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

Consolidated financial statements

31 December 2018

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

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

DIRECTORS' REPORT

The Board of Directors of Sharjah Cement and Industrial Development Company (PSC) (the "Company") has pleasure in submitting their report on financial statements for the year ended 31 December 2018.

Principal Activities
The principal activities of the Company are manufacture and supply of cement, paper sacks and plastic ropes. The company also invests its surplus funds in investment securities, private equities and properties.

Financial Results
The Company has reported sales of AED 597 million (2017: AED 650 million) while the net profit for the year was AED 29 million (2017: AED 65 million).

Dividends and appropriations
The Board of Directors proposed a cash dividend amounting to AED 39,536,494 at AED 0.065 per share of AED 1 each for the year ended 31 December 2018.

Directors

Mr. Ahmed Abdalla Al-Noman	Chairman
Mr. Othman Mohamed Sharif Zaman	Vice Chairman
H.E. Abdulrahman Mohamed Nasir Alowais	Board Member
Mr. Obaid Rashid Al-Shamsi	Board Member
Mr. Abdulaziz Ibrahim Al-Faris	Board Member
Mr. Jassim Mohd Abdulla AlKhayyal	Board Member
Mr. Nawaf Abdullah Mahmood Al-Refaie	Board Member
Mr. Ahmed Salem Abdulla Salem Al Hosni	Board Member
Mr. Mohamed Ahmed Omar Salem Al Karbi	Board Member

Auditors
KPMG Lower Gulf Limited were appointed as external auditors of the Company for the year ended 31 December 2018, and they have expressed their willingness to continue in office once elected at the forthcoming Annual General Meeting.

On behalf of the Board

Othman Mohamed Sharif Zaman
Vice Chairman
2nd March 2019.

ص.ب: ٢٠٨٣، برج الحصن الطابق ١٤، شارع البنوك الروله - الشارقة، الامارات العربية المتحدة
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KPMG

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sharjah Cement and Industrial Development Co. PJSC ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the key audit matter***
Expected credit losses on trade receivables	
Refer to note 26 (a) of the consolidated financial statements	
As at 31st December 2018, the Group has significant trade receivable balances representing 11% of the Group's total assets. IFRS 9 "Financial Instruments" (IFRS 9) was adopted by the Group on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to a forward looking expected credit loss ("ECL") model The determination of expected loss involves significant estimates and judgment. Given the inherently judgmental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.	• We obtained an understanding of the Group's process for estimating ECL and assessed the appropriateness of the ECL methodology and the new accounting policy against the requirements of IFRS 9. • Our audit procedures includes identification and testing of key controls over the ECL model. • We assessed the reasonableness of management's key assumptions and judgments made in determining the ECL allowances including segmentation of receivables and selection of ECL model. • We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing with historical data. We also assessed the reasonableness of forward looking factors used by the Group by corroborating with publicly available information. • We tested the opening balance adjustment as at 1 January 2018 due to application of impairment requirements of IFRS 9 and assessed the adequacy of the credit risk disclosure.

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Valuation of inventories	
Refer to note 12 of the consolidated financial statements	
As described in the accounting policies in note 3 to the consolidated financial statements, inventories are carried at the lower of cost and net realisable value. As a result, management applies judgment in determining the appropriate provisions for slow moving and non-moving stock based upon a detailed analysis of old inventory, and net realisable value below cost based upon future plans for sale of inventory.	We have obtained assurance over the appropriateness of the management's assumptions applied in calculating the cost of the inventories and related provisions by: • verifying the effectiveness of key controls operating over inventories; including observing the process of year end inventory count by management. • verifying for a sample of individual products that costs have been correctly recorded. • comparing the net realisable value to the cost price of inventories to check for completeness of the associated provision. • reviewing the historical accuracy of inventory provisioning, and the level of inventory write-offs during the year. • assessing reasonableness of estimates used by management in computing provision for slow moving and obsolete inventories by comparing with the industry benchmark.

Other Information

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Group has maintained proper books of account;

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

v) as disclosed in note 11 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2018;

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

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the UAE Federal Law No.(2) of 2015 or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2018.

KPMG Lower Gulf Limited

Fawzi AbuRass
Registration No. 968
Sharjah, United Arab Emirates

Date: 2 MAR 2019

Consolidated income statement
for the year ended 31 December 2018

	Note	**2018 AED'000**	2017 AED'000
Revenue		**596,827**	649,969
Cost of sales		**(562,752)**	(592,811)
Gross profit		**34,075**	57,158
Administrative and general expenses		**(15,923)**	(14,654)
Selling and distribution expenses		**(6,010)**	(4,986)
Investments income	*6*	**23,055**	32,177
Impairment loss on available for sale investments	*11.1(b)*	-	(1,102)
Finance expenses	*7*	**(8,849)**	(8,871)
Other income		**3,029**	5,063
Profit for the year	*7*	**29,377**	64,785
Profit for the year attributable to:			
Owners of the Company		**29,377**	64,785
Basic and diluted earnings per share (AED)	*21*	**0.048**	0.107

* The Group has initially applied IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 - *Financial Instruments* at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer note 4.

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

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

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

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

	Note	**2018 AED'000**	2017 AED'000
Profit for the year		**29,377**	64,785
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Investments carried at FVTOCI-net change in fair value	*11.1 (a)*	**(11,984)**	-
Items that are or may be reclassified subsequently to profit or loss:			
Available for sale investments-net change in fair value	*11.1 (b)*	-	6,902
Transfer of fair value reserve to profit or loss on impairment of available for sale investments	*11.1 (b)*	-	1,102
Transfer of fair value reserve to profit or loss on disposal of available for sale investments	*11.1 (b)*	-	(10,110)
Total other comprehensive loss for the year		**(11,984)**	(2,106)
Total comprehensive income for the year		**17,393**	62,679
Total comprehensive income attributable to:			
Owners of the Company		**17,393**	62,679

* The Group has initially applied IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 - *Financial Instruments* at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer note 4.

