 quarterly installments commencing from June 2021 and ending in December 2028.

The installments details are as below :

- 2 installments of AED. 2,000,000
- 1 installment of AED. 3,300,000
- 8 installments of AED. 2,325,000
- 20 installments of AED. 3,255,000

Term loan 6

During 2020, the Group was sanctioned and entered into a loan agreement from a bank operating in the United Arab Emirates for an amount of AED. 40,000,000 to settle the existing revolving loan with the same bank. The loan is repayable in 12 monthly installments, commencing in October 2020 and ending in September 2021. During the year 2021, the loan has been settled fully.

b) Other bank borrowings

This item consists of the following :

	2021	2020
	AED	AED
Trust receipts	**112,403,242**	125,669,135
Short terms loans	**135,000,000**	50,000,000
Overdrafts	**32,383,888**	26,724,685
Total - Note 17(c)(ii)	**279,787,130**	202,393,820

c) Details of bank borrowings are as follows :

i) Non-current portion

This item consists of the following :

	2021	2020
	AED	AED
In the second year	**27,605,250**	55,667,078
In the third to fifth year	**147,760,429**	169,399,594
After five year	**52,278,192**	21,617,078
Total – Exhibit A	**227,643,871**	246,683,750

17. BANK BORROWINGS (CONTINUED)

c) Details of bank borrowings are as follows : (Continued)

ii) Current portion

	2021 AED	2020 AED
Bank borrowings - Note 17(a)(i)	**25,941,188**	96,167,078
Other bank borrowings – Note 17(b)	**279,787,130**	202,393,820
Total – Exhibit A	**305,728,318**	298,560,898
Total Bank borrowings	533,372,189	545,244,648

iii) Bank borrowings are secured by:

- Registered charge over Thermal Power Plant (including machinery).
- Registered chattel mortgage (to be executed) over the Waste Heat Recovery based captive power plant expansion project
- Assignment of insurance policy for AED. 437.4 million covering factory on a pari passu basis.
- Assignment of insurance policy for AED. 236.9 million covering the Thermal Power Plant on a pari passu basis.
- Assignment of insurance policy for AED. 124.4 million covering the Waste Heat Recovery based captive power plant expansion project.
- Assignment of insurance policies covering moveable assets on pari passu basis .
- Assignment of leasehold rights (between the Company & Dibba Municipality) over the land on which the Thermal Power Plant is located.
- Assignment of insurance policy over inventories on pari passu basis.
- General assignments of trade receivables in favor of the bank.
- Registered mortgage and assignment of insurance policy over specific machinery upgraded.
- Promissory note.

18. TRADE AND OTHER PAYABLES

This items consists of the following :

	2021 AED	2020 AED
Trade payables	**127,621,216**	117,074,736
Dividends payable	**3,971,870**	3,972,703
Advanced received from customers	**285,699**	2,110,375
Accrued expenses	**13,164,297**	16,598,895
Accrued interest payables	**2,419,451**	2,442,192
Others	**320,417**	340,159
Total	**147,782,950**	142,539,060
Non-Current – Exhibit A	**15,270,312**	--
Current – Exhibit A	**132,512,638**	142,539,060
Total	**147,782,950**	142,539,060

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents, trade receivable and others. Financial liabilities consist of trade and other payables, bank borrowings and lease liabilities.

The fair values of financial assets and financial liabilities are not materially different from their carrying values as at 31 December 2021.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal market at measurement date.

The fair value measurements is based on presumption that the transaction to sell the asset or transfer the liability takes place either :

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

Fair value is applicable to both financial and non-financial instrument.

20. RISK MANAGEMENT

Risk is inherited in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. Operational risks are an inevitable consequence of being in the business.

The Group is exposed to a variety of financial risks included : capital risk, market risk (foreign currency risk and interest rate risk) credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks through internal reports which analyze the risk to achieve its risk management function and monitor risks and reviews policies implemented to mitigate risk exposures.