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

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

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

Consolidated statement of financial position

as at 31 December 2018

	Note	**2018** **AED'000**	2017 AED'000
Assets			
Non-current assets			
Property, plant and equipment	*8*	**982,075**	874,253
Investment properties	*9*	**190,207**	134,703
Investment in equity accounted investee	*10 (a)*	**-**	42,125
Investments carried at FVTOCI	*11.1 (a)*	**166,791**	-
Available for sale investments	*11.1 (b)*	**-**	247,938
		1,339,073	1,299,019
Current assets			
Inventories	*12*	**315,825**	269,155
Trade and other receivables	*13*	**273,325**	205,783
Investments carried at FVTPL	*11.2*	**20,904**	9,203
Cash in hand and at bank	*14*	**60,536**	52,024
Asset held for sale	*10 (b)*	**22,508**	-
		693,098	536,165
Current liabilities			
Trade and other payables	*15*	**140,694**	121,927
Short term borrowings	*16*	**258,205**	163,055
		398,899	284,982
Net current assets		**294,199**	251,183
Non-current liabilities			
Long term borrowings	*16*	**(162,691)**	(48,369)
Provision for staff terminal benefits	*17*	**(27,797)**	(25,782)
Net assets		**1,442,784**	1,476,051
Represented by			
Share capital	*18*	**608,254**	608,254
Statutory reserve	*19*	**334,091**	334,091
General reserve	*20*	**226,373**	226,373
Proposed dividend	*23*	**39,536**	48,660
Fair value reserve	*11.1 (a) & (b)*	**13,996**	40,580
Retained earnings		**220,534**	218,093
		1,442,784	1,476,051

* The Group has applied IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer note 4.

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

These consolidated financial statements were authorized for issue on behalf of the Board of Directors on 2 MARCH 2019.

Vice Chairman

Chief Executive

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

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

Consolidated statement of cash flows

for the year ended 31 December 2018

	2018	2017
	AED'000	AED'000
Cash flows from operating activities		
Profit for the year	**29,377**	64,785
Adjustments for:		
Depreciation on property, plant and equipment	**56,272**	54,739
Depreciation on investment properties	**2,662**	2,003
Provision for staff terminal benefits	**3,323**	4,205
(Gain)/loss on disposal of property, plant and equipment	**(115)**	65
Gain on disposal of available for sale investments	**-**	(10,110)
Gain on sale of asset held for sale	**(5,938)**	-
Gain on change in fair value of investments carried at FVTPL	**(3,663)**	(3,789)
Impairment loss on available for sale investments	**-**	1,102
Dividend and other investment income	**(13,454)**	(18,278)
Interest expense	**8,553**	8,719
	77,017	103,441
Changes in:		
• inventories	**(46,670)**	(2,726)
• trade and other receivables	**(40,963)**	(8,019)
• trade and other payables	**18,766**	(5,385)
Staff terminal benefits paid	**(1,308)**	(3,629)
Directors' fee paid	**(2,000)**	(2,500)
Net cash generated from operating activities	**4,842**	81,182
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(220,454)**	(69,683)
Proceeds from disposal of property, plant and equipment	**175**	23
Purchase of investments carried at FVTOCI/AFS	**(16,416)**	(44,861)
Proceeds from disposal of investments carried at FVTOCI/AFS	**31,549**	36,774
Dividend and other investment income	**13,454**	18,278
Purchase of investments carried at FVTPL	**(5,781)**	(6,935)
Proceeds from disposal of investments carried at FVTPL	**51,773**	10,919
Increase in investment in an associate	**(2,891)**	-
Net cash used in investing activities	**(148,591)**	(55,485)
Cash flows from financing activities		
Net movement in bank borrowings	**209,474**	(22,904)
Dividend paid	**(48,660)**	(44,237)
Increase in share capital	**-**	55,296
Interest paid	**(8,553)**	(8,719)
Net cash generated / (used in) financing activities	**152,261**	(20,564)
Net increase in cash and cash equivalents	**8,512**	5,133
Cash and cash equivalents at the beginning of the year	**52,024**	46,891
Cash and cash equivalents at the end of the year	**60,536**	52,024
Cash and cash equivalents comprise:		
Cash in hand and at bank	**60,536**	52,024

* The Group has applied IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer note 4.

The notes on pages 15 to 56 form an integral part of these consolidated financial statements.

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

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

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Proposed dividend AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
At 1 January 2017	552,958	334,091	226,373	44,237	42,686	204,468	1,404,813
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	64,785	64,785
Other comprehensive income							
Net change in fair value of available for sale investments (refer note 11.1 (b))	-	-	-	-	6,902	-	6,902
Transfer of fair value reserve to profit or loss on impairment of available for sale investments (refer note 11.1 (b))	-	-	-	-	1,102	-	1,102
Transfer of fair value reserve to profit or loss on disposal of available for sale investments (refer note 11.1 (b))	-	-	-	-	(10,110)	-	(10,110)
Total comprehensive income for the year	-	-	-	-	(2,106)	64,785	62,679
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend declared (refer note 23)	-	-	-	(44,237)	-	-	(44,237)
Directors' fee (refer note 25)	-	-	-	-	-	(2,500)	(2,500)
Proposed cash dividend (refer note 23)	-	-	-	48,660	-	(48,660)	-
Share issued (refer note 18)	55,296	-	-	-	-	-	55,296
Total transactions with owners of the Company	55,296	-	-	4,423	-	(51,160)	8,559
At 31 December 2017	**608,254**	**334,091**	**226,373**	**48,660**	**40,580**	**218,093**	**1,476,051**

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

Consolidated statement of changes in equity *(continued)*

for the year ended 31 December 2018

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Proposed dividend AED'000	Fair value reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2018 – as previously reported*	608,254	334,091	226,373	48,660	40,580	218,093	1,476,051
Adjustment on initial application of IFRS 9 (refer note 4)	-	-	-	-	(8,588)	8,588	-
Adjusted balance at 1 January 2018	608,254	334,091	226,373	48,660	31,992	226,681	1,476,051
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	29,377	29,377
Change in fair value of investments carried at FVTOCI (refer note 11.1 (a))	-	-	-	-	(11,984)	-	(11,984)
Total comprehensive income for the year	-	-	-	-	(11,984)	29,377	17,393
Other equity movement							
Transfer of fair value reserve to retained earnings on disposal of investments carried at FVTOCI (refer note 11.1 (a))	-	-	-	-	(6,012)	6,012	-
Total other equity movement	-	-	-	-	(6,012)	6,012	-
Transactions with owners of the Company							
Contribution by and distributions to owners							
Dividend declared (refer note 23)	-	-	-	(48,660)	-	-	(48,660)
Directors' fee (refer note 25)	-	-	-	-	-	(2,000)	(2,000)
Proposed cash dividend (refer note 23)	-	-	-	39,536	-	(39,536)	-
Total transactions with owners of the Company	-	-	-	(9,124)	-	(41,536)	(50,660)
At 31 December 2018	**608,254**	**334,091**	**226,373**	**39,536**	**13,996**	**220,534**	**1,442,784**

* The Group has applied IFRS 15 - *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* at 1 January 2018. Under the transition method chosen, comparative information has not been restated. Refer note 4.