20.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

20. RISK MANAGEMENT (CONTINUED)

20.2 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in market prices, such as foreign currency risk and interest rate risk. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimizing the return on risk.

i) Foreign currency risk

Foreign currency risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate.

The Group's activities are not exposed to the financial risks of changes in foreign currency exchange rates because substantially all the financial assets and liabilities are denominated in United Arab Emirates Dirhams (AED) or US Dollars to which the AED is pegged.

ii) Interest rate risk

The Group is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating interest rates balance at the start of the financial year.

Details of financial assets and liabilities exposed to interest rate risk as at 31 December 2021 are as follows :

	Effective interest rate	
	2021	2020
Bank loans	**3 months + 2.5% to 3.5% p.a + EIBOR+ 3.4% to 3.7% p.a swap**	3 months + 2.5% to 3% p.a + 3.4% to 3.7% p.a swap
	3 months + 2.25% to 2.5% p.a + EIBOR	3 months + 2.25% to 2.5% p.a + EIBOR
	1 months + 2.3% p.a + EIBOR	1 months + 2.3% p.a + EIBOR
Short-term loans	**1 month EIBOR + 1.75% p.a**	1 month EIBOR + 1.75% p.a

20.3 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 cash flows from financial assets recorded at amortized cost such as cash and cash equivalents and trade receivables and due from related parties.

The Group trade with recognized, creditworthy parties. The Group's policy that all customers are analyzed for creditworthiness on credit terms and are subject to monitor the receivable balances of customers on an ongoing basis, that receivable balances are the maximum exposure to credit risk relating to trade receivables and due from related parties.

20. RISK MANAGEMENT (CONTINUED)

20.3 Credit risk (Continued)

The Group applies IFRS 9 simplified approach to measure expected credit loss (ECL) by grouping all financial assets based on shared credit risk characteristics and days past due.

The expected loss rates are based on the payment profiles of that business transaction and the corresponding historical credit loss experienced within this period.

The historical loss rates are adjusted to reflect current and future information on macro economic factors affecting the abilities of the customers to settle their receivable balances.

With respect to credit risk arising from other financial assets such as cash and cash equivalents including deposits arising from default of counter party to limit that credit risk, the Group's cash is placed with banks of repute. Management is confident that it does not result in any credit risk to the Group as the banks are major banks operating in UAE.

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	2021		2020	
	Gross AED	**Impairment AED**	Gross AED	Impairment AED
Neither past due nor impaired	**72,243,625**	**(4,217,060)**	137,758,030	(3,664,755)
Past due 0-180 days	**14,350,996**	**(1,812,302)**	12,166,447	(462,063)
Past due 180-360 days	**5,102,766**	**(1,711,149)**	12,206,127	(4,588,271)
Past due 360 and above	**44,245,017**	**(33,897,519)**	38,981,355	(17,837,083)
Total	**135,942,404**	**(41,638,030)**	201,111,959	(26,552,172)

20.4 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group monitors its risk to shortage of funds using a cash flow model. This tool considers the maturity of financial assets and projected cash flows from operation and capital projects.

The Group objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

20. RISK MANAGEMENT (CONTINUED)

20.4 Liquidity risk (Continued)

The details of maturity dates of the Group's financial assets and financial liabilities are as follows :

As at 31 December 2021 :

	Less than three months	From 3 months to one year	1-5 years	Above 5 years	Total
	AED	AED	AED	AED	AED
Financial Assets					
Cash and cash equivalents	723,106	--	--	--	723,106
Trade receivables	56,925,540	37,378,834	--	--	94,304,374
Other receivable	--	5,661,850	--	--	5,661,850
Total	57,648,646	43,040,684	--	--	100,689,330
Financial Liabilities					
Bank borrowings	148,846,595	156,881,723	175,365,678	52,278,193	533,372,189
Trade and other payables	--	132,226,939	15,270,312	--	147,497,251
Lease liabilities	--	13,039,784	60,294,530	69,908,019	143,242,333
Total	148,846,595	302,148,446	250,930,520	122,186,212	824,111,773

As at 31 December 2020 :

	Less than three months	From 3 months to one year	1-5 years	Above 5 years	Total
	AED	AED	AED	AED	AED
Financial Assets					
Cash and cash equivalents	1,256,558	--	--	--	1,256,558
Trade receivables	105,459,301	69,100,486	--	--	174,559,787
Other receivable	--	1,742,332	--	--	1,742,332
Total	106,715,859	70,842,818	--	--	177,558,677
Financial Liabilities					
Bank borrowings	144,660,139	153,900,759	225,066,672	21,617,078	545,244,648
Trade and other payables	--	140,428,685	--	--	140,428,685
Lease liabilities	--	21,888,555	39,485,324	77,029,873	138,403,752
Total	144,660,139	316,217,999	264,551,996	98,646,951	824,077,085

21. REVENUE

This items consists of the following :

	2021 AED	2020 AED
Revenue recognized at point in time		
Sales :		
Within UAE	**111,857,489**	199,223,336
Outside UAE-GCC	**67,362,164**	156,762,934
Other countries	**240,758,255**	201,920,655
Total – Exhibit B	**419,977,908**	557,906,925

22. SELLING AND DISTRIBUTION EXPENSES

This item consists of the following :

	2021 AED	2020 AED
Transportation expenses	**24,821,137**	47,074,382
Export expenses	**26,880,697**	31,344,576
Salaries and related benefits	**1,617,761**	1,591,690
Vehicle expenses	**26,150**	12,791
Business promotion	**10,000**	18,120
Toll fees and charges	**72,527**	497,948
Others	**149,278**	356,261
Total – Exhibit B	**53,577,550**	80,895,768

23. GENERAL AND ADMINISTRATIVE EXPENSES

a) This item consists of the following :

	2021 AED	2020 AED
Salaries and related benefits	**6,826,739**	5,897,666
Insurance	**510,765**	441,516
Legal, visa, professional and related expenses	**1,890,340**	1,604,846
Social contributions – Note 23(b)	**1,021,602**	1,009,727
Short-term lease expenses	**716,406**	661,239
Utilities	**297,792**	275,609
Telephone and communication	**363,174**	382,542
Travelling and entertainment	**26,918**	40,662
Repairs and maintenance	**177,115**	179,434
Medical expenses	**1,265,906**	1,234,266
Depreciation of right-of-use assets	**785,102**	--
Others	**397,780**	315,327
Total – Exhibit B	**14,279,639**	12,042,834

b) Social contributions mentioned above compromise AED. 1,000,000 (2020 : AED. 1,000,000) paid to Fujairah Foundation for regions development and AED. 21,602 (2020 : AED. 9,727) to the recognized institutions.

24. OTHER INCOME

This items consists of the following :

	2021	2020
	AED	AED
Sale of scrap	**417,715**	441,883
Gain on disposal of property, plant and equipment	--	62,947
Accounts payable written off	--	1,262
Miscellaneous income	**1,233,624**	1,381,218
Total – Exhibit B	**1,651,339**	1,887,310

25. BASIC LOSS PER SHARE

This items consists of the following :

	2021	2020
Loss for the year (AED)	**(102,738,529)**	(130,500,837)
Weighted average number of shares (Share)	**355,865,320**	355,865,320
Basic loss per share (AED. per share) – Exhibit B	**(0.289)**	(0.367)

26. CONTINGENT LIABILITIES/COMMITMENTS

i) Contingent liabilities

Contingent liabilities of the Group as at the consolidated statement of financial position date amounted to AED. 3,897,143 (2020: AED. 1,072,550) representing letters of credit.

ii) Commitments

Commitments of the Group as at the consolidated statement of financial position date are as follows :

	2021	2020
	AED	AED
Commitments for the purchase of property, plant and equipment	**3,269,652**	17,189,396