The notes on pages 15 to 56 are an integral part of these consolidated financial statements.

1. Reporting entity

Sharjah Cement and Industrial Development Co. (PJSC) ("the Company") was incorporated in Sharjah, United Arab Emirates in 1977 under an Emiri Decree issued by H.H The Ruler of Sharjah and has since been registered as a public joint stock company. The registered office of the Company is P.O. Box 2083 Sharjah, United Arab Emirates. The shares of the Company are listed on Abu Dhabi Securities Market and Kuwait Stock Exchange.

The consolidated financial statements as at and for the year ended 31 December 2018 ("the current year") comprises the financial statements of the Company, its subsidiary and the Company's interest in an associate (collectively referred to as "the Group").

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

2. Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Details of the Group's accounting policies are included in Note 3.

This is the first set of the Group's financial statements where IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* have been applied. Changes to significant accounting policies are described in Note 4.

Statement of compliance

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

Basis of measurement

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

Functional and presentation currency

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

Use of judgments and estimates

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

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

Information about judgments, assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 27.

2. Basis of preparation *(continued)*

Measurement of fair values

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

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

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

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

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

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

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

Further information about the significant assumptions made in measuring fair values is included in note 9 – Investment properties and note 11 – Investments.

3. Significant accounting policies

Except for the change in accounting policy for Revenue (refer note 4(a)) and Financial Instruments (refer note 4(b)) as a result of adoption of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments*, the Group has consistently applied the accounting policies to all the years presented, unless otherwise stated.

Business combinations

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

Subsidiaries

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

3. Significant accounting policies *(continued)*

Loss of control

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

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in an associate. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation

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

Revenue

Sale of goods - Policy applicable before 1 January 2018 (also refer note 4)

Revenue from sale of goods is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

Rental income

Rental income from investment properties is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. The proportion of rent collected in advance which is attributable to the unexpired occupancy period at the reporting date is carried forward to subsequent periods as unearned rent.

Dividend income and return on investments in securities

Dividend income from investments is recognised when the Group's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3. Significant accounting policies *(continued)*

Finance expenses

Finance expenses comprise interest expenses on borrowings and bank charges. Interest expense is recognised as expense in profit or loss as it accrues, using the effective interest method.

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

Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Capital work in progress

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

Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use.

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

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

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

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

3. Significant accounting policies *(continued)*

Property, plant and equipment *(continued)*

Reclassification to investment properties

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

Investment property

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

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

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

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

Inventories

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

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

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

Assets held for sale

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

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

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

3. Significant accounting policies *(continued)*

Financial instruments – policy applicable before 1 January 2018 (also refer note 4)

Recognition and initial measurement

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

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

Financial assets

The Group classified its financial assets into the following category: loans and receivables; held to maturity; available for sale and at FVTPL

Financial assets – Subsequent measurement and gains and losses:

Financial assets at FVTPL	Measured at fair value and changes therein, including any interest or dividend income,were recognised in profit or loss.
Held-to-maturity financial assets	Measured at amortised cost using the effective interest method.
Loan and receivables	Measured at amortised cost using the effective interest method.
Available-for-sale financial assets	Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

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

3. Significant accounting policies *(continued)*

Financial instruments – policy applicable before 1 January 2018 *(continued)*

Financial liabilities – Classification, subsequent measurement and gains and losses (continued)

Derecognition

Financial assets

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

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

Financial liabilities

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

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

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances.

Provisions

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

3. Significant accounting policies *(continued)*

Foreign currency

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

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

However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective

Foreign operations

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

Impairment

Non-derivative financial assets (before 1 January 2018)

A financial asset not carried at fair value is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, economic conditions that correlated with defaults, adverse changes in the payment status of borrower or issuer, the disappearance of an active market for a security, or observable data indicating that there is a measurable decrease in expected cash flows for the Group of financial assets.

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for specific impairment. Those found individually not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together with similar risk characteristics.

3. Significant accounting policies *(continued)*

Impairment *(continued)*

Non financial assets

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognized in profit or loss. Any impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

Provision for staff terminal benefits

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

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

Leases

As Lessor

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

3. Significant accounting policies *(continued)*

Leases *(continued)*

As Lessee

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases.

Payments made/receipts under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received/allowed are recognized in profit or loss as an integral part of the total lease payments made/receipts obtained.

Earnings per share

The Group presents basic earnings per share (EPS) data for its shares. Basic EPS is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding during the year. Weighted average number of shares outstanding is retrospectively adjusted to include the effect of any increase in the number of shares without a corresponding change in resources.

Segment reporting

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

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

3a. Standards, amendments and interpretations

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 with earlier application permitted. The Group does not plan to adopt these standards early. The new standards which may be relevant to the Group are set out below.

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because:

- the Group has not finalised the testing and assessment of controls over its new IT systems; and the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3a. Standards, amendments and interpretations *(continued)*

IFRS 16 Leases *(continued)*

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases of its sales centres. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

ii. Leases in which the Group is a lessor

The Group will reassess the classification of leases in which the Group is a lessor.

Based on internal assessment, the management does not believe that the application of IFRS 16 as at 1 January 2019 will have a material impact on its consolidated financial statements of the Group, for all leases (either lessor or lessee).

Other standards

The following forthcoming amendments to standards and interpretation are not expected to have a significant impact on the Group's consolidated financial statements:

Prepayment Features with Negative Compensation (Amendments to IFRS 9) (effective for annual periods beginning on or after 1 January 2019).
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (effective for annual periods beginning on or after 1 January 2019).
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (effective for annual periods beginning on or after 1 January 2019).
Annual improvements to IFRS Standards 2015 – 2017 Cycle – various standards (effective for annual periods beginning on or after 1 January 2019).
Amendments to References to Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

4. Changes in significant accounting policies

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (refer note 4a) and IFRS 9 *Financial Instruments* (refer note 4b) from 1 January 2018.

4a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Revenue from sale of goods

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgment.

The Group recognises revenue from sale of goods based on a five step model as set out in IFRS 15:

Step 1 Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer goods to the customer.

Step 3 Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4 Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

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

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

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which performance obligation is satisfied. When the Group satisfies a performance obligation by delivering the promised goods, 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.

Based on the management's assessment, the application of IFRS 15 has no significant impact on the consolidated financial statements of the Group as revenue recognition under the revised accounting policy is similar to the revenue being recognised previously.

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

4b. IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: *Recognition and Measurement.*

The following table summarises the impact, of transition to IFRS 9 on the opening balance of fair value reserve and retained earnings as at 1 January 2018:

In AED'000	*Note*	**Impact of adopting IFRS 9 on opening balance**
Retained earnings and fair value reserve		
Transfer of fair value reserve to retained earning upon reclassification of equity investments from available for sale to FVTPL under IFRS 9	*11.1(a)*	8,588

Impact at 1 January 2018		**8,588**
		====

The details of new significant accounting policies and the nature and effect of changes to previous policies are set out below:

Financial assets – policy applicable from 1 January 2018

Classification and subsequent measurement of financial assets and financial liabilities

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

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

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

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

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

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

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

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

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest (continued)

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

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

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

Financial assets – Subsequent measurement and gains and losses: policy applicable from 1 January 2018

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

In AED'000	***Note***	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying value under IAS 39**	**New carrying value under IFRS9**
Financial assets					
Equity securities	*a*	Available for sale	Investments carried at FVOCI	247,938	**193,908**
			Mandatorily at FVTPL		**54,030**
Equity securities	*b*	Designated as at FVTPL	Mandatorily at FVTPL	9,203	**9,203**
Trade and other receivables (excluding advances and prepayments)	*c*	Loans and receivables	Amortised cost	247,110	**247,110**
Cash and cash equivalents	*c*	Loans and receivables	Amortised cost	52,024	**52,024**
				----------	----------
Total financial assets				556,275	**556,275**
				======	======

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

Classification and measurement of financial assets and financial liabilities *(continued)*

a) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated investments amounting to AED 193.9 million at the date of initial application as measured at FVTOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss. On transition to IFRS 9, the Group has reclassified equity investments having fair value of AED 54 million from available for sale under IAS 39 to investments carried at FVTPL under IFRS 9. Accordingly, the fair value reserve amounting to AED 8.6 million related to those investments have been transferred to retained earnings.

b) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

c) Trade and other receivables and cash and cash equivalents that were classified as loans and receivables under IAS 39 are now classified at amortised cost. Based on the Group's assessment, there is no significant impact on trade and other receivables and cash and cash equivalents in opening retained earnings at 1 January 2018 on transition to IFRS 9.

Impairment

Non-derivative financial assets - Policy applicable from 1 January 2018

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

- financial assets measured at amortised cost.

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

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

Impairment *(continued)*

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

4 Changes in significant accounting policies *(continued)*

4b IFRS 9 Financial instruments *(continued)*

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

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforce ment activities in order to comply with the Group's procedures for recovery of amounts due.

5 Financial risk management

Overview

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

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

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash at bank.

5 Financial risk management *(continued)*

Credit risk *(continued)*

Trade receivables

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

The Group evaluates the credit worthiness of each customer before offering the payment and service terms. These terms are revisited and losses occurred on amounts receivable from customers are assessed on a regular basis. In monitoring customer credit risk, the Group evaluates customers based on the market knowledge and information about the existence of previous financial difficulties. In case a customer defaults in repaying the debt, future sales to such customers are restricted.

Cash and bank

Cash is placed with local and international banks of good repute.

Liquidity risk

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

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

Market risks

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that value of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk is primarily on its borrowings with banks. The interest rate on the Group's financial instruments is based on market rates.

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

Equity price risk

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

5 Financial risk management *(continued)*

Capital management

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

6. Investments income

	2018 AED'000	2017 AED'000
Gain on change of fair value of investments carried at FVTPL (refer note 11.2)	**3,663**	3,789
Gain on sale of asset held for sale (refer note 10 (b))	**5,938**	-
Net gain on disposal of available for sale investments – quoted (refer note 11.1 (b))	**-**	10,031
Net gain on disposal of available for sale investments – unquoted (refer note 11.1 (b))	**-**	79
Rental income from investment properties (refer note 9)	**2,944**	3,044
Dividends and return from investments in securities	**9,457**	10,082
Others	**1,053**	5,152
	23,055	32,177

7. Profit for the year

The profit for the year is stated after charging:

	2018 AED'000	2017 AED'000
Staff costs:		
Wages and salaries	**35,044**	34,530
End of service benefits	**3,323**	4,205
Other employee benefits	**20,050**	20,435
	58,417	59,170
Finance expenses:		
Interest on bank borrowings	**8,553**	8,719
Bank charges	**296**	152
	8,849	8,871
Cost of sales:		
Material consumed	**417,468**	412,138
Depreciation on property, plant and equipment and investment properties (refer notes 8 and 9)	**58,934**	56,742

8. Property, plant and equipment

	Freehold land AED'000	Freehold buildings AED'000	Plant and machinery AED'000	Furniture and equipment AED'000	Motors vehicles AED'000	Quarry costs AED'000	Capital work in progress AED'000	Total AED' 000
Cost								
At 1 January 2017	32,902	398,432	1,213,641	39,893	45,014	4,364	1,505	1,735,751
Additions	-	1,513	1,364	1,270	490	-	65,046	69,683
On disposals	-	-	(87)	(4)	(496)	-	-	(587)
Transfer from capital work in progress	-	1,279	5,677	-	-	-	(6,956)	-
Transfer to investment properties (refer note 9)	(9,050)	(4,212)	-	-	-	-	-	(13,262)
At 31 December 2017	23,852	397,012	1,220,595	41,159	45,008	4,364	59,595	1,791,585
At 1 January 2018	23,852	397,012	1,220,595	41,159	45,008	4,364	59,595	1,791,585
Additions	-	120	7,086	1,354	904	-	210,990	220,454
On disposals	-	-	(329)	(107)	(431)	-	-	(867)
Transfer from capital work in progress		21,466	20,355	199	-	-	(42,020)	-
Transfer to investment properties (refer note 9)	-	-	-	-	-	-	(56,300)	(56,300)
At 31 December 2018	**23,852**	**418,598**	**1,247,707**	**42,605**	**45,481**	**4,364**	**172,265**	**1,954,872**

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

	Freehold land AED'000	Freehold buildings AED'000	Plant and machinery AED'000	Furniture and equipment AED'000	Motors vehicles AED'000	Quarry costs AED'000	Capital work in progress AED'000	Total AED'000
Depreciation								
At 1 January 2017	-	205,824	584,966	34,254	38,511	3,557	-	867,112
Charge for the year	-	12,429	38,374	1,619	2,253	64	-	54,739
On disposals	-	-	-	(3)	(496)	-	-	(499)
Transfer to investment properties (refer note 9)	-	(4,020)	-	-	-	-	-	(4,020)
At 31 December 2017	-	214,233	623,340	35,870	40,268	3,621	-	917,332
At 1 January 2018	-	214,233	623,340	35,870	40,268	3,621	-	917,332
Charge for the year	-	13,204	39,417	1,660	1,927	64	-	56,272
On disposals	-	-	(269)	(107)	(431)	-	-	(807)
At 31 December 2018	**-**	**227,437**	**662,488**	**37,423**	**41,764**	**3,685**	**-**	**972,797**
Net book value								
At 31 December 2018	**23,852**	**191,161**	**585,219**	**5,182**	**3,717**	**679**	**172,265**	**982,075**
At 31 December 2017	23,852	182,779	597,255	5,289	4,740	743	59,595	874,253

(i) Depreciation expense has been allocated as follows:

	2018 AED'000	2017 AED'000
Cost of sales	**54,552**	52,756
Administrative and general expenses	**1,720**	1,983
	56,272	54,739

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

(ii) Capital work in progress represents cost incurred towards construction of captive power plant for the cement factory and buildings which is expected to be completed in May 2019. Borrowing cost of AED 6.1 million *(2017: AED 0.6 million)* have been capitalized as part of capital work in progress.

(iii) Insurance over plant and machinery have been assigned in favour of the banks. During the current year, the loan against which the insurance was provided has been settled and accordingly insurance over plant and machinery is released (refer note 16).

(iv) During the current year capital work in progress having net book value of AED 56.3 million has been transferred to investment properties under development in line with the usage determined for the property.

9. Investment properties

	Undeveloped land AED'000	Developed Land AED'000	Buildings AED'000	Properties under development AED'000	Total AED'000
Cost					
At 1 January 2017	78,270	9,447	49,289	-	137,006
Additions	-	-	15,361	-	15,361
Transfer from property, plant and equipment (refer note 8)	-	9,050	4,212	-	13,262
At 31 December 2017	78,270	18,497	68,862	-	165,629
At 1 January 2018	78,270	18,497	68,862	-	165,629
Transfer from property, plant and equipment (refer note 8)	-	-	-	56,300	56,300
Advances transferred from other receivables (refer note 13)	-	-	1,866	-	1,866
At 31 December 2018	78,270	18,497	70,728	56,300	223,795
Depreciation and impairment					
At 1 January 2017	-	-	24,903	-	24,903
Charge for the year	-	-	2,003	-	2,003
On transfer from property, plant and equipment (refer note 8)	-	-	4,020	-	4,020
At 31 December 2017	-	-	30,926	-	30,926
At 1 January 2018	-	-	30,926	-	30,926
Charge for the year	-	-	2,662	-	2,662
At 31 December 2018	-	-	33,588	-	33,588
Net book value					
At 31 December 2018	**78,270**	**18,497**	**37,140**	**56,300**	**190,207**
At 31 December 2017	78,270	18,497	37,936	-	134,703

9. Investment properties *(continued)*

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

(ii) The fair value of the entire portfolio of investment properties as at 31 December 2018 is AED 321 million *(2017: AED 339 million).*

(iii) The fair value of the investment properties as at 31 December 2018 has been arrived on the basis of a valuation report issued by an independent valuer. The valuer is registered in the United Arab Emirates. The valuations, which conform to international valuation standards, were arrived at by using sales comparable valuation approach taking into account the prevailing market conditions/anecdotal transactions evidence on similar property types, market perception and sentiments. Following significant unobservable inputs were used:

- Comparable market price of the undeveloped land is in the range of AED 470 to AED 850 per square foot *(2017: AED 500 to AED 900 per square foot)*;

- Comparable market price of the developed land is in the range of AED 570 to AED 900 per square foot *(2017: AED 600 to AED 950 per square foot)*;

- Comparable market price of the buildings is in the range of AED 670 to AED 950 per square foot *(2017: AED 700 to AED 1000 per square foot)*.

Estimate of fair value would change if the above mentioned unobservable inputs change.

(iv) Investment properties include properties rented to third parties amounting to AED 39 million *(2017: AED 41 million).*

(v) During the year ended 31 December 2018, the Group has earned rental income amounting to AED 2.9 million *(2017: AED 3 million)* after offsetting depreciation charge during the year (refer note 6).

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

Determination of fair value

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

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

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

9. Investment properties *(continued)*

Fair value hierarchy

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED '000
At 31 December 2018	**-**	**-**	**321,236**	**321,236**
	====	====	======	======
At 31 December 2017	-	-	339,105	339,105
	====	====	======	======

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

10(a) Investment in equity accounted investee

	2018 AED'000	2017 AED'000
Opening balance	**42,125**	42,125
Add: investment made during the year	**2,891**	-
	---------	---------
	45,016	42,125
Less: transferred to asset held for sale (refer note10(b))	**(45,016)**	-
	---------	----------
Closing balance	**-**	42,125
	=====	======

The investment in an associate represents a 35.19% *(2017: 34.48%)* holding in Autoline Industrial Parks Limited, an entity registered in India. The investment in Autoline Industrial Parks Limited was treated as an investment in an associate. The entity has not yet commenced commercial operations.

10(b) Asset held for sale

	2018 AED'000	2017 AED'000
Transferred from investment in equity investee (refer note10(a))	**45,016**	-
Less: disposal during the year (refer note below)	**(22,508)**	-
	---------	----
Closing balance	**22,508**	-
	=====	===

During the current year the management has resolved to divest the investment in Autoline Industrial Park Limited within next twelve months.

In December 2018, the Group divested 50% of the investment in Autoline Industrial Parks Limited for a total gross consideration of AED 39.08 million which is receivable over 33 months. The net consideration after discounting and deduction of the expected cost to sell is AED 28.4 million resulting in a gain of AED 5.9 million.

Management is in active discussion with few potential buyers to sell the remaining investment. In view of the recent sale transaction of part of the investment, management is of the view that carrying value is not expected to be higher than the fair value less cost to sell.

11. Investments

	2018 **AED'000**	2017 AED'000
Investments carried at FVTOCI		
Investment in quoted securities	**132,960**	-
Investment in unquoted securities	**33,831**	-
Investments carried as available for sale		
Investment in quoted securities	-	216,615
Investment in unquoted securities	-	31,323
	166,791	247,938
Investments carried at FVTPL		
Investment in quoted securities	**20,904**	9,203
	187,695	257,141
Quoted:		
UAE	**125,149**	159,174
Outside UAE	**28,715**	66,644
Unquoted:		
UAE	**5,100**	5,100
Outside UAE	**28,731**	26,223
	187,695	257,141

11.1 (a) Investments carried at FVTOCI

	2018 **AED'000**	2017 AED'000
Adjustment on initial application of IFRS 9		
Reclassification as investments carried at FVTOCI (refer note 4b)	**193,908**	-
Purchases made during the year	**16,416**	-
Net change in fair value	**(11,984)**	-
Disposals during the year	**(31,549)**	-
As at 31 December	**166,791**	-

11.1 (a) Investments carried at FVTOCI *(continued)*

Cumulative changes in fair value reserve of investment carried at FVTOCI

	2018 AED'000	2017 AED'000
As at 1 January (refer note 11.1 (b))	**40,580**	-
Adjustment on initial application of IFRS 9		
Transfer to retained earnings upon reclassification of investments carried at FVTOCI to FVTPL (refer note 4b)	**(8,588)**	-
Adjusted as at 1 January	**31,992**	-
Net change in fair value during the year	**(11,984)**	-
Less: transfer to retained earnings upon disposal	**(6,012)**	-
As at 31 December	**13,996**	-

11.1 (b) Available for sale investments

	2018 AED'000	2017 AED'000
As at 1 January	-	232,949
Purchase during the year	-	44,861
Net change in fair value	-	6,902
Disposals during the year	-	(36,774)
As at 31 December (refer note 4b)	-	247,938

11 Investments *(continued)*

11.1 (b) Available for sale investments *(continued)*

Cumulative changes in fair value reserve of available for sale investments

	2018 AED'000	2017 AED'000
As at 1 January	-	42,686
Net change in fair value during the year	-	6,902
Less: transferred to profit or loss (refer note 6)	-	(10,110)
Add: impairment loss recognised in profit or loss	-	1,102
	---	--------
As at 31 December (refer note 11.1 (a))	-	40,580
	==	=====

Sensitivity analysis – equity price risk

The Group's investments in quoted equity securities are listed on the Dubai Financial Market (DFM), Abu Dhabi Security Exchange (ADX), Kuwait Stock Exchange (KSE), National Stock Exchange of India Ltd (NSE) and Bahrain Stock Exchange (BSE). For quoted investments classified as FVTOCI/ available for sale, a 10 % increase/(decrease) in all of these stock exchanges at the reporting date would have increased OCI/(decreased OCI) by AED 13.3 million *(2017: AED 21.7 million)*.

Unquoted investments are carried at fair value of shares in the respective investee companies as at 31 December 2018. The fair value of these investments is determined by the management based on market comparable information related to the investee companies adjusted by significant assumptions.

11.2 Investments carried at FVTPL

Movement during the year as follows:

	2018 AED'000	2017 AED'000
As at 1 January	**9,203**	9,398
Adjustment on initial application of IFRS 9		
Reclassification from investments carried at as available for sale (refer note 4b)	**54,030**	-
	---------	--------
Adjusted opening balance	**63,233**	9,398
Purchases made during the year	**5,781**	6,935
Net change in fair value (refer note 6)	**3,663**	3,789
Disposals during the year	**(51,773)**	(10,919)
	----------	---------
As at 31 December	**20,904**	9,203
	=====	====

11.3 Other information

As at reporting date, the Group does not have any investments in or other exposure to Abraaj Group or any of the funds managed by Abraaj Group (31 December 2017: Nil).

11. Investments *(continued)*

11.4 Measurement of fair values

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

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

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

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

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

The management has reviewed fair value of investments at FVTOCI and accordingly, a fair valuation loss of AED 12 million has been recorded during the current year in other comprehensive income *(2017: AED 6.9 million)*.

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

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2017				
Available for sale investments	216,615	-	31,323	247,938
Trading securities at fair value through profit or loss	9,203	-	-	9,203
	225,818	-	31,323	257,141

12. Inventories

	2018	2017
	AED'000	AED'000
Raw materials	**70,434**	50,350
Work in progress and semi-finished goods	**153,649**	134,410
Finished goods	**16,087**	14,807
Stores and spares	**97,271**	96,987
	337,441	296,554
Less: provision for slow moving inventories	**(30,744)**	(30,744)
	306,697	265,810
Goods in transit	**9,128**	3,345
	315,825	269,155

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

	2018	2017
	AED'000	AED'000
At 1 January	**30,744**	32,693
Less: written off during the year	**-**	(1,949)
At 31 December	**30,744**	30,744

13. Trade and other receivables

	2018	2017
	AED'000	AED'000
Trade receivables	**234,018**	198,975
Less: allowance for impairment	**(7,202)**	(7,068)
	226,816	191,907
Prepayments and advances to suppliers	**12,628**	10,168
Receivable on sale of investment in equity accounted investee (refer note 10(a))	**28,446**	-
Deposits and other receivables*	**5,435**	3,708
	273,325	205,783

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

13. Trade and other receivables *(continued)*

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

	2018 AED'000	2017 AED'000
At 1 January	**7,068**	8,213
Add: provided during the year	**180**	55
Less: reversal during the year	**(46)**	(1,200)
At 31 December	**7,202**	7,068

14. Cash in hand and at bank

	2018 AED'000	2017 AED'000
Cash in hand	**476**	529
Cash at bank	**60,060**	51,495
	60,536	52,024

15. Trade and other payables

	2018 AED'000	2017 AED'000
Trade payables	**68,503**	66,732
Accruals and other payables	**52,470**	40,042
Unclaimed dividend payable to shareholders	**13,962**	13,143
Payable against construction of property, plant and equipment (refer note below)	**5,759**	2,010
	140,694	121,927

Payable against construction of property, plant and equipment mainly represents amount payable for paper sacks factory expansion, waste heat recovery system project, construction of cement mill and labour accommodation.

16. Bank borrowings

	2018	2017
	AED'000	AED'000
Long term borrowings:		
Term loans	**191,554**	79,169
Less: short term portion of term loans	**(28,863)**	(30,800)
	---------	---------
Long term portion of loan	**162,691**	48,369
	=====	=====
Short term borrowings:		
Short term loans	**229,342**	132,255
Current portion of term loans	**28,863**	30,800
	----------	----------
	258,205	163,055
	======	======

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

(ii) Insurance over plant and machinery have been assigned in favor of the banks .During the current year, the loan against which the insurance was provided has been settled and accordingly insurance over plant and machinery is released (refer note 8).

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

(iv) Bank borrowings are also subject to certain financial covenants. Testing for compliance with the financial covenants is done annually on 31 December. As at 31 December 2018, the Group had complied with the financial covenants as specified in the facility letters with the banks.

17. Provision for staff terminal benefits

	2018	2017
	AED'000	AED'000
At 1 January	**25,782**	25,206
Provision made during the year	**3,323**	4,205
Payments made during the year	**(1,308)**	(3,629)
	--------	--------
At 31 December	**27,797**	25,782
	=====	=====

18. Share capital

	2018	2017
	AED'000	AED'000
Authorised, issued and fully paid up:		
608,253,746 shares of AED 1 each		
(2017: 608,253,746 shares of AED 1 each)	**608,254**	608,254
	======	======

During 2017, the Group issued convertible Sukuk amounting to AED 55,295,795 in favor of Sharjah Social Security Fund which was converted into ordinary shares of the Company for an amount of AED 55,295,795 at par value of AED 1 for each share.

19. Statutory reserve

In accordance with Article 239 of the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, a minimum of 10% of the net profit of the Company is allocated every year to a non-distributable statutory reserve. Such allocation may be ceased when the statutory reserve equals half of the paid up share capital of the Company. This reserve is not available for distribution except in circumstances stipulated by the law. The Board of Directors have not proposed any further transfer to the statutory reserve as the reserve is in excess of 50% of the paid up share capital *(2017: Nil).*

20. General reserve

As per Company's Articles of Association, 10% of the profit for the year has to be transferred to general reserve until the reserve reaches 25% of the paid up share capital. This reserve is available for distribution at the recommendation of the directors and approval of shareholders in an ordinary general meeting. The Board of Directors have not proposed any further transfer to the general reserve as the reserve is in excess of 25% of the paid up share capital *(2017: Nil).*

21. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Group and the weighted average number of ordinary shares outstanding as at 31 December 2018, calculated as follows:

	2018	2017
Net profit for the year (AED'000)	**29,377**	64,785
	=====	=====
Weighted average number of shares outstanding ('000)	**608,254**	608,254
	======	======
Basic and diluted earnings per share (AED)	**0.048**	0.107
	====	====

22. Contingent liabilities and commitments

As at 31 December 2018, the Group has issued guarantees relating to performance bonds amounting to AED 2.6 million *(2017: AED 4.3 million)*, from which it is anticipated that no material liabilities will arise.

Estimated capital expenditure commitment at the reporting date amounted to AED 113.9 million *(2017: AED 154.3 million)*.

The Group also has commitments of AED 9.2 million *(2017: AED 13.8 million)* on account of investments made in securities and funds. The Group has to pay as and when calls are made by the fund managers/investee companies.

23. Dividend

Dividend declared

At the Annual General Meeting held on 15 April 2018, the shareholders approved cash dividend of AED 48.66 million *(2017: AED 44.24 million)* at AED 0.08 per share *(2017: AED 0.07 per share)*, as proposed by the Board of Directors, in respect of the year ended 31 December 2017. The dividend has been paid during the current year.

23. Dividend *(continued)*

Proposed cash dividend

At the Board of Directors Meeting held on 2 March 2019, the directors proposed a cash dividend of AED 39.5 million at AED 0.065 per share in respect of the year ended 31 December 2018, which is subject to the approval by the shareholders in the annual general meeting.

24. Segment reporting

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

Manufacturing segment	includes cement, paper sacks and ropes products.
Investment segment	includes investment and cash management for the Company's own account.

Investment segment is organised into two business units as follows:

- Investment and letting out properties in UAE.
- Investment in public and private equities and funds, mainly in GCC and Asia.

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

	2018	2017
	AED'000	AED'000
Manufacturing		
Revenue	**596,827**	649,969
Cost of sales	**(562,752)**	(592,811)
	---------	---------
Gross profit	**34,075**	57,158
Miscellaneous income	**626**	1,720
Expenses	**(10,689)**	(9,295)
	---------	---------
Net segment results	**24,012**	49,583
	---------	---------
Investment		
Income from investment in private and public equities and funds	**19,836**	28,567
Interest income	**275**	285
Other income	**-**	281
Impairment of available for sale investment	**-**	(1,102)
	--------	--------
	20,111	28,031
Income from investment properties	**5,606**	5,047
Depreciation	**(2,662)**	(2,003)
	--------	---------
Net segment results	**23,055**	31,075
	--------	---------
Finance costs	**(8,849)**	(8,871)
Unallocated expenses - Head office	**(8,841)**	(7,002)
	--------	--------
Profit for the year	**29,377**	64,785
	=====	=====

24. Segment reporting *(continued)*

Other information

	31 December 2018			31 December 2017		
	Manufacturing AED'000	**Investment AED'000**	**Total AED'000**	Manufacturing AED'000	Investment AED'000	Total AED'000
Segment assets	**1,598,944**	**433,227**	**2,032,171**	1,390,920	444,264	1,835,184
Segment liabilities	**588,297**	**1,090**	**589,387**	359,133	-	359,133
Depreciation	**56,272**	**2,662**	**58,934**	54,739	2,003	56,742
Capital expenditure	**168,850**	**51,604**	**220,454**	69,683	-	69,683

Geographical information

The following table presents revenue, asset and liability information regarding geographic segments for the years ended 31 December 2018 and 31 December 2017.

	31 December 2018			31 December 2017		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Revenue	**516,518**	**80,309**	**596,827**	492,291	157,678	649,969
Investment income	**12,567**	**10,488**	**23,055**	21,474	10,703	32,177

	31 December 2018			31 December 2017		
	Domestic AED'000	**International AED'000**	**Total AED'000**	Domestic AED'000	International AED'000	Total AED'000
Assets	**1,899,686**	**132,485**	**2,032,171**	1,672,736	162,448	1,835,184
Liabilities	**482,053**	**107,334**	**589,387**	291,086	68,047	359,133
Capital expenditure	**220,454**	**-**	**220,454**	69,683	-	69,683

25. Related parties transactions

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

Compensation of key management personnel is as follows:

	2018	2017
	AED'000	AED'000
Short term employee benefits and end of service benefits	**12,148**	13,188
	=====	=====
Number of key management personnel	**19**	22
	==	==
Director's fees (refer note below)	**2,000**	2,500
	====	====

At the Board of Directors meeting held on 2 March 2019, the directors proposed an appropriation for the directors' fee amounting to AED 2 million for the year ended 31 December 2018 which is subject to the approval by the shareholders in the annual general meeting. At the Annual General Meeting held on 15 April 2018, the shareholders approved the directors' fee amounting to AED 2.5 million for the year ended 31 December 2017.

26. Financial instruments

Financial assets comprise trade and other receivables and cash at bank. Financial liabilities comprise trade and other payables and borrowings. Accounting policies for financial assets and financial liabilities are set out in note 3.

a) Credit risk

Exposure to credit risk

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

	2018	2017
	AED'000	AED'000
Trade receivables (net of provision)	**226,816**	191,907
Deposits and other receivables	**5,435**	3,708
Cash at bank	**60,060**	51,495
	----------	----------
	292,311	247,110
	======	======

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

	2018	2017
	AED'000	AED'000
Domestic	**277,347**	220,946
Other GCC countries	**7,475**	13,076
Other regions	**7,489**	13,088
	----------	----------
	292,311	247,110
	======	======

26. Financial instruments *(continued)*

a) Credit risk *(continued)*

The age of trade receivables at the reporting date was:

	2018 Gross AED'000	**2018 Impairment AED'000**	2017 Gross AED'000	2017 Impairment AED'000
Past due 0-90 days	**134,113**	**-**	135,655	-
Past due 91-120 days	**34,828**	**-**	31,190	-
Past due more than 120 days	**65,077**	**(7,202)**	32,130	(7,068)
	234,018	**(7,202)**	198,975	(7,068)

The Group limits its exposure to credit risk by investing with counterparties that have credible market reputation. The Group's management does not expect any counterparty to fail to meet its obligations. There has been early repayment of other financial assets during the current year than the agreed schedule. The remaining balance is considered fully recoverable by management. Furthermore, based on IFRS 9 impairment model, the Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 as well as at 31 December 2018 has not resulted in additional impairment allowance.

Cash is placed with local and international banks of good repute.

b) Liquid risk

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

31 December 2018	**Carrying amount AED'000**	**Contractual cash flows AED'000**	**Less than 1 year AED'000**	**More than 1 year AED'000**
Non-derivative financial liabilities				
Trade and other payables	**134,935**	**134,935**	**134,935**	**-**
Payable against construction of property, plant and equipment	**5,759**	**5,759**	**5,759**	**-**
Bank borrowings	**420,896**	**440,888**	**270,469**	**170,419**
	561,590	**581,582**	**411,163**	**170,419**
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	119,917	119,917	119,917	-
Payable against construction of property, plant and equipment	2,010	2,010	2,010	-
Bank borrowings	211,424	219,881	170,043	49,838
	333,351	341,808	291,970	49,838

26. Financial instruments *(continued)*

c) Market risk

Currency risk

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

Interest rate risk

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

	2018	2017
	AED'000	AED'000
Fixed rate instruments		
Financial assets	**1,562**	874
	====	===
Variable rate instruments		
Financial liabilities	**420,896**	211,424
	======	======

Fair value sensitivity analysis for fixed interest rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Profit or loss	
	100 bp increase AED'000	**100 bp decrease AED'000**
31 December 2018	**(4,209)**	**4,209**
	=====	**====**
31 December 2017	(2,114)	2,114
	=====	====

Equity price risks

The Group is exposed to equity price risks arising from quoted investments. Refer note 11 for the equity price sensitivity analysis of these investments.

Fair values

The management of the Group believes that fair value of its financial assets and liabilities are not materially different from the carrying amount at the reporting date. Also refer notes 9 and 11.

27. Significant accounting judgments and estimates

Investment in securities

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

Estimate of fair value of financial instruments

The management uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 11 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Estimating useful lives of investment properties and own-use property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its investment properties and property, plant and equipment. The Group has carried out a review of the residual values and useful lives as at 31 December 2018 to assess the reasonableness of such estimates. Management has not highlighted any requirement for an adjustment to the residual lives and remaining useful lives of the assets for the current or future periods.

Provision for obsolete inventory

The Group reviews its inventory to assess loss on account of obsolescence on a regular basis. In determining whether provision for obsolescence should be recorded in profit or loss, the management of the Group makes judgments as to whether there is any observable data indicating that there is any future saleability of the product and the net realisable value for such product. Accordingly, provision for impairment is made where the net realisable value is less than cost based on best estimates by the management. The provision for obsolescence of inventory is based on the physical identification and the past movement of the inventory.

Impairment losses on receivables

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

Impairment losses on property, plant and equipment

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 recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a reduction in the carrying value of property, plant and equipment. 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.

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

Valuation of investment properties

Investment properties are accounted for using the cost model and are stated at cost less accumulated depreciation and impairment losses, if any. The fair values for buildings have been determined taking into consideration the related sales comparable approach having regard to market rental and transactional evidence. Fair values for lands have been determined having regard to recent market transactions for similar properties in the same location as the Group's investment properties. The fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. It is reasonably possible, based on existing knowledge, that the current assessments of fair values could require material adjustment within the next financial year due to changes in the market conditions and assumptions used.